KPMG

MARCH OF DIMES FOUNDATION

Financial Statements

December 31, 2009

(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 balance sheet of the March of Dimes Foundation (the Foundation) as of December 31, 2009, 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 2008 financial statements and, in our report dated April 13, 2009, 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, 2009, 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 20, 2010

MARCH OF DIMES FOUNDATION
Balance Sheet
December 31, 2009, with comparative amounts as of December 31, 2008
(in thousands)

Assets	2009	2008
Cash and cash equivalents	$ 9,914	$ 6,864
Contributions and other receivables	7,979	9,454
Inventory and other assets	7,522	7,418
Investments (note 2)	106,843	108,976
Assets held in trust by others (notes 2 and 4)	8,889	8,410
Land, building, and equipment - net (notes 5 and 6)	15,809	12,405
Total assets	$ 156,956	$ 153,527

Liabilities and Net Assets	2009	2008
Accounts payable and accrued expenses	$ 12,038	$ 16,866
Grants and awards payable - net (note 3)	24,924	36,246
Refundable advances and deferred revenue	2,427	3,447
Accrued pension and postretirement benefit costs (note 10)	71,878	85,859
Mortgage note payable (note 6)	2,280	2,960
Total liabilities	113,547	145,378
Commitments and contingencies (notes 7, 9 and 10)		
Net assets:		
Unrestricted:		
Operating	101,962	80,970
Accrued pension and postretirement benefit costs	(71,878)	(85,859)
Total unrestricted	30,084	(4,889)
Temporarily restricted (note 4)	2,244	2,027
Permanently restricted (note 4)	11,081	11,011
Total net assets	43,409	8,149
Total liabilities and net assets	$ 156,956	$ 153,527

See accompanying notes to financial statements.

MARCH OF DIMES FOUNDATION

Statement of Activities

Year ended December 31, 2009, with summarized totals for the year ended December 31, 2008

(in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2009 Total	2008 Total
Operating Activity					
Revenue:					
Campaign contributions and sponsorships	$ 201,848	$ 1,195	$ -	$ 203,043	$ 226,221
Less: direct benefits to donors and sponsors	(14,514)	-	-	(14,514)	(17,189)
Net campaign contributions and sponsorships	187,334	1,195	-	188,529	209,032
Bequests	2,982	106	-	3,088	4,783
Government, foundation and corporate grants	6,177	472	-	6,649	9,999
Major gifts and other contributions	3,937	1,971	11	5,919	6,767
Contributed materials and services	2,364	-	-	2,364	2,528
Investment return appropriated for operations (note 2)	4,674	326	-	5,000	5,000
Program service revenue	1,772	-	-	1,772	2,303
Other	1,395	-	-	1,395	1,392
Net assets released from restrictions	4,273	(4,273)	-	-	-
Total revenue	214,908	(203)	11	214,716	241,804
Expenses (note 8):					
Program services:					
Research and medical support	30,742	-	-	30,742	40,020
Public and professional education	79,007	-	-	79,007	87,295
Community services	50,429	-	-	50,429	51,018
Total program services	160,178	-	-	160,178	178,333
Supporting services:					
Management and general	21,330	-	-	21,330	21,465
Fund raising	30,906	-	-	30,906	35,020
Total supporting services	52,236	-	-	52,236	56,485
Total expenses	212,414	-	-	212,414	234,818
Excess (deficiency) of operating revenue over expenses	2,494	(203)	11	2,302	6,986
Non-operating Activity					
Investment return greater (less) than amount appropriated for operations (note 2)	13,161	-	-	13,161	(33,010)
Net increase (decrease) in fair value of assets held in trust by others and reclassifications	400	420	59	879	(1,871)
Pension/Postretirement costs other than net periodic benefit costs (note 10)	18,918	-	-	18,918	(41,664)
Excess (deficiency) of total revenue over total expenses	34,973	217	70	35,260	(69,559)
Net assets at beginning of year	(4,889)	2,027	11,011	8,149	77,708
Net assets at end of year	$ 30,084	$ 2,244	$ 11,081	$ 43,409	$ 8,149

See accompanying notes to financial statements.

