MARCH OF DIMES FOUNDATION

Financial Statements

December 31, 2011

(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, 2011, 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 2010 financial statements and, in our report dated April 19, 2011, 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, 2011, 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 24, 2012

MARCH OF DIMES FOUNDATION

Balance Sheet

December 31, 2011, with comparative amounts as of December 31, 2010

(in thousands)

Assets	2011	2010
Cash and cash equivalents	$ 13,501	$ 20,069
Sponsorships and other receivables	6,515	7,978
Inventory and other assets	6,330	6,918
Investments (note 2)	105,695	110,558
Assets held in trust by others (notes 2 and 4)	9,136	8,918
Land, building and equipment - net (notes 5 and 6)	15,003	15,207
Total assets	$ 156,180	$ 169,648

Liabilities and Net Assets	2011	2010
Accounts payable and accrued expenses	$ 11,242	$ 12,968
Grants and awards payable - net (note 3)	22,317	23,333
Refundable advances and deferred revenue	1,426	3,111
Mortgage note payable (note 6)	800	1,560
Accrued pension and postretirement benefit obligation (note 10)	108,462	74,980
Total liabilities	144,247	115,952
Commitments and contingencies (notes 7, 9 and 10)		
Net assets:		
Unrestricted:		
Operating	106,846	115,368
Accrued pension and postretirement benefit obligation	(108,462)	(74,980)
Total unrestricted	(1,616)	40,388
Temporarily restricted (note 4)	2,204	1,736
Permanently restricted (note 4)	11,345	11,572
Total net assets	11,933	53,696
Total liabilities and net assets	$ 156,180	$ 169,648

See accompanying notes to financial statements.

MARCH OF DIMES FOUNDATION

Statement of Activities

Year ended December 31, 2011, with summarized totals for the year ended December 31, 2010

(in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2011 Total	2010 Total
Operating Activity					
Revenue:					
Campaign contributions and sponsorships	$ 198,306	$ 218	$ -	$ 198,524	$ 201,163
Less: direct benefits to donors and sponsors	(13,422)	-	-	(13,422)	(13,949)
Net campaign contributions and sponsorships	184,884	218	-	185,102	187,214
Bequests	4,866	943	-	5,809	3,757
Government, foundation and corporate grants	1,745	1,372	-	3,117	4,341
Major gifts and other contributions	4,805	1,512	12	6,329	6,408
Contributed materials and services	2,589	-	-	2,589	2,401
Investment return appropriated for operations (note 2)	4,955	45	-	5,000	5,000
Program service revenue	1,881	-	-	1,881	1,699
Other	1,315	-	-	1,315	1,232
Net assets released from restrictions	3,580	(3,580)	-	-	-
Total revenue	210,620	510	12	211,142	212,052
Expenses (note 8):					
Program services:					
Research and medical support	30,853	-	-	30,853	29,846
Public and professional education	79,030	-	-	79,030	77,922
Community services	49,252	-	-	49,252	49,819
Total program services	159,135	-	-	159,135	157,587
Supporting services:					
Management and general	22,646	-	-	22,646	22,359
Fund raising	28,098	-	-	28,098	28,548
Total supporting services	50,744	-	-	50,744	50,907
Total expenses	209,879	-	-	209,879	208,494
Excess of operating revenue over expenses	741	510	12	1,263	3,558
Non-operating Activity					
Investment return (less than) greater than amount appropriated for operations (note 2)	(9,091)	-	-	(9,091)	8,075
Net (decrease) increase in fair value of assets held in trust by others	-	(42)	(239)	(281)	539
Pension/Postretirement costs other than net periodic benefit costs (note 10)	(33,654)	-	-	(33,654)	(1,885)
(Decrease) increase in net assets	(42,004)	468	(227)	(41,763)	10,287
Net assets at beginning of year	40,388	1,736	11,572	53,696	43,409
Net assets at end of year	$ (1,616)	$ 2,204	$ 11,345	$ 11,933	$ 53,696

See accompanying notes to financial statements.

