

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

Combined Financial Statements

December 31, 2010



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, 2010 and 2009, 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 combined 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 combined financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined 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 combined financial position of The Charles A. Dana Foundation, Incorporated and Affiliates as of December 31, 2010 and 2009, and the changes in their combined net assets and their combined 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 21, 2011

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

Combined Statements of Financial Position

December 31,

	2010	2009
ASSETS		
Cash and cash equivalents	\$ 3,690,989	\$ 7,987,166
Accounts and interest receivable	31,305	25,044
Prepaid Federal excise tax	-	75,785
Investments	244,259,424	233,219,799
Prepaid expenses	39,700	857,809
Leasehold improvements, net of accumulated amortization of \$2,448,521 and \$2,178,217 for 2010 and 2009	733,664	957,765
	\$ 248,755,082	\$ 243,123,368
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 490,413	\$ 219,129
Unpaid grant awards	17,009,313	20,745,060
Federal excise tax payable	50,611	-
Deferred Federal excise tax	625,000	310,000
Other deferred liabilities	399,046	576,827
Postretirement benefit obligation	2,232,107	1,877,569
Total Liabilities	20,806,490	23,728,585
Net Assets		
Unrestricted net assets	227,948,592	219,394,783
	\$ 248,755,082	\$ 243,123,368

See notes to combined financial statements

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

Combined Statements of Activities

Years Ended December 31,

	2010	2009
INCOME		
Realized Investment Income		
Dividends and interest	\$ 1,860,080	\$ 1,874,519
Net income (loss) from partnership interests	5,250,210	(5,429,461)
Net realized gain (loss) from sales and redemptions of securities and limited partnership interests	4,799,388	(8,915,362)
	11,909,678	(12,470,304)
Less investment expenses	603,375	701,023
Net Realized Investment Income (Loss)	11,306,303	(13,171,327)
Contribution	80,000	80,000
Other Income	95,165	945
Foreign exchange gain (loss)	(509)	5,661
Total Income (Loss)	11,480,959	(13,084,721)
 EXPENSES		
Grant awards	6,376,262	6,206,312
Direct charitable activities	8,177,225	8,777,079
Operations and governance	2,439,859	2,752,898
Tax provision (benefit)	218,886	(5,624)
Total Expenses	17,212,232	17,730,665
Deficiency of Income Over Expenses	(5,731,273)	(30,815,386)
Unrealized appreciation of investments, net of provision for deferred Federal excise tax, \$315,000 and \$310,000 for 2010 and 2009	14,489,765	61,934,386
Change in Net Assets Before Postretirement Benefit Obligation Adjustment	8,758,492	31,119,000
Postretirement benefit obligation adjustment	(204,683)	520,128
Change in Net Assets	8,553,809	31,639,128
 NET ASSETS		
Beginning of year	219,394,783	187,755,655
End of year	\$ 227,948,592	\$ 219,394,783

See notes to combined financial statements

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

Combined Statements of Cash Flows

Years Ended December 31,

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 8,553,809	\$ 31,639,128
Adjustments to reconcile change in net assets to net cash from operating activities		
Amortization	270,304	287,875
Realized (gains) loss from sale of investments	(4,799,388)	8,915,362
Unrealized gain on investments	(14,804,765)	(62,244,386)
Postretirement benefit obligation adjustment	(204,683)	520,128
Deferred Federal excise tax	315,000	310,000
Net changes in operating assets and liabilities		
Accounts and interest receivable	(6,261)	277,487
Prepaid Federal excise tax	75,785	(10,785)
Prepaid expenses	818,109	91,738
Accounts payable and accrued liabilities	271,284	(112,497)
Unpaid grant awards	(3,735,747)	(5,007,324)
Federal Excise Taxes payable	50,611	-
Other deferred liabilities	(177,781)	(156,672)
Postretirement benefit obligation	559,221	(900,082)
Net Cash From Operating Activities	(12,814,502)	(26,390,028)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(128,255,983)	(189,352,092)
Proceeds from sale of investments	136,820,511	220,388,785
Purchase of leasehold improvements	(46,203)	-
Net Cash From Investing Activities	8,518,325	31,036,693
Net Change in Cash and Cash Equivalents	(4,296,177)	4,646,665
CASH AND CASH EQUIVALENTS		
Beginning of year	7,987,166	3,340,501
End of year	\$ 3,690,989	\$ 7,987,166
SUPPLEMENTAL CASH FLOW INFORMATION		
Federal excise and unrelated business income taxes paid	\$ 100,000	\$ 27,500