MARCH OF DIMES FOUNDATION

Statement of Functional Expenses

Year ended December 31, 2009, with summarized totals for 2008

(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 2009	Total 2008	2009	2008
Grants and awards	$ 20,317	$ 5,009	$ 2,036	$ 27,362	-	-	-	$ 27,362	$ 37,034	-	-
California Research Division (note 11)	3,591	-	-	3,591	-	-	-	3,591	5,920	-	-
Salaries and employee benefits	3,480	37,133	35,623	76,236	$ 10,498	$ 12,774	$ 23,272	99,508	99,004	-	-
Professional fees	1,931	9,917	2,645	14,493	3,229	5,856	9,085	23,578	26,283	-	-
Printing, supplies, postage and shipping	132	17,766	1,509	19,407	4,970	9,221	14,191	33,598	37,778	$ 5,176	$ 5,903
Occupancy and telephone	237	3,867	4,574	8,678	1,170	1,347	2,517	11,195	11,570	-	-
Travel, lodging, conferences and meetings	656	3,252	2,582	6,490	645	832	1,477	7,967	10,792	-	-
Equipment and maintenance	73	788	796	1,657	349	330	679	2,336	3,059	-	-
Facilities rental, catering, entertainment, etc	-	-	-	-	-	-	-	-	-	9,338	11,286
Other	110	414	203	727	155	180	335	1,062	1,257	-	-
Depreciation of building and equipment	215	861	461	1,537	314	366	680	2,217	2,121	-	-
Total expenses	$ 30,742	$ 79,007	$ 50,429	$ 160,178	$ 21,330	$ 30,906	$ 52,236	$ 212,414	$ 234,818	$ 14,514	$ 17,189

See accompanying notes to financial statements.

MARCH OF DIMES FOUNDATION

Statement of Cash Flows

Year ended December 31, 2009, with comparative amounts for the year ended December 31, 2008

(in thousands)

Cash flows from operating activities:	2009	2008
Increase (decrease) in net assets	$ 35,260	$ (69,559)
Adjustments to reconcile increase (decrease) in net assets		
to net cash (used in) provided by operating activities:		
Depreciation	2,217	2,121
Net (appreciation) depreciation in fair value of investments	(15,215)	32,082
Net (increase) decrease in fair value of assets held in trust by others	(479)	1,871
Decrease (increase) in contributions and other receivables	1,475	(649)
Increase in assets held in trust by others attributable to contributions	-	(200)
Increase in inventory and other assets	(104)	(7)
(Decrease) increase in accounts payable and accrued expenses	(4,828)	507
Decrease in grants and awards payable	(11,322)	(1,365)
Decrease in refundable advances and deferred revenue	(1,020)	(727)
(Decrease) increase in accrued postretirement and pension benefit costs	(13,981)	40,944
Net cash (used in) provided by operating activities	(7,997)	5,018
Cash flows from investing activities:		
Purchase of fixed assets	(5,621)	(3,822)
Purchase of investments	(56,591)	(75,269)
Proceeds from sale of investments	73,939	72,652
Net cash provided by (used in) investing activities	11,727	(6,439)
Cash flows from financing activities:		
Payments on mortgage note	(680)	(645)
Net cash used in financing activities	(680)	(645)
Net increase (decrease) in cash and cash equivalents	3,050	(2,066)
Cash and cash equivalents at beginning of year	6,864	8,930
Cash and cash equivalents at end of year	$ 9,914	$ 6,864
Supplemental disclosures: Interest paid	$ 147	$ 183

See accompanying notes to financial statements.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

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

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

Use of Estimates

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

Basis of Presentation

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

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

Unrestricted Net Assets - Net assets resulting from revenue whose use by the Foundation is not subject to donor-imposed restrictions.

Temporarily Restricted Net Assets - Net assets resulting from revenue whose use by the Foundation is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Foundation pursuant to those donor-imposed stipulations.

1. continued

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

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

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

Cash Equivalents

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

Inventory

Inventory is valued at the lower of cost or market.

Fair Value of Financial Instruments

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

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

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

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

Level 3 Inputs that are unobservable.

1. continued

In 2009, the Foundation adopted the provisions of accounting standards for *Fair Value Measurement and Disclosures – Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent)*. This guidance allows, as a practical expedient, for the estimation of fair value of investments in investment companies for which the investment does not have a readily determinable fair value using net asset value per share or its equivalent as reported by the investment managers.

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

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.

