



**MARCH OF DIMES FOUNDATION**

Financial Statements

December 31, 2013

(With Independent Auditors' Report Thereon)



KPMG LLP  
345 Park Avenue  
New York, NY 10154-0102

## **Independent Auditors' Report**

The Board of Trustees  
March of Dimes Foundation:

We have audited the accompanying financial statements of the March of Dimes Foundation, which comprise the balance sheet as of December 31, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of March of Dimes Foundation as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

## **Report on Summarized Comparative Information**

We have previously audited the March of Dimes Foundation's 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 17, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

**KPMG LLP**

April 9, 2014

**MARCH OF DIMES FOUNDATION**

**Balance Sheet**

**December 31, 2013, with comparative amounts as of December 31, 2012**

**(amounts in thousands)**

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<u>Assets</u>	<u>2013</u>	<u>2012</u>
Cash and cash equivalents.....	\$ 11,647	\$ 15,882
Sponsorships and other receivables.....	7,882	8,110
Inventory and other assets.....	6,200	6,166
Investments (note 2).....	104,074	100,241
Assets held in trust by others (notes 2 and 4).....	11,169	10,052
Land, building and equipment - net (note 5).....	12,982	15,071
Total assets.....	<u>\$ 153,954</u>	<u>\$ 155,522</u>
 <u>Liabilities and Net Assets</u>		
Accounts payable and accrued expenses.....	\$ 10,964	\$ 11,484
Grants and awards payable - net (note 3).....	19,331	21,421
Refundable advances and deferred revenue.....	1,668	1,408
Accrued pension and postretirement benefit obligation (note 9).....	46,914	114,430
Total liabilities.....	<u>78,877</u>	<u>148,743</u>
Commitments and contingencies (notes 8 and 9)		
Net assets:		
Unrestricted:		
Operating.....	105,039	106,677
Accrued pension and postretirement benefit obligation.....	(46,914)	(114,430)
Total unrestricted.....	58,125	(7,753)
Temporarily restricted (note 4).....	3,732	2,711
Permanently restricted (note 4).....	13,220	11,821
Total net assets.....	<u>75,077</u>	<u>6,779</u>
Total liabilities and net assets.....	<u>\$ 153,954</u>	<u>\$ 155,522</u>

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See accompanying notes to financial statements.

**MARCH OF DIMES FOUNDATION**

Statement of Activities

Year ended December 31, 2013, with summarized totals for the year ended December 31, 2012

(amounts in thousands)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2013 Total</u>	<u>2012 Total</u>
<b><u>Operating Activity</u></b>					
<b>Revenue:</b>					
Campaign contributions and sponsorships.....	\$ 197,980	\$ 776	\$ -	\$ 198,756	\$ 200,988
Less: direct benefits to donors and sponsors.....	(14,661)	-	-	(14,661)	(14,194)
Net campaign contributions and sponsorships.....	183,319	776	-	184,095	186,794
Bequests.....	1,896	193	556	2,645	2,743
Government, foundation and corporate grants.....	1,444	1,772	-	3,216	3,200
Major gifts and other contributions.....	3,835	1,835	-	5,670	6,235
Contributed materials and services.....	3,581	-	-	3,581	2,600
Investment return appropriated for operations (note 2).....	4,931	269	-	5,200	5,200
Program service revenue.....	1,787	-	-	1,787	1,747
Other.....	1,323	-	-	1,323	1,462
Net assets released from restrictions.....	4,283	(4,283)	-	-	-
Total revenue.....	206,399	562	556	207,517	209,981
<b>Expenses (note 7):</b>					
<b>Program services:</b>					
Research and medical support.....	29,785	-	-	29,785	30,360
Public and professional education.....	80,267	-	-	80,267	83,608
Community services.....	53,321	-	-	53,321	53,109
Total program services.....	163,373	-	-	163,373	167,077
<b>Supporting services:</b>					
Management and general.....	24,989	-	-	24,989	22,701
Fund raising.....	27,757	-	-	27,757	30,631
Total supporting services.....	52,746	-	-	52,746	53,332
Total expenses.....	216,119	-	-	216,119	220,409
(Deficiency) excess of operating revenue over expenses.....	(9,720)	562	556	(8,602)	(10,428)
<b><u>Non-operating Activity</u></b>					
Investment return greater than amount appropriated for operations (note 2).....	8,484	391	-	8,875	8,493
Net increase in fair value of assets held in trust by others.....	-	68	843	911	466
Pension and postretirement credit (costs) other than net periodic benefit costs (note 9).....	67,114	-	-	67,114	(3,685)
Change in net assets.....	65,878	1,021	1,399	68,298	(5,154)
Net assets at beginning of year.....	(7,753)	2,711	11,821	6,779	11,933
Net assets at end of year.....	\$ 58,125	\$ 3,732	\$ 13,220	\$ 75,077	\$ 6,779