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 a particular interest in neuroscience. 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 maintenance of an office and the presence of employees in the United Kingdom made a United Kingdom subsidiary appropriate. In March, 2010, after a decision not to maintain an office or base employees in the United Kingdom was made, DAL became dormant under applicable United Kingdom rules. European Dana Alliance for the Brain, LLC (EDAB), a wholly-owned domestic subsidiary of DAL formed in 2001, became a wholly-owned subsidiary of the Alliance and is now conducting the European activities from March, 2010 forward.

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 balances and transactions have been eliminated when combined.

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

Notes to Combined Financial Statements

2. Summary of Significant Accounting Policies (continued)

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.

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.

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

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.

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.

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

Notes to Combined Financial Statements

2. Summary of Significant Accounting Policies (continued)

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.

Reclassification

Certain amounts in the 2009 financial statements have been reclassified to conform to 2010 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, 2007.

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 21, 2011.

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

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:

Description	2010			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Commodities (Gold)	\$ 5,178,377	\$ -	\$ -	\$ 5,178,377
Marketable Securities				-
Consumer	3,418,012	-	-	3,418,012
Financial	1,410,147	-	-	1,410,147
Technology	1,082,458	-	-	1,082,458
Other Industries	3,344,455	-	-	3,344,455
US Government Securities	16,394,989	-	-	16,394,989
Mutual Funds	54,028,520	-	-	54,028,520
Hedge Funds				
Equity Long/Short	-	11,553,901	-	11,553,901
Global Opportunities	-	35,132,945	-	35,132,945
Absolute Returns (a)	-	22,434,521	36,129,596	58,564,117
Private Equity Investments (a)	-	-	26,375,064	26,375,064
Venture Capital Investments(a)	-	-	5,861,171	5,861,171
Real Assets (a)	-	10,289,968	11,021,897	21,311,865
	<u>\$ 84,856,958</u>	<u>\$ 79,411,335</u>	<u>\$ 79,387,728</u>	<u>\$ 243,656,021</u>
Cash and Cash equivalents				603,403
Total Investments				<u>\$ 244,259,424</u>

(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.

	2009			Total
	Level 1	Level 2	Level 3	
Fixed Income Securities				
Government	\$ 10,196,656	\$ -	\$ -	\$ 10,196,656
Pooled funds	800,441	-	-	800,441
Corporate	1,814,147	-	260,000	2,074,147
	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	-	81,772,323	63,734,923	145,507,246
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,
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Notes to Combined Financial Statements

3. Investments (continued)

There were no transfers into or out of each level of the fair value hierarchy for assets measured at fair value for the year ended December 31, 2010.

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,:

	2010					
	Bonds	Absolute Returns	Private Equity Investments	Venture Capital Investments	Real Assets	Total
Beginning balance	\$ 260,000	\$ 32,328,483	\$ 22,751,258	\$ 4,086,866	\$ 4,568,316	\$ 63,994,923
Total Realized Gains/Losses included in change in net assets	-	1,568,112	1,067,280	(276,589)	-	2,358,803
Unrealized gains/(losses) relating to instruments still held at the reporting date included in earnings	-	1,600,295	2,407,462	750,894	1,453,581	6,212,232
Purchases, issuances and (settlements), net	(260,000)	632,705	149,065	1,300,000	5,000,000	6,821,770
Ending balance	<u>\$ -</u>	<u>\$ 36,129,595</u>	<u>\$ 26,375,065</u>	<u>\$ 5,861,171</u>	<u>\$ 11,021,897</u>	<u>\$ 79,387,728</u>
	2009					
Beginning balance	\$ 66,937,587					
Total realized (losses)/gains included in changes in net assets	(2,689,452)					
Unrealized gains/(losses) relating to instruments still held at the reporting date included in earnings	8,718,128					
Purchases, issuances and settlements	(8,971,340)					
Ending balance	<u>63,994,923</u>					

