MARCH OF DIMES FOUNDATION

Financial Statements

December 31, 2010

(With Independent Auditors' Report Thereon)

KPMG LLP
345 Park Avenue
New York, NY 10154

Independent Auditors' Report

The Board of Trustees
March of Dimes Foundation:

We have audited the accompanying balance sheet of the March of Dimes Foundation (the Foundation) as of December 31, 2010, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Foundation's 2009 financial statements and, in our report dated April 20, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audit 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 financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the March of Dimes Foundation as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

KPMG LLP

April 19, 2011

MARCH OF DIMES FOUNDATION
Balance Sheet
December 31, 2010, with comparative amounts as of December 31, 2009
(in thousands)

Assets	2010	2009
Cash and cash equivalents	$ 20,069	$ 9,914
Sponsorships and other receivables	7,978	7,979
Inventory and other assets	6,918	7,522
Investments (note 2)	110,558	106,843
Assets held in trust by others (notes 2 and 4)	8,918	8,889
Land, building, and equipment - net (notes 5 and 6)	15,207	15,809
Total assets	$ 169,648	$ 156,956

Liabilities and Net Assets	2010	2009
Accounts payable and accrued expenses	$ 12,968	$ 12,038
Grants and awards payable - net (note 3)	23,333	24,924
Refundable advances and deferred revenue	3,111	2,427
Accrued pension and postretirement benefit costs (note 10)	74,980	71,878
Mortgage note payable (note 6)	1,560	2,280
Total liabilities	115,952	113,547
Commitments and contingencies (notes 7, 9 and 10)		
Net assets:		
Unrestricted:		
Operating	115,368	101,962
Accrued pension and postretirement benefit costs	(74,980)	(71,878)
Total unrestricted	40,388	30,084
Temporarily restricted (note 4)	1,736	2,244
Permanently restricted (note 4)	11,572	11,081
Total net assets	53,696	43,409
Total liabilities and net assets	$ 169,648	$ 156,956

See accompanying notes to financial statements.

MARCH OF DIMES FOUNDATION

Statement of Activities

Year ended December 31, 2010, with summarized totals for the year ended December 31, 2009

(in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2010 Total	2009 Total
Operating Activity					
Revenue:					
Campaign contributions and sponsorships	$ 200,434	$ 729	$ -	$ 201,163	$ 203,043
Less: direct benefits to donors and sponsors	(13,949)	-	-	(13,949)	(14,514)
Net campaign contributions and sponsorships	186,485	729	-	187,214	188,529
Bequests	3,571	186	-	3,757	3,088
Government, foundation and corporate grants	3,604	737	-	4,341	6,649
Major gifts and other contributions	4,074	2,329	5	6,408	5,919
Contributed materials and services	2,401	-	-	2,401	2,364
Investment return appropriated for operations (note 2)	4,434	566	-	5,000	5,000
Program service revenue	1,699	-	-	1,699	1,772
Other	1,232	-	-	1,232	1,395
Net assets released from restrictions	5,108	(5,108)	-	-	-
Total revenue	212,608	(561)	5	212,052	214,716
Expenses (note 8):					
Program services:					
Research and medical support	29,846	-	-	29,846	30,742
Public and professional education	77,922	-	-	77,922	79,007
Community services	49,819	-	-	49,819	50,429
Total program services	157,587	-	-	157,587	160,178
Supporting services:					
Management and general	22,359	-	-	22,359	21,330
Fund raising	28,548	-	-	28,548	30,906
Total supporting services	50,907	-	-	50,907	52,236
Total expenses	208,494	-	-	208,494	212,414
Excess (deficiency) of operating revenue over expenses	4,114	(561)	5	3,558	2,302
Non-operating Activity					
Investment return greater than amount appropriated for operations (note 2)	8,075	-	-	8,075	13,161
Net increase in fair value of assets held in trust by others	-	53	486	539	879
Pension/Postretirement costs other than net periodic benefit costs (note 10)	(1,885)	-	-	(1,885)	18,918
Excess (deficiency) of total revenue over total expenses	10,304	(508)	491	10,287	35,260
Net assets at beginning of year	30,084	2,244	11,081	43,409	8,149
Net assets at end of year	$ 40,388	$ 1,736	$ 11,572	$ 53,696	$ 43,409

See accompanying notes to financial statements.

