

**The Charles A. Dana Foundation,
Incorporated and Affiliates**

Combined Financial Statements

December 31, 2017 and 2016

Independent Auditors' Report

The Board of Directors The Charles A. Dana Foundation, Incorporated

We have audited the accompanying combined financial statements of The Charles A. Dana Foundation, Incorporated and Affiliates (the "Foundation"), which comprise the combined statements of financial position as of December 31, 2017 and 2016, and the related combined statements of activities and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of The Charles A. Dana Foundation, Incorporated and Affiliates as of December 31, 2017 and 2016, and the combined changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PKF O'Connor Davies, LLP

June 18, 2018

**The Charles A. Dana Foundation,
Incorporated and Affiliates**

Combined Statements of Financial Position

	December 31	
	2017	2016
ASSETS		
Cash and cash equivalents	\$ 18,154,426	\$ 13,042,120
Accounts and interest receivable	8,172	7,262
Prepaid federal excise and federal and state unrelated business income taxes	149,469	217,301
Investments	220,247,531	207,703,915
Prepaid expenses	130,113	122,312
Security deposits	130,405	130,405
Leasehold improvements, net of accumulated amortization of \$274,112 and \$234,238 for 2017 and 2016	136,326	176,200
	\$ 238,956,442	\$ 221,399,515
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 442,404	\$ 405,209
Unpaid grant awards	4,977,625	4,928,250
Deferred federal excise tax	1,100,000	600,000
Other deferred liabilities	235,868	305,290
Postretirement benefit obligation	4,039,570	3,783,637
Total Liabilities	10,795,467	10,022,386
Net assets, unrestricted	228,160,975	211,377,129
	\$ 238,956,442	\$ 221,399,515

See notes to combined financial statements

**The Charles A. Dana Foundation,
Incorporated and Affiliates**

Combined Statements of Activities

	Year Ended December 31	
	2017	2016
REALIZED INCOME AND SUPPORT		
Realized Investment Income		
Dividends and interest	\$ 500,929	\$ 638,411
Net income from partnership interests	9,831,090	8,708,426
Net realized (loss) gain from sales and redemptions of securities and limited partnership interests	(646,229)	2,615,219
	9,685,790	11,962,056
Less investment expenses	560,853	494,066
Net Realized Investment Income	9,124,937	11,467,990
Other income	26,090	859
Total Realized Income and Support	9,151,027	11,468,849
EXPENSES		
Grant awards	6,031,922	5,372,814
Direct charitable activities	5,816,932	6,351,005
Operations and governance	2,415,989	2,563,665
Federal excise and unrelated business tax provision	110,407	220,907
Total Expenses	14,375,250	14,508,391
Deficiency of Realized Income and Support Over Expenses	(5,224,223)	(3,039,542)
Unrealized appreciation of investments, net of provision for deferred federal excise tax of \$500,000 and \$50,000	21,926,748	3,487,196
Change in Net Assets Before Postretirement Benefit Obligation Adjustment	16,702,525	447,654
Postretirement benefit obligation adjustment	81,321	96,206
Change in Net Assets	16,783,846	543,860
NET ASSETS		
Beginning of year	211,377,129	210,833,269
End of year	\$ 228,160,975	\$ 211,377,129

See notes to combined financial statements

**The Charles A. Dana Foundation,
Incorporated and Affiliates**

Combined Statements of Cash Flows

	Year Ended December 31	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 16,783,846	\$ 543,860
Adjustments to reconcile change in net assets to net cash from operating activities		
Amortization	39,874	39,784
Net realized and unrealized gain on investments	(21,780,519)	(6,152,415)
Postretirement benefit obligation adjustment	(81,321)	(96,206)
Deferred federal excise tax	500,000	50,000
Net changes in operating assets and liabilities		
Accounts and interest receivable	(910)	1,732
Prepaid federal excise tax and federal and state unrelated business income taxes	67,832	(121,500)
Prepaid expenses	(7,801)	(53,694)
Accounts payable and accrued liabilities	37,195	40,101
Unpaid grant awards	49,375	(122,625)
Other deferred liabilities	(69,422)	(63,195)
Postretirement benefit obligation	337,254	511,022
Net Cash From Operating Activities	(4,124,597)	(5,423,136)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(13,481,275)	(16,398,166)
Proceeds from sale of investments	22,718,178	24,564,751
Net Cash From Investing Activities	9,236,903	8,166,585
Net Change in Cash and Cash Equivalents	5,112,306	2,743,449
CASH AND CASH EQUIVALENTS		
Beginning of year	13,042,120	10,298,671
End of year	\$ 18,154,426	\$ 13,042,120
SUPPLEMENTAL CASH FLOW INFORMATION		
Federal excise and unrelated business income taxes paid	\$ 100,000	\$ 340,000

See notes to combined financial statements

**The Charles A. Dana Foundation,
Incorporated and Affiliates**

Notes to Combined Financial Statements
December 31, 2017 and 2016

1. Organization

The Charles A. Dana Foundation, Incorporated (“Dana”) is a private philanthropic organization chartered in 1950 with a particular interest in neuroscience. Dana is a nonprofit organization exempt from Federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code (the “Code”), and is a private foundation as defined in Section 509(a) of the Code.