Information regarding alternative investments valued at NAV using the practical expedient at December 31, 2010 is as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Equity long/short hedge funds (see "a" below)	\$ 11,553,901	\$ -	Quarterly	60 days
Global Opportunity Hedge Funds (see "b" below)	35,132,945	-	Monthly	6 to 30 days
Absolute Return Investments (see "c" below)	58,564,117	-	Annual	60 to 90 days
Private Equity Investments (see "d" below)	26,375,064	19,377,597	Locked 2013 to 2020	N/A
Venture Capital Funds (see "e" below)	5,861,171	4,062,500	Locked 2019	N/A
Real Asset Investments (see "f" below)	21,311,865	-	Monthly and Annual	7 to 60 days
	<u>\$ 158,799,063</u>	<u>\$ 23,440,097</u>		

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

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 position and financial metrics. Because of their focus on industry and country diversification, currency hedges are rarely used. There are four investments in this class.
- (c) Some of this class looks to invest in a vast universe of private equity firms and 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 seven investments in this class.
- (d) This category is primarily represented by investments that take a fund-of-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 fourteen investments.
- (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. Both are locked into 2019.
- (f) Fifty percent of this class is managed to focus on capital appreciation by investing in a diversified portfolio of global natural resource and commodity securities. The fund generally has a net long term bias, using short strategies opportunistically. It has an annual redemption right. The other half of this category is invested to outperform a customized benchmark. Its investment universe is culled from a broad range of sources, but not limited to the firm's research, company meetings with management, company referrals, computer screens, corporate actions, and broker research. It has monthly redemption rights.

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% on its investment income.

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

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 \$453,071 for the year ended December 31, 2010 and \$693,168 for the year ended December 31, 2009.

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. 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:

	2010	2009
Benefit Obligation (Funded Status)		
at End of Year	\$ 2,232,107	\$ 1,877,569
Net postretirement benefit costs	225,753	192,273
Unrecognized actuarial gain	(204,683)	520,128
Benefits paid	75,899	52,099
Discount rate used	5.31%	5.89%
Components of Net Periodic Expense		
for the Year		
Service cost	\$ 119,216	\$ 93,009
Interest cost	106,537	99,264
	\$ 225,753	\$ 192,273
	Increase (Decrease)	
	2010	2009
Effect of a one-percent point		
increase in HCCTR* on		
Year end benefit obligation	\$ 131,214	\$ 76,525
Total of service and interest		
cost component	32,949	25,306
Effect of a one-percent point		
decrease in HCCTR* on		
Year end benefit obligation	(380,068)	(395,056)
Total of service and interest		
cost component	(36,699)	(29,414)

* Health Care Cost Trend Rate

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

6. Postretirement Healthcare Benefits (continued)

Measurements used to determine the postretirement benefit obligation for the years ended 2010 and 2009 were computed as of December 31.

For measurement purposes, an 8.5% annual rate of increase in per capita cost of covered health benefits was assumed for 2010, decreasing to 5% in 2014 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:

2011	\$	133,636
2012		136,725
2013		143,342
2014		143,284
2015		147,264
5 years thereafter		605,462

7. Lease Commitments and Subsequent Event

The Foundation leases office space in New York City and Washington D.C. In January, 2011 the Foundation executed an agreement to terminate the New York lease on March 31, 2011, and entered into a lease for new offices in New York City for a period beginning February 1, 2011 and ending in May 2021.

As of December 31, 2010 future minimum annual rental payments are as follows:

2011	\$	1,323,743
2012		1,285,840
2013		782,430
2014		782,430
2015		782,430
Thereafter		<u>4,617,523</u>
	\$	<u><u>9,574,396</u></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 \$1,739,672 in 2010 and \$1,768,032 in 2009.

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

7. Lease Commitments and Subsequent Event *(continued)*

Prior to 2010, the DAL occupied office space in the United Kingdom pursuant to a lease agreement. DAL 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. From 2004 through 2009 this prepayment was amortized as rent expense, based on the 15-year term. In 2010, DAL ceased occupying this space. The space is currently being occupied by an unrelated United Kingdom charitable organization. Accordingly, in 2010, DAL wrote off the unamortized balance of the prepayment in the amount of \$820,359.