



**MARCH OF DIMES FOUNDATION**

Financial Statements

December 31, 2006

(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 (formerly the March of Dimes Birth Defects Foundation) (the Foundation) as of December 31, 2006, 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 2005 financial statements and, in our report dated March 17, 2006, 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, 2006, 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

March 13, 2007

**MARCH OF DIMES FOUNDATION**

**Balance Sheet**

December 31, 2006, with comparative amounts as of December 31, 2005  
(in thousands)

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<u>Assets</u>	<u>2006</u>	<u>2005</u>
Cash and cash equivalents (note 6).....	\$ 9,041	\$ 9,654
Contributions and other receivables.....	8,344	7,147
Inventory and other assets (note 10).....	8,411	9,019
Investments (notes 2 and 6).....	125,485	102,201
Assets held in trust by others.....	9,837	9,207
Land, building, and equipment - net (notes 5 and 6).....	8,609	10,173
Total assets.....	<u>\$ 169,727</u>	<u>\$ 147,401</u>

**Liabilities and Net Assets**

Accounts payable and accrued expenses.....	\$ 13,200	\$ 11,756
Grants and awards payable - net (note 3).....	34,992	30,448
Refundable advances and deferred revenue.....	7,083	8,450
Accrued postretirement and pension benefit costs (note 10).....	38,834	47,745
Mortgage note payable (note 6).....	4,215	4,790
Total liabilities.....	<u>98,324</u>	<u>103,189</u>

Commitments and contingencies (notes 9 and 10)

Net assets:

Unrestricted.....	56,638	29,924
Temporarily restricted (note 4).....	2,485	2,605
Permanently restricted (note 4).....	12,280	11,683
Total net assets.....	<u>71,403</u>	<u>44,212</u>
Total liabilities and net assets.....	<u>\$ 169,727</u>	<u>\$ 147,401</u>

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See accompanying notes to financial statements.

**MARCH OF DIMES FOUNDATION**

**Statement of Activities**

Year ended December 31, 2006, with summarized totals for the year ended December 31, 2005

(In thousands)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2006 Total</u>	<u>2005 Total</u>
<b>Operating Activity</b>					
Revenue:					
Campaign contributions and sponsorships.....	\$ 221,690	\$ 1,627	\$ -	\$ 223,317	\$ 215,699
Less: direct benefits to donors and sponsors.....	(16,804)	-	-	(16,804)	(15,948)
Net campaign contributions and sponsorships.....	204,886	1,627	-	206,513	199,751
Bequests.....	2,837	101	-	2,938	2,824
Government, foundation and corporate grants.....	12,028	767	-	12,795	9,894
Major gifts and other contributions.....	4,493	879	-	5,372	5,060
Contributed materials and services.....	2,188	-	-	2,188	2,585
Investment return appropriated for operations (note 2).....	2,515	485	-	3,000	3,000
Program service revenue.....	2,189	-	-	2,189	2,027
Other.....	1,684	-	-	1,684	1,776
Net assets released from restrictions.....	4,012	(4,012)	-	-	-
Total revenue.....	236,832	(153)	-	236,679	226,917
Expenses (note 8):					
Program services:					
Research and medical support.....	43,028	-	-	43,028	39,696
Public and professional education.....	82,143	-	-	82,143	78,958
Community services.....	49,336	-	-	49,336	48,105
Total program services.....	174,507	-	-	174,507	166,759
Supporting services:					
Management and general.....	16,832	-	-	16,832	15,482
Fund raising.....	35,566	-	-	35,566	35,996
Total supporting services.....	52,398	-	-	52,398	51,478
Total expenses.....	226,905	-	-	226,905	218,237
Excess (deficiency) of operating revenue over expenses.....	9,927	(153)	-	9,774	8,680
<b>Non-operating Activity</b>					
Investment return greater than amount appropriated for operations (note 2).....	7,527	-	-	7,527	1,815
Net increase (decrease) in fair value of assets held in trust by others.....	-	33	597	630	(110)
Excess (deficiency) of total revenue over total expenses.....	17,454	(120)	597	17,931	10,385
Decrease in minimum pension liability (note 10).....	9,260	-	-	9,260	2,188
Increase in net assets.....	26,714	(120)	597	27,191	12,573
Net assets at beginning of year.....	29,924	2,605	11,683	44,212	31,639
Net assets at end of year.....	\$ 56,638	\$ 2,485	\$ 12,280	\$ 71,403	\$ 44,212

See accompanying notes to financial statements.

