# THE DYSON FOUNDATION

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015 and 2014

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# INDEPENDENT AUDITORS' REPORT

Board of Directors
The Dyson Foundation
Millbrook, New York

## Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of The Dyson Foundation (the "Foundation"), which comprise the consolidated statements of financial position as of December 31, 2015 and 2014, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### *Management's Responsibility for the Consolidated Financial Statements*

The Foundation's management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation's preparation and fair presentation of the consolidated 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 Foundation'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Dyson Foundation as of December 31, 2015 and 2014, and the 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.

EisnerAmper LLP

New York, New York
September 14, 2016

## THE DYSON FOUNDATION

### Consolidated Statements of Financial Position

| | December 31, | |
|---|---|---|
| | **2015** | **2014** |
| **ASSETS** | | |
| Cash and cash equivalents | **$ 2,402,583** | $ 10,817,823 |
| Investments | **211,578,891** | 220,274,329 |
| Loan receivable | | 30,800 |
| Due from investment manager | **1,346,269** | 3,824,986 |
| Prepaid expenses and other assets | **320,061** | 184,533 |
| Property and equipment, net | **4,973,138** | 4,699,509 |
| | **$ 220,620,942** | $ 239,831,980 |
| **LIABILITIES AND NET ASSETS** | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | **$ 647,060** | $ 729,561 |
| Grants payable, net | **18,283,530** | 23,702,075 |
| Note payable | | 1,233,070 |
| Accrued excise tax | | 216,690 |
| Deferred excise tax payable | **349,919** | 638,016 |
| | **19,280,509** | 26,519,412 |
| Commitments (Note I) | | |
| Net assets - unrestricted | **201,340,433** | 213,312,568 |
| | **$ 220,620,942** | $ 239,831,980 |

## THE DYSON FOUNDATION

### Consolidated Statements of Activities

| | Year Ended December 31, 2015 | Year Ended December 31, 2014 |
|---|---|---|
| **Investment income:** | | |
| Dividend income | **$ 2,207,024** | $ 2,811,804 |
| Interest income | **1,138,045** | 378,349 |
| Net realized gains on sales of investments | **13,793,385** | 20,333,278 |
| Net unrealized depreciation in fair value of investments (net of decrease in deferred excise tax of $288,097 and $328,386 in 2015 and 2014, respectively) | **(14,116,751)** | (16,090,911) |
| Net undistributed share of ordinary income from partnership investments | **177,383** | 81,624 |
| Other income | **82,912** | 92,208 |
| | **3,281,998** | 7,606,352 |
| Less: | | |
| Investment management, advisory and custodian expenses | **2,191,250** | 2,230,805 |
| Federal excise tax expense | **304,202** | 428,498 |
| Total investment income | **786,546** | 4,947,049 |
| **Grants and expenses:** | | |
| Grants | **10,758,398** | 19,924,257 |
| Management and grant administration | **2,000,283** | 2,367,610 |
| | **12,758,681** | 22,291,867 |
| **Decrease in net assets - unrestricted** | **(11,972,135)** | (17,344,818) |
| Net assets - unrestricted, January 1 | **213,312,568** | 230,657,386 |
| **Net assets - unrestricted, December 31** | **$ 201,340,433** | $213,312,568 |