Dana Publications LLC (“Publications”) was organized in 2006 as a wholly-owned subsidiary of Dana to support the charitable activities of Dana.

The Dana Alliance for Brain Initiatives, Inc. (the “Alliance”) is a private philanthropic organization chartered in 1993. The principal purposes of the Alliance are to educate and inform the general public and interested professionals regarding advancement in research on the human brain, development of new effective treatments for brain diseases and the critical need for such research and development to be vigorously pursued and supported. The Alliance is a nonprofit organization exempt from Federal income taxes under the provisions of Section 501(c)(3) of the Code, and is a private foundation as defined in Section 509(a) of the Code.

European Dana Alliance for the Brain, LLC (“EDAB”), a wholly-owned subsidiary of the Alliance, was formed for the purpose of increasing public awareness in Europe of the latest developments in neuroscience.

2. Summary of Significant Accounting Policies

Principles of Combination

The accompanying combined financial statements include the accounts of Dana and the Alliance. These combined entities have common Boards and share the same mission and are referred to collectively as the “Foundation”, unless otherwise specifically referred to. All intercompany balances and transactions have been eliminated when combined.

Basis of Presentation and Use of Estimates

The accompanying combined financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents represent short-term investments with maturities at the time of purchase of three months or less. At times, cash balances may be in excess of FDIC insurance limit.

**The Charles A. Dana Foundation,
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Notes to Combined Financial Statements
December 31, 2017 and 2016

2. Summary of Significant Accounting Policies (continued)

Fair Value Measurements

The Foundation follows U.S. GAAP guidance on Fair Value Measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Pursuant to U.S. GAAP, alternative investments where fair value is measured using the Net Asset Value (“NAV”) per share as a practical expedient are not categorized with the fair value hierarchy.

Investments Valuation

Investments, other than cash, are carried at fair value. The fair value of alternative investments has been estimated using NAV as reported by the management of the respective alternative investment fund. U.S. GAAP guidance provides for the use of NAV as a “Practical Expedient” for estimating fair value of alternative investments. NAV reported by each alternative investment fund is used as a practical expedient to estimate the fair value of the Foundation’s interest therein.

Investment Income Recognition

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized gains and losses on the sale of investments are computed on the specific identification basis. Realized and unrealized gains and losses are included in the determination of the change in net assets.

Investments Risks and Uncertainties

Alternative investments consist of non-traditional, not readily marketable investments, some of which may be structured as offshore limited partnerships, venture capital funds, hedge funds, private equity funds and common trust funds. The underlying investments of such funds, whether invested in stock or other securities, are generally not currently traded in a public market and typically are subject to restrictions on resale. Values determined by investment managers and general partners of underlying securities that are thinly traded or not traded in an active market may be based on historical cost, appraisals, a review of the investees’ financial results, financial condition and prospects, together with comparisons to similar companies for which quoted market prices are available or other estimates that require varying degrees of judgment.

**The Charles A. Dana Foundation,
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Notes to Combined Financial Statements
December 31, 2017 and 2016

2. Summary of Significant Accounting Policies (continued)

Investments Risks and Uncertainties (continued)

Because of the inherent uncertainty of valuations, the estimated fair values may differ significantly from the values that would have been used had a ready market for such investments existed or had such investments been liquidated, and those differences could be material.

Leasehold Improvements

Leasehold improvements are stated at cost and amortized over the term of the office lease. Furniture, fixtures and equipment purchased during the course of normal business activities are charged to operations when purchased.

Grant Expense

The Foundation recognizes grant expense upon award of the grant.

Postretirement Benefit Plan

The Foundation follows U.S. GAAP guidance on defined benefit plans, which requires the Foundation to recognize the funded status of its postretirement medical and health benefits as an asset or liability in its combined statements of financial position with a corresponding adjustment to change in net assets in the combined statements of activities. The adjustment to change in net assets represents the balance of unrecognized actuarial gains/(losses) that will be subsequently recognized within net periodic cost in the future.