MARCH OF DIMES FOUNDATION
Statement of Functional Expenses
Year ended December 31, 2010, with summarized totals for 2009

(in thousands)

	Program Services				Supporting Services					Direct Benefits to Donors and Sponsors	
	Research and Medical Support	Public and Professional Education	Community Services	Total	Management and General	Fund Raising	Total	Total 2010	Total 2009	2010	2009
Grants and awards	$ 21,510	$ 4,416	$ 2,090	$ 28,016	-	-	-	$ 28,016	$ 27,362	-	-
California Research Division (note 11)	1,341	-	-	1,341	-	-	-	1,341	3,591	-	-
Salaries and employee benefits	3,530	35,072	34,153	72,755	$ 10,305	$ 12,146	$ 22,451	95,206	99,508	-	-
Professional fees	1,810	10,196	3,306	15,312	3,173	5,361	8,534	23,846	23,578	-	-
Printing, supplies, postage and shipping	156	19,054	1,437	20,647	6,029	7,885	13,914	34,561	33,598	$ 4,604	$ 5,176
Occupancy and telephone	287	3,730	4,428	8,445	1,236	1,344	2,580	11,025	11,195	-	-
Travel, lodging, conferences and meetings	748	3,378	2,822	6,948	741	935	1,676	8,624	7,967	-	-
Equipment and maintenance	115	864	880	1,859	362	347	709	2,568	2,336	-	-
Facilities rental, catering, entertainment, etc	-	-	-	-	-	-	-	-	-	9,345	9,338
Other	110	358	205	673	162	162	324	997	1,062	-	-
Depreciation of building and equipment	239	854	498	1,591	351	368	719	2,310	2,217	-	-
Total expenses	$ 29,846	$ 77,922	$ 49,819	$ 157,587	$ 22,359	$ 28,548	$ 50,907	$ 208,494	$ 212,414	$ 13,949	$ 14,514

See accompanying notes to financial statements.

MARCH OF DIMES FOUNDATION

Statement of Cash Flows

Year ended December 31, 2010, with comparative amounts for the year ended December 31, 2009

(in thousands)

Cash flows from operating activities:	2010	2009
Increase in net assets	$ 10,287	$ 35,260
Adjustments to reconcile increase in net assets		
to net cash provided by (used in) operating activities:		
Depreciation	2,310	2,217
Net appreciation in fair value of investments	(10,471)	(15,215)
Net decrease (increase) in fair value of assets held in trust by others	84	(479)
Decrease in sponsorships and other receivables	1	1,475
Increase in assets held in trust by others attributable to contributions	(113)	-
Decrease (increase) in inventory and other assets	604	(104)
Increase (decrease) in accounts payable and accrued expenses	930	(4,828)
Decrease in grants and awards payable	(1,591)	(11,322)
Increase (decrease) in refundable advances and deferred revenue	684	(1,020)
Increase (decrease) in accrued postretirement and pension benefit costs	3,102	(13,981)
Net cash provided by (used in) operating activities	5,827	(7,997)
Cash flows from investing activities:		
Purchase of fixed assets	(1,708)	(5,621)
Purchase of investments	(26,056)	(56,591)
Proceeds from sale of investments	32,812	73,939
Net cash provided by investing activities	5,048	11,727
Cash flows from financing activities:		
Payments on mortgage note	(720)	(680)
Net cash used in financing activities	(720)	(680)
Net increase in cash and cash equivalents	10,155	3,050
Cash and cash equivalents at beginning of year	9,914	6,864
Cash and cash equivalents at end of year	$ 20,069	$ 9,914
Supplemental disclosures: Interest paid	$ 150	$ 147

See accompanying notes to financial statements.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The mission of the March of Dimes Foundation (the Foundation) is to improve the health of babies by preventing birth defects and infant mortality. The Foundation carries out this mission through programs of research and medical support, community services, education, and advocacy.

The Foundation has been classified as an organization that is not a private foundation under Section 509(a)(1) and has been designated as a "publicly supported" organization under Section 170(b)(1)(A)(vi) of the Code and as such is exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code (the Code).

The Foundation (including its National Office and Chapters) is a not-for-profit voluntary health agency and contributions to it are tax deductible as prescribed by the Code.

Use of Estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates made in the preparation of the financial statements include fair value of alternative investments, net realizable value of receivables, pension and postretirement benefit costs and liabilities, and functional expense allocations. Actual results may differ from those estimates.

Basis of Presentation

The financial statements include the accounts of the Foundation's National Office and its 51 Chapters. The California Research Division is a separate and distinct program unit of the Foundation's National Office engaged in research funded principally by government grants. All significant intra-Foundation accounts and transactions have been eliminated.

The accompanying financial statements have been prepared to focus on the Foundation as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Foundation and changes therein are classified and reported as follows:

> Unrestricted Net Assets - Net assets resulting from revenue whose use by the Foundation is not subject to donor-imposed restrictions.
>
> Temporarily Restricted Net Assets - Net assets resulting from revenue whose use by the Foundation is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Foundation pursuant to those donor-imposed stipulations.

1. continued

Permanently Restricted Net Assets - Net assets resulting from revenue whose use by the Foundation is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Foundation.

Revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by donors or state law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the required time period has elapsed) are reported as net assets released from restrictions.

