The Charles A. Dana Foundation, Incorporated and Affiliates

Combined Financial Statements

December 31, 2022 and 2021

PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS

Independent Auditors' Report

The Board of Directors
The Charles A. Dana Foundation, Incorporated
The Dana Alliance for Brain Initiatives, Inc.

Opinion

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, 2022 and 2021, and the related combined statements of activities and cash flows for the years then ended, and the related notes to the combined financial statements.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Foundation as of December 31, 2022 and 2021, and the combined changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Combined Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Foundation adopted Financial Accounting Standards Board ("FASB") Topic 842, Leases, using the effective date method with January 1, 2022, as the date of initial adoption. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the combined financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

PKF O'Connor Davies, LLP

July 31, 2023

The Charles A. Dana Foundation,
Incorporated and Affiliates

Combined Statements of Financial Position

	December 31	
	2022	2021
ASSETS		
Cash and cash equivalents	$ 5,353,897	$ 6,503,476
Accounts and interest receivable	1,822	1,229
Prepaid federal excise tax and federal and state unrelated business income taxes	393,587	-
Investments	228,525,916	273,257,748
Prepaid expenses	457	11,152
Security deposits	66,660	31,471
Right of use assets - operating lease, net	1,226,058	-
	$ 235,568,397	$ 279,805,076
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 131,842	$ 339,236
Unpaid grant awards	1,269,206	1,410,106
Federal excise tax and federal and state unrelated business income taxes payable	-	45,000
Deferred federal excise tax	400,000	900,000
Postretirement benefit obligation	2,538,815	3,587,445
Lease payable	1,348,152	-
Total Liabilities	5,688,015	6,281,787
Net assets, without donor restrictions	229,880,382	273,523,289
	$ 235,568,397	$ 279,805,076

See notes to combined financial statements

The Charles A. Dana Foundation,
Incorporated and Affiliates

Combined Statements of Activities

	Year Ended December 31	
	2022	2021
INCOME		
Investment Return		
Dividends and interest	$ 1,003,152	$ 429,986
Net income from partnership interests	1,334,731	18,080,272
Net realized gain from sales and redemptions of securities and limited partnership interests	2,159,568	6,912,243
Unrealized (depreciation) appreciation of investments	(37,388,903)	16,891,759
	(32,891,452)	42,314,260
Less investment expenses	564,814	668,871
Total Investment Return	(33,456,266)	41,645,389
Other income	560	50
Total Income, Net of Investment Return	(33,455,706)	41,645,439
EXPENSES		
Grant awards	4,142,970	2,524,569
Direct charitable activities	5,314,525	4,703,139
Operations and governance	2,450,717	2,096,373
Federal excise and unrelated business tax (benefit) provision	(26,950)	407,989
Deferred federal excise tax (benefit) provision	(500,000)	225,000
Total Expenses	11,381,262	9,957,070
Change in Net Assets Before Postretirement Benefit Obligation Adjustment	(44,836,968)	31,688,369
Postretirement benefit obligation adjustment	1,194,061	292,811
Change in Net Assets	(43,642,907)	31,981,180
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Beginning of year	273,523,289	241,542,109
End of year	$ 229,880,382	$ 273,523,289

See notes to combined financial statements

The Charles A. Dana Foundation,
Incorporated and Affiliates

Combined Statements of Cash Flows

	Year Ended December 31	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (43,642,907)	$ 31,981,180
Adjustments to reconcile change in net assets to net cash from operating activities		
Amortization of right of use assets - operating lease	104,262	-
Amortization	-	16,704
Net realized and unrealized loss (gain) on investments	35,229,335	(23,804,002)
Postretirement benefit obligation adjustment	(1,194,061)	(292,811)
Deferred federal excise tax	(500,000)	225,000
Net changes in operating assets and liabilities		
Accounts and interest receivable	(593)	4,463
Prepaid federal excise tax and federal and state unrelated business income taxes	(393,587)	106,464
Prepaid expenses	10,695	73,312
Security deposit	(35,189)	167,401
Accounts payable and accrued expenses	(207,394)	56,598
Unpaid grant awards	(140,900)	(772,895)
Federal excise tax and federal and state unrelated business income taxes payable	(45,000)	45,000
Other deferred liabilities	-	(28,801)
Postretirement benefit obligation	145,431	192,339
Lease payable	17,832	-
Net Cash From Operating Activities	(10,652,076)	7,969,952
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(29,226,757)	(77,418,581)
Proceeds from sale of investments	38,729,254	60,918,479
Net Cash From Investing Activities	9,502,497	(16,500,102)
Net Change in Cash and Cash Equivalents	(1,149,579)	(8,530,150)
CASH AND CASH EQUIVALENTS		
Beginning of year	6,503,476	15,033,626
End of year	$ 5,353,897	$ 6,503,476
SUPPLEMENTAL DISCLOSURE CASH FLOW INFORMATION		
Federal excise and unrelated business income taxes paid	$ 475,000	$ 300,000

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 and is treated as a disregarded entity for tax purposes. In 2022, Dana chose to allocate remaining assets, less expenses of Publications to Dana. Publications was dissolved in January 2023.