**MARCH OF DIMES FOUNDATION**  
**Statement of Functional Expenses**  
Year ended December 31, 2006, with summarized totals for 2005

(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 2006	Total 2005	2006	2005
Grants and awards.....	\$ 30,165	\$ 5,219	\$ 3,589	\$ 38,973	-	-	-	\$ 38,973	\$ 36,032	-	-
California Birth Defects Monitoring Program (note 11) .....	6,559	-	-	6,559	-	-	-	6,559	6,063	-	-
Salaries and employee benefits.....	3,018	35,152	32,283	70,373	\$ 10,753	\$ 11,483	\$ 22,236	92,609	87,678	-	-
Professional fees.....	1,701	11,715	2,320	15,736	1,944	6,258	8,202	23,938	23,062	-	-
Printing, supplies, postage and shipping.....	167	19,074	2,021	21,262	536	14,419	14,955	36,217	36,350	\$ 6,597	\$ 6,389
Occupancy and telephone.....	258	3,980	4,342	8,580	1,391	1,315	2,706	11,286	11,146	-	-
Interest.....	25	106	45	176	42	39	81	257	311	-	-
Travel, lodging, conferences and meetings.....	623	4,245	3,345	8,213	1,032	1,130	2,162	10,375	10,150	-	-
Equipment and maintenance.....	104	910	775	1,789	434	299	733	2,522	3,165	-	-
Facilities rental, catering, entertainment, etc.....	-	-	-	-	-	-	-	-	-	10,207	9,559
Other.....	151	623	224	998	255	219	474	1,472	1,578	-	-
Depreciation of building and equipment.....	257	1,119	472	1,848	445	404	849	2,697	2,702	-	-
<b>Total expenses.....</b>	<b>\$ 43,028</b>	<b>\$ 82,143</b>	<b>\$ 49,336</b>	<b>\$ 174,507</b>	<b>\$ 16,832</b>	<b>\$ 35,566</b>	<b>\$ 52,398</b>	<b>\$ 226,905</b>	<b>\$ 218,237</b>	<b>\$ 16,804</b>	<b>\$ 15,948</b>

See accompanying notes to financial statements.

**MARCH OF DIMES FOUNDATION**

**Statement of Cash Flows**

**Year ended December 31, 2006, with comparative amounts for the year ended December 31, 2005**

**(in thousands)**

	<u>2006</u>	<u>2005</u>
Cash flows from operating activities:		
Increase in net assets.....	\$ 27,191	\$ 12,573
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation.....	2,697	2,702
Net appreciation in fair value of investments.....	(6,398)	(1,467)
Net (increase) decrease in fair value of assets held in trust by others.....	(630)	110
Increase in contributions and other receivables.....	(1,197)	(794)
Decrease in inventory and other assets.....	608	1,321
Increase (decrease) in accounts payable and accrued expenses.....	1,444	(6,571)
Increase in grants and awards payable.....	4,544	7,079
Decrease in refundable advances and deferred revenue.....	(1,367)	(1,898)
Decrease in accrued postretirement and pension benefit costs.....	(8,911)	(5,113)
Net cash provided by operating activities.....	<u>17,981</u>	<u>7,942</u>
Cash flows from investing activities:		
Purchase of fixed assets.....	(1,133)	(1,836)
Purchase of investments.....	(96,824)	(159,327)
Proceeds from sale of investments.....	<u>79,938</u>	<u>154,662</u>
Net cash used in investing activities.....	<u>(18,019)</u>	<u>(6,501)</u>
Cash flows from financing activities:		
Payments on mortgage note.....	<u>(575)</u>	<u>(545)</u>
Net cash used in financing activities.....	<u>(575)</u>	<u>(545)</u>
Net (decrease) increase in cash and cash equivalents.....	(613)	896
Cash and cash equivalents at beginning of year.....	<u>9,654</u>	<u>8,758</u>
Cash and cash equivalents at end of year.....	<u>\$ 9,041</u>	<u>\$ 9,654</u>
Supplemental disclosures: Interest paid.....	<u>\$ 257</u>	<u>\$ 311</u>

See accompanying notes to financial statements.