Presentation of Net Assets

Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the Foundation's net assets and changes therein are classified as permanently restricted, temporarily restricted or unrestricted. The Foundation does not have any permanently restricted net assets.

Accounting for Uncertainty in Income Taxes

The Foundation's accounting policy is to provide liabilities for uncertain income tax positions when a liability is probable and estimable. Management is not aware of any violation of its tax status as a foundation exempt from income taxes. Dana and the Alliance are no longer subject to examinations by applicable taxing jurisdictions for periods prior to December 31, 2014.

**The Charles A. Dana Foundation,
Incorporated and Affiliates**

Notes to Combined Financial Statements
December 31, 2017 and 2016

2. Summary of Significant Accounting Policies (continued)

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the combined financial statements through the date that the combined financial statements were available to be issued, which date is June 18, 2018.

3. Investments

The following tables summarize the fair value of investments valued at fair value on a recurring basis along with cash and cash equivalents, at cost, at December 31, grouped by the fair value hierarchy, for those investments subject to categorization within such hierarchy:

Description	2017		
	Level 1	Other Investments Measured at Net Asset Value (*)	Total
Commodities (Gold)	\$ 9,784,707	\$ -	\$ 9,784,707
Marketable Securities			
Consumer	5,428,721	-	5,428,721
Financial	6,478,963	-	6,478,963
Technology	4,679,016	-	4,679,016
Other industries	1,618,876	-	1,618,876
Mutual funds	14,984,221	-	14,984,221
Hedge Funds			-
Equity long/short	-	33,161,996	33,161,996
Global opportunities	-	60,841,188	60,841,188
Absolute returns (a)	-	52,870,675	52,870,675
Private equity investments (a)	-	15,280,774	15,280,774
Venture capital investments (a)	-	8,049,373	8,049,373
Real assets (a)	-	7,069,021	7,069,021
Total Investments at Fair Value	<u>\$ 42,974,504</u>	<u>\$ 177,273,027</u>	<u>\$ 220,247,531</u>

**The Charles A. Dana Foundation,
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Notes to Combined Financial Statements
December 31, 2017 and 2016

3. Investments (continued)

Description	2016		
	Level 1	Other Investments Measured at Net Asset Value (*)	Total
Commodities (Gold)	\$ 8,684,970	\$ -	\$ 8,684,970
Marketable Securities			
Consumer	3,876,638	-	3,876,638
Financial	5,061,694	-	5,061,694
Technology	3,628,071	-	3,628,071
Other industries	1,370,849	-	1,370,849
Mutual funds	20,291,124	-	20,291,124
Hedge Funds			
Equity long/short	-	26,780,056	26,780,056
Global opportunities	-	47,087,273	47,087,273
Absolute returns (a)	-	51,426,613	51,426,613
Private equity investments (a)	-	18,113,295	18,113,295
Venture capital investments (a)	-	8,937,645	8,937,645
Real assets (a)	-	7,155,347	7,155,347
Total at Fair Value	<u>\$ 42,913,346</u>	<u>\$ 159,500,229</u>	<u>\$ 202,413,575</u>
Cash and cash equivalents, at cost			<u>5,290,340</u>
Total Investments			<u>\$ 207,703,915</u>

(*) As discussed in Note 2, investments that are measured using the practical expedient are not classified within the fair value hierarchy.

(a) Based on its analysis of the nature and risks of these investments, the Foundation has determined that presenting them as a single class is appropriate.

As of December 31, 2017 and 2016, one individual investment represented approximately 15% and 13% of total investments.

Information regarding alternative investments valued at NAV using the practical expedient at December 31, 2017 is as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Equity long/short hedge funds (see "a" below)	\$ 33,161,996	\$ -	Quarterly	60 days
Global opportunity hedge funds (see "b" below)	60,841,188	-	Weekly/Monthly/Quarterly	10 to 60 days
Absolute return investments (see "c" below)	52,870,675	-	Quarterly/Annual	45 to 95 days
Private equity investments (see "d" below)	15,280,774	8,299,622	Locked 2018 to 2029	N/A
Venture capital funds (see "e" below)	8,049,373	683,333	Locked until 2019	N/A
Real asset investments (see "f" below)	7,069,021	832,500	Monthly/Locked until 2019 and 2024	30 days
	<u>\$ 177,273,027</u>	<u>\$ 9,815,455</u>		

**The Charles A. Dana Foundation,
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Notes to Combined Financial Statements
December 31, 2017 and 2016