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. In 2022, the Alliance chose to spend down remaining assets. The Alliance became inactive on January 1, 2023. 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 and is treated as a disregarded entity for tax purposes. EDAB was dissolved in 2022.

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 in combination.

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

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset.

The Foundation adopted the requirements of the new standard effective January 1, 2022, using the modified retrospective transition method, which applies the provisions of the standard at the effective date without any adjustment to the comparative periods presented. The Foundation adopted the following practical expedients and elected the following accounting policies related to this standard: Carry forward of historical lease classifications and accounting treatment.

Accordingly, the Foundation will recognize lease payments on a straight-line basis over the lease term and variable payments in the period when the corresponding obligation is incurred. Adoption of this standard resulted in the recognition of an initial operating lease right-of-use assets and corresponding lease liability of $1,330,320 on the statement of financial position as of January 1, 2022, which represents lease payments of $1,465,128, discounted at 3.20%. The standard did not materially impact operating results or liquidity.

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.

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.

Leases

The Foundation determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the combined statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term. The Foundation does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

The Foundation has lease agreements with lease and non-lease components, which are generally accounted for separately. Variable lease components in these leases are recognized in operating expenses in the period in which obligation is incurred.

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 advisors.

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 were 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. During 2021 the Foundation removed from its books and records $410,438 of fully amortized leasehold improvements.

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.

Net Asset Presentation

Net assets are classified based on the existence or absence of donor-imposed restrictions. At December 31, 2022 and 2021, 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, 2019.

Functional Allocation of Expenses

The combined statements of activities present 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.

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 July 31, 2023.

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:

	2022		
Description	Level 1	Other Investments Measured at Net Asset Value (*)	Total
Commodities (Gold)	$ 11,587,015	$ -	$ 11,587,015
Marketable Securities			
Consumer	1,624,960	-	1,624,960
Financial	1,820,228	-	1,820,228
Technology	1,784,824	-	1,784,824
Other industries	1,712,399	-	1,712,399
Mutual funds	16,707,851	-	16,707,851
Hedge Funds			
Equity long/short	-	39,077,066	39,077,066
Global opportunities	-	55,521,236	55,521,236
Digital assets	-	574,073	574,073
Absolute returns (a)	-	51,909,946	51,909,946
Private equity investments (a)	-	24,943,410	24,943,410
Venture capital investments (a)	-	18,611,128	18,611,128
Real assets (a)	-	2,651,780	2,651,780
Total Investments at Fair Value	$ 35,237,277	$ 193,288,639	$ 228,525,916

3. Investments *(continued)*

	2021		
Description	Level 1	Other Investments Measured at Net Asset Value (*)	Total
Commodities (Gold)	$ 11,627,582	$ -	$ 11,627,582
Marketable Securities			
Consumer	4,920,400	-	4,920,400
Financial	3,863,848	-	3,863,848
Technology	3,151,804	-	3,151,804
Other industries	2,293,413	-	2,293,413
Mutual funds	24,180,300	-	24,180,300
Hedge Funds			
Equity long/short	-	53,749,212	53,749,212
Global opportunities	-	68,888,357	68,888,357
Digital assets	-	1,655,047	1,655,047
Absolute returns (a)	-	51,910,982	51,910,982
Private equity investments (a)	-	24,769,997	24,769,997
Venture capital investments (a)	-	19,600,029	19,600,029
Real assets (a)	-	2,646,777	2,646,777
Total Investments at Fair Value	$ 50,037,347	$ 223,220,401	$ 273,257,748

(*) 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, 2022 and 2021, one individual investment represented approximately 17% and 20% of total investments.

