

EISNERAMPER

THE DYSON FOUNDATION
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 and 2016



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, 2017 and 2016, 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 organization'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 organization'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, 2017 and 2016, 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
October 18, 2018



THE DYSON FOUNDATION

Consolidated Statements of Financial Position

	December 31,	
	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents	\$ 2,083,115	\$ 4,589,901
Due from investment manager	201,112	226,723
Investments	214,259,927	201,349,173
Prepaid expenses and other assets	158,359	191,919
Property and equipment, net	<u>4,829,127</u>	<u>4,955,596</u>
	<u>\$ 221,531,640</u>	<u>\$ 211,313,312</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 484,016	\$ 498,609
Grants payable, net	12,321,861	12,490,230
Deferred excise tax payable	<u>749,307</u>	<u>310,891</u>
	13,555,184	13,299,730
Commitments (Note G)		
Net assets - unrestricted	<u>207,976,456</u>	<u>198,013,582</u>
	<u>\$ 221,531,640</u>	<u>\$ 211,313,312</u>

See notes to consolidated financial statements.

THE DYSON FOUNDATION

Consolidated Statements of Activities

	Year Ended December 31,	
	<u>2017</u>	<u>2016</u>
Revenues:		
Contributions	<u>\$ 7,185</u>	
Investment income:		
Dividend income	2,214,389	\$ 1,981,993
Interest income	750,437	1,087,878
Net realized gains on sales of investments	3,149,642	8,276,126
Net unrealized appreciation (depreciation) in fair value of investments (net of change in deferred excise tax of \$438,416 and (\$39,028) in 2017 and 2016, respectively)	21,482,384	(1,912,355)
Net undistributed share of ordinary (losses) income from partnership investments	(244,325)	5,046
Other income	<u>344,229</u>	<u>128,820</u>
	27,696,756	9,567,508
Less:		
Investment management, advisory and custodian expenses	2,313,945	1,933,176
Federal excise tax expense	<u>85,215</u>	<u>192,175</u>
Total investment income	<u>25,297,596</u>	<u>7,442,157</u>
Total revenues and investment income	<u>25,304,781</u>	<u>7,442,157</u>
Program and related expenses:		
Grants	13,539,408	8,676,617
Management and grant administration	<u>1,802,499</u>	<u>2,092,391</u>
	<u>15,341,907</u>	<u>10,769,008</u>
Change in net assets - unrestricted	9,962,874	(3,326,851)
Net assets - unrestricted, beginning of year	<u>198,013,582</u>	<u>201,340,433</u>
Net assets - unrestricted, end of year	<u>\$ 207,976,456</u>	<u>\$ 198,013,582</u>

See notes to consolidated financial statements.

THE DYSON FOUNDATION

Consolidated Statements of Cash Flows

	Year Ended December 31,	
	2017	2016
Cash flows from operating activities:		
Change in unrestricted net assets	\$ 9,962,874	\$ (3,326,851)
Adjustments to reconcile change in unrestricted net assets to net cash used in operating activities:		
Depreciation and amortization	165,552	198,810
Net realized and unrealized gains on investments	(25,070,442)	(6,324,743)
Net undistributed share of ordinary losses (gains) from partnership investments	244,325	(5,046)
Changes in:		
Due from investment manager	25,611	1,119,546
Prepaid expenses and other assets	33,560	55,300
Accounts payable and accrued expenses	(14,593)	(148,451)
Grants payable, net	(168,369)	(5,793,300)
Deferred excise tax payable	438,416	(39,028)
Net cash used in operating activities	<u>(14,383,066)</u>	<u>(14,263,763)</u>
Cash flows from investing activities:		
Purchases of investments	(5,396,885)	(6,818,836)
Proceeds from sales of investments	17,312,248	23,378,343
Purchases of property and equipment	(39,083)	(108,426)
Net cash provided by investing activities	<u>11,876,280</u>	<u>16,451,081</u>
Net change in cash and cash equivalents	(2,506,786)	2,187,318
Cash and cash equivalents, beginning of year	<u>4,589,901</u>	<u>2,402,583</u>
Cash and cash equivalents, end of year	\$ <u>2,083,115</u>	\$ <u>4,589,901</u>
Supplemental disclosure of cash flow information:		
Federal and state excise taxes paid	<u>\$ 70,035</u>	<u>\$ 201,130</u>

See notes to consolidated financial statements.

THE DYSON FOUNDATION

Notes to Consolidated Financial Statements December 31, 2017 and 2016

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 higher education, healthcare and social/human 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 consolidated financial statements include the consolidated financial position and operational activities of Dyson and its wholly-controlled subsidiaries, Halcyon, 1687 Properties, and Dyson PIRA, collectively referred to as the "Foundation."