## THE DYSON FOUNDATION

### Consolidated Statements of Cash Flows

| | Year Ended December 31, 2015 | Year Ended December 31, 2014 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Decrease in unrestricted net assets | **$ (11,972,135)** | $ (17,344,818) |
| Adjustments to reconcile decrease in unrestricted net assets to net cash used in operating activities: | | |
| Depreciation and amortization | **183,170** | 154,401 |
| Net realized and unrealized losses (gains) on investments | **611,463** | (3,913,981) |
| Net undistributed share of ordinary gains from partnership investments | **(177,383)** | (81,624) |
| Changes in: | | |
| Loan receivable | **30,800** | 316,700 |
| Due from investment manager | **2,478,717** | (3,296,629) |
| Prepaid expenses and other assets | **(135,528)** | 197,900 |
| Accounts payable and accrued expenses | **(82,501)** | 390,320 |
| Grants payable | **(5,418,545)** | 2,040,065 |
| Accrued excise tax | **(216,690)** | 216,690 |
| Deferred excise tax benefit | **(288,097)** | (328,386) |
| Net cash used in operating activities | **(14,986,729)** | (21,649,362) |
| **Cash flows from investing activities:** | | |
| Purchases of investments | **(43,555,579)** | (156,807,417) |
| Proceeds from sales of investments | **51,816,937** | 186,047,441 |
| Purchases of property and equipment | **(456,799)** | (226,716) |
| Net cash provided by investing activities | **7,804,559** | 29,013,308 |
| **Cash flows from financing activities:** | | |
| Repayment of note | **(1,233,070)** | (86,278) |
| Net cash used in financing activities | **(1,233,070)** | (86,278) |
| **Net change in cash and cash equivalents** | **(8,415,240)** | 7,277,668 |
| Cash and cash equivalents - beginning of year | **10,817,823** | 3,540,155 |
| **Cash and cash equivalents - end of year** | **$ 2,402,583** | $ 10,817,823 |
| **Supplemental disclosure of cash flow information:** | | |
| Federal excise taxes paid | **$ 657,515** | $ 22,900 |
| Interest paid on note | **$ 48,937** | $ 54,212 |

## NOTE A - THE FOUNDATION AND ITS SIGNIFICANT ACCOUNTING POLICIES

### [1] The Foundation:

The Dyson Foundation ("Dyson") is a grant-making, non-operating private foundation, incorporated in the state of Delaware in 1957, which provides support to a variety of organizations in the arts, higher education, and medical and social services.

Dyson is the sole member of Halcyon Property Holdings LLC ("Halcyon"), a Delaware corporation formed in 2010 for the purpose of holding real estate.

Dyson is also the sole member of 1687 Properties LLC ("1687 Properties"), a Delaware corporation formed in 2011 for the purpose of holding real estate. During 2012, 1687 Properties purchased land, a parking lot, and two buildings to be developed from the City of Poughkeepsie, New York, in the amount of $675,000.

Finally, Dyson is the sole member of Dyson PIRA LLC ("Dyson PIRA"), a Delaware corporation formed in 2012 for the purpose of creating an investment vehicle related to a new investment funded during 2012, as described in Note A[7].

The accompanying consolidated financial statements include the consolidated financial position and operational activities of Dyson and its wholly-controlled subsidiaries, Halcyon, 1687 Properties, and PIRA, collectively referred to as the "Foundation."

### [2] Basis of accounting:

The accompanying consolidated financial statements of the Foundation have been prepared using the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations.

### [3] Use of estimates:

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Actual results could differ from those estimates.

### [4] Tax status:

Dyson qualifies as a tax-exempt charitable organization under Section 501(c)(3) of the U.S. Internal Revenue Code (the "Code") and, accordingly, is not subject to federal income taxes except on net unrelated business income. However, Dyson is subject to a federal excise tax, not to exceed 2% of net investment income, including realized gains, as defined in the Code. Upon meeting certain specified distribution requirements, Dyson may qualify for a reduction of the tax to a rate of 1%. Dyson was subject to the 2% rate for both 2015 and 2014.

In addition, Dyson must make certain minimum distributions in an amount equal to 5% of the average fair value of its non-charitable use assets held during the year. The Foundation made the required distributions for 2015 and 2014, and in certain years the Foundation has contributed more than the minimum distribution, thereby creating excess carryforward expiring through 2020.

Halcyon, 1687 Properties, and Dyson PIRA are all limited liability companies that are considered to be disregarded entities for income tax purposes, and therefore the activities for these companies are reported in Dyson's tax returns.

**NOTE A - THE FOUNDATION AND ITS SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**[5] Cash and cash equivalents:**

For financial-reporting purposes, the Foundation considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents, with the exception of cash and short-term investments that are designated to be part of the Foundation's long-term investment portfolio.

