

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

Combined Financial Statements

December 31, 2009



O'Connor Davies Munns & Dobbins, llp
ACCOUNTANTS AND CONSULTANTS

Independent Auditors' Report

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

We have audited the accompanying combined statements of financial position of The Charles A. Dana Foundation, Incorporated and Affiliates (the "Foundation") as of December 31, 2009 and 2008, and the related combined statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Charles A. Dana Foundation, Incorporated and Affiliates as of December 31, 2009 and 2008, and the changes in their combined net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

O'Connor Davies Munns & Dobbins, LLP

New York, New York
June 16, 2010

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

Combined Statements of Financial Position

December 31,

	2009	2008
ASSETS		
Cash and cash equivalents	\$ 7,987,166	\$ 3,340,501
Accounts and interest receivable	25,044	302,531
Prepaid Federal excise tax	75,785	65,000
Investments	233,219,799	210,927,468
Prepaid expenses	857,809	949,547
Leasehold improvements, net of accumulated amortization of \$2,178,217 and \$1,890,341 for 2009 and 2008	957,765	1,245,640
	\$ 243,123,368	\$ 216,830,687
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 219,129	\$ 331,626
Unpaid grant awards	20,745,060	25,752,384
Deferred Federal excise tax	310,000	-
Other deferred liabilities	576,827	733,499
Postretirement benefit obligation	1,877,569	2,257,523
Total Liabilities	23,728,585	29,075,032
Net Assets		
Unrestricted net assets	219,394,783	187,755,655
	\$ 243,123,368	\$ 216,830,687

See notes to combined financial statements

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

Combined Statements of Activities

Years Ended December 31,

	2009	2008
REALIZED INCOME		
Realized Investment Income		
Dividends and interest	\$ 1,875,464	\$ 4,029,364
Net (loss) income from partnership interests	(5,429,461)	6,969,818
Net realized (loss) gain from sales and redemptions of securities and limited partnership interests	(8,915,362)	6,648,617
	(12,469,359)	17,647,799
Less investment expenses	701,023	1,136,038
Net Realized Investment (Loss) Income	(13,170,382)	16,511,761
Other Contributions	80,000	-
Foreign exchange gain (loss)	5,661	(14,015)
Net Realized (Loss) Income	(13,084,721)	16,497,746
EXPENSES		
Grant awards	6,206,312	16,691,983
Direct charitable activities	8,777,079	10,075,850
Operations and governance	2,752,898	2,921,934
(Benefit) provision for taxes	(5,624)	312,920
Total Expenses	17,730,665	30,002,687
Deficiency of Net Realized (Loss) Income Over Expenses	(30,815,386)	(13,504,941)
Unrealized appreciation (depreciation) of investments, net of provision (benefit) for deferred Federal excise tax, \$310,000 and (\$1,336,038) for 2009 and 2008	61,934,386	(106,711,874)
Change in Net Assets Before Postretirement Benefit Obligation Adjustment	31,119,000	(120,216,815)
Postretirement Benefit Obligation Adjustment	520,128	99,440
Change in Net Assets	31,639,128	(120,117,375)
NET ASSETS		
Beginning of year	187,755,655	307,873,030
End of year	\$ 219,394,783	\$ 187,755,655