See accompanying notes to financial statements.

**MARCH OF DIMES FOUNDATION**  
**Statement of Functional Expenses**  
**Year ended December 31, 2013, with summarized totals for 2012**  
  
(amounts in thousands)

	Program Services.....			Supporting Services.....			Direct Benefits to Donors and Sponsors	
	Research and Medical Support	Public and Professional Education	Community Services	Management and General	Fund Raising	Total	Total 2013	Total 2012
Grants and awards.....	22,392 \$	4,170 \$	1,527 \$	-	-	28,089 \$	28,089 \$	28,943
Salaries and employee benefits.....	4,025	39,043	36,912	11,542 \$	12,681 \$	24,223	104,203	106,134
Professional fees.....	1,756	8,440	4,752	5,926	4,528	10,454	25,382	24,253
Printing, supplies, postage and shipping.....	187	19,217	1,205	4,675	7,519	12,194	32,803	34,055
Occupancy and telephone.....	169	3,361	3,948	962	1,109	2,071	9,549	9,942
Travel, lodging, conferences and meetings.....	727	3,383	2,848	684	882	1,566	8,524	10,474
Equipment and maintenance.....	106	1,096	1,277	514	449	963	3,442	2,309
Facilities rental, catering, entertainment, etc.....	-	-	-	-	-	-	-	-
Other.....	102	359	205	177	142	319	985	737
Depreciation of building and equipment.....	321	1,198	667	509	447	956	3,142	3,562
<b>Total expenses.....</b>	<b>29,785 \$</b>	<b>80,267 \$</b>	<b>53,321 \$</b>	<b>24,989 \$</b>	<b>27,757 \$</b>	<b>52,746 \$</b>	<b>216,119 \$</b>	<b>220,409 \$</b>
							<b>14,661 \$</b>	<b>14,194</b>

See accompanying notes to financial statements.

**MARCH OF DIMES FOUNDATION**

**Statement of Cash Flows**

**Year ended December 31, 2013, with comparative amounts for the year ended December 31, 2012**

**(amounts in thousands)**

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Change in net assets.....	\$ 68,298	\$ (5,154)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation.....	3,142	3,562
Net appreciation in fair value of investments.....	(12,139)	(11,136)
Net increase in fair value of assets held in trust by others.....	(911)	(466)
Changes in operating assets and liabilities:		
Sponsorships and other receivables.....	228	(1,595)
Assets held in trust by others.....	(206)	(450)
Inventory and other assets.....	(34)	164
Accounts payable and accrued expenses.....	(520)	242
Grants and awards payable.....	(2,090)	(896)
Refundable advances and deferred revenue.....	260	(18)
Accrued postretirement and pension benefit obligation.....	(67,516)	5,968
Net cash used in operating activities.....	<u>(11,488)</u>	<u>(9,779)</u>
Cash flows from investing activities:		
Purchase of fixed assets.....	(1,053)	(3,630)
Purchase of investments.....	(5,861)	(11,684)
Proceeds from sale of investments.....	14,167	28,274
Net cash provided by investing activities.....	<u>7,253</u>	<u>12,960</u>
Cash flows from financing activities:		
Proceeds from line of credit.....	10,000	10,000
Payments on line of credit.....	(10,000)	(10,000)
Payments on mortgage note.....	-	(800)
Net cash used in financing activities.....	<u>-</u>	<u>(800)</u>
Net (decrease) increase in cash and cash equivalents.....	(4,235)	2,381
Cash and cash equivalents at beginning of year.....	15,882	13,501
Cash and cash equivalents at end of year.....	<u>\$ 11,647</u>	<u>\$ 15,882</u>
Supplemental disclosures: Interest paid.....	<u>\$ 65</u>	<u>\$ 67</u>

See accompanying notes to financial statements.