The Foundation excludes from operating activities investment return in excess of or less than the amount appropriated by the Board of Trustees for spending (see note 2), the change in fair value of assets held in trust by others, pension/postretirement costs other than net periodic benefit costs, and non recurring items.

Cash Equivalents

Cash equivalents consist of money market accounts and short-term investments with original maturities of three months or less from date of purchase, except for such investments purchased by the Foundation and its investment manager as part of a long-term investment strategy.

Inventory

Inventory is valued at the lower of cost or market.

Fair Value of Financial Instruments

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principle or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. It prioritizes the inputs to the valuation techniques used to measure fair value by giving the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are as follows:

Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date;

Level 2 Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active;

Level 3 Inputs that are unobservable.

1. continued

The Foundation follows the accounting standards of *Fair Value Measurement and Disclosures – Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent).* This guidance allows, as a practical expedient, for the estimation of fair value of investments in investment companies for which the investment does not have a readily determinable fair value using net asset value per share or its equivalent as reported by the investment managers.

Most investments classified in Levels 2 and 3 consist of shares or units in investment funds as opposed to direct interests in the funds' underlying holdings, which may be marketable. Because the net asset value reported by each fund is used as a practical expedient to estimate fair value of the Foundation's interest therein, its classification in Level 2 or 3 is based on the Foundation's ability to redeem its interest at or near the date of the balance sheet. If the interest can be redeemed in the near term, the investment is classified in Level 2. The classification of investments in the fair value hierarchy is not necessarily an indication of the risks, liquidity, or degree of difficulty in estimating the fair value of each investment's underlying assets and liabilities.

Investments

Investments are stated at fair value based upon quoted market prices except for the fair values of institutional mutual funds and alternative investments, which are based on net asset values provided by the fund managers and general partners, respectively, based upon the underlying net assets of the funds. These values are reviewed and evaluated by management. Investments in alternative investments are generally less liquid than other investments and the reported fair value may differ from the values that would have been reported had a ready market for these securities existed. The Foundation's institutional mutual funds and alternative investments follow four basic strategies, as follows:

Institutional mutual funds – represent investment in mutual or commingled funds, with a primary objective of risk reduction, which is achieved through diversification. The strategies include international and domestic equity funds as well as a domestic fixed income strategy.

Long/short equity – primarily investments in marketable securities, attempting to realize gains through the identification of under or over valued securities.

Multi-strategy hedge funds – represent investments through fund of funds with individual managers who employ a broad range of investment strategies that seek to benefit from opportunities as they occur in the markets due to temporary dislocations or structural inefficiencies and include event-driven strategies, distressed debt, merger and other arbitrage, and value investing.

Real estate – comprise limited liability company interests that focus on the purchase and development, improvement, and management of residential, commercial, and industrial real estate with value attempted to be realized through both rental income and gains in eventual property sale through publicly traded Real Estate Investment Trusts (REITS) and privately held properties.

1. continued

Assets Held in Trusts by Others

The Foundation is named as beneficiary of several perpetual trusts and charitable remainder trusts which are administered by third parties. The perpetual trusts are reported in the permanently restricted net asset class and the reported value is measured by the fair value based on quoted market prices of the trust assets as provided by trustees. Distributions from these trusts are unrestricted and are reported as investment return. Those trusts in which the Foundation has a remainder interest are reported in the temporarily restricted net asset class at the present value of the estimated future benefit to be received when the trust assets are distributed.

Fixed Assets

Land is reported at cost. Building, building and leasehold improvements, furniture and equipment are reported at cost less accumulated depreciation. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets or the life of the lease, whichever is shorter, ranging from three to twenty-five years.

Grants Payable

Grants awarded by the Foundation usually cover a period of one to three years. The Foundation accrues grants and awards, not disbursed at year-end but specifically committed to designated grantees, at the discounted present value for those grants payable beyond one year.

Contributions, Bequests and Grants

Contributions, including unconditional promises to give, are recognized as revenue in the period received or pledged. Bequests are recognized as revenue when the Foundation has an irrevocable right to the gift, such as when the bequest has been through probate and declared valid. Related receivables are generally due within one year.

Government and certain foundation and corporate grants are accounted for as exchange transactions whereby revenue is recognized when related expenses are incurred. Amounts received but not yet expended are reported as refundable advances.

The Foundation receives corporate sponsorships in connection with March for Babies and other special events. Although most of these sponsorship arrangements are considered exchange transactions under which sponsors receive direct benefits, the revenue earned is reported with Campaign contributions.

In 2010 and 2009, the Foundation recognized $2,401 and $2,364, respectively, of contributed services and materials revenue (related expenses are included in professional fees, printing and travel) provided by doctors, nurses and other health care professionals who serve on its Research and Program Service Committees. Many other volunteers have made significant contributions of time to the Foundation's program and supporting functions. The value of these contributed services does not meet the criteria for recognition and, accordingly, is not recognized in the accompanying financial statements.