See notes to combined financial statements

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

Combined Statements of Cash Flows

Years Ended December 31,

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 31,639,128	\$ (120,117,375)
Adjustments to reconcile change in net assets to cash from operating activities		
Postretirement benefit obligation adjustment	520,128	99,440
Amortization	287,875	287,875
Realized loss (gains) from sale of investments	8,915,362	(13,618,435)
Unrealized (gain) loss on investments	(62,244,386)	108,047,912
Deferred Federal excise tax	310,000	(1,336,038)
Postretirement benefit obligation	(900,082)	116,017
Net changes in operating assets and liabilities		
Accounts and interest receivable	277,487	3,095,203
Prepaid Federal excise tax	(10,785)	(65,000)
Prepaid expenses	91,738	118,933
Accounts payable and accrued liabilities	(112,497)	(1,064,307)
Unpaid grant awards	(5,007,324)	191,909
Taxes payable	-	(47,000)
Other deferred liabilities	(156,672)	(136,368)
Net Cash From Operating Activities	(26,390,028)	(24,427,234)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(189,352,092)	(229,643,339)
Proceeds from sale of investments	220,388,785	247,978,534
Net Cash From Investing Activities	31,036,693	18,335,195
Net Change in Cash and Cash Equivalents	4,646,665	(6,092,039)
CASH AND CASH EQUIVALENTS		
Beginning of year	3,340,501	9,432,540
End of year	\$ 7,987,166	\$ 3,340,501
SUPPLEMENTAL CASH FLOW INFORMATION		
Federal excise and unrelated business income taxes paid	\$ 27,500	\$ 335,392

See notes to combined financial statements

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

Notes to Combined Financial Statements

1. Organization

The Charles A. Dana Foundation, Incorporated (the “Foundation”) is a private philanthropic organization chartered in 1950 with particular interests in neuroscience, immunology, and arts education. The Foundation 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 the Foundation to support the charitable activities of the Foundation.

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 Internal Revenue Code (the Code), and is a private foundation as defined in Section 509(a) of the Code. In 1998, the Dana Alliance Limited (DAL) was organized in the United Kingdom, as a wholly-owned subsidiary of the Alliance, with the purpose of increasing public awareness in Europe of the latest developments in neuroscience. The accompanying financial statements include the consolidation of the Alliance and DAL.

2. Summary of Significant Accounting Policies

Principles of Combination

The accompanying combined financial statements include the accounts of all the above organizations on a combined basis. These combined entities share the same mission and are referred to collectively as the “Foundation”, unless otherwise specifically referred to. All inter-company accounts and transactions have been eliminated when combined.

Use of Estimates

The Foundation prepared these financial statements to conform with accounting principles generally accepted in the United States of America. These principles require the Foundation to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent liabilities as of the report’s date, as well as the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

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

Notes to Combined Financial Statements

2. Summary of Significant Accounting Policies (continued)

Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor imposed restrictions. The Foundation's net assets are neither permanently nor temporarily restricted by donor-imposed restrictions and are classified as unrestricted.

Cash Equivalents

Cash equivalents represent short-term investments with maturities at the time of purchase of three months or less.

Fair Value Measurements

The Foundation follows the Financial Accounting Standards Board (FASB) 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.

Investments Valuation

Investments are carried at fair value. The fair value of alternative investments has been estimated using the Net Asset Value ("NAV") as reported by the management of the respective alternative investment fund. FASB 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 and their classification within Level 2 or 3 is based on the Foundation's ability to redeem its interest in the near term.

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.

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

Notes to Combined Financial Statements

2. Summary of Significant Accounting Policies (continued)

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.

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.

Grant Expense

The Foundation recognizes grant expense upon award of the grant.

Fixed Assets and Leasehold Improvements

Leasehold improvements are amortized over the terms of the office leases. Furniture, fixtures and equipment purchased during the course of normal business activities are charged to operations when purchased.

Foreign Currency Translation

The functional currency of DAL is the US dollar and was determined after evaluating operating factors. Gains and losses resulting from translation of the financial statements of the subsidiary are included in the statement of activities.

Postretirement Benefit Plan

The Foundation follows FASB guidance on defined benefit plans which requires the Foundation to recognize the funded status of the Foundation's postretirement medical and health benefits as an asset or liability in its consolidated statement of financial position with a corresponding adjustment to change in net assets in the statement of activities. The adjustment to change in net assets represents the balance of unrecognized actuarial gains that will be subsequently recognized within net periodic cost in the future.

**The Charles A. Dana Foundation,
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Notes to Combined Financial Statements

2. Summary of Significant Accounting Policies (continued)

Reclassification

Certain amounts in the 2008 financial statements have been reclassified to conform to 2009 presentation.

Accounting for Uncertainty in Income Taxes

The Foundation's current 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. The Foundation is no longer subject to audits by applicable taxing jurisdictions for periods prior to December 31, 2006.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is June 16, 2010.