## MARCH OF DIMES FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

December 31, 2013, with comparative amounts as of and for the year ended December 31, 2012  
(amounts in thousands)

#### 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 U.S. Internal Revenue Code (the Code) and as such is exempt from federal income tax under Section 501(c)(3) of 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.

##### Basis of Presentation

The financial statements include the accounts of the Foundation’s National Office and its Chapters. 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 the passage of time or can be fulfilled and removed by actions of the Foundation pursuant to those donor-imposed stipulations.

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



## MARCH OF DIMES FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

December 31, 2013, with comparative amounts as of and for the year ended December 31, 2012  
(amounts in thousands)

#### 1. continued

assets held in trust by others, pension and postretirement costs or credits other than net periodic benefit costs, and non recurring items.

#### 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 the 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.

#### Cash Equivalents

Cash equivalents consist of money market accounts and short-term investments with original maturities of three months or less from the 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 stated 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 principal 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 and alternative investments redeemable at or near the balance sheet date
- Level 3 Inputs that are unobservable and alternative investments that are not redeemable at or near the balance sheet date

## MARCH OF DIMES FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

December 31, 2013, with comparative amounts as of and for the year ended December 31, 2012  
(amounts in thousands)

1. continued

The Foundation follows the accounting standards of *Fair Value Measurements 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. If the interest cannot be redeemed in the near term, the investment is classified in Level 3. 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, including those held in the pension plan, follow these basic strategies, as follows:

Fixed income – include investments in funds with the objective to achieve performance consistent with major bond index funds.

Domestic equity – represent investments in actively managed portfolios seeking to outperform market indices while focusing on risk reduction, cost minimization and trade effectiveness.

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

International – primarily include investments in publicly traded international equity 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.

Commodity – investment funds that primarily invest in options to purchase commodities.

## MARCH OF DIMES FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

December 31, 2013, with comparative amounts as of and for the year ended December 31, 2012  
(amounts in thousands)

#### 1. continued

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.

#### Assets Held in Trusts by Others

The Foundation is named as beneficiary of several perpetual trusts and charitable remainder trusts that are administered by third parties. The perpetual trusts are reported in the permanently restricted net asset class at fair value based on quoted market prices of the underlying trust assets as provided by trustees. Distributions from these trusts are generally 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.

#### Land, Building and Equipment

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 using a risk adjusted rate.

#### 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.

## MARCH OF DIMES FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

December 31, 2013, with comparative amounts as of and for the year ended December 31, 2012  
(amounts in thousands)

#### 1. continued

In 2013 and 2012, the Foundation recognized \$3,581 and \$2,600, respectively, of contributed services and materials revenue (related expenses are included in professional fees, equipment and travel). Contributed services are provided by doctors, nurses and other healthcare professionals who serve on its Research and Program Service Committees. Contributed materials include donation of software and airline miles. 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.

#### 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 2012 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, 2012 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 2012 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, 2013 and through April 9, 2014, the date on which the financial statements were issued and determined that no additional disclosures were required.

## MARCH OF DIMES FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

December 31, 2013, with comparative amounts as of and for the year ended December 31, 2012  
(amounts in thousands)

## 2. INVESTMENTS

The following table presents the Foundation's fair value hierarchy for those assets measured at fair value as of December 31, 2013:

Investments:	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Short-term securities.....	\$ 948	\$ 948	\$ -	\$ -
Fixed income:				
Government securities.....	272	-	272	-
Domestic common stock.....	25,726	25,726	-	-
Publicly traded mutual funds:				
Domestic equity.....	7,208	7,208	-	-
Fixed income.....	15,770	15,770	-	-
Real estate.....	5,095	5,095	-	-
Commodity.....	3,620	3,620	-	-
International.....	517	517	-	-
Institutional mutual funds:				
Fixed income.....	6,324	-	6,324	-
International equity .....	12,298	-	12,298	-
Alternative investments:				
Multi-strategy hedge funds.....	14,879	-	14,879	-
International.....	11,417	-	11,417	-
Total investments.....	<u>\$ 104,074</u>	<u>\$ 58,884</u>	<u>\$ 45,190</u>	<u>\$ -</u>
Assets held in trust by others.....	<u>\$ 11,169</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,169</u>