1. continued

Taxes

The Foundation recognizes the benefit of tax positions when it is more-likely-than-not that the position will be sustainable based on the merits of the position.

Comparative Information

The financial statements include certain 2009 comparative information. With respect to the statement of activities, such prior year information is not presented by net asset class and, in the statement of functional expenses, 2009 expenses by natural classification are presented in total rather than by functional category. Accordingly, such information should be read in conjunction with the Foundation's 2009 financial statements from which the summarized information was derived.

Subsequent Events

In conjunction with the preparation of the financial statements, the Foundation evaluated events subsequent to December 31, 2010 and through April 19, 2011, the date on which the financial statements were issued.

(amounts in thousands)

2. INVESTMENTS

Investments at December 31, 2010 and 2009 consist of:

	2010	2009
Short term securities	$ 1,904	$ 3,743
Fixed income	1,279	13,997
Domestic common stock	27,860	28,114
Publicly traded mutual funds	44,641	29,383
Institutional mutual funds	18,076	15,628
Alternative investments	16,798	15,978
Total investments	$ 110,558	$ 106,843

The following table presents the Foundation's fair value hierarchy for those assets and liabilities measured at fair value for the year ended December 31, 2010:

Investments:	Fair Value	Level 1	Level 2	Level 3
Short term securities	$ 1,904	$ 1,904	$ -	$ -
Fixed income:				
Government securities	1,279	-	1,279	-
Domestic common stock	27,860	27,860	-	-
Publicly traded mutual funds:				
Domestic equity	6,737	6,737	-	-
Fixed income	13,423	13,423		
Real Estate	608	608		
Commodity	5,812	5,812	-	-
International	18,061	18,061	-	-
Institutional mutual funds:				
Fixed income	4,671	-	4,671	-
International	13,405	-	13,405	-
Alternative investments:				
Multi-strategy hedge funds	14,589	-	9,267	5,322
Real estate alternative investments	2,209	-	-	2,209
Total investments	$ 110,558	$ 74,405	$ 28,622	$ 7,531
Assets held in trust by others	$ 8,918	$ -	$ -	$ 8,918

(amounts in thousands)

2. continued

The following table presents the Foundation's fair value hierarchy for those assets and liabilities measured at fair value for the year ended December 31, 2009:

Investments:	Fair Value	Level 1	Level 2	Level 3
Short term securities	$ 3,743	$ 3,743	$ -	$ -
Fixed income:				
Government securities	1,632	-	1,632	-
Corporate securities	3,981	-	3,981	-
Mortgage backed securities	6,254	-	6,254	-
Other securities	2,130	-	2,130	-
Domestic common stock	28,114	28,114	-	-
Publicly traded mutual funds:				
Domestic equity	5,013	5,013	-	-
Fixed income	8,168	8,168	-	-
Commodity	4,682	4,682	-	-
International	11,520	11,520	-	-
Institutional mutual funds:				
Fixed income	4,387	-	4,387	-
International	11,241	-	11,241	-
Alternative investments:				
Multi-strategy	13,515	-	8,665	4,850
Real estate	2,463	-	-	2,463
Total investments	$ 106,843	$ 61,240	$ 38,290	$ 7,313
Assets held in trust by others	$ 8,889	$ -	$ -	$ 8,889

(amounts in thousands)

2. continued

The following table presents a reconciliation for all Level 3 assets measured at fair value:

	Investments 2010	Investments 2009	Assets held in trust by others 2010	Assets held in trust by others 2009
Balance at January 1,	$ 7,313	$ 30,926	$ 8,889	$ -
Purchases	-	-	113	-
Proceeds from sale of investments	(573)	-	(623)	-
Dividends and interest reinvestments	115	152	-	-
Net appreciation in fair value of investments	676	(139)	539	479
Transfers from Level 1 to Level 3	-	-	-	8,410
Transfers from Level 3 to Level 2	-	(23,626)	-	-
Balance at December 31,	$ 7,531	$ 7,313	$ 8,918	$ 8,889

Unrealized gains amounted to $1,185 and $769 for 2010 and 2009, respectively, related to Level 3 assets still held at December 31, and is reflected in investment return in the accompanying statement of activities.

As of December 31, 2010, the following table summarizes the composition of institutional mutual funds and alternative investments at fair value by the various redemption provisions:

Redemption Period	Amount	Days notice for redemption
Daily:		
Institutional - Fixed income	$ 4,671	1
Monthly:		
Institutional - International Equity	13,405	10
Quarterly:		
Alternative - Multi-strategy	9,267	90
Lock-up:		
Alternative - Multi-strategy	5,322	Not applicable
Alternative - Real Estate	2,209	Not applicable
Total	$ 34,874	

The lock-up for the $5,322 in the Multi-strategy investment is due to expire in 2011, and due to adverse market conditions, redemptions in the real estate investments have been suspended. The suspension has been in effect since 2008 and it is not known when the redemption suspension will be lifted.