3. Investments

The following are major categories of investments measured at fair value on a recurring basis at December 31, grouped by fair value hierarchy:

	2009			
	Level 1	Level 2	Level 3	Total
Fixed Income Securities				
Government	\$ 10,196,656	\$ -	\$ -	\$ 10,196,656
Pooled funds	800,441	-	-	800,441
Corporate	<u>1,814,147</u>	-	<u>260,000</u>	<u>2,074,147</u>
	12,811,244	-	260,000	13,071,244
Common stock	9,450,091	-	-	9,450,091
Mutual funds	64,916,866	274,352	-	65,191,218
Limited partnerships	<u>-</u>	<u>81,772,323</u>	<u>63,734,923</u>	<u>145,507,246</u>
Total	<u>\$ 87,178,201</u>	<u>\$ 82,046,675</u>	<u>\$ 63,994,923</u>	<u>\$ 233,219,799</u>

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

Notes to Combined Financial Statements

3. Investments (continued)

	2008			Total
	Level 1	Level 2	Level 3	
Fixed Income Securities				
Government	\$ 13,502,182	\$ -	\$ 445,100	\$ 13,947,282
Corporate	<u>9,319,716</u>	<u>-</u>	<u>4,321,916</u>	<u>13,641,632</u>
	22,821,898	-	4,767,016	27,588,914
Common stock	7,928,475	-	-	7,928,475
Mutual funds	32,977,456	7,824,543	-	40,801,999
Limited partnerships	<u>-</u>	<u>72,437,509</u>	<u>62,170,571</u>	<u>134,608,080</u>
 Total	 <u>\$ 63,727,829</u>	 <u>\$ 80,262,052</u>	 <u>\$ 66,937,587</u>	 <u>\$ 210,927,468</u>

The following is a reconciliation of the beginning and ending balances for investments measured at fair value using significant unobservable inputs (Level 3) during the year ended December 31:

	2009	2008
Beginning balance	\$ 66,937,587	\$ 70,347,882
Total realized (losses)/gains		
included in changes in net assets	(2,689,452)	2,978,326
Unrealized gains/(losses) relating to instruments		
still held at the reporting date included in earnings	8,718,128	(20,054,090)
Purchases, issuances and settlements	<u>(8,971,340)</u>	<u>13,665,469</u>
Ending balance	<u>\$ 63,994,923</u>	<u>\$ 66,937,587</u>

**The Charles A. Dana Foundation,
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Notes to Combined Financial Statements

3. Investments (continued)

Information regarding Level 3 investments at December 31, 2009 is as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Private Equity & Venture Capital				
Abbott Capital Fund II	\$ 1,027,378	\$ 165,000	Locked - 12/31/11	N/A
Abbott Capital Fund IV	4,984,731	975,000	Locked - 06/30/13	N/A
Abbott Capital Fund V	2,128,843	2,475,000	Locked - 05/25/17	N/A
Abbott Capital Fund VI	192,036	4,725,000	Locked - 03/31/20	N/A
Commonfund Capital Venture Partners VIII	1,225,155	3,712,500	Locked - 05/30/19	N/A
Commonfund International Private Equity VI	1,872,830	5,512,500	Locked - 01/24/19	N/A
Commonfund Private Equity- VII	835,297	4,057,500	Locked - 01/24/19	N/A
Commonfund Private Equity-VI	2,642,471	1,637,500	Locked - 03/31/17	N/A
Flag Real Assets	978,401	2,720,000	Locked - 12/31/19	N/A
Knightsbridge Venture Capital	2,861,711	1,650,000	Locked - 08/03/19	N/A
Oak Hill Capital Partners	1,675,570	6,242	Locked - 02/25/11	N/A
Oak Hill Capital Partners Bermuda	493,176	-	Locked - 02/25/11	N/A
Sovereign New Millenium Fund	935,576	76,345	Locked - 12/31/10	90 days
TIFF Partners III L.P.	1,622,827	550,000	Locked - 12/31/10	N/A
TIFF Partners IV L.P.	2,842,798	450,000	Locked - 12/31/12	N/A
TIFF Secondary Partners (TSP) TIFF I	519,325	104,789	Locked - 12/31/15	N/A
Absolute Return				
Adamas Opportunities L.P.	2,956,030		Yearly, 12/31	90 days
Adamas Opportunities L.P.	3,076,685	-	Locked - 12/31/11	90 days
Adamas Partners L.P.	5,456,258	-	Yearly, 12/31	90 days
Black Bear Offshore Fund - Offshore	73,209	-	In Liquidation	N/A
Forester Capital-B	5,135,419	-	Locked - 3/31/11	60 days
Greenlight Capital Offshore	766,169	-	Yearly, 06/30	45 days
Greenlight Capital Offshore	2,544,265	-	Locked - 06/30/11	N/A
Hintz , Holman & Rubillard - Jubilee Tax Exempt	3,199,061	-	Yearly, 12/31	60 days
King Street Capital	6,027,146	-	25% - Quarterly	65 days
Nyes Ledge Capital Fund	3,094,240	-	Yearly, 12/31	90 days
Real Assets				
Chilton Global Natural Resources	4,568,316	-	Yearly, 12/31	60 days
Other				
Aberdeen Bond Fund	260,000	-	In Liquidation	N/A
Total	<u>\$ 63,994,923</u>	<u>\$ 28,817,376</u>		

