

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

Combined Financial Statements

December 31, 2016 and 2015

Independent Auditors' Report

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

We have audited the accompanying combined financial statements of The Charles A. Dana Foundation, Incorporated and Affiliates (the "Foundation"), which comprise the combined statements of financial position as of December 31, 2016 and 2015, and the related combined statements of activities and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2016 and 2015, and the combined changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PKF O'Connor Davies, LLP

June 19, 2017

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

Combined Statements of Financial Position

	December 31	
	2016	2015
ASSETS		
Cash and cash equivalents	\$ 13,042,120	\$ 10,298,671
Accounts and interest receivable	7,262	8,994
Prepaid federal excise and federal and state unrelated business income taxes	217,301	95,801
Investments	207,703,915	209,718,085
Prepaid expenses	122,312	68,618
Security deposits	130,405	130,405
Leasehold improvements, net of accumulated amortization of \$234,238 and \$194,454 for 2016 and 2015	176,200	215,984
	\$ 221,399,515	\$ 220,536,558
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 405,209	\$ 365,108
Unpaid grant awards	4,928,250	5,050,875
Deferred federal excise tax	600,000	550,000
Other deferred liabilities	305,290	368,485
Postretirement benefit obligation	3,783,637	3,368,821
Total Liabilities	10,022,386	9,703,289
Net assets, unrestricted	211,377,129	210,833,269
	\$ 221,399,515	\$ 220,536,558

See notes to combined financial statements

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

Combined Statements of Activities

	Year Ended December 31	
	2016	2015
UNRESTRICTED NET ASSETS		
REALIZED INCOME AND SUPPORT		
Realized Investment Income		
Dividends and interest	\$ 638,411	\$ 854,854
Net income from partnership interests	8,708,426	10,914,688
Net realized gain from sales and redemptions of securities and limited partnership interests	2,615,219	5,327,920
	11,962,056	17,097,462
Less investment expenses	494,066	498,809
Net Realized Investment Income	11,467,990	16,598,653
Other income	859	4,408
Net assets released from restrictions	-	35,826
Total Realized Income and Support	11,468,849	16,638,887
EXPENSES		
Grant awards	5,372,814	5,488,925
Direct charitable activities	6,351,005	6,193,056
Operations and governance	2,563,665	2,352,368
Federal excise and unrelated business tax provision	220,907	307,139
Total Expenses	14,508,391	14,341,488
(Deficiency) Excess of Realized Income and Support Over Expenses	(3,039,542)	2,297,399
Unrealized appreciation (depreciation) of investments, net of provision (benefit) for deferred federal excise tax of \$50,000 and (\$454,000)	3,487,196	(22,021,462)
Change in Unrestricted Net Assets Before		
Postretirement Benefit Obligation Adjustment	447,654	(19,724,063)
Postretirement benefit obligation adjustment	96,206	675,715
Change in Unrestricted Net Assets	543,860	(19,048,348)
TEMPORARILY RESTRICTED NET ASSETS		
Net assets released from restrictions	-	(35,826)
Change in Net Assets	543,860	(19,084,174)
NET ASSETS		
Beginning of year	210,833,269	229,917,443
End of year	\$ 211,377,129	\$ 210,833,269

See notes to combined financial statements

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

Combined Statements of Cash Flows

	Year Ended December 31	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 543,860	\$ (19,084,174)
Adjustments to reconcile change in net assets to net cash from operating activities		
Amortization	39,784	39,874
Net realized and unrealized (gain) loss on investments	(6,152,415)	17,147,542
Postretirement benefit obligation adjustment	(96,206)	(675,715)
Deferred federal excise tax	50,000	(454,000)
Net changes in operating assets and liabilities		
Accounts and interest receivable	1,732	(1,602)
Prepaid federal excise tax and federal and state unrelated business income taxes	(121,500)	(61,301)
Prepaid expenses	(53,694)	2,233
Accounts payable and accrued liabilities	40,101	11,131
Unpaid grant awards	(122,625)	(901,125)
Other deferred liabilities	(63,195)	2,008
Postretirement benefit obligation	511,022	311,079
Net Cash From Operating Activities	(5,423,136)	(3,664,050)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(16,398,166)	(25,997,169)
Proceeds from sale of investments	24,564,751	29,510,857
Security deposits received, net	-	1,765
Net Cash From Investing Activities	8,166,585	3,515,453
Net Change in Cash and Cash Equivalents	2,743,449	(148,597)
 CASH AND CASH EQUIVALENTS		
Beginning of year	10,298,671	10,447,268
End of year	\$ 13,042,120	\$ 10,298,671
 SUPPLEMENTAL CASH FLOW INFORMATION		
Federal excise and unrelated business income taxes paid	\$ 340,000	\$ 350,000

See notes to combined financial statements

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

Notes to Combined Financial Statements
December 31, 2016 and 2015

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 the Foundation to support the charitable activities of Dana.