(amounts in thousands)

2. continued

The Foundation reports as operating revenue the amount of investment return appropriated by the Board of Trustees for spending. This amount includes return on investments held as part of a long-term investment strategy as well as return on cash and cash equivalents. The difference between the actual return and the authorized spending level is reported as non-operating activity. The components of investment return are as follows:

	2010	2009
Interest and dividends	$ 2,604	$ 2,946
Net appreciation in fair value of investments	10,471	15,215
Total investment return	13,075	18,161
Amount appropriated for operations	(5,000)	(5,000)
Investment return greater than amount appropriated for operations	$ 8,075	$ 13,161

3. GRANTS AND AWARDS PAYABLE

Grants and awards payable at December 31, 2010 are scheduled to be paid as follows:

Year ending December 31,	Amounts
2011	$ 18,004
2012	5,606
Discount to present value (at 4.9 - 5.3%)	(277)
Grants and awards payable, net	$ 23,333

The Foundation has recorded grant expense of $1,000 in both 2010 and 2009 for grants to the Salk Institute for Biological Studies. On April 12, 2011, an agreement was signed between the Foundation and the Salk Institute for an annual $1,000 conditional grant. The agreement supports research at the Salk Institute from 2011 through 2025 based upon conditions included in the agreement. The grant expense will be recognized annually as the conditions are assessed and determined to have been met. The President of the Foundation is a volunteer board member of the Salk Institute.

4. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2010 and 2009 were available for the following purposes:

	2010	2009
Remainder trusts in the custody of others	$ 932	$ 1,389
Chapter programs and other	804	855
Total	$ 1,736	$ 2,244

(amounts in thousands)

4. continued

Permanently restricted net assets at December 31, 2010 and 2009 consist of perpetual trusts held by others of $7,986 and $7,500, respectively, and donor-restricted endowments of $3,586 and $3,581, respectively.

The Foundation's endowments consist of 21 individual donor-restricted funds established for a variety of purposes, principally research. As required by Generally Accepted Accounting Principles (GAAP), net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

In 2010, New York State enacted the New York Prudent Management of Institutional Funds Act (NYPMIFA), which imposes guidelines on the management and investment of endowment funds, which was adopted by the Foundation at the end of the year. The Board of Trustees of the Foundation have interpreted the relevant law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations of investment returns on the permanent endowment made in accordance with the direction of the applicable donor gift instrument, when applicable. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted until those amounts are appropriated for expenditures. Such amounts recorded as temporarily restricted net assets are released from restriction when the donor stipulated purpose has been fulfilled and/or the amount has been appropriated in compliance with the Board approved spending policy.

The Foundation has no board designated endowment funds. Donor-restricted endowment funds of $3,586 and $3,581 in 2010 and 2009, respectively, are represented as permanently restricted net assets.

The following table presents changes in endowments for the year ended December 31, 2010:

	Temporarily restricted	Permanently restricted	Total
Endowment net assets at January 1, 2010……..	$ -	$ 3,581	$ 3,581
Investment income……………………………	81	-	81
Net appreciation (realized and unrealized)…….	416	-	416
Contributions…………………………………	-	5	5
Appropriation of endowment assets for expenditure/net assets released from restriction………………………………	(497)	-	(497)
Endowment net assets at December 31, 2010…	$ -	$ 3,586	$ 3,586

(amounts in thousands)

4. continued

The following table presents changes in endowments for the year ended December 31, 2009:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets at January 1, 2009	$ (735)	$ -	$ 3,570	$ 2,835
Investment income	-	87	-	87
Net depreciation (realized and unrealized)	735	170	-	905
Contributions	-	-	11	11
Appropriation of endowment assets for expenditure/net assets released from restriction	-	(257)	-	(257)
Endowment net assets at December 31, 2009.	$ -	$ -	$ 3,581	$ 3,581

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or relevant law requires the Foundation to retain as a fund for perpetual duration. There was no such deficiency as of December 31, 2010 and 2009.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to protect the original value of the gift. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that match the price and yield results of the S&P 500 index. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 8% annually. Actual returns in any given year may vary from this amount.

Spending Policy

The Foundation has a policy of appropriating the entire investment return on the endowment funds for spending unless otherwise explicitly stipulated by the donor or relevant law.

(amounts in thousands)

5. LAND, BUILDING, AND EQUIPMENT

Land, building, and equipment as of December 31, 2010 and 2009 consist of:

	2010	2009
Land	$ 1,004	$ 918
Building and building and leasehold improvements	25,085	25,031
Furniture and equipment	23,827	22,278
Total	49,916	48,227
Accumulated depreciation	(34,709)	(32,418)
Land, building and equipment, net	$ 15,207	$ 15,809

6. MORTGAGE NOTE PAYABLE

During 1993, the Foundation issued $9,950 Dormitory Authority of the State of New York/March of Dimes Birth Defects Foundation Insured Revenue Bonds, Series 1993 (Series 1993 Bonds) to retire the Series 1987 bonds which financed the National Office construction project.