MARCH OF DIMES FOUNDATION
Statement of Functional Expenses
Year ended December 31, 2011, with summarized totals for 2010

(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 2011	Total 2010	2011	2010
Grants and awards	$ 23,387	$ 4,411	$ 2,106	$ 29,904	-	-	-	$ 29,904	$ 28,016	-	-
California Research Division (note 11)	-	-	-	-	-	-	-	-	1,341	-	-
Salaries and employee benefits	3,661	36,114	33,518	73,293	$ 10,474	$ 12,328	$ 22,802	96,095	95,206	-	-
Professional fees	1,961	9,181	3,118	14,260	2,888	4,638	7,526	21,786	23,846	-	-
Printing, supplies, postage and shipping	171	19,248	1,404	20,823	6,080	7,578	13,658	34,481	34,561	$ 3,731	$ 4,604
Occupancy and telephone	293	3,718	4,283	8,294	1,274	1,391	2,665	10,959	11,025	-	-
Travel, lodging, conferences and meetings	802	3,894	3,287	7,983	886	1,113	1,999	9,982	8,624	-	-
Equipment and maintenance	119	816	784	1,719	384	362	746	2,465	2,568	-	-
Facilities rental, catering, entertainment, etc	-	-	-	-	-	-	-	-	-	9,691	9,345
Other	124	434	193	751	182	184	366	1,117	997	-	-
Depreciation of building and equipment	335	1,214	559	2,108	478	504	982	3,090	2,310	-	-
Total expenses	$ 30,853	$ 79,030	$ 49,252	$ 159,135	$ 22,646	$ 28,098	$ 50,744	$ 209,879	$ 208,494	$ 13,422	$ 13,949

See accompanying notes to financial statements.

MARCH OF DIMES FOUNDATION

Statement of Cash Flows

Year ended December 31, 2011, with comparative amounts for the year ended December 31, 2010

(in thousands)

Cash flows from operating activities:	2011	2010
(Decrease) increase in net assets	$ (41,763)	$ 10,287
Adjustments to reconcile (decrease) increase in net assets to net cash (used in) provided by operating activities:		
Depreciation	3,090	2,310
Net depreciation (appreciation) in fair value of investments	7,561	(10,471)
Net decrease in fair value of assets held in trust by others	281	84
Decrease in sponsorships and other receivables	1,463	1
Increase in assets held in trust by others attributable to contributions	(499)	(113)
Decrease in inventory and other assets	588	604
(Decrease) increase in accounts payable and accrued expenses	(1,726)	930
Decrease in grants and awards payable	(1,016)	(1,591)
(Decrease) increase in refundable advances and deferred revenue	(1,685)	684
Increase in accrued postretirement and pension benefit obligation	33,482	3,102
Net cash (used in) provided by operating activities	(224)	5,827
Cash flows from investing activities:		
Purchase of fixed assets	(2,886)	(1,708)
Purchase of investments	(28,538)	(26,056)
Proceeds from sale of investments	25,840	32,812
Net cash (used in) provided by investing activities	(5,584)	5,048
Cash flows from financing activities:		
Proceeds from line of credit	5,000	5,000
Payments on line of credit	(5,000)	(5,000)
Payments on mortgage note	(760)	(720)
Net cash used in financing activities	(760)	(720)
Net (decrease) increase in cash and cash equivalents	(6,568)	10,155
Cash and cash equivalents at beginning of year	20,069	9,914
Cash and cash equivalents at end of year	$ 13,501	$ 20,069
Supplemental disclosures: Interest paid	$ 97	$ 150

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 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.

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.

Basis of Presentation

The financial statements include the accounts of the Foundation's National Office and its 51 Chapters. Prior to 2011, the California Research Division was a separate and distinct program unit of the Foundation's National Office engaged in research funded principally by government grants. This program ceased operations in 2010. 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 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 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 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. 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 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 index 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.

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 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.

1. continued

In 2011 and 2010, the Foundation recognized $2,589 and $2,401, respectively, of contributed services and materials revenue (related expenses are included in professional fees, printing and travel) provided by doctors, nurses and other healthcare 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.

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 2010 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, 2010 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 2010 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, 2011 and through April 24, 2012, the date on which the financial statements were issued.

(amounts in thousands)

2. INVESTMENTS

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, 2011:

Investments:	Fair Value	Level 1	Level 2	Level 3
Short-term securities	$ 1,931	$ 1,931	$ -	$ -
Fixed income:				
Government securities	1,297	-	1,297	-
Domestic common stock	21,581	21,581	-	-
Publicly traded mutual funds:				
Domestic equity	6,185	6,185	-	-
Fixed income	14,255	14,255	-	-
Real estate	4,399	4,399	-	-
Commodity	4,599	4,599	-	-
International	6,291	6,291	-	-
Institutional mutual funds:				
Fixed income	8,105	-	8,105	-
International	11,733	-	11,733	-
Alternative investments:				
Multi-strategy hedge funds	14,393	-	14,393	-
International	10,322	-	10,322	-
Real estate	604	-	604	-
Total investments	$ 105,695	$ 59,241	$ 46,454	$ -
Assets held in trust by others	$ 9,136	$ -	$ -	$ 9,136

