

# THE DIETRICH W. BOTSTIBER FOUNDATION

Financial Statements

Years Ended August 31, 2019 and 2018



## **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, 2019 and 2018, 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, 2019 and 2018, 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.

## Emphasis of Matter

As discussed in Note 1 of the financial statements, The Dietrich W. Botstiber Foundation adopted Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities - *Presentation of Financial Statements for Not-for-Profit Entities*, as of and for the year ended August 31, 2019. Our opinion is not modified with respect to this matter.

A handwritten signature in cursive script that reads "Wipfli LLP".

February 24, 2020  
Philadelphia, Pennsylvania

# The Dietrich W. Botstiber Foundation

## Statements of Financial Position

<i>As of August 31, 2019 and 2018</i>	2019	2018
<b>ASSETS</b>		
Cash and cash equivalents	\$ 824,928	\$ 652,960
Investments	34,528,025	36,071,795
Accrued dividends	-	8,603
Prepaid rent and expenses	39,221	14,999
Prepaid federal excise tax	12,044	-
Prepaid foreign tax	48,544	34,110
Furniture and equipment, net	44,238	26,607
Beneficial interest in charitable remainder annuity trust	1,970,853	2,090,867
<b>Total Assets</b>	<b>\$ 37,467,853</b>	<b>\$ 38,899,941</b>
<b>LIABILITIES</b>		
Accounts payable and accrued payroll	\$ 20,867	\$ 19,671
Federal excise tax payable	-	21,079
Grants payable, net	1,091,061	1,653,073
Deferred federal excise tax	124,608	196,180
<b>Total Liabilities</b>	<b>1,236,536</b>	<b>1,890,003</b>
<b>NET ASSETS</b>		
Without donor restrictions	34,260,464	34,919,071
With donor restrictions	1,970,853	2,090,867
<b>Total Net Assets</b>	<b>36,231,317</b>	<b>37,009,938</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 37,467,853</b>	<b>\$ 38,899,941</b>

See Accompanying Notes to Financial Statements

# The Dietrich W. Botstiber Foundation

## Statement of Activities

<i>Year Ended August 31, 2019</i>	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES AND GAINS</b>			
Dividend and interest income	\$ 872,089	\$ -	\$ 872,089
Net realized and unrealized loss on investments	(392,552)	-	(392,552)
Other income	3,964	-	3,964
Change in value of charitable remainder annuity trust	-	(120,014)	(120,014)
Total Revenues and Gains	483,501	(120,014)	363,487
<b>EXPENSES</b>			
Program Services			
Scholarships	183,649	-	183,649
Austrian-American studies	460,536	-	460,536
Animal protection and other	399,738	-	399,738
Total Program Services	1,043,923	-	1,043,923
General and administrative	98,185	-	98,185
Total Expenses	1,142,108	-	1,142,108
CHANGE IN NET ASSETS	(658,607)	(120,014)	(778,621)
NET ASSETS - BEGINNING OF THE YEAR	34,919,071	2,090,867	37,009,938
NET ASSETS - END OF THE YEAR	\$ 34,260,464	\$ 1,970,853	\$ 36,231,317

See Accompanying Notes to Financial Statements

# The Dietrich W. Botstiber Foundation

## Statement of Activities

<i>Year Ended August 31, 2018</i>	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES AND GAINS</b>			
Dividends and interest	\$ 848,878	\$ -	\$ 848,878
Net realized and unrealized gain on investments	2,652,719	-	2,652,719
Other income	15,652	-	15,652
Change in value of charitable remainder annuity trust	-	132,928	132,928
<b>Total Revenues and Gains</b>	<b>3,517,249</b>	<b>132,928</b>	<b>3,650,177</b>
<b>EXPENSES</b>			
Program Services			
Scholarships	837,609	-	837,609
Austrian-American studies	294,457	-	294,457
Animal protection and other	309,350	-	309,350
<b>Total Program Services</b>	<b>1,441,416</b>	<b>-</b>	<b>1,441,416</b>
General and administrative	482,761	-	482,761
<b>Total Expenses</b>	<b>1,924,177</b>	<b>-</b>	<b>1,924,177</b>
<b>CHANGE IN NET ASSETS</b>	<b>1,593,072</b>	<b>132,928</b>	<b>1,726,000</b>
<b>NET ASSETS - BEGINNING OF THE YEAR</b>	<b>33,325,999</b>	<b>1,957,939</b>	<b>35,283,938</b>
<b>NET ASSETS - END OF THE YEAR</b>	<b>\$ 34,919,071</b>	<b>\$ 2,090,867</b>	<b>\$ 37,009,938</b>