**[6] Net assets:**

The Foundation's net assets, which are unrestricted, represent resources available for current operations, as there are no donor restrictions as to their use.

**[7] Investments:**

Investment transactions are recorded on a trade-date basis, and investments are reported in the accompanying consolidated financial statements at their quoted fair values as of year-end. The realized and unrealized gains and losses are determined by a comparison of specific costs at acquisition to the proceeds at the time of disposal, or to the fair values at year-end, and are reflected in the accompanying consolidated statements of activities.

Investments in domestic and foreign limited partnerships and in hedge funds are reported at their estimated fair values at year-end, as determined by the related investment manager or advisor. The underlying cost bases of offshore hedge funds and foreign limited partnerships are the purchase prices, whereas the domestic limited partnerships' and domestic hedge funds' cost bases are adjusted for recognized earnings and losses, contributions and distributions. During 2014, mutual funds consisted primarily of U.S. and international equity securities and fixed income securities. The Foundation was no longer invested in mutual funds as of December 31, 2015.

Certain of the limited partnerships in which the Foundation has a position enter into various financial instruments for trading purposes in the normal course of their operations, including derivatives held or issued. These investments are subject to market risks which arise from changes in securities values and other market conditions. As part of their overall trading strategy, the investment funds may engage in the purchase and sale of index and equity options for the purpose of generating profit and/or reducing market risk. The various managers monitor their positions continuously to reduce the risk of potential loss due to changes in fair values or to the failure of counterparties to perform. Estimated values provided by these fund managers may differ significantly from actual values had a ready market for these instruments existed.

During 2012, Dyson PIRA invested $2,000,000 in an unsecured convertible promissory note with Port Imperial Racing Associates, LLC. The investment was valued at the original loan amount plus the accrued payable-in-kind ("pik") interest being earned on an annual basis. In 2014, Dyson PIRA determined that the accrued interest on the note was unlikely to be collected and accordingly depreciated the value of the investment back to the original cost basis, and the Foundation maintained this valuation for 2015. The loan principal, which is still deemed collectible, is callable on demand or is convertible, at Dyson PIRA's option, into an equity interest in the company.

**[8] Due from investment managers:**

From time-to-time, investment transactions may be initiated prior to the December 31st year-end, but may not be settled until the following year. Accordingly, amounts to be received by the Foundation are reported as "due from investment managers" in the accompanying consolidated statements of financial position. The proceeds from the liquidation of certain investments were in-transit as of December 31, 2015 and 2014 in the amounts of $1,346,269 and $3,824,986, respectively. The 2014 receivable was fully collected during 2015.

## NOTE A - THE FOUNDATION AND ITS SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**[9] Property and equipment:**

Property and equipment are stated at their costs at the dates of acquisition. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Building and building improvements are depreciated over forty years, furniture is depreciated over its useful life ranging from ten to twenty years, and equipment is depreciated over its useful life ranging from five to ten years. Land is not depreciated.

The Foundation's policy is to capitalize those amounts that are both over the threshold and have a useable life of three years or greater. The thresholds used by the Foundation are as follows: building and equipment expenses greater than $500, and computer software expenses greater than $200.

Management evaluates the recoverability of the investment in long-lived assets on an ongoing basis and recognizes any impairment in the year of determination. Long-lived assets were tested for impairment as of December 31, 2015 and 2014, and, in the opinion of management, there was no impairment. It is reasonably possible that relevant conditions could change in the near term and necessitate a change in management's estimate of the recoverability of these assets.

**[10] Deferred federal excise taxes and adjustments:**

The Foundation provides for deferred federal excise taxes on the total unrealized appreciation in fair value over the original cost of its investments, if any, using the 2% excise tax rate.

**[11] Grants and grant commitments:**

Grants and awards made to others are recognized in the accompanying consolidated financial statements at the time of approval by the Foundation's Board of Directors. Multi-year grants payable are reported at their present values using an appropriate interest rate.

