

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

Combined Financial Statements

December 31, 2021 and 2020

## **Independent Auditors' Report**

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

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, 2021 and 2020, 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, 2021 and 2020, 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.

### ***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*

August 8, 2022

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

Combined Statements of Financial Position

	December 31	
	2021	2020
<b>ASSETS</b>		
Cash and cash equivalents	\$ 6,503,476	\$ 15,033,626
Accounts and interest receivable	1,229	5,692
Prepaid federal excise tax and federal and state unrelated business income taxes	-	106,464
Investments	273,257,748	232,953,644
Prepaid expenses	11,152	84,464
Security deposits	31,471	198,872
Leasehold improvements, net of accumulated amortization of \$393,734 for 2020	-	16,704
	<b>\$ 279,805,076</b>	<b>\$ 248,399,466</b>
 <b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 339,236	\$ 282,638
Unpaid grant awards	1,410,106	2,183,001
Federal excise tax and federal and state unrelated business income taxes payable	45,000	-
Deferred federal excise tax	900,000	675,000
Other deferred liabilities	-	28,801
Postretirement benefit obligation	3,587,445	3,687,917
Total Liabilities	6,281,787	6,857,357
Net assets, without donor restrictions	273,523,289	241,542,109
	<b>\$ 279,805,076</b>	<b>\$ 248,399,466</b>

See notes to combined financial statements

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

Combined Statements of Activities

	Year Ended	
	December 31	
	2021	2020
<b>INCOME</b>		
Investment Return		
Dividends and interest	\$ 429,986	\$ 533,393
Net income from partnership interests	18,080,272	9,259,384
Net realized gain from sales and redemptions of securities and limited partnership interests	6,912,243	6,904,054
Unrealized appreciation of investments	16,891,759	11,080,374
	42,314,260	27,777,205
Less investment expenses	668,871	612,298
Total Investment Return	41,645,389	27,164,907
Other income	50	1,458
Total Income	41,645,439	27,166,365
<b>EXPENSES</b>		
Grant awards	2,524,569	2,750,311
Direct charitable activities	4,703,139	5,340,592
Operations and governance	2,096,373	1,689,763
Federal excise and unrelated business tax provision	407,989	377,808
Deferred federal excise tax provision	225,000	150,000
Total Expenses	9,957,070	10,308,474
Change in Net Assets Before Postretirement Benefit Obligation Adjustment	31,688,369	16,857,891
Postretirement benefit obligation adjustment	292,811	1,280,502
Change in Net Assets	31,981,180	18,138,393
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
Beginning of year	241,542,109	223,403,716
End of year	\$ 273,523,289	\$ 241,542,109

See notes to combined financial statements

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

Combined Statements of Cash Flows

	Year Ended December 31	
	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 31,981,180	\$ 18,138,393
Adjustments to reconcile change in net assets to net cash from operating activities		
Amortization	16,704	39,874
Net realized and unrealized gain on investments	(23,804,002)	(17,984,428)
Postretirement benefit obligation adjustment	(292,811)	(1,280,502)
Deferred federal excise tax	225,000	150,000
Net changes in operating assets and liabilities		
Accounts and interest receivable	4,463	(4,439)
Prepaid federal excise tax and federal and state unrelated business income taxes	106,464	168,536
Prepaid expenses	73,312	51,716
Security deposit	167,401	(68,467)
Accounts payable and accrued expenses	56,598	(75,777)
Unpaid grant awards	(772,895)	(1,148,053)
Federal excise tax and federal and state unrelated business income taxes payable	45,000	-
Other deferred liabilities	(28,801)	(69,122)
Postretirement benefit obligation	192,339	240,524
Net Cash From Operating Activities	7,969,952	(1,841,745)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Due from partnership investments	-	3,019,739
Purchase of investments	(77,418,581)	(75,933,362)
Proceeds from sale of investments	60,918,479	83,752,977
Net Cash From Investing Activities	(16,500,102)	10,839,354
Net Change in Cash and Cash Equivalents	(8,530,150)	8,997,609
 <b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	15,033,626	6,036,017
End of year	\$ 6,503,476	\$ 15,033,626
 <b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Federal excise and unrelated business income taxes paid	\$ 300,000	\$ 175,000

See notes to combined financial statements

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

Notes to Combined Financial Statements  
December 31, 2021 and 2020

**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.

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 and is treated as a disregarded entity for tax purposes.

**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.

***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.

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Notes to Combined Financial Statements  
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**2. Summary of Significant Accounting Policies (continued)**

***Cash and Cash Equivalents***

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

***Fair Value Measurements***

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

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

***Investments Valuation***

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

***Investment Income Recognition***

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

***Investment Expenses***

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



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

***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.

***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, 2021 and 2020, all of the Foundation's net assets are without donor restrictions.

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

***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, 2018.

***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 August 8, 2022.

**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:

Description	2021		
	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)	-	<u>2,646,777</u>	<u>2,646,777</u>
Total Investments at Fair Value	<u>\$ 50,037,347</u>	<u>\$ 223,220,401</u>	<u>\$ 273,257,748</u>

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**3. Investments (continued)**

Description	2020		
	Level 1	Other Investments Measured at Net Asset Value (*)	Total
Commodities (Gold)	\$ 14,306,438	\$ -	\$ 14,306,438
Marketable Securities			
Consumer	5,783,311	-	5,783,311
Financial	4,047,367	-	4,047,367
Technology	3,790,935	-	3,790,935
Other industries	3,653,151	-	3,653,151
Mutual funds	12,503,577	-	12,503,577
Hedge Funds			
Equity long/short	-	51,414,283	51,414,283
Global opportunities	-	65,352,925	65,352,925
Absolute returns (a)	-	41,306,931	41,306,931
Private equity investments (a)	-	16,435,343	16,435,343
Venture capital investments (a)	-	11,740,141	11,740,141
Real assets (a)	-	<u>2,619,242</u>	<u>2,619,242</u>
Total Investments at Fair Value	<u>\$ 44,084,779</u>	<u>\$ 188,868,865</u>	<u>\$ 232,953,644</u>

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

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

As of December 31, 2021 and 2020, one individual investment represented approximately 20% and 22% of total investments.