(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, 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	14,589	-	9,267	5,322
Real estate	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 a reconciliation for all Level 3 assets measured at fair value:

	Investments		Assets held in trust by others	
	2011	2010	2011	2010
Balance at January 1,	$ 7,531	$ 7,313	$ 8,918	$ 8,889
Additions from bequests	-	-	499	113
Distributions from trustee	-	-	-	(623)
Proceeds from sale of investments	(1,794)	(573)	-	-
Dividends and interest reinvestments	42	115	-	-
Net (depreciation) appreciation in fair value of investments	(164)	676	(281)	539
Transfers from Level 3 to Level 2	(5,615)	-	-	-
Balance at December 31,	$ -	$ 7,531	$ 9,136	$ 8,918

Unrealized (losses) gains amounted to $(408) and $1,185 for 2011 and 2010, respectively, related to Level 3 assets still held at December 31, and is reflected in investment return in the accompanying statement of activities. 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. Transfers from Level 3 to Level 2 during fiscal 2011 were due to the expiration of lock-up requirements as of December 31, 2011.

As of December 31, 2011, the following table summarizes the composition of institutional mutual funds and alternative investments at fair value by the various redemption provisions:

	2011	
Redemption Period	Amount	Days notice for redemption
Daily:		
Institutional - Fixed income	$ 8,105	1
Monthly:		
Institutional - International equity	11,733	6
Alternative - International	10,322	5
Quarterly:		
Alternative - Multi-strategy	14,393	65 - 90
Alternative - Real estate	604	90
Total	$ 45,157	

(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:

	2011	2010
Interest and dividends	$ 3,470	$ 2,604
Net (depreciation) appreciation in fair value of investments	(7,561)	10,471
Total investment return	(4,091)	13,075
Amount appropriated for operations	(5,000)	(5,000)
Investment return (less than) greater than amount appropriated for operations	$ (9,091)	$ 8,075

3. GRANTS AND AWARDS PAYABLE

Grants and awards payable at December 31, 2011 are scheduled to be paid as follows:

Year ending December 31,	Amounts
2012	$ 16,874
2013	5,708
Discount to present value (at 4.6%)	(265)
Grants and awards payable, net	$ 22,317

The Foundation has recorded grant expense of $1,000 in both 2011 and 2010 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 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.

4. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2011 and 2010 were available for the following purposes:

	2011	2010
Remainder trusts in the custody of others	$ 1,389	$ 932
Chapter programs and other	815	804
Total	$ 2,204	$ 1,736

(amounts in thousands)

4. continued

Permanently restricted net assets at December 31, 2011 and 2010 consist of perpetual trusts held by others of $7,747 and $7,986, respectively, and donor-restricted endowments of $3,598 and $3,586, respectively.

Endowment

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 are classified and reported based on the existence or absence of donor-imposed restrictions. The Foundation has no board designated endowment funds.

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. The Board of Trustees of the Foundation have interpreted NYPMIFA 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 of Trustees approved spending policy.

The following table presents changes in endowments for the year ended December 31, 2011:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets at January 1, 2011	$ -	$ -	$ 3,586	$ 3,586
Investment income……	-	96	-	96
Net depreciation (realized and unrealized)…..	(54)	(96)	-	(150)
Contributions……	-	-	12	12
Appropriation of endowment assets for expenditure/net assets released from restriction……	-	-	-	-
Endowment net assets at December 31, 2011……	$ (54)	$ -	$ 3,598	$ 3,544

(amounts in thousands)

4. continued

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 depreciation (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

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. As of December 31, 2011, the deficiency was $54. There was no such deficiency as of December 31, 2010.

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

In 2011, the Foundation adopted new investment policies that specifically address appropriation from endowment funds in accordance with NYPMIFA. In years where the endowment fund experiences a gain, 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. Prior to 2011, the Foundation had 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, 2011 and 2010 consist of:

	2011	2010
Land	$ 918	$ 1,004
Building and building and leasehold improvements	25,233	25,085
Furniture and equipment	26,590	23,827
Total	52,741	49,916
Accumulated depreciation	(37,738)	(34,709)
Land, building and equipment, net	$ 15,003	$ 15,207

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 maturity through July 1, 2012 is 5.6 percent. The final principal payment, to be paid in 2012, is $800. In 2011 and 2010, interest cost on the Series 1993 Bonds amounted to $66 and $108, 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 both 2011 and 2010, $5,000 of the line was used during the available period and subsequently repaid. In 2011 and 2010, the interest cost amounted to $31 and $42, respectively.