**[12] Income taxes:**

The Foundation is subject to the provisions of ASC Topic 740, "Income Taxes," relating to the accounting and reporting for uncertainty in income taxes. Since the Foundation has always recorded the potential tax liability for excise and unrelated business tax, and due to its general not-for-profit status, management believes ASC 740 has not had, and is not anticipated to have, a material impact on the Foundation's consolidated financial statements.

**[13] Reclassification:**

Certain information in the prior year's notes to the consolidated financial statements has been reclassified to conform with the current year's presentation.

**[14] Subsequent events:**

The Foundation considers the accounting treatments and the related disclosures in the current year's consolidated financial statements that may be required as the result of all events or transactions that occur after December 31, 2015 through September 14, 2016, the date the consolidated financial statements were available to be issued.

## NOTE B - INVESTMENTS

At each year-end, investments consisted of the following:

| | December 31, | | | |
|---|---|---|---|---|
| | 2015 | | 2014 | |
| | Cost | Fair Value | Cost | Fair Value |
| Cash held for investment and cash equivalents | **$ 344,679** | **$ 344,679** | $ 61,378,295 | $ 61,378,295 |
| Equity mutual funds | | | 1,381,334 | 3,030,660 |
| Fixed-income funds | | | 4,852,073 | 4,965,585 |
| Equity securities | **60,013,012** | **68,379,187** | 59,877,250 | 70,730,799 |
| Domestic LPs and LLCs | **41,322,051** | **49,758,545** | 28,893,838 | 37,728,475 |
| Foreign limited partnerships | **5,723,236** | **6,833,305** | 5,940,711 | 7,486,329 |
| Unsecured convertible promissory note | **2,000,000** | **2,000,000** | 2,000,000 | 2,000,000 |
| Hedge funds | **84,679,964** | **84,263,175** | 24,050,031 | 32,954,186 |
| | **$ 194,082,942** | **$ 211,578,891** | $ 188,373,532 | $ 220,274,329 |

The Foundation is subject to the Financial Accounting Standards Board's (the "FASB") Accounting Standards Codification ("ASC") Topic 820, "Fair Value Measurements and Disclosures," relating to fair value measurement. ASC Topic 820 establishes a three-level valuation hierarchy of fair value measurements. These valuation techniques are based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. These two types of inputs create the following fair value hierarchy:

Level 1: Valuations are based on observable inputs that reflect quoted market prices in active markets for identical investments, at the reporting date.

Level 2: Valuations are based on (i) quoted prices for those investments, or similar investments, in active markets, or (ii) quoted prices for those investments, or similar investments, in markets that are not active, or (iii) pricing inputs other than quoted prices that are directly or indirectly observable at the reporting date. Level 2 assets include those investments for which a model was derived for valuation.

Level 3: Valuations are based on pricing inputs that are unobservable and include situations where (i) there is little, if any, market activity for the investments, or (ii) the investments cannot be independently valued.

Certain of the Foundation's investments are valued using net asset value ("NAV") per share as a practical expedient of fair value. The Foundation uses the NAV per share or its equivalent as a practical expedient to measure the fair values of the domestic and foreign partnerships, limited liability companies, and hedge funds. The use of the practical expedient is applicable for investments which (a) do not have a readily determinable fair value and (b) the financial statements of which were prepared by the respective investment managers, consistent with the measurement principles of an investment company or that have the attributes of an investment company.

The Foundation is subject to the FASB's Accounting Standards Update ("ASU") 2015-07, "*Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent.*" ASU 2015-07 removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using NAV per share as a practical expedient. Accordingly, these investments are not categorized within the fair value hierarchy and certain related tables have been properly excluded from the consolidated financial statements.

**NOTE B - INVESTMENTS (CONTINUED)**

The Foundation's investments in private securities are valued based on the valuation policies and procedures of the general partner. Certain of the private securities in which the Foundation has a position enter into various financial instruments for trading purposes in the normal course of their operations, including derivatives held or issued. The general partner performs oversight of the underlying managers' material positions both on an investment level and from a risk perspective. The general partner is responsible for ensuring that investments are valued according to the policies and procedures adopted by the partnership. The Foundation places reliance upon those procedures and records these investments at fair value as determined by the general partner.