[2] Basis of accounting:

The 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 ("U.S. GAAP"), as applicable to not-for-profit organizations.

[3] Use of estimates:

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses as well as the disclosure of contingent assets and liabilities. 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 2017 and 2016.

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 2017 and 2016, and in certain years, the Foundation has contributed more than the minimum distributions, thereby creating excess distribution carryforwards that expire through 2022.

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.

THE DYSON FOUNDATION

Notes to Consolidated Financial Statements December 31, 2017 and 2016

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

[5] Cash and cash equivalents:

All highly liquid investments purchased with an original maturity of three months or less, are reported in the consolidated statements of financial position as a part of cash and cash equivalents, with the exception of those cash deposits and short-term investments that are part of the Foundation's long-term investment portfolio.

[6] Investments:

Investments in equity securities are recorded on a trade-date basis, and are reported in the consolidated statements of financial position at their quoted fair values as of year-end. The realized gains and losses are determined by a comparison of specific costs at acquisition to proceeds at the time of disposition. Unrealized gains and losses on investments are determined by comparing the investment's cost to the fair value at the beginning of each year.

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 managers or advisors. The underlying cost bases of offshore hedge funds and foreign limited partnerships are reported at the unadjusted purchase prices paid, whereas the domestic limited partnerships' and domestic hedge funds' cost bases are adjusted for recognized earnings, losses, capital contributions and distributions.

Certain of the Foundation's investments are valued using net asset value ("NAV") per share or its equivalent as a practical expedient of fair value, in order 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 (i) do not have a readily determinable fair value and (ii) the financial statements of which were prepared by the respective investment managers consistent with the measurement principles of either an investment company or an entity with the attributes of an investment company.

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 strategies, 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 losses 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; the Foundation has maintained this valuation through December 31, 2017. The loan principal, which is still deemed to be collectible, is either callable on demand or is convertible, at Dyson PIRA's option, into an equity-interest in the company.

[7] Due from investment managers:

From time-to-time, investment transactions may be initiated prior to 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, 2017 and 2016 in the amounts of \$201,112 and \$226,723, respectively. The 2017 receivable was fully collected during 2018.

THE DYSON FOUNDATION

Notes to Consolidated Financial Statements December 31, 2017 and 2016

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

[8] Property and equipment:

Property and equipment are stated at their original costs at the dates of acquisition, or if contributed, at their fair values at the dates of donation. Dyson capitalizes items of property and equipment that have a cost of \$500 or more and a useful life greater than one year, whereas minor costs of repair and maintenance are expensed as incurred. 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 items are depreciated over their useful lives ranging from ten to twenty years; and equipment items are depreciated over their useful lives ranging from five to ten years. Land is not depreciated.

The costs incurred for the purchase of computer software and upgrades that result in additional functionality are capitalized. Dyson capitalizes items of computer software that have a cost of \$200 or more and a useful life greater than one year, whereas costs relating to operation and content are expensed as incurred. Capitalized software costs are amortized over a four-year expected using the straight line method.

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, 2017 and 2016, and, in the opinion of management, there was no impairment in value in either year. However, 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.

[9] Deferred federal excise taxes and adjustments:

The Foundation provides for deferred federal excise taxes on the total unrealized appreciation in the fair values of investments over the original costs of those investments, using the 2% excise tax rate.

[10] Grants and grant commitments:

Grants and awards made to others are recognized in the 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.

[11] 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.

[12] Functional expenses:

Program-related expenses include all expenses related to (i) the administration of grants, and, (ii) salaries and other expenses related to the operations of the Foundation. Investment-related administrative expenses include direct expenses arising from investments and other expenses incurred in the maintenance and reporting of investments. The classification of expenses between program and investment-related expenses is determined by either specific identification or by an allocation based on management's estimates. Indirect costs have been allocated on the basis of time allocation.

[13] Income taxes:

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

THE DYSON FOUNDATION

Notes to Consolidated Financial Statements December 31, 2017 and 2016

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

[14] Upcoming accounting pronouncement:

In August 2016, the FASB issued Accounting Standards Update ("ASU") 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 amends financial-statement presentations and disclosures, with the goal of assisting not-for-profit organizations in providing more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. ASU 2016-14 includes qualitative and quantitative requirements in the following areas: (i) net asset classes, (ii) investment returns, (iii) expense categorizations, (iv) liquidity and availability of resources, and (v) presentation of operating cash flows. This new reporting standard will be effective for fiscal years beginning after December 15, 2017. The Foundation will adopt this pronouncement in 2018.

[15] Subsequent events:

The Foundation evaluated subsequent events through October 18, 2018, the date on which the consolidated financial statements were available to be issued.