# MARCH OF DIMES FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013, with comparative amounts as of and for the year ended December 31, 2012  
(amounts in thousands)

2. continued

The following table presents the Foundation's fair value hierarchy for those assets measured at fair value as of December 31, 2012:

Investments:	Fair Value	Level 1	Level 2	Level 3
Short-term securities.....	\$ 902	\$ 902	\$ -	\$ -
Fixed income:				
Government securities.....	618	-	618	-
Domestic common stock.....	18,235	18,235	-	-
Publicly traded mutual funds:				
Domestic equity.....	6,369	6,369	-	-
Fixed income.....	16,517	16,517	-	-
Real estate.....	4,943	4,943	-	-
Commodity.....	4,249	4,249	-	-
International.....	493	493	-	-
Institutional mutual funds:				
Fixed income.....	7,056	-	7,056	-
International equity.....	13,164	-	13,164	-
Alternative investments:				
Multi-strategy hedge funds.....	15,654	-	15,654	-
International.....	12,041	-	12,041	-
Total investments.....	\$ 100,241	\$ 51,708	\$ 48,533	\$ -
Assets held in trust by others.....	\$ 10,052	\$ -	\$ -	\$ 10,052

## MARCH OF DIMES FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

December 31, 2013, with comparative amounts as of and for the year ended December 31, 2012  
(amounts in thousands)

2. continued

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

	Assets held in trust by others	
	2013	2012
Balance at January 1,.....	\$ 10,052	\$ 9,136
Contributions.....	656	450
Distribution of proceeds from trust.....	(450)	-
Net appreciation in fair value of investments.....	911	466
Balance at December 31,.....	<u>\$ 11,169</u>	<u>\$ 10,052</u>

The Foundation's policy is to record transfers from Level 3 to Level 2 on the actual date of the event or change in circumstances that caused the transfer. There were no such transfers in 2013 or 2012.

As of December 31, 2013, the following table summarizes the composition of institutional mutual funds and alternative investments at fair value by the various redemption provisions:

<u>Redemption Period</u>	<u>Amount</u>	<u>Days notice for redemption</u>
Daily:		
Institutional - Fixed income.....	\$ 6,324	1
Monthly:		
Institutional - International equity....	12,298	6
Alternative - International.....	11,417	5
Quarterly:		
Alternative - Multi-strategy.....	<u>14,879</u>	65 - 90
Total.....	<u>\$ 44,918</u>	

## MARCH OF DIMES FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

December 31, 2013, with comparative amounts as of and for the year ended December 31, 2012  
(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:

	<u>2013</u>	<u>2012</u>
Interest and dividends.....	\$ 1,936	\$ 2,557
Net appreciation in fair value of investments.....	12,139	11,136
Total investment return.....	14,075	13,693
Amount appropriated for operations.....	(5,200)	(5,200)
Investment return greater than amount appropriated for operations.....	<u>\$ 8,875</u>	<u>\$ 8,493</u>

#### 3. GRANTS AND AWARDS PAYABLE

Grants and awards payable at December 31, 2013 are scheduled to be paid as follows:

<u>Year ending December 31,</u>	<u>Amounts</u>
2014.....	\$ 14,916
2015.....	4,529
2016.....	81
Discount to present value (at 4.23%).....	<u>(195)</u>
Grants and awards payable, net.....	<u>\$ 19,331</u>

The Foundation has recorded grant expense of \$1,000 in both 2013 and 2012 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 through 2025 based upon conditions included in the agreement. The grant expense is 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.