The Foundation's investments are subject to various risks, such as interest-rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of those securities could occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements.

The available market data is monitored to assess the appropriate classification of financial instruments within the fair-value hierarchy. Changes in economic conditions or valuation techniques may require the transfer of financial instruments from one level to another. In such instances, the transfer is reported at the beginning of the reporting period. During 2015 and 2014, there were no transfers among Levels 1, 2, and 3.

The following tables summarize the fair values of the Foundation's investments at each year-end in accordance with the ASC 820 valuation levels:

| | December 31, 2015 | | | | |
|---|---|---|---|---|---|
| | Fair-value Hierarchy | | | | |
| | Level 1 | Level 3 | Total | Valued at NAV | Total Investments |
| Cash held for investment and cash equivalents | $ 344,679 | | $ 344,679 | | $ 344,679 |
| Equity securities | 68,379,187 | | 68,379,187 | | 68,379,187 |
| Domestic LPs and LLCs | | $ 583,042 | 583,042 | $ 49,175,503 | 49,758,545 |
| Foreign limited partnerships | | | | 6,833,305 | 6,833,305 |
| Unsecured convertible promissory note | | 2,000,000 | 2,000,000 | | 2,000,000 |
| Hedge funds | | 418,116 | 418,116 | 83,845,059 | 84,263,175 |
| Total investments | $ 68,723,866 | $ 3,001,158 | $ 71,725,024 | $ 139,853,867 | $ 211,578,891 |

| | December 31, 2014 | | | | |
|---|---|---|---|---|---|
| | Fair-value Hierarchy | | | | |
| | Level 1 | Level 3 | Total | Valued at NAV | Total Investments |
| Cash held for investment and cash equivalents | $ 61,378,295 | | $ 61,378,295 | | $ 61,378,295 |
| Equity mutual funds | 3,030,660 | | 3,030,660 | | 3,030,660 |
| Fixed-income funds | 4,965,585 | | 4,965,585 | | 4,965,585 |
| Equity securities | 70,730,799 | | 70,730,799 | | 70,730,799 |
| Domestic LPs and LLCs | | $ 791,801 | 791,801 | $ 36,936,674 | 37,728,475 |
| Foreign limited partnerships | | | | 7,486,329 | 7,486,329 |
| Unsecured convertible promissory note | | 2,000,000 | 2,000,000 | | 2,000,000 |
| Hedge funds | | 1,065,405 | 1,065,405 | 31,888,781 | 32,954,186 |
| Total investments | $ 140,105,339 | $ 3,857,206 | $ 143,962,545 | $ 76,311,784 | $ 220,274,329 |

## NOTE B - INVESTMENTS (CONTINUED)

The following tables summarize each year's activity for financial instruments classified within Level 3:

| | Year Ended December 31, 2015 | | | |
|---|---|---|---|---|
| | Domestic LPs and LLCs | Hedge Funds | Unsecured Convertible Promissory Note | Total |
| Balance at December 31, 2014 | $ 791,801 | $ 1,065,405 | $ 2,000,000 | $ 3,857,206 |
| Purchases | 37,671 | 108,658 | | 146,329 |
| Sales | (230,506) | (684,158) | | (914,664) |
| Net realized gains (losses) | 192,835 | (4,582) | | 188,253 |
| Net unrealized losses | (208,759) | (67,207) | | (275,966) |
| Balance at December 31, 2015 | $ 583,042 | $ 418,116 | $ 2,000,000 | $ 3,001,158 |

| | Year Ended December 31, 2014 | | | |
|---|---|---|---|---|
| | Domestic LPs and LLCs | Hedge Funds | Unsecured Convertible Promissory Note | Total |
| Balance at December 31, 2013 | $ 1,411,918 | $ 2,771,157 | $ 2,000,000 | $ 6,183,075 |
| Purchases | 48,144 | | | 48,144 |
| Sales | (689,174) | (1,718,153) | | (2,407,327) |
| Net realized gains | 408,392 | | | 408,392 |
| Net unrealized (losses) gains | (387,479) | 12,401 | | (375,078) |
| Balance at December 31, 2014 | $ 791,801 | $ 1,065,405 | $ 2,000,000 | $ 3,857,206 |