The interest rate on the Series 1993 Bonds for the remaining maturities through July 1, 2012 is 5.6 percent. Annual principal payments and sinking fund requirements for the next two years are: 2011 - $760; 2012 - $800. In 2010 and 2009, interest cost on the Series 1993 Bonds amounted to $108 and $147, respectively.

The Foundation pledged its future revenue and existing properties to the Dormitory Authority to secure payment of all liabilities and performance of all obligations and agreed that a minimum of 95 percent of the National Office property shall be occupied by or used primarily for activities related to the purposes of the Foundation. The Series 1993 Bonds contain certain financial covenants to be maintained by the Foundation.

7. LINE OF CREDIT

Between February 1 and April 30 of each year, the Foundation has available an unsecured line of credit that provides for up to $30,000 of short term financing. The line of credit is renewable annually and expires on May 15, 2012. Borrowings against this credit line bear interest at the greater of the British Bankers' Association London InterBank Offered Rate (BBA LIBOR) Daily Floating Rate or 1.95% per annum. In 2010, $5,000 of the line was used during the available period and subsequently repaid; interest cost amounted to $42.

(amounts in thousands)

8. ALLOCATION OF JOINT COSTS

In 2010 and 2009, the Foundation conducted activities, principally direct response, that included fund-raising appeals as well as program components. The joint costs incurred were allocated as follows:

	2010	2009
Public and professional education	$ 21,988	$ 20,639
Management and general	7,116	6,023
Fund raising	7,904	9,312
Total	$ 37,008	$ 35,974

9. COMMITMENTS

The following is a schedule of the approximate future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of December 31, 2010:

Year ending December 31,	Amounts
2011	$ 6,178
2012	4,600
2013	3,602
2014	2,794
2015	1,767
2016 and thereafter	4,659

Total rental expense was $6,913 and $7,291 in 2010 and 2009, respectively.

(amounts in thousands)

10. RETIREMENT PLANS

The Foundation has three retirement plans for employees who meet certain eligibility requirements - a noncontributory defined benefit pension plan, a defined contribution plan for which there could be an employer match for employees who elect to participate in the plan, and a noncontributory defined contribution plan. In 2009 and 2010 the defined contribution match has been temporarily suspended. Pension expense relating to the noncontributory defined contribution plan for 2010 and 2009 was $936 and $1,083, respectively. The Foundation's contributions are made in accordance with the Employee Retirement Income Security Act of 1974.

In addition to providing pension benefits, the Foundation sponsors an unfunded postretirement benefit plan that covers employees who meet certain eligibility requirements. The plan provides health care benefits and life insurance benefits. The health care plan is contributory with participants' contributions adjusted annually. In accordance with a 2009 plan amendment, life insurance benefits were reduced for current retirees and eliminated for all future retirees. The life insurance plan is noncontributory. As of December 31, 2010, the Foundation has not identified any provisions of the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act (collectively, the Health Care Acts) that would be expected to have a significant impact on the measured obligation.

The following tables provide information with respect to the defined benefit pension and postretirement benefit plans as of and for the years ended December 31, 2010 and 2009.

	Pension Benefits		**Other Benefits**	
	2010	**2009**	**2010**	**2009**
Change in projected benefit obligation				
Benefit obligation at January 1,	$ 137,357	$ 129,601	$ 33,624	$ 36,659
Service cost	2,130	2,335	922	903
Interest cost	8,328	8,021	2,116	2,140
Participant contributions	-	-	293	298
Amendments	-	-	-	(2,012)
Actuarial loss (gain)	6,842	3,179	5,190	(2,335)
Federal retiree subsidy	-	-	187	201
Benefit payments	(6,201)	(5,779)	(2,086)	(2,230)
Benefit obligation at December 31,	$ 148,456	$ 137,357	$ 40,246	$ 33,624
Change in fair value of plan assets				
Fair value of plan assets at January 1,	$ 99,103	$ 80,401	$ -	$ -
Actual return on plan assets	14,620	18,581	-	-
Employer contributions	6,200	5,900	1,793	1,932
Participant contributions	-	-	293	298
Benefit payments	(6,201)	(5,779)	(2,086)	(2,230)
Fair value of plan assets at December 31	$ 113,722	$ 99,103	$ -	$ -
Amounts recognized in the balance sheets				
Accrued benefit liability	$ (34,734)	$ (38,254)	$ (40,246)	$ (33,624)

(amounts in thousands)

10. continued

	Pension Benefits 2010	Pension Benefits 2009	Other Benefits 2010	Other Benefits 2009
Net periodic benefit costs				
Service cost	$ 2,130	$ 2,335	$ 922	$ 903
Interest cost	8,328	8,021	2,116	2,140
Expected return on plan assets	(8,477)	(6,930)	-	-
Amortization of prior service cost (credit)	479	522	(716)	(505)
Amortization of net loss	4,131	6,649	110	42
Total net periodic benefit cost	$ 6,591	$ 10,597	$ 2,432	$ 2,580
Curtailment gain	-	-	-	(513)
Total cost	$ 6,591	$ 10,597	$ 2,432	$ 2,067

At December 31, 2010 and 2009, the accumulated benefit obligation amounted to $138,692 and $129,019, respectively.