(amounts in thousands)

8. ALLOCATION OF JOINT COSTS

In 2011 and 2010, 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:

	2011	2010
Public and professional education	$ 19,921	$ 21,988
Management and general	6,781	7,116
Fund raising	6,989	7,904
Total	$ 33,691	$ 37,008

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, 2011:

Year ending December 31,	Amounts
2012	$ 6,218
2013	5,109
2014	4,234
2015	3,101
2016	2,221
2017 and thereafter	5,208

Total rental expense was $6,405 and $6,913 in 2011 and 2010, 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 2010 and 2011 the defined contribution match has been temporarily suspended. Pension expense relating to the noncontributory defined contribution plan for 2011 and 2010 was $1,088 and $936, 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 2009 plan amendment, life insurance benefits were reduced for current retirees and eliminated for all future retirees. The life insurance plan is noncontributory.

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, 2011 and 2010.

	Pension Benefits		Other Benefits	
	2011	**2010**	**2011**	**2010**
Change in projected benefit obligation				
Benefit obligation at January 1,…………….	$ 148,456	$ 137,357	$ 40,246	$ 33,624
Service cost…………………………………	2,222	2,130	1,021	922
Interest cost…………………………………	8,471	8,328	2,292	2,116
Participant contributions……………………	-	-	317	293
Actuarial loss………………………………	19,145	6,842	6,618	5,190
Federal retiree subsidy and reimbursements..	-	-	231	187
Benefit payments……………………………	(6,626)	(6,201)	(2,202)	(2,086)
Benefit obligation at December 31,………	$ 171,668	$ 148,456	$ 48,523	$ 40,246
Change in fair value of plan assets				
Fair value of plan assets at January 1,………	$ 113,722	$ 99,103	$ -	$ -
Actual (loss) return on plan assets…………	(1,967)	14,620	-	-
Employer contributions……………………	6,600	6,200	1,885	1,793
Participant contributions……………………	-	-	317	293
Benefit payments……………………………	(6,626)	(6,201)	(2,202)	(2,086)
Fair value of plan assets at December 31,……………………………	$ 111,729	$ 113,722	$ -	$ -
Amounts recognized in the balance sheets				
Accrued benefit liability……………………	$ (59,939)	$ (34,734)	$ (48,523)	$ (40,246)

(amounts in thousands)

10. continued

	Pension Benefits 2011	Pension Benefits 2010	Other Benefits 2011	Other Benefits 2010
Net periodic benefit costs				
Service cost	$ 2,222	$ 2,130	$ 1,021	$ 922
Interest cost	8,471	8,328	2,292	2,116
Expected return on plan assets	(9,702)	(8,477)	-	-
Amortization of prior service cost (credit)	-	479	(716)	(716)
Amortization of net loss	4,018	4,131	476	110
Total net periodic benefit cost	$ 5,009	$ 6,591	$ 3,073	$ 2,432

At December 31, 2011 and 2010, the accumulated benefit obligation on the defined benefit pension plan amounted to $159,331 and $138,692, respectively.

Amounts not yet recognized as a component of net periodic costs for the year ended December 31, 2011:

	Pension Benefits	Other Benefits	Total
Net actuarial loss	$ 68,329	$ 13,968	$ 82,297
Prior service credit	-	(3,011)	(3,011)
Total	$ 68,329	$ 10,957	$ 79,286

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 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, 2011:

	Pension Benefits	Other Benefits	Total
Net actuarial loss	$ 30,814	$ 6,618	$ 37,432
Recognized actuarial loss	(4,018)	(476)	(4,494)
Amortization of prior service credit	-	716	716
Total of other changes in unrestricted net assets	$ 26,796	$ 6,858	$ 33,654

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 and accelerated amortization (curtailment gain)	(479)	716	237
Total of other changes in unrestricted net assets	$ (3,911)	$ 5,796	$ 1,885

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	$ 7,636	$ 1,085	$ 8,721
Prior service credit	-	(716)	(716)
Total	$ 7,636	$ 369	$ 8,005

(amounts in thousands)