The following table lists investment redemption terms at year end by major category:

| | December 31, 2015 | | | |
|---|---|---|---|---|
| | Fair Value | Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
| Domestic LPs and LLCs | $ 20,532,195 | $ 13,969,221 | None | N/A |
| Domestic LPs and LLCs | 28,643,308 | | Daily | N/A |
| Domestic LPs and LLCs | 583,042 | | SPV of whole mortgages in liquidation mode | N/A |
| Foreign limited partnerships | 6,833,305 | 1,084,074 | None | N/A |
| Hedge funds | 418,116 | | In liquidation mode | N/A |
| Hedge funds | 14,422 | | Annually | 45-60 days |
| Hedge funds | 3,296,448 | | Quarterly | 60-95 days |
| Hedge funds | 79,709,845 | | Monthly | 7 days |
| Hedge funds | 367,626 | | Fully redeemable in 2Q of 2016 | N/A |
| Hedge funds | 456,718 | | Rolling 2-year lock-up | 90 days |
| Unsecured convertible promissory note | 2,000,000 | | Callable on demand | Immediate payment if note is called |
| | $ 142,855,025 | $ 15,053,295 | | |

## NOTE B - INVESTMENTS (CONTINUED)

The following provides information on the valuation techniques and nature of significant unobservable inputs used to determine the value of Level 3 assets:

| | Valuation Techniques | Fair Value at December 31, 2015 | Unobservable Inputs | Range of Inputs (weighted average) |
|---|---|---|---|---|
| Unsecured convertible promissory note | Relative value analysis | $ 2,000,000 | Expected recovery | N/A |
| Domestic LPs and LLCs | Relative value analysis | $ 583,042 | Expected recovery | N/A |
| Hedge funds | Relative value analysis | $ 418,116 | Expected recovery | N/A |

## NOTE C - LOAN RECEIVABLE

During 2014, there was one outstanding loan receivable for $30,800 with an unrelated not-for-profit organization. During 2015, the loan was fully collected. The proceeds from the collection were used exclusively for charitable purposes.

## NOTE D - PROPERTY AND EQUIPMENT

At each year-end, property and equipment consisted of the following:

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| Land | **$ 745,000** | $ 745,000 |
| Building | **1,891,357** | 1,891,357 |
| Building improvements | **2,191,008** | 1,749,304 |
| Computer software | **141,573** | 161,261 |
| Furniture and equipment | **423,268** | 491,970 |
| | **5,392,206** | 5,038,892 |
| Less accumulated depreciation and amortization | **(780,388)** | (700,703) |
| | **4,611,818** | 4,338,189 |
| Construction-in-progress | **361,320** | 361,320 |
| | **$ 4,973,138** | $ 4,699,509 |

The construction-in-progress relates to the Upper Landing Park Project, which has not yet been put into service. This construction project remains ongoing as of the date of these consolidated financial statements.

During 2015, the Foundation disposed of fully-depreciated equipment and software of $103,485.

### NOTE E - GRANTS PAYABLE

At December 31, 2015, grants payable were scheduled for payment as follows:

| Year | Amount |
|---|---|
| 2016 | $ 9,666,000 |
| 2017 | 5,515,200 |
| 2018 | 2,201,000 |
| 2019 | 1,581,000 |
| | 18,963,200 |
| Reduction of grants payable in excess of one year to present value, using a discount rate of 3.00% | (679,670) |
| | $ 18,283,530 |

### NOTE F - NOTE PAYABLE

In December 2010, Halcyon secured a $1,550,000 loan from the Manufacturers and Traders Trust Company Bank ("M&T"), with a fixed annual interest rate of 4.55%. The funds were used to purchase the building occupied by the Mid-Hudson Children's Museum. As of December 31, 2015, the note has been fully repaid, and the interest paid on the note during 2015 totaled $48,937.