## MARCH OF DIMES FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

December 31, 2013, with comparative amounts as of and for the year ended December 31, 2012  
(amounts in thousands)

#### 4. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2013 and 2012 were available for the following purposes:

	<u>2013</u>	<u>2012</u>
Remainder trusts in the custody of others.....	\$ 1,559	\$ 1,841
Chapter programs and other.....	<u>2,173</u>	<u>870</u>
Total.....	<u>\$ 3,732</u>	<u>\$ 2,711</u>

Permanently restricted net assets at December 31, 2013 and 2012 consist of perpetual trusts held by others of \$9,610 and \$8,211, respectively, and donor-restricted endowments of \$3,610 for 2013 and 2012.

#### Endowment

The Foundation's endowments consist of 21 individual donor-restricted funds established for a variety of purposes, principally research. The Foundation has no board designated endowment funds.

#### Interpretation of Relevant Law

The Foundation's endowment is subject to the provisions of the New York Prudent Management of Institutional Funds Act (NYPMIFA), which imposes guidelines on the management and investment of endowment funds. 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 in temporarily restricted net assets until those amounts are appropriated for expenditures. Such amounts recorded in 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 of Trustees approved spending policy.

## MARCH OF DIMES FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

December 31, 2013, with comparative amounts as of and for the year ended December 31, 2012  
(amounts in thousands)

4. continued

The following table presents changes in endowments for the year ended December 31, 2013:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets at January 1, 2013	\$ -	\$ 331	\$ 3,610	\$ 3,941
Investment income.....	-	80	-	80
Net appreciation (realized and unrealized).....	-	537	-	537
Appropriation of endowment assets for expenditure.....	-	(225)	-	(225)
Endowment net assets at December 31, 2013.....	\$ -	\$ 723	\$ 3,610	\$ 4,333

The following table presents changes in endowments for the year ended December 31, 2012:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets at January 1, 2012	\$ (54)	\$ -	\$ 3,598	\$ 3,544
Investment income.....	-	103	-	103
Net appreciation (realized and unrealized).....	54	433	-	487
Contributions.....	-	-	12	12
Appropriation of endowment assets for expenditure.....	-	(205)	-	(205)
Endowment net assets at December 31, 2012.....	\$ -	\$ 331	\$ 3,610	\$ 3,941

#### 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 in 2013 or 2012.

## MARCH OF DIMES FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

December 31, 2013, with comparative amounts as of and for the year ended December 31, 2012  
(amounts in thousands)

#### 4. continued

##### 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 annually reviews its investment policy and includes considerations that specifically address appropriation from endowment funds in accordance with NYPMIFA. In years where the endowment fund experiences a gain, the Foundation's spending policy provides that 5% of the market value of the endowment funds will be appropriated for expenditure. In years where the endowment portfolio suffers a loss, no amounts will be appropriated, unless it is considered reasonable to do so due to accumulated gains.

#### 5. LAND, BUILDING AND EQUIPMENT

Land, building, and equipment as of December 31, 2013 and 2012 consist of the following:

	<u>2013</u>	<u>2012</u>
Land.....	\$ 918	\$ 918
Building and building and leasehold improvements.....	27,907	27,807
Furniture and equipment.....	<u>26,493</u>	<u>25,540</u>
Total.....	55,318	54,265
Accumulated depreciation.....	<u>(42,336)</u>	<u>(39,194)</u>
Land, building and equipment, net.....	<u>\$ 12,982</u>	<u>\$ 15,071</u>

## MARCH OF DIMES FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

December 31, 2013, with comparative amounts as of and for the year ended December 31, 2012  
(amounts in thousands)

#### 6. LINE OF CREDIT

The Foundation has available an unsecured line of credit that provides for \$10,000 of short term financing during the year, increasing to \$15,000 between the months February and May. Borrowings against this loan were at LIBOR daily floating rates. In 2013 and 2012, \$10,000 of the line was used and subsequently repaid. In 2013 and 2012, the interest cost amounted to \$65 and \$45, respectively. The credit line was amended on December 17, 2013 to extend the term through January 13, 2015.

#### 7. ALLOCATION OF JOINT COSTS

In 2013 and 2012, 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:

	<u>2013</u>	<u>2012</u>
Public and professional education.....	\$ 20,398	\$ 20,723
Management and general.....	5,268	4,972
Fund raising.....	<u>7,383</u>	<u>8,140</u>
Total.....	<u>\$ 33,049</u>	<u>\$ 33,835</u>

#### 8. 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, 2013:

<u>Year ending December 31,</u>	<u>Amounts</u>
2014.....	\$ 6,235
2015.....	4,876
2016.....	3,800
2017.....	3,006
2018.....	1,863
2019 and thereafter.....	1,226

Total rental expense was \$6,532 and \$6,711 in 2013 and 2012, respectively.

