The Charles A. Dana Foundation, Incorporated and Affiliates

Combined Financial Statements

December 31, 2018 and 2017

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, 2018 and 2017, 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.

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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, 2018 and 2017, 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.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, during the year ended December 31, 2018 The Charles A. Dana Foundation, Incorporated and Affiliates adopted new accounting guidance resulting in a change in the manner in which they present net assets and reports certain aspects of their combined financial statements. Our opinion is not modified with respect to this matter.

PKF O'Connor Davies, LLP

June 13, 2019

The Charles A. Dana Foundation,
Incorporated and Affiliates

Combined Statements of Financial Position

	December 31 2018	December 31 2017
ASSETS		
Cash and cash equivalents	$ 9,695,037	$ 18,154,426
Accounts and interest receivable	5,692	8,172
Prepaid federal excise and federal and state unrelated business income taxes	-	149,469
Investments	201,368,827	220,247,531
Prepaid expenses	129,591	130,113
Security deposits	130,405	130,405
Leasehold improvements, net of accumulated amortization of $313,986 and $274,112 for 2018 and 2017	96,452	136,326
	$ 211,426,004	$ 238,956,442
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 356,589	$ 442,404
Unpaid grant awards	4,125,000	4,977,625
Federal excise tax and federal and state unrelated business income taxes payable	284,000	-
Deferred federal excise tax	400,000	1,100,000
Other deferred liabilities	166,446	235,868
Postretirement benefit obligation	3,945,818	4,039,570
Total Liabilities	9,277,853	10,795,467
Net assets, without donor restrictions	202,148,151	228,160,975
	$ 211,426,004	$ 238,956,442

See notes to combined financial statements

The Charles A. Dana Foundation,
Incorporated and Affiliates

Combined Statements of Activities

	Year Ended December 31	
	2018	2017
INCOME		
Investment Return		
Dividends and interest	$ 967,090	$ 500,929
Net income from partnership interests	17,740,559	9,831,090
Net realized gain (loss) from sales and redemptions of securities and limited partnership interests	1,844,087	(646,229)
Unrealized (depreciation) appreciation of investments	(32,936,557)	22,426,748
	(12,384,821)	32,112,538
Less investment expenses	672,428	560,853
Investment Return	(13,057,249)	31,551,685
Other income	10,052	26,090
Total Income	(13,047,197)	31,577,775
EXPENSES		
Grant awards	5,077,150	6,031,922
Direct charitable activities	6,407,453	5,816,932
Operations and governance	2,052,468	2,415,989
Federal excise and unrelated business tax provision	484,143	110,407
Deferred federal excise tax (benefit) provision	(700,000)	500,000
Total Expenses	13,321,214	14,875,250
Change in Net Assets Before Postretirement Benefit Obligation Adjustment	(26,368,411)	16,702,525
Postretirement benefit obligation adjustment	355,587	81,321
Change in Net Assets	(26,012,824)	16,783,846
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Beginning of year	228,160,975	211,377,129
End of year	$ 202,148,151	$ 228,160,975

See notes to combined financial statements

The Charles A. Dana Foundation,
Incorporated and Affiliates

Combined Statements of Cash Flows

	Year Ended December 31	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (26,012,824)	$ 16,783,846
Adjustments to reconcile change in net assets to net cash from operating activities		
Amortization	39,874	39,874
Net realized and unrealized loss (gain) on investments	31,092,470	(21,780,519)
Postretirement benefit obligation adjustment	(355,587)	(81,321)
Deferred federal excise tax	(700,000)	500,000
Net changes in operating assets and liabilities		
Accounts and interest receivable	2,480	(910)
Prepaid federal excise tax and federal and state unrelated business income taxes	149,469	67,832
Prepaid expenses	522	(7,801)
Accounts payable and accrued expenses	(85,815)	37,195
Unpaid grant awards	(852,625)	49,375
Federal excise tax and federal and state unrelated business income taxes payable	284,000	-
Other deferred liabilities	(69,422)	(69,422)
Postretirement benefit obligation	261,835	337,254
Net Cash From Operating Activities	3,754,377	(4,124,597)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(45,415,482)	(13,481,275)
Proceeds from sale of investments	33,201,716	22,718,178
Net Cash From Investing Activities	(12,213,766)	9,236,903
Net Change in Cash and Cash Equivalents	(8,459,389)	5,112,306
CASH AND CASH EQUIVALENTS		
Beginning of year	18,154,426	13,042,120
End of year	$ 9,695,037	$ 18,154,426
SUPPLEMENTAL CASH FLOW INFORMATION		
Federal excise and unrelated business income taxes paid	$ 164,000	$ 100,000