3. Investments (continued)

- (a) This investment seeks to outperform the S&P 500 Index by 2% to 4% per year using a risk-controlled industry-neutral, analyst driven portfolio management approach. The investment process emphasizes intra-industry investment opportunities.
- (b) This class includes investment managers that take a bottoms-up approach to their investment methodology, seeking long term capital appreciation. They place a focus on meeting management, analyzing market positions and financial metrics. There are seven investments in this class.
- (c) Some of this class looks to invest in a vast universe of hedge funds that allows it to diversify its investments and risks and generate absolute returns. Others in this class look to achieve an absolute return strategy through hedging their investments using various trading techniques, while trading both equities and debt. These investments generally have a year-end withdrawal date, with appropriate notice. There are six investments in this class.
- (d) This category is primarily represented by investments that take a fund-of-funds or secondary fund approach. Using their vast array of contacts and research, they seek out the best private equity investment managers for their portfolios. This category is highly diversified and is represented by eight active private investment partnerships and seven that are in various stages of liquidation.
- (e) This class is represented by two investments. Both investments focus on investing in venture partnerships that invest in technology-based and healthcare companies, at the seed and early stage levels.
- (f) This category is invested in a Master Limited Partnership (MLP), and two private equity funds which invest in various natural resource opportunities. These investments represent a diversified group of natural resources, including the oil and gas sector, mining, oilfield services, energy infrastructure, and, to a lesser extent, opportunistic sectors including clean energy, agriculture, and timber.

4. Taxes

Dana and the Alliance are both subject to a Federal excise tax of 2% of their net investment income. This tax is reduced to 1% if certain distribution requirements are met. Dana provides for deferred Federal excise tax at 2% on the net unrealized appreciation in the fair value of investments. In addition, Dana's investment in certain alternative investments gives rise to unrelated business income taxed at general corporate rates. The Alliance did not have any investments during 2017 and 2016.

5. Retirement Plan

Retirement benefits under a defined contribution plan are provided to full-time employees who have completed six months of continuous service. Dana makes contributions to the plan equal to 15% of employee compensation, as defined in the plan document, subject to statutory limitations. Retirement plan expense was \$345,186 and \$431,552 for 2017 and 2016.

**The Charles A. Dana Foundation,
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Notes to Combined Financial Statements
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6. Postretirement Healthcare Benefits

In addition to the retirement plan, Dana sponsors an unfunded plan to provide certain health care benefits for retirees of Dana and the Alliance. Dana funds its postretirement benefits costs on a pay as you go basis.

Information as of and for the years ended December 31, for the plan is as follows:

	<u>2017</u>	<u>2016</u>
Benefit obligation at end of year	\$ 4,039,570	\$ 3,783,637
Net postretirement benefit costs	379,807	358,929
Unrecognized actuarial gain	(81,321)	(96,206)
Benefits paid	42,553	40,319
Discount rate used	3.56%	4.10%

Components of Net Periodic Expense
for the Year

Service cost	\$ 225,550	\$ 215,271
Interest cost	<u>154,257</u>	<u>143,658</u>
	<u>\$ 379,807</u>	<u>\$ 358,929</u>

	<u>2017</u>	<u>2016</u>
Effect of a one-percent point increase in HCCTR* on		
Year end benefit obligation	\$ 808,818	\$ 1,089,979
Total of service and interest cost component	(12,249)	92,433
Effect of a one-percent point decrease in HCCTR* on		
Year end benefit obligation	(600,352)	(266,462)
Total of service and interest cost component	(143,708)	(50,347)

* Health Care Cost Trend Rate

Measurements used to determine the postretirement benefit obligation for 2017 and 2016 were computed as of December 31.

**The Charles A. Dana Foundation,
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Notes to Combined Financial Statements
December 31, 2017 and 2016

6. Postretirement Healthcare Benefits (continued)

For measurement purposes, a 7.25% annual rate of increase in per capita cost of covered health benefits was assumed for 2017, decreasing to 5% in 2022 and thereafter.

Net benefits expected to be paid in each of the next five years and the following five years in the aggregate are as follows:

2018	\$ 132,820
2019	128,473
2020	133,692
2021	169,440
2022	195,573
5 years thereafter	1,035,136

7. Lease Commitments

The Foundation leases office space in New York City. The office space lease is for the period beginning February 1, 2011 and ending in May 2021.

As of December 31, 2017 future minimum annual rental payments are as follows:

2018	\$ 853,560
2019	853,560
2020	853,560
2021	355,650
	<u>\$ 2,916,330</u>

The lease agreement requires additional payments to cover the escalation of maintenance costs and real estate taxes. The Foundation records its rental expense on the straight-line basis. Rental expense included in the combined statements of activities, amounted to \$994,393 in 2017 and \$1,137,127 in 2016.

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