## MARCH OF DIMES FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

December 31, 2006, with comparative amounts as of and for the year ended December 31, 2005

#### 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The mission of the March of Dimes Foundation (formerly the March of Dimes Birth Defects 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 financial statements include the accounts of the Foundation's National Office and its 52 Chapters. The California Birth Defects Monitoring Program (CBDMP) is a separate and distinct program unit of the Foundation's National Office engaged in research funded principally under a contract from the State of California. All significant intra-Foundation accounts and transactions have been eliminated.

Accounting estimates are an integral part of the financial statements prepared by management and are based upon management's current judgments. Actual results may differ from those estimates.

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.

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 approved by the Board of Trustees for spending (see note 2) and the change in fair value of assets held in trust by others.

## MARCH OF DIMES FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

December 31, 2006, with comparative amounts as of and for the year ended December 31, 2005

1. cont'd

Cash equivalents consist of money market accounts and short-term investments with 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 is valued at the lower of cost or market.

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

Land is reported at cost. Building 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, ranging from three to twenty-five years.

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

Contributions, 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 i.e., when the bequest has been through probate. 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 WalkAmerica 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, 2006, with comparative amounts as of and for the year ended December 31, 2005

1. cont'd

In 2006 and 2005, the Foundation recognized \$2,035,000 and \$2,274,000, respectively, of contributed services revenue (related expenses are included in professional fees) provided by doctors, nurses and other health care professionals who serve on its Research and Program Service Committees. Many 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.

In-kind contributed materials are reflected as contributions at their estimated fair value. In 2006 and 2005, the Foundation recognized \$153,000 and \$311,000 as in-kind contributed materials.

The estimated fair value amounts for specific groups of financial instruments are presented within the footnotes applicable to such items. The fair value of financial instruments for which estimated fair value amounts have not been specifically presented is estimated to approximate the related book value.

2. INVESTMENTS

Investments at December 31, 2006 and 2005 consist of (in thousands):

	<u>2006</u>	<u>2005</u>
Short term securities .....	\$16,950	\$ 16,585
Fixed income securities (including due to broker of \$630 in 2006)....	34,059	39,712
Publicly traded mutual funds .....	13,304	10,528
Institutional mutual funds.....	19,026	9,171
Limited partnerships.....	3,867	2,719
Common stock (including due from broker of \$1,578 in 2005).....	<u>38,279</u>	<u>23,486</u>
Total investments .....	<u>\$125,485</u>	<u>\$102,201</u>

The Foundation reports as operating revenue the amount of investment return approved 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 (in thousands):

	<u>2006</u>	<u>2005</u>
Interest and dividends.....	\$4,129	\$3,348
Net appreciation in fair value of investments.....	<u>6,398</u>	<u>1,467</u>
Total investment return.....	10,527	4,815
Amount appropriated for operations.....	<u>(3,000)</u>	<u>(3,000)</u>
Investment return greater than amount appropriated for operations.....	<u>\$7,527</u>	<u>\$1,815</u>

## MARCH OF DIMES FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

December 31, 2006, with comparative amounts as of and for the year ended December 31, 2005

#### 3. GRANTS AND AWARDS PAYABLE

Grants and awards payable at December 31, 2006 are scheduled to be paid as follows:

<u>Year ending December 31</u>	<u>Amounts (in thousands)</u>
2007.....	\$ 25,104
2008.....	9,634
2009.....	<u>885</u>
Less: discount to present value (at 6.0%)..	<u>(631)</u>
Grants and awards payable, net.....	<u>\$ 34,992</u>

The Foundation has recorded grant expense of \$1,000,000 in both 2006 and 2005 for grants to the Salk Institute for Biological Studies. 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, 2006 and 2005 were available for the following purposes (in thousands):

	<u>2006</u>	<u>2005</u>
Remainder trusts in the custody of others.....	\$1,126	\$1,094
Chapter programs and other.....	<u>1,359</u>	<u>1,511</u>
Total.....	<u>\$2,485</u>	<u>\$2,605</u>

Permanently restricted net assets at December 31, 2006 and 2005 consist of perpetual trusts held by others of \$8,711,000 and \$8,113,000, respectively, and Foundation endowments, the principal of which must be invested in perpetuity with income expendable to support donor specified purposes, principally research.