See notes to combined financial statements

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.

2. Summary of Significant Accounting Policies *(continued)*

Change in Accounting Principle

On January 1, 2018, the Foundation adopted new guidance regarding the Presentation of Financial Statements for Not-for-Profit Entities. This guidance requires the Foundation to collapse the three-category (unrestricted, temporarily restricted, and permanently restricted) classification of net assets into two categories: with donor restrictions and without donor restrictions. In addition, the new guidance requires the Foundation to make certain expanded disclosures relating to (1) the liquidity of financial assets, and (2) expenses by both their natural and functional classification in one location in the financial statements.

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.

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.

2. Summary of Significant Accounting Policies *(continued)*

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.

Investment Expenses

Investment expenses on the combined statements of activities consist of fees paid directly to the Foundation's investment advisor.

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.

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, as these amounts are not significant.

Grant Expense

The Foundation recognizes grant expense upon award of the grant.

2. Summary of Significant Accounting Policies *(continued)*

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. At December 31, 2018 and 2017, all of the Foundation's net assets are without donor restrictions.

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, 2015.

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 13, 2019.

Functional Allocation of Expenses

The combined statements of activities presents the expenses of the Foundation by operational classification. Refer to note 5 for the classification of expenses by their functional allocation and policy for allocating such expenses.

3. Investments

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

	2018		
Description	Level 1	Other Investments Measured at Net Asset Value (*)	Total
Commodities (Gold)	$ 9,693,756	$ -	$ 9,693,756
Marketable Securities			
Consumer	3,194,521	-	3,194,521
Financial	5,760,039	-	5,760,039
Technology	3,852,740	-	3,852,740
Other industries	5,009,062	-	5,009,062
Mutual funds	20,282,842	-	20,282,842
Hedge Funds			
Equity long/short	-	31,780,012	31,780,012
Global opportunities	-	48,518,953	48,518,953
Absolute returns (a)	-	45,435,526	45,435,526
Private equity investments (a)	-	13,958,124	13,958,124
Venture capital investments (a)	-	7,153,991	7,153,991
Real assets (a)	-	6,729,261	6,729,261
Total Investments at Fair Value	$ 47,792,960	$ 153,575,867	$ 201,368,827

	2017		
Description	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	$ 42,974,504	$ 177,273,027	$ 220,247,531

3. Investments *(continued)*

(*) 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, 2018 and 2017, one individual investment represented approximately 16% and 15% of total investments.

Information regarding alternative investments valued at NAV using the practical expedient at December 31, 2018 is as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Equity long/short hedge funds (see "a" below)	$ 31,780,012	$ -	Quarterly	60 days
Global opportunities hedge funds (see "b" below)	48,518,953	-	Weekly/Monthly/Quarterly	10 to 60 days
Absolute returns investments (see "c" below)	45,435,526	-	Quarterly/Annual	45 to 95 days
Private equity investments (see "d" below)	13,958,124	12,518,428	Locked 2019 to 2031	N/A
Venture capital investments (see "e" below)	7,153,991	633,333	Locked 2019 to 2022	N/A
Real assets (see "f" below)	6,729,261	1,258,679	Monthly/Locked until 2019 and 2027	30 days
	$ 153,575,867	$ 14,410,440		

(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 look 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 five 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 nine active private investment partnerships and four that are in various stages of liquidation.