# MARCH OF DIMES FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013, with comparative amounts as of and for the year ended December 31, 2012  
(amounts in thousands)

### 9. 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 2013 and 2012, the defined contribution match has been temporarily suspended. Pension expense relating to the noncontributory defined contribution plan for 2013 and 2012 was \$1,137 and \$1,138, 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 healthcare benefits and life insurance benefits. The healthcare plan is contributory with participants' contributions adjusted annually. In accordance with a 2013 plan amendment, certain benefits were eliminated for active and retired employees who did not meet certain eligibility requirements. The impact on expense will be recognized over the next several years.

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, 2013 and 2012:

	Pension Benefits		Other Benefits	
	2013	2012	2013	2012
<i>Change in projected benefit obligation</i>				
Benefit obligation at January 1,.....	\$ 193,336	\$ 171,668	\$ 48,557	\$ 48,523
Service cost.....	2,814	2,492	734	1,109
Interest cost.....	8,205	8,288	1,611	2,160
Participant contributions.....	-	-	397	317
Actuarial (gain) loss.....	(13,482)	19,272	(13,164)	(1,584)
Federal retiree subsidy and reimbursements..	-	-	171	188
Plan amendments.....	-	-	(21,309)	-
Benefit payments.....	(10,817)	(8,384)	(2,127)	(2,156)
Benefit obligation at December 31,.....	<u>\$ 180,056</u>	<u>\$ 193,336</u>	<u>\$ 14,870</u>	<u>\$ 48,557</u>
<i>Change in fair value of plan assets</i>				
Fair value of plan assets at January 1,.....	\$ 127,463	\$ 111,729	\$ -	\$ -
Actual return on plan assets.....	22,766	15,618	-	-
Employer contributions.....	8,600	8,500	1,730	1,839
Participant contributions.....	-	-	397	317
Benefit payments.....	(10,817)	(8,384)	(2,127)	(2,156)
Fair value of plan assets at December 31,.....	<u>\$ 148,012</u>	<u>\$ 127,463</u>	<u>\$ -</u>	<u>\$ -</u>
<i>Amounts recognized in the balance sheet</i>				
Accrued benefit liability.....	<u>\$ (32,044)</u>	<u>\$ (65,873)</u>	<u>\$ (14,870)</u>	<u>\$ (48,557)</u>

# MARCH OF DIMES FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013, with comparative amounts as of and for the year ended December 31, 2012  
(amounts in thousands)

9. continued

	<b>Pension Benefits</b>		<b>Other Benefits</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<i>Net periodic benefit costs</i>				
Service cost.....	\$ 2,814	\$ 2,492	\$ 734	\$ 1,109
Interest cost.....	8,205	8,288	1,611	2,160
Expected return on plan assets.....	(10,273)	(9,126)	-	-
Amortization of prior service credit.....	-	-	(1,522)	(716)
Amortization of net loss.....	8,467	7,563	383	664
Total net periodic benefit cost.....	<u>\$ 9,213</u>	<u>\$ 9,217</u>	<u>\$ 1,206</u>	<u>\$ 3,217</u>
Curtailment gain recognized in operations	-	-	(662)	-
Total.....	<u>\$ 9,213</u>	<u>\$ 9,217</u>	<u>\$ 544</u>	<u>\$ 3,217</u>

At December 31, 2013 and 2012, the accumulated benefit obligation on the defined benefit pension plan amounted to \$167,976 and \$181,570, respectively.