## MARCH OF DIMES FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

December 31, 2006, with comparative amounts as of and for the year ended December 31, 2005

#### 5. LAND, BUILDING, AND EQUIPMENT

Land, building, and equipment as of December 31, 2006 and 2005 consist of (in thousands):

	<u>2006</u>	<u>2005</u>
Land.....	\$ 918	\$ 918
Building and building and leasehold improvements.....	24,974	24,622
Furniture and other equipment.....	<u>15,741</u>	<u>15,033</u>
Total.....	41,633	40,573
Less: accumulated depreciation.....	<u>(33,024)</u>	<u>(30,400)</u>
Land, building, and equipment, net.....	<u>\$ 8,609</u>	<u>\$10,173</u>

#### 6. MORTGAGE NOTE PAYABLE

During 1993, the Foundation issued \$9,950,000 Dormitory Authority of the State of New York/March of Dimes Birth Defects Foundation Insured Revenue Bonds, Series 1993 to retire the Series 1987 bonds which financed the National Office construction project.

The interest rate on the Series 1993 Bonds for the remaining maturities through July 1, 2012 is 5.6 percent. Annual principal payments and sinking fund requirements for the next six years are: 2007 - \$610,000; 2008 - \$645,000, 2009 - \$680,000, 2010 - \$720,000; 2011 - \$760,000; 2012 - \$800,000.

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.

Debt service reserve funds held by the bond trustee are included in cash (\$3,000 at both December 31, 2006 and 2005) and investments (\$1,109,000 and \$1,089,000 at December 31, 2006 and 2005, respectively).

#### 7. LINE OF CREDIT

During 2006, the Foundation obtained an unsecured line of credit, which, at December 31, 2006, provides up to \$30 million of short term financing. Borrowings against this credit line bear interest at a rate equal to the 30 day LIBOR rate plus 0.50% at the date of the loan. No borrowings were outstanding at December 31, 2006.

## MARCH OF DIMES FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

December 31, 2006, with comparative amounts as of and for the year ended December 31, 2005

#### 8. ALLOCATION OF JOINT COSTS

In 2006 and 2005, 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 (in thousands):

	<u>2006</u>	<u>2005</u>
Public and professional education.....	\$20,710	\$21,116
Fund raising.....	<u>15,225</u>	<u>16,771</u>
Total.....	<u>\$35,935</u>	<u>\$37,887</u>

#### 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, 2006:

<u>Year ending December 31</u>	<u>Amounts</u> <u>(in thousands)</u>
2007.....	\$6,692
2008.....	5,053
2009.....	4,026
2010.....	2,650
2011 .....	1,444
2012 and thereafter.....	1,239

Total rental expense was \$7,219,000 and \$7,316,000 in 2006 and 2005, respectively.

#### 10. RETIREMENT PLANS

The Foundation has three retirement plans - a noncontributory defined benefit pension plan covering all employees who meet certain eligibility requirements, a defined contribution match for employees who elect to participate in the 403(b) Tax Deferred Annuity Plan, and effective January 1, 2006, a noncontributory defined contribution plan. Pension expense relating to the 403(b) Tax Deferred Annuity Plan for 2006 and 2005 was \$688,000 and \$616,000, respectively. The defined benefit plan was amended effective December 31, 2005 to close the plan to new participants. Employees hired on or prior to December 31, 2005 will retain and continue to accrue benefits under the defined benefit plan. Employees hired on or after January 1, 2006 will participate in the noncontributory defined contribution plan at a percentage of salary based on years of service. Pension expense relating to the noncontributory defined contribution plan for 2006 was \$199,000. The Foundation's contributions are made in accordance with the Employee Retirement Income Security Act of 1974.

# MARCH OF DIMES FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006, with comparative amounts as of and for the year ended December 31, 2005

10. cont'd

In addition to providing pension benefits, the Foundation sponsors two unfunded postretirement benefit plans that cover all employees who meet certain eligibility requirements. One plan provides health care benefits and the other provides life insurance benefits. The health care plan is contributory with participants' contributions adjusted annually. In accordance with the 2004 plan amendment, the health care coverage for employees hired after January 1, 2004 was eliminated. Effective January 1, 2006 prescription co-pays were changed from a flat amount to a percentage of the benefit. The life insurance plan is noncontributory.

The following tables provide information with respect to the plans as of and for the years ended December 31, 2006 and 2005 (in thousands).