NOTE B - INVESTMENTS

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

	December 31,			
	2017		2016	
	Fair Value	Cost	Fair Value	Cost
Cash held for investment and cash equivalents	\$ 507,594	\$ 507,594	\$ 391,451	\$ 391,451
Equity securities	74,999,835	53,961,252	61,685,627	52,304,626
Domestic LPs and LLCs	34,003,858	31,362,869	45,589,765	40,567,955
Foreign limited partnerships	4,999,207	4,717,748	5,450,910	5,404,315
Unsecured convertible promissory note	2,000,000	2,000,000	2,000,000	2,000,000
Hedge funds	97,749,433	84,245,098	86,231,420	85,136,260
	<u>\$214,259,927</u>	<u>\$176,794,561</u>	<u>\$201,349,173</u>	<u>\$185,804,607</u>

The FASB's ASC Topic 820, *Fair Value Measurements*, establishes a three-level valuation hierarchy of fair-value measurements. These valuation techniques are based upon 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 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 3: Valuations are based on pricing inputs that are unobservable and include situations in which (i) there is little, if any, market activity for the investments, or (ii) in which the investments cannot be independently valued.

THE DYSON FOUNDATION

Notes to Consolidated Financial Statements December 31, 2017 and 2016

NOTE B - INVESTMENTS (CONTINUED)

The Foundation is subject to the FASB's 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 or its equivalent as a practical expedient. Accordingly, these investments are not categorized within the fair value hierarchy and certain related disclosures have been properly excluded from the consolidated financial statements.

The Foundation's investments in private securities are valued based on the valuation policies and procedures of the various general partners. 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. Each general partner performs oversight of the underlying managers' material positions both on an investment level and from a risk perspective. Each 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 those fair values that were 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 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 2017 and 2016, 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 FASB's ASC 820 fair-value levels:

	December 31, 2017				
	Fair-Value Hierarchy			Valued at NAV Per Share	Total Investments
	Level 1	Level 3	Total		
Cash held for investment and cash equivalents	\$ 507,594		\$ 507,594		\$ 507,594
Equity securities	74,999,835		74,999,835		74,999,835
Domestic LPs and LLCs				\$ 34,003,858	34,003,858
Foreign limited partnerships				4,999,207	4,999,207
Unsecured convertible promissory note		\$ 2,000,000	2,000,000		2,000,000
Hedge funds		141,037	141,037	97,608,396	97,749,433
	<u>\$ 75,507,429</u>	<u>\$ 2,141,037</u>	<u>\$ 77,648,466</u>	<u>\$ 136,611,461</u>	<u>\$ 214,259,927</u>

THE DYSON FOUNDATION

Notes to Consolidated Financial Statements December 31, 2017 and 2016

NOTE B - INVESTMENTS (CONTINUED)

	December 31, 2016				
	Fair-Value Hierarchy			Valued at NAV Per Share	Total Investments
	Level 1	Level 3	Total		
Cash held for investment and cash equivalents	\$ 391,451		\$ 391,451		\$ 391,451
Equity securities	61,685,627		61,685,627		61,685,627
Domestic LPs and LLCs		\$ 409,529	409,529	\$ 45,180,236	45,589,765
Foreign limited partnerships				5,450,910	5,450,910
Unsecured convertible promissory note		2,000,000	2,000,000		2,000,000
Hedge funds		306,858	306,858	85,924,562	86,231,420
	<u>\$ 62,077,078</u>	<u>\$ 2,716,387</u>	<u>\$ 64,793,465</u>	<u>\$ 136,555,708</u>	<u>\$ 201,349,173</u>

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

	Year Ended December 31, 2017			
	Domestic LPs and LLCs	Hedge Funds	Unsecured Convertible Promissory Note	Total
Balance at December 31, 2016	\$ 409,529	\$ 306,858	\$ 2,000,000	\$ 2,716,387
Purchases	5,575	19,830		25,405
Sales	(432,552)	(218,753)		(651,305)
Net realized gains	426,977	77,966		504,943
Net unrealized losses	(409,529)	(44,864)		(454,393)
Balance at December 31, 2017	<u>\$ 0</u>	<u>\$ 141,037</u>	<u>\$ 2,000,000</u>	<u>\$ 2,141,037</u>

	Year Ended December 31, 2016			
	Domestic LPs and LLCs	Hedge Funds	Unsecured Convertible Promissory Note	Total
Balance at December 31, 2015	\$ 583,042	\$ 418,116	\$ 2,000,000	\$ 3,001,158
Purchases	30,545	86,727		117,272
Sales	(132,590)	(142,577)		(275,167)
Net realized gains	102,045	389		102,434
Net unrealized losses	(173,513)	(55,797)		(229,310)
Balance at December 31, 2016	<u>\$ 409,529</u>	<u>\$ 306,858</u>	<u>\$ 2,000,000</u>	<u>\$ 2,716,387</u>