Information regarding alternative investments valued at NAV using the practical expedient at December 31, 2022 is as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Global Public Equities and Digital Assets (see "a" below)	$ 95,172,375	$ -	Daily/Weekly/Monthly/Quarterly/Annual	10 to 60 days
Absolute Return Investments (see "b" below)	51,909,946	2,512,558	Quarterly/Annual/Biennial	45 to 95 days
Private Equity Investments (see "c" below)	24,943,410	14,788,840	Locked 2023 to 2031	N/A
Venture Capital Funds (see "d" below)	18,611,128	9,487,421	Locked 2023 to 2033	N/A
Real Asset Investments (see "e" below)	2,651,780	463,550	Locked until 2023 and 2027	N/A
	$ 193,288,639	$ 27,252,369		

3. Investments *(continued)*

(a) This class includes investment managers that take a bottoms-up approach to their investment methodology, seeking long-term capital appreciation by investing primarily in publicly traded securities. Most of the funds place a focus on meeting company management expectations, analyzing market positions and financial metrics. Other funds in the category utilize quantitative models for their portfolio construction. There are fourteen active investments in this class.

(b) This class includes hedge fund strategies that have flexible mandates providing portfolio diversification. One fund is designed to deliver bitcoin’s performance to institutional investors. There are nine active investments in this class.

(c) This category is represented by managers that take several different approaches including directly investing in companies, committing to other private equity funds as part of fund-of-funds approach, or acquiring limited partnership interests in funds or companies as part of a secondary strategy. This category is highly diversified and is represented by twenty-three active private equity partnerships in this class.

(d) This class is represented by eight investments. These investments focus on investing in Venture Partnerships that invest in technology-based and healthcare companies, at the seed and early-stage levels. There are eleven active investments in this class.

(e) This category is invested in Private Equity Funds which invest in various natural resource opportunities. These investments represent a diversified group of “real assets.” There are three active investments in this class.

4. Liquidity and Availability of Financial Assets

The following reflect the Foundation’s financial assets and resources available as of December 31, 2022 and 2021, to meet cash needs for general expenditures within one year of the date of the combined statements of financial position:

	2022	2021
Financial Assets:		
Cash and cash equivalents	$ 5,353,897	$ 6,503,476
Accounts and interest receivable	1,822	1,229
Investments	228,525,916	273,257,748
Total Financial Assets	233,881,635	279,762,453
Less illiquid investments	(62,738,236)	(65,121,435)
Financial Assets Available to Meet Cash Needs for General Expenditure Within One Year	$ 171,143,399	$ 214,641,018

4. Liquidity and Availability of Financial Assets *(continued)*

The Foundation's working capital and cash flows 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 needs for liquidity, as such needs become known, and the investment advisor will make recommendations as to which investments should be sold. These sales will normally coincide with the Foundation's grant disbursement cycle and/or the need to rebalance the portfolio. These sales are based on the grants to be disbursed, the need to rebalance the portfolio and other factors affecting available cash, including investment income, net capital calls and general operating expenses. None of the Foundation's financial assets, after reduction for illiquid investments, are subject to donor or other contractual restrictions that make them unavailable for funding cash flow requirements.

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.

	2022		
	Direct Charitable Activities	Operations and Governance	Total
Grants authorized	$ 4,142,970	$ -	$ 4,142,970
Salaries and wages	2,686,237	1,381,307	4,067,544
Payroll taxes and employee benefits	972,390	604,475	1,576,865
Net periodic pension benefit	(4,294)	(1,431)	(5,725)
Legal and accounting fees	72,149	38,797	110,946
Other professional fees	606,304	186,601	792,905
Occupancy	347,339	102,291	449,630
Travel and meetings	55,492	9,304	64,796
Printing and design	17,987	-	17,987
Office expenses	134,820	36,467	171,287
Information technology	224,669	51,102	275,771
Insurance	88,695	24,042	112,737
Outreach and public events	98,566	-	98,566
Miscellaneous	14,171	17,762	31,933
	5,314,525	2,450,717	7,765,242
Total	$ 9,457,495	$ 2,450,717	$ 11,908,212

5. Expenses by Functional and Natural Classification *(continued)*

	2021		
	Direct Charitable Activities	Operations and Governance	Total
Grants authorized	$ 2,524,569	$ -	$ 2,524,569
Salaries and wages	2,342,406	1,165,681	3,508,087
Payroll taxes and employee benefits	971,887	515,475	1,487,362
Net periodic pension benefit costs	17,384	13,659	31,043
Legal and accounting fees	92,205	44,164	136,369
Other professional fees	283,888	82,530	366,418
Amortization	12,528	4,176	16,704
Occupancy	508,198	137,206	645,404
Travel and meetings	14,336	8,045	22,381
Printing and design	54,874	-	54,874
Office expenses	110,991	26,839	137,830
Information technology	108,384	22,083	130,467
Insurance	95,941	23,750	119,691
Outreach and public events	36,176	-	36,176
Miscellaneous	53,941	52,765	106,706
	4,703,139	2,096,373	6,799,512
Total	$ 7,227,708	$ 2,096,373	$ 9,324,081

6. Taxes

Dana and the Alliance are both subject to a Federal excise tax of 1.39% of their net investment income. Dana provides for deferred federal excise tax of 1.39% on the net unrealized appreciation of the fair value of investments at the rate applicable for the following year. 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 investment related income during 2022 and 2021.