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

Notes to Combined Financial Statements

4. Taxes

The Foundation is subject to a Federal excise tax of 2% of its net investment income. This tax is reduced to 1% if certain distribution requirements are met. In addition, the Foundation provides for deferred Federal excise tax at 2% on the net unrealized appreciation in the fair value of investments.

The Alliance is also subject to a Federal excise tax of 2% of its net investment income.

5. Retirement Plan

Retirement benefits under a defined contribution plan are provided to full-time employees who have completed six months of continuous service. Retirement plan expense was \$693,168 for the year ended December 31, 2009 and \$654,809 for the year ended December 31, 2008.

6. Postretirement Healthcare Benefits

In addition to the above retirement plan, the Foundation sponsors an unfunded plan to provide certain health care benefits for retirees of the Foundation and the Alliance. The Foundation 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>2009</u>	<u>2008</u>
Benefit Obligation (Funded Status)		
at End of Year	\$ 1,877,569	\$ 2,257,523
Net postretirement benefit costs	192,273	346,287
Unrecognized actuarial gain	520,128	99,440
Benefits paid	52,099	31,390
Discount rate used	5.89%	5.82%

Measurements used to determine the postretirement benefit obligation for the years ended 2009 and 2008 were computed as of December 31.

**The Charles A. Dana Foundation,
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Notes to Combined Financial Statements

6. Postretirement Healthcare Benefits (continued)

For measurement purposes, an 8.5% annual rate of increase in per capita cost of covered health benefits was assumed for 2009, decreasing to 5% in 2012 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:

2010	\$ 89,813
2011	136,281
2012	135,895
2013	141,358
2014	140,564
5 years thereafter	587,492

7. Commitments

Leases

The Foundation leases office space in New York City and Washington D.C. under amended lease agreements. As of December 31, 2009 future minimum annual rental payments are as follows:

2010	\$ 1,617,667
2011	1,639,220
2012	1,402,199
2013	<u>568,540</u>
	<u>\$ 5,227,626</u>

The lease agreements require additional payments to cover the escalation of maintenance costs and real estate taxes. Rental expense included in the statements of activities, amounted to \$1,768,032 in 2009 and \$1,777,712 in 2008. The aforementioned rent expense is net of allocations of rent expense to the Alliance which amounts have been included within grant expense.

DAL occupies office space in the United Kingdom pursuant to a lease agreement. The Alliance made one advance rent payment in the amount of \$1,419,847 in 2004 covering the 15-year lease term which expires in August 2019. This prepayment is being amortized as rent expense over the term of the lease. Rental expense included in the statement of activities amounted to \$115,837 in 2009 and \$120,300 in 2008.