Amounts not yet recognized as a component of net periodic costs for the year ended December 31, 2010:

	Pension Benefits	Other Benefits	Total
Net actuarial loss	$ 41,533	$ 7,828	$ 49,361
Prior service credit	-	(3,729)	(3,729)
Total	$ 41,533	$ 4,099	$ 45,632

Amounts not yet recognized as a component of net periodic costs for the year ended December 31, 2009:

	Pension Benefits	Other Benefits	Total
Net actuarial loss	$ 44,965	$ 2,748	$ 47,713
Prior service cost (credit)	479	(4,445)	(3,966)
Total	$ 45,444	$ (1,697)	$ 43,747

(amounts in thousands)

10. continued

The components of the pension and postretirement cost other than net periodic pension and postretirement benefit costs for the year ended December 31, 2010:

	Pension Benefits	Other Benefits	Total
Net actuarial loss	$ 699	$ 5,190	$ 5,889
Recognized actuarial loss	(4,131)	(110)	(4,241)
Amortization of prior service (cost) credit	(479)	716	237
Total of other changes in unrestricted net assets	$ (3,911)	$ 5,796	$ 1,885

The components of the pension and postretirement cost other than net periodic pension and postretirement benefit costs for the year ended December 31, 2009:

	Pension Benefits	Other Benefits	Total
Net actuarial gain	$ (8,376)	$ (2,335)	$ (10,711)
Prior service cost	-	(2,012)	(2,012)
Recognized actuarial loss	(6,649)	(42)	(6,691)
Amortization of prior service (cost) credit and accelerated amortization (curtailment gain)	(522)	1,018	496
Total of other changes in unrestricted net assets	$ (15,547)	$ (3,371)	$ (18,918)

Estimated amounts to be amortized into net periodic benefit cost over the next year are as follows:

	Pension Benefits	Other Benefits	Total
Net actuarial loss	$ 3,587	$ 422	$ 4,009
Prior service credit	-	(716)	(716)
Total	$ 3,587	$ (294)	$ 3,293

(amounts in thousands)

10. continued

	Pension Benefits 2010	Pension Benefits 2009	Other Benefits 2010	Other Benefits 2009
Weighted average assumptions for benefit obligations				
Discount rate	5.83%	6.24%	5.83%	6.14%
Rate of compensation increase	3.50%	3.50%	N/A	N/A
Weighted average assumptions for benefit costs				
Discount rate	6.24%	6.20%	6.14%	6.20%
Expected return on plan assets	8.50%	8.50%	N/A	N/A
Rate of compensation increase	3.50%	3.50%	N/A	N/A
Assumed health care cost trend rates				
Health care cost trend rate assumed for next year	N/A	N/A	8.00%	7.50%
Ultimate rate	N/A	N/A	5.00%	5.00%
Year that the ultimate rate is reached	N/A	N/A	2017	2015
Impact of one-percentage-point change in assumed health care cost trend rates	Increase	Decrease	Increase	Decrease
Effect on service cost and interest cost next for 2010	N/A	N/A	$ 468	$ (380)
Effect on postretirement benefit obligation at December 31, 2010	N/A	N/A	$ 5,389	$ (4,425)

Projected contributions and benefit payments for the defined benefit pension and postretirement plans are as follows:

	Pension Benefits	Other benefits reflecting Medicare Rx subsidy	Medicare Rx subsidy	Other benefits not reflecting Medicare Rx subsidy
Expected contributions for 2011:				
Employer	$ 6,000	$ 1,859	$ 202	$ 2,061
Employee	-	300	-	300
Estimated future benefit payments reflecting expected future service for the year(s) ending:				
December 31, 2011	$ 7,143	$ 2,159	$ 202	$ 2,361
December 31, 2012	7,526	2,080	226	2,306
December 31, 2013	7,940	2,209	245	2,454
December 31, 2014	8,310	2,313	268	2,581
December 31, 2015	8,693	2,419	290	2,709
December 31, 2016 - December 31, 2020	49,001	13,465	1,765	15,230

(amounts in thousands)

10. continued

The following table presents information with respect to pension plan assets:

	Target Asset Allocation 2010	**Actual Allocation at December 31, 2010**	**2009**
Plan assets			
Equity securities	45 - 75%	64%	62%
Debt securities	15 - 25%	16%	18%
Real estate	3 - 8%	8%	8%
Other	7 - 23%	12%	12%

Based upon historically indexed data, the assumed long term rates of return for 2011 are: equity securities – 10.0%; debt securities - 5.5%; real estate - 8.5%; other assets including Absolute Return Fund and Commodity Index – 10.0% which produces an expected composite rate of return of 8.5%.