Amounts not yet recognized as a component of net periodic costs for the year ended December 31, 2013:

	<b>Pension Benefits</b>	<b>Other Benefits</b>	<b>Total</b>
Net actuarial loss (gain).....	\$ 39,103	\$ (1,827)	\$ 37,276
Prior service credit.....	-	(21,421)	(21,421)
Total.....	<u>\$ 39,103</u>	<u>\$ (23,248)</u>	<u>\$ 15,855</u>

Amounts not yet recognized as a component of net periodic costs for the year ended December 31, 2012:

	<b>Pension Benefits</b>	<b>Other Benefits</b>	<b>Total</b>
Net actuarial loss.....	\$ 73,545	\$ 11,719	\$ 85,264
Prior service credit.....	-	(2,295)	(2,295)
Total.....	<u>\$ 73,545</u>	<u>\$ 9,424</u>	<u>\$ 82,969</u>

# MARCH OF DIMES FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013, with comparative amounts as of and for the year ended December 31, 2012  
(amounts in thousands)

9. continued

The components of the pension and postretirement cost other than net periodic pension and postretirement benefit costs for the year ended December 31, 2013:

	<b>Pension Benefits</b>	<b>Other Benefits</b>	<b>Total</b>
Net actuarial gain.....	\$ (25,975)	\$ (13,164)	\$ (39,139)
Prior service credit due to amendments.....	-	(21,309)	(21,309)
Curtailment gain.....	-	662	662
Recognized actuarial loss.....	(8,467)	(383)	(8,850)
Amortization of prior service credit.....	-	1,522	1,522
Total of other changes in unrestricted net assets.....	<u>\$ (34,442)</u>	<u>\$ (32,672)</u>	<u>\$ (67,114)</u>

The components of the pension and postretirement cost other than net periodic pension and postretirement benefit costs for the year ended December 31, 2012:

	<b>Pension Benefits</b>	<b>Other Benefits</b>	<b>Total</b>
Net actuarial loss (gain).....	\$ 12,780	\$ (1,584)	\$ 11,196
Recognized actuarial loss.....	(7,563)	(664)	(8,227)
Amortization of prior service credit.....	-	716	716
Total of other changes in unrestricted net assets.....	<u>\$ 5,217</u>	<u>\$ (1,532)</u>	<u>\$ 3,685</u>

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

	<b>Pension Benefits</b>	<b>Other Benefits</b>	<b>Total</b>
Net actuarial loss (gain).....	\$ 3,376	\$ (46)	\$ 3,330
Prior service costs.....	-	(3,940)	(3,940)
Total.....	<u>\$ 3,376</u>	<u>\$ (3,986)</u>	<u>\$ (610)</u>

# MARCH OF DIMES FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013, with comparative amounts as of and for the year ended December 31, 2012  
(amounts in thousands)

9. continued

	<b>Pension Benefits</b>		<b>Other Benefits</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<i>Weighted average assumptions for benefit obligations</i>				
Discount rate.....	4.94%	4.29%	4.26%	4.26%
Expected return on plan assets.....	7.75%	8.00%	N/A	N/A
Rate of compensation increase.....	3.25%	3.25%	N/A	N/A
<i>Weighted average assumptions for benefit costs</i>				
Discount rate.....	4.29%	4.95%	4.26%	4.96%
Expected return on plan assets.....	8.00%	8.00%	N/A	N/A
Rate of compensation increase.....	3.25%	3.50%	N/A	N/A
<i>Assumed healthcare cost trend rates</i>				
Healthcare cost trend rate assumed for next year.....				
Pre-65.....	N/A	N/A	8.00%	7.00%
Post-65.....	N/A	N/A	6.00%	7.00%
Ultimate rate.....				
Pre-65.....	N/A	N/A	4.75%	5.00%
Post-65.....	N/A	N/A	4.75%	5.00%
Year that the ultimate rate is reached.....				
Pre-65.....	N/A	N/A	2027	2017
Post-65.....	N/A	N/A	2019	2017
Impact of one-percentage-point change in assumed healthcare cost trend rates	<u>Increase</u>	<u>Decrease</u>	<u>Increase</u>	<u>Decrease</u>
Effect on service cost and interest cost next for 2013.....	N/A	N/A	\$ 268	\$ (270)
Effect on postretirement benefit obligation at December 31, 2013.....	N/A	N/A	\$ 950	\$ (871)



# MARCH OF DIMES FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013, with comparative amounts as of and for the year ended December 31, 2012  
(amounts in thousands)

### 9. continued

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

	<b>Pension Benefits</b>	<b>Other Benefits</b>
Expected contributions for 2014:		
Employer.....	\$ 8,000	\$ 1,257
Employee.....	-	100
Estimated future benefit payments reflecting expected future service for the year(s) ending:		
December 31, 2014.....	8,344	1,357
December 31, 2015.....	8,798	1,372
December 31, 2016.....	9,231	1,365
December 31, 2017.....	9,537	1,394
December 31, 2018.....	9,845	1,364
December 31, 2019 - December 31, 2023....	53,169	6,234

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.