10. continued

	Pension Benefits		Other Benefits	
	2011	**2010**	**2011**	**2010**
Weighted average assumptions for benefit obligations				
Discount rate	4.95%	5.83%	4.96%	5.83%
Rate of compensation increase	3.50%	3.50%	N/A	N/A
Weighted average assumptions for benefit costs				
Discount rate	5.83%	6.24%	5.83%	6.14%
Expected return on plan assets	8.00%	8.50%	N/A	N/A
Rate of compensation increase	3.50%	3.50%	N/A	N/A
Assumed healthcare cost trend rates				
Healthcare cost trend rate assumed for next year	N/A	N/A	7.50%	8.00%
Ultimate rate	N/A	N/A	5.00%	5.00%
Year that the ultimate rate is reached	N/A	N/A	2017	2017
Impact of one-percentage-point change in assumed healthcare cost trend rates	Increase	Decrease	Increase	Decrease
Effect on service cost and interest cost next for 2011	N/A	N/A	$ 510	$ (414)
Effect on postretirement benefit obligation at December 31, 2011	N/A	N/A	$ 7,255	$ (5,881)

(amounts in thousands)

10. continued

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 2012:				
Employer……	$ 8,500	$ 1,825	$ 205	$ 2,030
Employee……	-	300	-	300
Estimated future benefit payments reflecting expected future service for the year(s) ending:				
December 31, 2012……	$ 7,361	$ 2,125	$ 205	$ 2,330
December 31, 2013……	7,818	2,126	222	2,348
December 31, 2014……	8,184	2,243	243	2,486
December 31, 2015……	8,560	2,373	263	2,636
December 31, 2016……	8,951	2,473	285	2,758
December 31, 2017 - December 31, 2021….	48,991	14,121	1,704	15,825

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

	Target Asset Allocation	Actual Allocation at December 31,	
	2011	2011	2010
Plan assets			
Equity securities……	45 - 75%	61%	64%
Debt securities……	15 - 25%	20%	16%
Real estate……	3 - 8%	10%	8%
Other……	7 - 23%	9%	12%

Based upon historically indexed data, the assumed long-term rates of return for 2011 are: equity securities – 9.0%; debt securities - 5.5%; real estate - 7.5%; other assets including Absolute Return Fund and Commodity Index – 9.0% which produces an expected composite rate of return of 8.0%.

(amounts in thousands)

10. continued

The following table presents the plan assets' fair value hierarchy as of December 31, 2011:

	Fair Value	Level 1	Level 2	Level 3
Short-term securities	$ 3,642	$ 3,642	$ -	$ -
Domestic equities	10,842	10,842	-	-
Publicly traded mutual funds:				
Fixed income	13,712	13,712	-	-
Real estate	4,725	4,725	-	-
Commodity	3,777	3,777	-	-
International equity	4,598	4,598	-	-
Institutional mutual funds:				
Fixed income	10,929	-	10,929	-
Domestic equity	16,445	-	16,445	-
International equity	10,149	-	10,149	-
Alternative investments:				
Long/short equity	12,207	-	12,207	-
Multi-strategy	10,969	-	10,969	-
International	9,032	-	9,032	-
Real estate	702	-	-	702
Plan assets	$ 111,729	$ 41,296	$ 69,731	$ 702

(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 a reconciliation for all Level 3 assets measured at fair value:

	2011	2010
Balance at January 1,	$ 2,314	$ 3,557
Purchases	-	-
Sales	(1,784)	(1,629)
Dividends and interest reinvestments	34	138
Net appreciation in fair value of investments	138	248
Balance at December 31,	$ 702	$ 2,314

Unrealized gains amounted to $189 and $200 for 2011 and 2010, 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.

(amounts in thousands)

10. continued

As of December 31, 2011, 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:

	2011	
Redemption Period	Amount	Days notice for redemption
Daily:		
Institutional - Domestic equity…………	$ 16,445	1
Institutional - Fixed income……………	10,929	1
Monthly:		
Institutional - International equity……..	10,149	6
Alternative - International………………	9,032	5
Quarterly:		
Alternative - Long/short equity…………	12,207	60
Alternative - Multi-strategy……………	10,969	90
Lock-up:		
Alternative - Real estate…………………	702	Not applicable
Total……………………………………	$ 70,433	

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; however, the Foundation expects to fully redeem this investment in fiscal 2012.

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.

(amounts in thousands)

11. CALIFORNIA RESEARCH DIVISION

Because of the separate and distinct nature of the program, the expenses are aggregated in the statement of functional expenses. The program was discontinued in 2010 and no expenses were incurred in 2011 related to the program. The following table presents expenses by natural classification:

	2010
Salaries and employee benefits	$ 651
Professional fees	478
Occupancy and telephone	49
Travel, lodging, conferences, and meetings	29
Printing, supplies, and all other	134
Total	$ 1,341