THE DYSON FOUNDATION

Notes to Consolidated Financial Statements December 31, 2017 and 2016

NOTE B - INVESTMENTS (CONTINUED)

The following table lists investment redemption terms at December 31, 2017 by major category:

	December 31, 2017			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Domestic LPs and LLCs	\$ 15,218,497	\$ 19,198,390	None	N/A
Domestic LPs and LLCs	18,785,361	25,857	Daily	N/A
Foreign limited partnerships	4,999,207	946,447	None	N/A
Hedge funds	141,037		In liquidation mode	N/A
Hedge funds	97,608,396		Monthly	7 days
Unsecured convertible promissory note	<u>2,000,000</u>	_____	Callable on demand	Immediate payment if note is called
	<u>\$ 138,752,498</u>	<u>\$ 20,170,694</u>		

The following provides information on the valuation techniques and nature of significant unobservable inputs used to determine the value of Level 3 assets at December 31, 2017:

	Valuation Techniques	Fair Value at December 31, 2017	Unobservable Inputs	Range of Inputs (weighted average)
Unsecured convertible promissory note	Relative value analysis	\$ 2,000,000	Expected recovery	N/A
Hedge funds	Relative value analysis	\$ 141,037	Expected recovery	N/A

NOTE C - PROPERTY AND EQUIPMENT

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

	December 31,	
	2017	2016
Land	\$ 745,000	\$ 745,000
Building	1,973,700	1,973,700
Building improvements	2,294,564	2,279,686
Computer software	141,573	141,573
Furniture and equipment	<u>433,152</u>	<u>434,209</u>
	5,587,989	5,574,168
Less accumulated depreciation and amortization	<u>(1,132,947)</u>	<u>(979,892)</u>
	4,455,042	4,594,276
Construction-in-progress	<u>374,085</u>	<u>361,320</u>
	<u>\$ 4,829,127</u>	<u>\$ 4,955,596</u>

THE DYSON FOUNDATION

Notes to Consolidated Financial Statements December 31, 2017 and 2016

NOTE C - PROPERTY AND EQUIPMENT (CONTINUED)

During 2017, the Foundation disposed of fully-amortized furniture and equipment no longer in use of \$12,497.

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 the consolidated financial statements.

NOTE D - GRANTS PAYABLE

At December 31, 2017, grants payable were scheduled for payment as follows:

<u>Year</u>	<u>Amount</u>
2018	\$ 6,407,650
2019	3,235,000
2020	610,000
2021	550,000
2022-2029	<u>2,300,000</u>
	13,102,650
Reduction of grants payable in excess of one year to present value, using a discount rate of 3.00%	<u>(780,789)</u>
	<u>\$ 12,321,861</u>

NOTE E - RELATED-PARTY TRANSACTIONS

- [1] 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 the consolidated financial statements, as it is considered to be immaterial. Payroll and benefit expenses reimbursed at cost by the Foundation to the business corporation during 2017 and 2016 were approximately \$1,315,000 and \$1,622,000, respectively. No fees were paid to the business corporation for these services.
- [2] The Foundation made grants in the amounts of \$1,311,900 and \$1,279,900 for 2017 and 2016, respectively, to organizations that have board members and/or a key employee in common with the Foundation's Board of Directors.
- [3] As described in Note A[6], Dyson PIRA and three other Dyson family trusts made loans to Port Imperial Racing Associates, LLC and received of unsecured convertible promissory notes, each with identical terms. Dyson PIRA has funded two thirds of the total principal outstanding of the notes, and the trusts' combined interests compose the remaining one-third. The Dyson family trusts have named Dyson PIRA as the agent in this transaction.

THE DYSON FOUNDATION

Notes to Consolidated Financial Statements December 31, 2017 and 2016

NOTE F - RETIREMENT PLAN

The Foundation participates in a defined contribution retirement plan sponsored by a related-party business corporation for the benefit of all employees who have completed one year of service. The Foundation contributes an amount equal to 25% of an employee's annual salary to the plan, and employees over the age of 50 may make voluntary catch-up contributions, in amounts up to the allowable IRS limits. Retirement plan expense for 2017 and 2016 was \$245,593 and \$266,190, respectively. These amounts are included in the total payroll and benefit reimbursements disclosed in Note E[1].

NOTE G - 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. 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, 2017, the Foundation 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 remaining loan (now converted to a term loan), and the outstanding balance owed by the grantee as of December 31, 2017 was \$629,204. 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 Office of the New York State Attorney General to purchase the Museum's 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 who pays \$1,500 per month in rent. The lease expires 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, New York. 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 lease expiration date of 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 H - CONCENTRATION OF CREDIT RISK

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