Information regarding alternative investments valued at NAV using the practical expedient at December 31, 2021 is as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Global Public Equities and Digital Assets (see "a" below)	\$ 124,292,616	\$ -	Daily/Weekly/Monthly/Quarterly/Annual	10 to 60 days
Absolute Return Investments (see "b" below)	51,910,982	2,927,006	Quarterly/Annual/Biennial	45 to 95 days
Private Equity Investments (see "c" below)	24,769,997	10,723,174	Locked 2022 to 2031	N/A
Venture Capital Funds (see "d" below)	19,600,029	7,373,410	Locked 2022 to 2023	N/A
Real Asset Investments (see "e" below)	<u>2,646,777</u>	<u>890,351</u>	Locked until 2022 and 2027	N/A
	<u>\$ 223,220,401</u>	<u>\$ 21,913,941</u>		

**The Charles A. Dana Foundation,  
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Notes to Combined Financial Statements  
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**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 and offer investors long-only passive exposure to BTC by tracking the CME CF Bitcoin Reference Rate. There are eleven active investments in this class.
- (b) This class includes hedge fund strategies that have flexible mandates providing portfolio diversification. There are eight 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 eighteen active private investment 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.
- (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, 2021 and 2020, to meet cash needs for general expenditures within one year of the date of the combined statements of financial position:

	2021	2020
Financial Assets:		
Cash and cash equivalents	\$ 6,503,476	\$ 15,033,626
Accounts and interest receivable	1,229	5,692
Due from partnership investments	-	-
Investments	273,257,748	232,953,644
Total Financial Assets	279,762,453	247,992,962
Less illiquid investments	(65,121,435)	(46,914,292)
Financial Assets Available to Meet Cash Needs for General Expenditure Within One Year	\$ 214,641,018	\$ 201,078,670

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

	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	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
	<u>4,703,139</u>	<u>2,096,373</u>	<u>6,799,512</u>
Total	<u>\$ 7,227,708</u>	<u>\$ 2,096,373</u>	<u>\$ 9,324,081</u>

**The Charles A. Dana Foundation,  
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Notes to Combined Financial Statements  
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**5. Expenses by Functional and Natural Classification (continued)**

	2020		
	Direct Charitable Activities	Operations and Governance	Total
Grants authorized	<u>\$ 2,750,311</u>	<u>\$ -</u>	<u>\$ 2,750,311</u>
Salaries and wages	2,352,995	788,811	3,141,806
Payroll taxes and employee benefits	1,089,526	381,930	1,471,456
Net periodic pension benefit	93,781	49,299	143,080
Legal and accounting fees	120,820	54,119	174,939
Other professional fees	300,778	88,056	388,834
Amortization	29,906	9,968	39,874
Occupancy	841,610	227,276	1,068,886
Travel and meetings	10,737	2,992	13,729
Printing and design	60,150	-	60,150
Office expenses	109,456	28,042	137,498
Information technology	109,369	21,670	131,039
Insurance	82,098	22,153	104,251
Outreach and public events	128,931	-	128,931
Miscellaneous	10,435	15,447	25,882
	<u>5,340,592</u>	<u>1,689,763</u>	<u>7,030,355</u>
Total	<u>\$ 8,090,903</u>	<u>\$ 1,689,763</u>	<u>\$ 9,780,666</u>

**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 2021 and 2020.

**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 \$213,646 and \$192,237 for 2021 and 2020.

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**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:

	2021	2020
Benefit obligation at end of year	\$ 3,587,445	\$ 3,687,917
Net postretirement benefit costs	250,404	293,953
Unrecognized actuarial gain	(292,811)	(1,280,502)
Benefits paid	58,065	53,429
Discount rate used	2.74%	2.46%
 Components of Net Periodic Expense for the Year		
Service cost	\$ 161,296	\$ 97,444
Interest cost	89,108	196,509
	\$ 250,404	\$ 293,953
	2021	2020
Effect of a one-percent point increase in HCCTR* on		
Year end benefit obligation	\$ 763,312	\$ 723,683
Total of service and interest cost component	63,968	(4,938)
Effect of a one-percent point decrease in HCCTR* on		
Year end benefit obligation	590,818	563,792
Total of service and interest cost component	(60,002)	(110,113)

\* Health Care Cost Trend Rate

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**8. Postretirement Healthcare Benefits (continued)**

Measurements used to determine the postretirement benefit obligation for 2021 and 2020 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 years 2020 through 2024, decreasing to 5% in 2025 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:

2022	\$ 105,000
2023	108,000
2024	116,000
2025	118,000
2026	132,000
5 years thereafter	739,000

**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 at a monthly license fee of \$36,996. Occupancy commenced on April 1, 2021 and rent payments commenced on June 1, 2021. The license agreement requires additional payments to cover the escalation of maintenance costs and real estate taxes.

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 at a monthly license fee of \$35,189, commencing in the fall of 2022. This agreement supersedes the prior license agreement. The license agreement requires additional payments to cover the escalation of maintenance costs and real estate taxes.

The combined share of rental expense included in the combined statements of activities, amounted to \$654,404 in 2021 and \$1,068,886 in 2020.



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Incorporated and Affiliates**

Notes to Combined Financial Statements  
December 31, 2021 and 2020

**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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