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 (which also includes Alliance employees), as defined in the plan document, subject to statutory limitations. Retirement plan expense was $230,890 and $213,646 for 2022 and 2021.

8. Postretirement Healthcare Benefits

In addition to the retirement plan, Dana sponsors an unfunded plan to provide certain health care benefits for retirees of the Foundation. 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:

	2022	2021
Benefit obligation at end of year	$ 2,538,815	$ 3,587,445
Net postretirement benefit costs	245,678	250,404
Unrecognized actuarial gain	(1,194,061)	(292,811)
Benefits paid	100,247	58,065
Discount rate used	4.98%	2.74%
Components of Net Periodic Expense for the Year		
Service cost	$ 151,156	$ 161,296
Interest cost	94,522	89,108
	$ 245,678	$ 250,404

	2022	2021
Effect of a one-percent point increase in HCCTR* on		
Year end benefit obligation	$ 405,988	$ 763,312
Total of service and interest cost component	3,994	63,968
Effect of a one-percent point decrease in HCCTR* on		
Year end benefit obligation	327,969	590,818
Total of service and interest cost component	(75,324)	(60,002)

* Health Care Cost Trend Rate

8. Postretirement Healthcare Benefits *(continued)*

Measurements used to determine the postretirement benefit obligation for 2022 and 2021 were computed as of December 31. For measurement purposes, a 6.69% annual rate of increase in per capita cost of covered health benefits was assumed for years 2023 through 2027, decreasing to 5% in 2028 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:

2023	$ 184,000
2024	164,000
2025	160,000
2026	163,000
2027	139,000
5 years thereafter	741,000

9. Lease Commitments

The Foundation leased office space at 505 Fifth Avenue, New York, NY for the period beginning February 1, 2011 and ending May 31, 2021.

On October 2, 2020, the Foundation signed a license agreement to use a portion of the space leased by the Markle Foundation at 10 Rockefeller Plaza, New York, NY. Occupancy commenced on April 1, 2021 and rent payments commenced on June 1, 2021.

On February 17, 2022, the Foundation signed a new license agreement with the Markle Foundation for a portion of the space leased by the Markle Foundation at 1270 Avenue of the Americas, New York, NY, which expires in July 2027. This agreement supersedes the prior agreement.

The non-variable rent expense component for the years ended December 31, 2022 and 2021 amounted to $451,637 and $546,149. The variable rent expense component amounted to $77,278 and $85,126 for the years ended December 31, 2022 and 2021. Total cash paid for the years ended December 31, 2022 and 2021 amounted to $364,732 and $660,076.

At December 31, 2022, the right-of-use asset balance was net of accumulated amortization of $104,262.

9. Lease Commitments *(continued)*

The right-of-use (ROU) assets represent the Foundation's right to use underlying assets for the lease term, and the lease liabilities represent the Foundation's obligation to make lease payments arising from these leases. The ROU assets and lease liabilities, all of which arise from operating leases, were calculated based on the present value of future lease payments over the lease terms. The Foundation has made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments. The weighted-average discount rate applied to calculate lease liabilities as of January 1, 2022, was 3.20%.

The future minimum annual rental commitment under this lease as of December 31, 2022 are:

2023	$ 152,618
2024	366,282
2025	366,282
2026	366,282
2027	213,664
Total undiscounted operating lease payments	1,465,128
Less: Present value discount	116,976
Present value of operating lease liabilities	$ 1,348,152

10. Concentrations of Credit Risk

The Foundation's financial instruments that are potentially exposed to concentration of credit risk consist of cash, cash equivalents and investments. The Foundation places its cash and cash equivalents with quality financial institutions. The Foundation invests in commodities, marketable securities, mutual funds, hedge funds and alternative investments including absolute return funds, private equity investments, venture capital investments and real assets. At times, cash balances may be in excess of Federal Deposit Insurance Corporation insurance limits. The Foundation routinely assesses the financial strength of its cash, cash equivalents and investment portfolio. As a consequence, concentrations of credit risk are limited.

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