Plan assets at December 31, 2010 and 2009 consist of:

	2010	2009
Short term securities	$ 2,951	$ 2,079
Domestic common stock	15,041	12,889
Publicly traded mutual funds	21,715	15,710
Institutional mutual funds	49,607	45,427
Alternative investments	24,408	22,998
Total investments	$ 113,722	$ 99,103

(amounts in thousands)

10. continued

The following table presents the plan assets' fair value hierarchy as of December 31, 2010:

	Fair Value	Level 1	Level 2	Level 3
Short term securities	$ 2,951	$ 2,951	$ -	$ -
Domestic equities	15,041	15,041	-	-
Publicly traded mutual funds:				
Fixed income	11,260	11,260	-	-
Real estate	1,260	1,260	-	-
Commodity	5,481	5,481	-	-
International equity	3,714	3,714	-	-
Institutional mutual funds:				
Fixed income	7,058	-	7,058	-
Domestic equity	21,939	-	21,939	-
International equity	20,610	-	20,610	-
Alternative investments:				
Long/short equity	11,551	-	11,551	-
Multi-strategy	10,543	-	10,543	-
Real estate	2,314	-	-	2,314
Plan assets	$ 113,722	$ 39,707	$ 71,701	$ 2,314

The following table presents the plan assets' fair value hierarchy as of December 31, 2009:

	Fair Value	Level 1	Level 2	Level 3
Short term securities	$ 2,079	$ 2,079	$ -	$ -
Domestic equities	12,889	12,889	-	-
Publicly traded mutual funds:				
Fixed income	10,928	10,928	-	-
Commodity	4,782	4,782	-	-
Institutional mutual funds:				
Fixed income	7,059	-	6,623	436
Domestic equity	25,309	-	25,309	-
International equity	13,059	-	13,059	-
Alternative investments:				
Long/short equity	10,018	-	10,018	-
Multi-strategy	9,859	-	9,859	-
Real estate	3,121	-	-	3,121
Plan assets	$ 99,103	$ 30,678	$ 64,868	$ 3,557

(amounts in thousands)

10. continued

The following table presents a reconciliation for all Level 3 assets measured at fair value:

	2010	2009
Balance at January 1,……	$ 3,557	$ 4,282
Purchases……	-	1,236
Sales……	(1,629)	(778)
Dividends and interest reinvestments……	138	199
Net appreciation (depreciation) in fair value of investments….	248	(1,382)
Balance at December 31,……	$ 2,314	$ 3,557

Unrealized gains amounted to $200 and $774 for 2010 and 2009, respectively, related to Level 3 plan assets still held at December 31, and is reflected in the actual return in the change in fair value of plan assets.

As of December 31, 2010, the following table summarizes the composition of institutional mutual funds and alternative investments at fair value of such plan assets by the various redemption provisions:

Redemption Period	Amount	Days notice for redemption
Daily:		
Institutional - Domestic equity……	$ 21,939	1
Institutional - Fixed income……	7,058	1
Institutional - International Equity……	10,412	1
Monthly:		
Institutional - International Equity……	10,198	10
Quarterly:		
Alternative - Long/short equity……	11,551	60
Alternative - Multi-strategy……	10,543	90
Lock-up:		
Alternative - Real Estate……	2,314	Not applicable
Total……	$ 74,015	

The real estate plan assets are restricted due to adverse market conditions and cannot be redeemed due to the suspension of redemptions. The suspension has been in effect since 2008 and it is not known when the redemption suspension will be lifted.

(amounts in thousands)

10. continued

The Foundation has a Pension Investments Committee which is comprised of staff, volunteers, and external consultants who meet on a quarterly basis to review asset performance and allocation. The committee has adopted a set of Investment Policies and Guidelines that was approved by the Foundation's Board of Trustees and serves as a guide for allocating plan assets among various asset classes and investment managers. Managers are evaluated against prevalent indices and changes are made when deemed necessary.

11. CALIFORNIA RESEARCH DIVISION

Because of the separate and distinct nature of the program, the expenses are aggregated in the statements of functional expenses. The following table presents expenses by natural classification:

	2010	2009
Salaries and employee benefits	$ 651	$ 2,254
Professional fees	478	762
Occupancy and telephone	49	259
Travel, lodging, conferences, and meetings	29	101
Printing, supplies, and all other	134	215
Total	$ 1,341	$ 3,591