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

	<b>Target Asset Allocation 2013</b>	<b>Actual Allocation at December 31, 2013      2012</b>	
Plan assets			
Equity securities.....	45% - 75%	66%	62%
Debt securities.....	15% - 25%	17%	20%
Real estate.....	3% - 8%	5%	5%
Other.....	7% - 23%	12%	13%

## MARCH OF DIMES FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

December 31, 2013, with comparative amounts as of and for the year ended December 31, 2012  
(amounts in thousands)

9. continued

Based upon historically indexed data, the assumed long-term rates of return for 2013 are: equity securities - 9.0%; debt securities - 5.5%; real estate - 7.5%; other assets including Commodity Index - 9.0% which produces an expected composite rate of return of 8.0%.

The following table presents the plan assets' fair value hierarchy as of December 31, 2013:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Short-term securities.....	\$ 3,869	\$ 3,869	\$ -	\$ -
Publicly traded mutual funds:				
Fixed income.....	13,453	13,453	-	-
Real estate.....	6,984	6,984	-	-
Commodity.....	3,170	3,170	-	-
International equity.....	6,732	6,732	-	-
Institutional mutual funds:				
Fixed income.....	11,167	-	11,167	-
Domestic equity.....	39,078	-	39,078	-
International equity.....	15,763	-	15,763	-
Alternative investments:				
Long/short equity.....	20,455	-	20,455	-
Multi-strategy.....	13,854	-	13,854	-
International.....	13,487	-	13,487	-
Plan assets.....	<u>\$ 148,012</u>	<u>\$ 34,208</u>	<u>\$ 113,804</u>	<u>\$ -</u>

# MARCH OF DIMES FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013, with comparative amounts as of and for the year ended December 31, 2012  
(amounts in thousands)

9. continued

The following table presents the plan assets' fair value hierarchy as of December 31, 2012:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Short-term securities.....	\$ 4,445	\$ 4,445	\$ -	\$ -
Publicly traded mutual funds:				
Fixed income.....	14,197	14,197	-	-
Real estate.....	6,602	6,602	-	-
Commodity.....	3,835	3,835	-	-
International equity.....	5,326	5,326	-	-
Institutional mutual funds:				
Fixed income.....	11,397	-	11,397	-
Domestic equity.....	32,103	-	32,103	-
International equity.....	12,333	-	12,333	-
Alternative investments:				
Long/short equity.....	14,747	-	14,747	-
Multi-strategy.....	11,942	-	11,942	-
International.....	10,536	-	10,536	-
Plan assets.....	<u>\$ 127,463</u>	<u>\$ 34,405</u>	<u>\$ 93,058</u>	<u>\$ -</u>

The following table presents a reconciliation for the Level 3 assets measured at fair value at December 31, 2012:

Balance at January 1,.....	\$ 702
Sales.....	(722)
Dividends and interest reinvestments.....	5
Net appreciation in fair value of investments.....	<u>15</u>
Balance at December 31,.....	<u>\$ -</u>

## MARCH OF DIMES FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

December 31, 2013, with comparative amounts as of and for the year ended December 31, 2012  
(amounts in thousands)

9. continued

As of December 31, 2013, 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:

<u>Redemption Period</u>	<u>Amount</u>	<u>Days notice for redemption</u>
Daily:		
Institutional - Domestic equity.....	\$ 39,078	1
Institutional - Fixed income.....	11,167	1
Monthly:		
Institutional - International equity.....	15,763	6
Alternative - International.....	13,487	5
Quarterly:		
Alternative - Long/short equity.....	20,455	60
Alternative - Multi-strategy.....	13,854	90
Total.....	<u>\$ 113,804</u>	