3. Investments *(continued)*

(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 three 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. Liquidity and Availability of Financial Assets

The following reflect the Foundation's financial assets and resources available as of December 31, 2018, to meet cash needs for general expenditures within one year of the date of the combined statements of financial position:

Financial Assets:	
Cash and cash equivalents	$ 9,695,037
Accounts and interest receivable	5,692
Investments	201,368,827
Total Financial Assets	211,069,556
Less illiquid investments	(30,934,031)
Financial Assets Available to Meet Cash Needs for General Expenditure Within One Year	$ 180,135,525

The Foundation's working capital and cash flow are driven by its investment portfolio and investment return. As part of the Foundation's liquidity management strategy, the Foundation seeks to maintain adequate liquidity to meet its obligations, including planned expenditures as approved by the Board. The Foundation structures its financial assets to be available as its grant payments and other general liabilities come due. The Foundation will inform their investment advisor of any anticipated need for liquidity as such need becomes known, and the investment advisor will then withdraw the funds needed from the investment portfolio. These withdrawals will normally coincide with the Foundation's grant disbursement cycle. The withdrawals are adjusted based on the grants to be disbursed and other factors affecting available cash, including investment income and general operating expenses. None of the Foundation's financial assets are subject to donor or contractual restrictions that make them unavailable for general expenditure within one year of the date of the combined statement of financial position.

5. Expenses by Functional and Natural Classification

Expenses are presented by functional classification in alignment with the overall mission of the Foundation. Expenses are classified based on the direct impact to the Foundation. Therefore, certain expenses require allocation on a reasonable basis that is consistently applied. Salary costs are allocated on the basis of time and effort. All other costs are allocated either by percentage of overall salary allocation or by square footage.

	Direct Charitable Activities	Operations and Governance	Total
Grants authorized	$ 5,077,150	$ -	$ 5,077,150
Salaries and wages	2,492,280	1,159,538	3,651,818
Payroll taxes and employee benefits	1,091,124	470,512	1,561,636
Legal and accounting fees	47,815	30,283	78,098
Other professional fees	573,907	19,652	593,559
Amortization	29,905	9,969	39,874
Occupancy	860,511	232,325	1,092,836
Travel and meetings	151,893	21,354	173,247
Printing and design	144,786	182	144,968
Office expenses	152,460	31,545	184,005
Information technology	201,445	38,234	239,679
Insurance	77,360	20,875	98,235
Outreach and public events	554,776	-	554,776
Miscellaneous	29,191	17,999	47,190
	6,407,453	2,052,468	8,459,921
Total	$ 11,484,603	$ 2,052,468	$ 13,537,071

6. 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 2018 and 2017.

7. 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 $346,030 and $345,186 for 2018 and 2017.

8. 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:

	2018	2017
Benefit obligation at end of year	$ 3,945,818	$ 4,039,570
Net postretirement benefit costs	305,381	379,807
Unrecognized actuarial gain	(355,587)	(81,321)
Benefits paid	43,546	42,553
Discount rate used	4.18%	3.56%
Components of Net Periodic Expense for the Year		
Service cost	$ 162,347	$ 225,550
Interest cost	143,034	154,257
	$ 305,381	$ 379,807

	2018	2017
Effect of a one-percent point increase in HCCTR* on		
Year end benefit obligation	$ 719,747	$ 808,818
Total of service and interest cost component	57,529	12,249
Effect of a one-percent point decrease in HCCTR* on		
Year end benefit obligation	(545,434)	(600,352)
Total of service and interest cost component	(61,300)	(143,708)

* Health Care Cost Trend Rate

8. Postretirement Healthcare Benefits *(continued)*

Measurements used to determine the postretirement benefit obligation for 2018 and 2017 were computed as of December 31.

For measurement purposes, a 7.25% annual rate of increase in per capita cost of covered health benefits was assumed for 2018, decreasing to 5% in 2023 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:

2019	$ 132,525
2020	138,078
2021	175,520
2022	203,318
2023	195,204
5 years thereafter	1,175,147

9. 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, 2018 future minimum annual rental payments are as follows:

2019	$ 853,560
2020	853,560
2021	355,650
	$ 2,062,770

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 $1,011,361 in 2018 and $994,393 in 2017.

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