### NOTE G - RELATED-PARTY TRANSACTIONS

The Foundation is provided payroll and benefit-administration services at no cost by a business corporation, the chief executive officer of which is also a member of the Foundation's Board of Directors. The value of these services has not been reported in these consolidated financial statements, as it is immaterial.

The Foundation made grants in the amounts of $3,830,693 and $3,300,262 for 2015 and 2014, respectively, to organizations that have board members and/or a key employee in common with the Foundation's Board of Directors.

As described in Note A[7], Dyson PIRA and three other Dyson family Trusts loaned Port Imperial Racing Associates, LLC money in the form of unsecured convertible promissory notes with identical terms. Dyson PIRA has funded two thirds of the total principal outstanding of the notes, and the Trusts' combined interest makes up the remaining one third. The Dyson family Trusts have named Dyson PIRA as the Agent in this transaction.

### NOTE H - RETIREMENT PLAN

The Foundation participates in a profit-sharing retirement plan sponsored by a related-party business corporation (see Note G) for the benefit of all employees who have completed one year of service. Employees over the age of 50 may also make voluntary catch-up contributions, and the Foundation contributes an amount equal to 25% of an employee's annual salary to the plan up to the allowable IRS limits. Retirement plan expense for 2015 and 2014 was $253,447 and $262,292, respectively.

## NOTE I - COMMITMENTS

**[1]** In December 2008, the Foundation became a guarantor on notes totaling $15,000,000 for one of its grantees to help the grantee secure funding to carry out its mission. The grantee to whom the loan was made is a related party, since one of the Foundation's employees served on the grantee's board of directors through May 2015 (see Note G). As of December 31, 2015, $10,000,000 of the note had been fully repaid and the remaining term loan is due by December 31, 2019. Through December 31, 2015 the Foundation has awarded the organization grants totaling $14,610,895 to cover the principal and interest due on the loans.

To date, the grantee has been making regular payments on the loans (now converted to a term loan), and the combined outstanding balance owed by the grantee as of December 31, 2015 was $1,258,408. The Foundation's Board of Directors and management do not believe there is any substantial risk that the grantee will default on the obligation.

**[2]** During 2009, the Foundation became aware that the Mid-Hudson Children's Museum, a recipient of one of its program-related investments, was facing economic difficulties. In 2010, Halcyon obtained approval from the New York State Attorney General's Office to purchase the Museum building and concurrently to lease the property back to the Museum. The purchase was completed in December 2010, and a lease agreement was signed with the Museum for $1,500 per month, expiring in December 2018. This rental income is reported in other income in the accompanying consolidated statements of activities.

**[3]** As described in Note A[1], during 2012, 1687 Properties purchased land from the City of Poughkeepsie. The New York Metropolitan Transportation Authority (the "MTA") had an existing lease with the City of Poughkeepsie to use this land, and 1687 Properties has now assumed this lease. Therefore, beginning in 2012, 1687 Properties collects base rent of $5,900 annually from the MTA through the expiration date of the lease agreement, which is December 31, 2056. The rental income from this lease agreement is included in other income in the accompanying consolidated statements of activities.

**[4]** In the normal course of business, the Foundation enters into various contracts for consulting and other services, which are typically renewable on a year-to-year basis.

## NOTE K - CONCENTRATION OF CREDIT RISK

The Foundation's balances in cash, cash equivalents and investment accounts frequently exceed federally insured limits. The Foundation places its cash and cash equivalents with large, high-quality financial institutions and diversifies its investments in limited partnerships, and securities of financially strong corporations and of the U.S. government. Management believes the Foundation is not exposed to any substantial risk of loss due to the failure of the financial institutions.