The Dana Alliance for Brain Initiatives, Inc. (the “Alliance”) is a private philanthropic organization chartered in 1993. The principal purposes of the Alliance are to educate and inform the general public and interested professionals regarding advancement in research on the human brain, development of new effective treatments for brain diseases and the critical need for such research and development to be vigorously pursued and supported. The Alliance is a nonprofit organization exempt from Federal income taxes under the provisions of Section 501(c)(3) of the Code, and is a private foundation as defined in Section 509(a) of the Code.

European Dana Alliance for the Brain, LLC (“EDAB”), a wholly-owned subsidiary of the Alliance was formed for the purpose of increasing public awareness in Europe of the latest developments in neuroscience.

2. Summary of Significant Accounting Policies

Principles of Combination

The accompanying combined financial statements include the accounts of all the above organizations. These combined entities have common Boards and share the same mission and are referred to collectively as the “Foundation”, unless otherwise specifically referred to. All intercompany balances and transactions have been eliminated when combined.

Basis of Presentation and Use of Estimates

The accompanying combined financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents represent short-term investments with maturities at the time of purchase of three months or less. At times, cash balances may be in excess of FDIC insurance limit.

**The Charles A. Dana Foundation,
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Notes to Combined Financial Statements
December 31, 2016 and 2015

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.

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.

**The Charles A. Dana Foundation,
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Notes to Combined Financial Statements
December 31, 2016 and 2015

2. Summary of Significant Accounting Policies (continued)

Investments Risks and Uncertainties (continued)

Because of the inherent uncertainty of valuations, the estimated fair values may differ significantly from the values that would have been used had a ready market for such investments existed or had such investments been liquidated, and those differences could be material.

Leasehold Improvements

Leasehold improvements are stated at cost and amortized over the term of the office lease. Furniture, fixtures and equipment purchased during the course of normal business activities are charged to operations when purchased.

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. Accordingly, the Foundation's net assets and changes therein are classified as permanently restricted, temporarily restricted or unrestricted. The Foundation does not have any permanently restricted net assets. All temporarily restricted net assets were released during 2015.

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, 2013.

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

Notes to Combined Financial Statements
December 31, 2016 and 2015

2. Summary of Significant Accounting Policies (continued)

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the combined financial statements through the date that the combined financial statements were available to be issued, which date is June 19, 2017.

3. Investments

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

Description	2016		
	Level 1	Other Investments Measured at Net Asset Value (*)	Total
Commodities (Gold)	\$ 8,684,970	\$ -	\$ 8,684,970
Marketable Securities			
Consumer	3,876,638	-	3,876,638
Financial	5,061,694	-	5,061,694
Technology	3,628,071	-	3,628,071
Other industries	1,370,849	-	1,370,849
Mutual funds	20,291,124	-	20,291,124
Hedge Funds			-
Equity long/short	-	26,780,056	26,780,056
Global opportunities	-	47,087,273	47,087,273
Absolute returns (a)	-	51,426,613	51,426,613
Private equity investments (a)	-	18,113,295	18,113,295
Venture capital investments (a)	-	8,937,645	8,937,645
Real assets (a)	-	7,155,347	7,155,347
Total at Fair Value	<u>\$ 42,913,346</u>	<u>\$ 159,500,229</u>	202,413,575
Cash and cash equivalents, at cost			<u>5,290,340</u>
Total Investments			<u>\$ 207,703,915</u>

**The Charles A. Dana Foundation,
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Notes to Combined Financial Statements
December 31, 2016 and 2015

3. Investments (continued)

Description	2015		
	Level 1	Other Investments Measured at Net Asset Value (*)	Total
Commodities (Gold)	\$ 8,033,919	\$ -	\$ 8,033,919
Marketable Securities			
Consumer	2,443,847	-	2,443,847
Financial	4,056,404	-	4,056,404
Technology	3,602,518	-	3,602,518
Other industries	2,446,288	-	2,446,288
Mutual funds	26,103,080	-	26,103,080
Hedge Funds			
Equity long/short	-	24,456,245	24,456,245
Global opportunities	-	46,101,088	46,101,088
Absolute returns (a)	-	53,914,551	53,914,551
Private equity investments (a)	-	21,269,316	21,269,316
Venture capital investments (a)	-	10,436,143	10,436,143
Real assets (a)	-	5,854,686	5,854,686
Total at Fair Value	<u>\$ 46,686,056</u>	<u>\$ 162,032,029</u>	<u>\$ 208,718,085</u>
Cash and cash equivalents, at cost			1,000,000
Total Investments			<u>\$ 209,718,085</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, 2016 and 2015, one individual investment represented approximately 13% and 12% of total investments.