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

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

1. continued

Assets Held in Trusts by Others

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

Fixed Assets

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

Grants Payable

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

Contributions, Bequests and Grants

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

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

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

In 2009 and 2008, the Foundation recognized $2,364 and $2,528, respectively, of contributed services and materials revenue (related expenses are included in professional fees, printing and travel) provided by doctors, nurses and other health care professionals who serve on its Research and Program Service Committees. Many volunteers have made significant contributions of time to the Foundation's program and supporting functions. The value of these contributed services does not meet the criteria for recognition and, accordingly, is not recognized in the accompanying financial statements.

1. continued

Taxes

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

Comparative Information

The financial statements include certain 2008 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, 2008 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 2008 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, 2009 and through April 20, 2010, the date on which the financial statements were issued.

(amounts in thousands)

2. INVESTMENTS

Investments at December 31, 2009 and 2008 consist of:	2009	2008
Short term securities	$ 3,743	$ 21,709
Fixed income	13,997	17,465
Domestic common stock	28,114	20,047
Publicly traded mutual funds	29,383	18,829
Institutional mutual funds	15,628	15,787
Alternative investments	15,978	15,139
Total investments	$ 106,843	$ 108,976

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

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

(amounts in thousands)

2. continued

The following table presents the Foundation's fair value hierarchy for those assets and liabilities measured at fair value for the year ended December 31, 2008:

	Fair Value	Level 1	Level 2	Level 3
Financial Assets				
Investments:				
Short term securities	$ 21,709	$ 21,709	$ -	$ -
Fixed income:				
Government securities	1,796	-	1,796	-
Corporate securities	7,030	-	7,030	-
Mortgage backed securities	6,850	-	6,850	-
Other securities	1,789	-	1,789	-
Domestic common stock	20,047	20,047	-	-
Publicly traded mutual funds:				
Domestic equity	4,787	4,787	-	-
Treasury inflation protected securities	4,225	4,225	-	-
Commodity	2,324	2,324	-	-
International	7,493	7,493	-	-
Institutional mutual funds:				
Fixed income	7,447	-	-	7,447
International	8,340	-	-	8,340
Alternative investments:				
Multi-strategy	11,843	-	-	11,843
Real estate	3,296	-	-	3,296
Total investments	$ 108,976	$ 60,585	$ 17,465	$ 30,926
Assets held in trust by others	$ 8,410	$ 8,410	$ -	$ -

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

	2009	2008
Balance at January 1,	$ 30,926	$ 36,912
Purchases	-	2,225
Interest and dividends	152	979
Net appreciation (depreciation) in fair value of investments	340	(9,190)
Transfers from Level 1 to Level 3	8,410	-
Transfers from Level 3 to Level 2	(23,626)	-
Balance at December 31,	$ 16,202	$ 30,926

In 2009 and 2008, the unrealized gains (losses) on Level 3 assets are $769 and $(9,662), respectively.

(amounts in thousands)

2. continued

Alternative investments contain quarterly redemption restrictions with required written notice ranging from 60 to 90 days. In addition, certain of these investments are restricted by initial lock-up periods, and due to adverse market conditions, redemptions in the real estate investments have been suspended. The suspension has been in effect since 2008 and it is not known when the redemption suspension will be lifted.

As of December 31, 2009, the following table summarizes the composition of institutional mutual funds and alternative investments at fair value by the various redemption provisions:

Redemption Period	Amount
Daily	$ 4,387
Monthly	11,241
Quarterly	8,665
Lock-up	7,313
Total	$ 31,606

The amount subject to redemption restrictions is set to expire as follows:

Year	Amount
2010	$ -
2011	4,850
2012	-
2013	-
2014 and thereafter	2,463
Total	7,313

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:

	2009	2008
Interest and dividends	$ 2,946	$ 4,072
Net appreciation (depreciation) in fair value of investments	15,215	(32,082)
Total investment return (loss)	18,161	(28,010)
Amount appropriated for operations	(5,000)	(5,000)
Investment return greater (less) than amount appropriated for operations	$ 13,161	$ (33,010)

(amounts in thousands)

3. GRANTS AND AWARDS PAYABLE

Grants and awards payable at December 31, 2009 are scheduled to be paid as follows:

Year ending December 31,	Amounts
2010	$ 20,090
2011	5,089
2012	10
Less: discount to present value (at 4.7 - 5.3%)	(265)
Grants and awards payable, net	$ 24,924

The Foundation has recorded grant expense of $1,000 in both 2009 and 2008 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, 2009 and 2008 were available for the following purposes:

	2009	2008
Remainder trusts in the custody of others	$ 1,389	$ 969
Chapter programs and other	855	1,058
Total	$ 2,244	$ 2,027

Permanently restricted net assets at December 31, 2009 and 2008 consist of perpetual trusts held by others of $7,500 and $7,441, respectively, and donor-restricted endowments of $3,581 and $3,570, respectively.