See Accompanying Notes to Financial Statements

# The Dietrich W. Botstiber Foundation

## Statements of Cash Flows

<i>Years Ended August 31, 2019 and 2018</i>	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (778,621)	\$ 1,726,000
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	9,948	5,529
Realized and unrealized (gain) loss on investments	248,215	(2,778,946)
Change in value of interest in charitable remainder annuity trust	120,014	(132,928)
Change in certain operating assets and liabilities:		
Accrued dividends	8,603	2,254
Prepaid rent and expenses	(24,222)	(9,139)
Prepaid federal excise tax	(12,044)	9,362
Prepaid foreign tax	(14,434)	(34,110)
Accounts payable and accrued payroll	1,196	(7,248)
Federal excise tax payable	(21,079)	21,079
Grants payable, net	(562,012)	95,374
Deferred federal excise tax	(71,572)	109,231
<b>Net Cash Used in Operating Activities</b>	<b>(1,096,008)</b>	<b>(993,542)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(10,241,363)	(5,593,260)
Sales of investments	11,536,918	6,235,636
Purchase of furniture and equipment	(27,579)	(16,008)
<b>Net Cash Provided by Investing Activities</b>	<b>1,267,976</b>	<b>626,368</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>171,968</b>	<b>(367,174)</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF THE YEAR</b>	<b>652,960</b>	<b>1,020,134</b>
<b>CASH AND CASH EQUIVALENTS - END OF THE YEAR</b>	<b>\$ 824,928</b>	<b>\$ 652,960</b>

See Accompanying Notes to Financial Statements

# The Dietrich W. Botstiber Foundation

## Notes to Financial Statements

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### **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 reports information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions that expire either by the passage of time or can be fulfilled or otherwise removed by actions of the Foundation; and other net assets subject to donor-imposed restrictions that are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

#### **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

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### **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, 2019, by approximately \$462,000.

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. Dividends are recorded on the ex-dividend date. 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. Net realized and unrealized gains (losses) on investments is reported in the statement of activities and consists of realized and unrealized gains and losses, less investment expenses.

#### **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 3 for a discussion of fair value measurement.

#### **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.

# The Dietrich W. Botstiber Foundation

## Notes to Financial Statements

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

#### 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.

#### Functional Allocation of Expenses

The costs of providing the Foundation's programs and activities have been summarized by natural classification and by function in Note 8. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include rent and depreciation which are allocated on a square footage basis and certain salaries which are allocated on the basis of estimates of time and effort.

#### 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. On December 20, 2019, the President of the United States signed into law the 2020 appropriations bill which changes the 1% or 2% excise tax rate to a flat 1.39% excise tax, that will be applicable to the Foundation's tax year ending August, 31, 2021. 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 1.39% and 2% as of August 31, 2019 and 2018, respectively, resulting in a deferred tax (benefit) provision of approximately (\$71,500) and \$109,000 for the years ended August 31, 2019 and 2018, respectively. The current provision for excise tax expense was approximately \$13,000 and \$47,500 for the years ended August 31, 2019 and 2018, respectively.

#### Change in Accounting Policy

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Foundation has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented with the exception of certain omissions of prior year data as allowed under the standard. There was no impact on net assets from the application of this standard.

# The Dietrich W. Botstiber Foundation

## Notes to Financial Statements

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### Note 2: Liquidity and Availability of Financial Resources

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Financial Assets:	2019
Cash and cash equivalents	\$ 824,928
Investments	34,528,025
Financial assets available within one year	\$ 35,352,953

The Foundation maintains financial assets in liquid form such as cash and cash equivalents for approximately three months of operating expenses and grant commitments. The Foundation regularly monitors its liquidity so that it is able to meet its operating needs and other commitments while maximizing the investment return of its assets.