	<b>Pension Benefits</b>		<b>Other Benefits</b>	
	<b><u>2006</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>	<b><u>2005</u></b>
<i>Change in projected benefit obligation</i>				
Benefit obligation at January 1.....	\$118,972	\$110,848	\$31,989	\$35,007
Service cost.....	2,458	2,324	1,032	904
Interest cost.....	6,793	6,491	1,906	2,038
Participant contributions.....	-	-	232	206
Plan amendments.....	-	-	-	(5,050)
Actuarial (gain) loss.....	(3,234)	3,539	1,001	982
Benefit payments.....	<u>(4,741)</u>	<u>(4,230)</u>	<u>(2,091)</u>	<u>(2,098)</u>
Benefit obligation at December 31....	<u>\$120,248</u>	<u>\$118,972</u>	<u>\$34,069</u>	<u>\$31,989</u>
<i>Change in fair value of plan assets</i>				
Fair value of plan assets at January 1..	\$92,873	\$80,189	\$ -	\$ -
Actual return on plan assets.....	11,328	8,450	-	-
Employer contributions.....	4,700	8,464	1,859	1,892
Participant contributions.....	-	-	232	206
Benefit payments.....	<u>(4,741)</u>	<u>(4,230)</u>	<u>(2,091)</u>	<u>(2,098)</u>
Fair value of plan assets at				
December 31.....	<u>\$104,160</u>	<u>\$92,873</u>	<u>\$ -</u>	<u>\$ -</u>

# MARCH OF DIMES FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006, with comparative amounts as of and for the year ended December 31, 2005

10. cont'd

	<b>Pension Benefits</b>		<b>Other Benefits</b>	
	<b><u>2006</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>	<b><u>2005</u></b>
<i>Amounts recognized in the balance sheets</i>				
Funded status at December 31.....	\$(16,088)	\$(26,099)	(\$34,069)	\$(31,989)
Unrecognized prior service cost.....	2,137	2,839	(4,461)	(4,966)
Unrecognized loss.....	<u>22,812</u>	<u>32,285</u>	<u>5,526</u>	<u>4,838</u>
Prepaid (accrued) benefit cost before minimum pension liability adjustments.....	8,861	9,025	(33,004)	(32,117)
Intangible asset.....	(2,137)	(2,839)	-	-
Accumulated minimum pension liability charge to net assets.....	<u>(12,554)</u>	<u>(21,814)</u>	<u>-</u>	<u>-</u>
Accrued benefit liability.....	<u><u>\$ (5,830)</u></u>	<u><u>\$(15,628)</u></u>	<u><u>\$(33,004)</u></u>	<u><u>\$(32,117)</u></u>

The accumulated benefit obligation (ABO) at December 31, 2006 and 2005 was \$109,990 and \$108,501, respectively, which exceeded plan assets by \$5,830 and \$15,628, respectively. The underfunded ABO is the minimum liability required to be recognized in the balance sheet. In addition, the Foundation has recorded an intangible asset (included in inventory and other assets in the balance sheet) equal to unrecognized prior service cost.

	<b>Pension Benefits</b>		<b>Other Benefits</b>	
	<b><u>2006</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>	<b><u>2005</u></b>
Service cost.....	\$2,458	\$2,324	\$ 1,032	\$ 904
Interest cost.....	6,793	6,491	1,907	2,038
Expected return on plan assets.....	(7,947)	(7,007)	-	-
Amortization of prior service cost.....	702	867	(505)	(84)
Amortization of net loss.....	<u>2,858</u>	<u>2,736</u>	<u>312</u>	<u>29</u>
Total net periodic benefit cost.....	<u><u>\$4,864</u></u>	<u><u>\$5,411</u></u>	<u><u>\$2,746</u></u>	<u><u>\$2,887</u></u>

### *Weighted average assumptions at end of year*

Discount rate.....	6.05%	5.75%	6.05%	5.75%
Rate of compensation increase.....	3.50%	3.50%	N/A	N/A

### *Weighted average assumptions at beginning of year*

Discount rate.....	5.75%	6.00%	5.75%	6.00%
Expected return on plan assets.....	8.50%	8.50%	N/A	N/A
Rate of compensation increase.....	3.50%	3.50%	N/A	N/A

# MARCH OF DIMES FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006, with comparative amounts as of and for the year ended December 31, 2005