Information regarding alternative investments valued at NAV using the practical expedient at December 31, 2016 is as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Equity long/short hedge funds (see "a" below)	\$ 26,780,056	\$ -	Quarterly	60 days
Global opportunity hedge funds (see "b" below)	47,087,273	-	Weekly/Monthly/Quarterly	10 to 60 days
Absolute return investments (see "c" below)	51,426,613	-	Quarterly/Annual	45 to 95 days
Private equity investments (see "d" below)	18,113,295	5,583,752	Locked 2017 to 2025	N/A
Venture capital funds (see "e" below)	8,937,645	745,833	Locked 2019	N/A
Real asset investments (see "f" below)	<u>7,155,347</u>	<u>1,213,750</u>	Monthly/Locked 2019 and 2024	30 days
	<u>\$ 159,500,229</u>	<u>\$ 7,543,335</u>		

**The Charles A. Dana Foundation,
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Notes to Combined Financial Statements
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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 positions and financial metrics. There are seven investments in this class.
- (c) Some of this class looks to invest in a vast universe of hedge funds that allows it to diversify its investments and risks and generate absolute returns. Others in this class look to achieve an absolute return strategy through hedging their investments using various trading techniques, while trading both equities and debt. These investments generally have a year-end withdrawal date, with appropriate notice. There are six investments in this class.
- (d) This category is primarily represented by investments that take a fund-of-funds or secondary fund approach. Using their vast array of contacts and research, they seek out the best private equity investment managers for their portfolios. This category is highly diversified and is represented by ten private investment partnerships.
- (e) This class is represented by two investments. Both investments focus on investing in venture partnerships that invest in technology-based and healthcare companies, at the seed and early stage levels.
- (f) This category is invested in a Master Limited Partnership (MLP), and two private equity funds which invest in various natural resource opportunities. These investments represent a diversified group of natural resources, including the oil and gas sector, mining, oilfield services, energy infrastructure, and, to a lesser extent, opportunistic sectors including clean energy, agriculture, and timber.

4. Taxes

Dana and the Alliance are both subject to a Federal excise tax of 2% of their net investment income. This tax is reduced to 1% if certain distribution requirements are met. Dana provides for deferred Federal excise tax at 2% on the net unrealized appreciation in the fair value of investments. In addition, Dana's investment in certain alternative investments gives rise to unrelated business income taxed at general corporate rates. The Alliance did not have any investments during 2016 and 2015.

5. Retirement Plan

Retirement benefits under a defined contribution plan are provided to full-time employees who have completed six months of continuous service. Dana makes contributions to the plan equal to 15% of employee compensation, as defined in the plan document, subject to statutory limitations. Retirement plan expense was \$431,552 and \$430,192 for 2016 and 2015.

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

Notes to Combined Financial Statements
December 31, 2016 and 2015

6. Postretirement Healthcare Benefits

In addition to the retirement plan, Dana sponsors an unfunded plan to provide certain health care benefits for retirees of Dana and the Alliance. Dana funds its postretirement benefits costs on a pay as you go basis.

Information as of and for the years ended December 31, for the plan is as follows:

	2016	2015
Benefit obligation at end of year	\$ 3,783,637	\$ 3,368,821
Net postretirement benefit costs	358,929	350,021
Unrecognized actuarial gain (loss)	(96,206)	675,715
Benefits paid	40,319	38,942
Discount rate used	4.10%	4.29%
 Components of Net Periodic Expense for the Year		
Service cost	\$ 215,271	\$ 205,918
Interest cost	<u>143,658</u>	<u>144,103</u>
	<u>\$ 358,929</u>	<u>\$ 350,021</u>
 Increase (Decrease)		
	2016	2015
Effect of a one-percent point increase in HCCTR* on Year end benefit obligation	\$ 1,089,979	\$ 596,314
Total of service and interest cost component	92,433	56,776
Effect of a one-percent point decrease in HCCTR* on Year end benefit obligation	(266,462)	(471,205)
Total of service and interest cost component	(50,347)	(69,204)

* Health Care Cost Trend Rate

Measurements used to determine the postretirement benefit obligation for 2016 and 2015 were computed as of December 31.

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

Notes to Combined Financial Statements
December 31, 2016 and 2015

6. Postretirement Healthcare Benefits (continued)

For measurement purposes, an 8% annual rate of increase in per capita cost of covered health benefits was assumed for 2016, decreasing to 5% in 2019 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:

2017	\$ 136,540
2018	147,543
2019	143,408
2020	147,697
2021	183,491
5 years thereafter	1,098,522

7. Temporarily Restricted Net Assets

There were no temporarily restricted net assets at December 31, 2016 and 2015. During 2015, net assets released from restrictions were to support the expansion of the Staying Sharp public forums initiative.

8. Lease Commitments

The Foundation leases office space in New York City. The office space lease is for the period beginning February 1, 2011 and ending in May 2021.

As of December 31, 2016 future minimum annual rental payments are as follows:

2017	\$ 853,560
2018	853,560
2019	853,560
2020	853,560
2021	355,650
	<u>\$ 3,769,890</u>

The lease agreement requires additional payments to cover the escalation of maintenance costs and real estate taxes. The Foundation records its rental expense on the straight-line basis. Rental expense included in the combined statements of activities, amounted to \$1,137,127 in 2016 and \$963,458 in 2015.

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