### Note 3: 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.

# The Dietrich W. Botstiber Foundation

## Notes to Financial Statements

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### Note 3: Fair Value Measurements (Continued)

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 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, 2019:

As of August 31, 2019	Total Assets at			
	Fair Value	(Level 1)	(Level 2)	(Level 3)
Mutual and exchange-traded funds				
Equity	\$ 14,281,151	\$ 14,281,151	\$ -	\$ -
International equity	8,637,435	8,637,435	-	-
Fixed income	5,893,980	5,893,980	-	-
Common stock				
Consumer goods and services	1,862,683	1,862,683	-	-
Energy	118,910	118,910	-	-
Information technology and telecommunication companies	1,346,006	1,346,006	-	-
Real estate	172,642	172,642	-	-
Healthcare	531,382	531,382	-	-
Financial services	598,387	598,387	-	-
Industrials	534,179	534,179	-	-
Other	551,270	551,270	-	-
<b>Total</b>	<b>\$ 34,528,025</b>	<b>\$ 34,528,025</b>	<b>\$ -</b>	<b>\$ -</b>

# The Dietrich W. Botstiber Foundation

## Notes to Financial Statements

### Note 3: 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, 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	8,769,081	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	-	-
<b>Total</b>	<b>\$ 36,071,795</b>	<b>\$ 36,071,795</b>	<b>\$ -</b>	<b>\$ -</b>

### Note 4: Furniture and Equipment, Net

A summary of furniture and equipment is as follows as of August 31, 2019 and 2018:

<i>As of August 31, 2019 and 2018</i>	2019	2018
Furniture, fixtures, and equipment	\$ 73,690	\$ 47,714
Less: accumulated depreciation	(29,452)	(21,107)
<b>Furniture and equipment, net</b>	<b>\$ 44,238</b>	<b>\$ 26,607</b>

Depreciation expense was \$9,948 and \$5,529 for the years ended August 31, 2019 and 2018, respectively.

# The Dietrich W. Botstiber Foundation

## Notes to Financial Statements

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### Note 5: 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 net assets with donor restrictions 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 \$147,000 and \$201,000 at August 31, 2019 and 2018, respectively.

### Note 6: Grants Payable, Net

Grants payable, net consisted of the following:

<i>As of August 31, 2019 and 2018</i>	2019	2018
Payable in less than one year	\$ 209,270	\$ 136,802
Payable in one to five years	892,793	1,540,104
	1,102,063	1,676,906
Less discount on long-term grants payable	(11,002)	(23,833)
<b>Total</b>	<b>\$ 1,091,061</b>	<b>\$ 1,653,073</b>

Grants payable as of August 31, 2019 and 2018 were discounted using the rate of 0.92%.

### Note 7: 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, 2019 and 2018 was \$35,412 and \$26,501, respectively.

As of August 31, 2019, the minimum future rental payments under this operating lease in the aggregate for the next year is \$29,970.

# The Dietrich W. Botstiber Foundation

## Notes to Financial Statements

### Note 8: Analysis of Expenses by Nature and Function

The costs of providing the Foundation's programs and activities have been summarized on a functional basis below.

<i>For the year ended August 31, 2019</i>	Programs			Total Programs	General and administrative	Total
	Scholarships	Austrian- American studies	Animal protection and other			
Grant distributions	\$ 171,597	\$ 182,301	\$ 174,447	\$ 528,345	-	\$ 528,345
Salaries	5,380	141,329	146,981	293,690	57,993	351,683
Professional fees	1,570	24,066	2,610	28,246	64,436	92,682
Conferences, travel and meetings	4,661	82,153	54,370	141,184	523	141,707
Rent	-	11,804	11,804	23,608	11,804	35,412
Office and other	373	1,711	860	2,944	8,698	11,642
Technology	68	8,629	4,863	13,560	550	14,110
Depreciation	-	3,316	3,316	6,632	3,316	9,948
Dues and subscription	-	5,227	487	5,714	1,847	7,561
Insurance	-	-	-	-	5,121	5,121
Federal excise tax (benefit)	-	-	-	-	(56,103)	(56,103)
<b>Total expenses</b>	<b>\$ 183,649</b>	<b>\$ 460,536</b>	<b>\$ 399,738</b>	<b>\$ 1,043,923</b>	<b>\$ 98,185</b>	<b>\$1,142,108</b>

<i>For the year ended August 31, 2018</i>	Program			Total Programs	General and administrative	Total
	Scholarships	Austrian- American Studies	Animal protection and other			
<b>Total expenses</b>	<b>\$ 837,609</b>	<b>\$ 294,457</b>	<b>\$ 309,350</b>	<b>\$ 1,441,416</b>	<b>\$ 482,761</b>	<b>\$1,924,177</b>

### Note 9: Subsequent Events

In preparing these financial statements, management of the Foundation has evaluated events and transactions for potential recognition or disclosure through February 24, 2020 the date the financial statements were available to be issued.