10. cont'd

	<b>Pension Benefits</b>		<b>Other Benefits</b>	
	<b><u>2006</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>	<b><u>2005</u></b>
<i>Assumed health care cost trend rates</i>				
Health care cost trend rate assumed for next year.....	N/A	N/A	9.00%	9.50%
Ultimate rate.....	N/A	N/A	5.00%	5.00%
Year that the ultimate rate is reached.....	N/A	N/A	2015	2015
Impact of one-percentage-point change in assumed health care cost trend rates	<b><u>Increase</u></b>	<b><u>Decrease</u></b>	<b><u>Increase</u></b>	<b><u>Decrease</u></b>
Effect on service cost and interest cost for 2006.....	N/A	N/A	\$ 452	\$ (367)
Effect on postretirement benefit obligation at December 31, 2006.....	N/A	N/A	4,040	(3,327)

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

	<b><u>Target Asset Allocation</u></b>	<b><u>Actual Allocation at December 31</u></b>	
	<b><u>2007</u></b>	<b><u>2006</u></b>	<b><u>2005</u></b>
Plan assets			
Equity securities.....	45 – 75%	61%	60%
Debt securities.....	15 – 25%	19%	18%
Real estate.....	2.5 – 7.5%	6%	5%
Other.....	7 – 23%	14%	17%

Based upon historically indexed data, the assumed long term rates of return for 2007 are: equity securities - 10%; debt securities - 5.0%; real estate - 8.5%; other assets including Absolute Return Fund and Commodity Index – 10.0% which produces an expected composite rate of return of 8.5%.

The Foundation has a Pension Investments Committee comprised of staff, volunteers, and external consultants who meet on a quarterly basis to review asset performance and allocation. The committee has an adopted 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.

# MARCH OF DIMES FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006, with comparative amounts as of and for the year ended December 31, 2005

10. cont'd

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

	<u>Pension Benefits</u>	<u>Other Benefits reflecting Medicare Rx subsidy</u>	<u>Medicare Rx subsidy</u>	<u>Other Benefits not reflecting Medicare Rx subsidy</u>
Expected contributions for 2007:				
Employer.....	\$ 3,900	\$ 1,567	\$ 237	\$1,804
Employee.....	-	230	-	230
Estimated future benefit payments reflecting expected future service for the year(s) ending:				
December 31, 2007.....	\$ 5,296	\$ 1,797	\$ 237	\$ 2,034
December 31, 2008.....	5,593	1,952	257	2,209
December 31, 2009.....	5,903	2,066	283	2,349
December 31, 2010.....	6,206	2,186	312	2,498
December 31, 2011.....	6,493	2,324	343	2,667
December 31, 2012 – December 31, 2016.....	36,591	12,886	2,304	15,190

Expected employer pension contributions were developed reflecting Congressional funding relief that has been granted for 2006 and 2007.

In September 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 158, Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans. SFAS No. 158 requires an employer to recognize the funded status of benefit plans, measured as the difference between plan assets at fair value and the projected benefit obligation, in the balance sheet. The Foundation will be required to adopt this standard in its December 31, 2007 financial statements.

## 11. CALIFORNIA BIRTH DEFECTS MONITORING PROGRAM

Because of the separate and distinct nature of the program conducted by CBDMP, its expenses are aggregated in the statements of functional expenses. The following table presents CBDMP's expenses by natural classification.

	<u>2006</u>	<u>2005</u>
Salaries and employee benefits.....	\$3,782	\$3,317
Professional fees.....	1,471	1,478
Occupancy and telephone.....	444	443
Travel, lodging, conferences, and meetings .....	274	253
Printing, supplies, and all other.....	<u>588</u>	<u>572</u>
Total.....	<u>\$6,559</u>	<u>\$6,063</u>



## MARCH OF DIMES FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

December 31, 2006, with comparative amounts as of and for the year ended December 31, 2005

#### 12. TAX STATUS

The March of Dimes Foundation (including its National Office and Chapters) is a not-for-profit voluntary health agency, exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code (the Code), and contributions to it are tax deductible as prescribed by the Code.

The Foundation has been classified as an organization that is not a private foundation under Section 509(a)(1) and has been designated as a "publicly supported" organization under Section 170(b)(1)(A)(vi) of the Code.

#### 13. COMPARATIVE INFORMATION

The financial statements include certain 2005 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, 2005 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 2005 financial statements from which the summarized information was derived.