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

(amounts in thousands)

4. continued

Interpretation of Relevant Law

The Board of Trustees of the Foundation have interpreted the Uniform Management of Institutional Funds Act (UMIFA) 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 net assets to the extent the donor restricted the income earned on such endowments to a particular purpose or time, and in all other cases is classified as unrestricted net assets. Such amounts recorded as temporarily restricted net assets are released from restriction when the donor stipulated purpose has been fulfilled and/or the required time period has elapsed.

The Foundation has no board designated endowment funds. The following represents the net asset classes of the Foundation's donor-restricted endowment funds:

	2009	2008
Unrestricted	$ -	$ (735)
Permanently restricted	3,581	3,570
Total	$ 3,581	$ 2,835

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

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

(amounts in thousands)

4. continued

The following table presents changes in endowments for the year ended December 31, 2008:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets at January 1, 2007........	$ -	$ -	$ 3,570	$ 3,570
Investment income................................	-	53	-	53
Net depreciation (realized and unrealized).......	(735)	-	-	(735)
Appropriation of endowment assets for expenditure/net assets released from restriction..................................	-	(53)	-	(53)
Endowment net assets at December 31, 2008.	$ (735)	$ -	$ 3,570	$ 2,835

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 UMIFA requires the Foundation to retain as a fund for perpetual duration. In accordance with GAAP, deficiencies of this nature would be reported in temporarily restricted net assets to the extent there are accumulated gains available to absorb such loss, or otherwise unrestricted net assets. There was no such deficiency as of December 31, 2009. There was a deficiency as of December 31, 2008 of $735.

Return Objectives and Risk Parameters

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

Spending Policy

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

(amounts in thousands)

5. LAND, BUILDING, AND EQUIPMENT

Land, building, and equipment as of December 31, 2009 and 2008 consist of:

	2009	2008
Land	$ 918	$ 918
Building and building and leasehold improvements	25,031	25,037
Furniture and other equipment	22,278	23,852
Total	48,227	49,807
Less: accumulated depreciation	(32,418)	(37,402)
Land, building and equipment, net	$ 15,809	$ 12,405

6. MORTGAGE NOTE PAYABLE

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

The interest rate on the Series 1993 Bonds for the remaining maturities through July 1, 2012 is 5.6 percent. Annual principal payments and sinking fund requirements for the next three years are: 2010 - $720; 2011 - $760; 2012 - $800. In 2009 and 2008, interest cost on the Series 1993 Bonds amounted to $147 and $183, 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

The Foundation has available an unsecured line of credit which between January 15 and April 15 of each year, provides for up to $30 million of short term financing. The line of credit is renewable annually and expires on June 30, 2011. 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 made during 2009.

(amounts in thousands)

8. ALLOCATION OF JOINT COSTS

In 2009 and 2008, 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:

	2009	2008
Public and professional education……	$ 20,639	$ 22,378
Management and general…………….	6,023	4,749
Fund raising…………………………	9,312	11,547
Total…………………………………	$ 35,974	$ 38,674

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, 2009:

Year ending December 31,	Amounts
2010……………………………………………	$ 6,403
2011……………………………………………	4,624
2012……………………………………………	3,478
2013……………………………………………	2,371
2014……………………………………………	1,568
2015 and thereafter……………………………	4,367

Total rental expense was $7,291 and $7,170 in 2009 and 2008, 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 match for employees who elect to participate in the 403(b) Tax Deferred Annuity Plan, and a noncontributory defined contribution plan. For 2009 the defined contribution match was temporarily suspended, as such there was no related expense for 2009 and for 2008 the expense was $767. Pension expense relating to the noncontributory defined contribution plan for 2009 and 2008 was $1,083 and $871, 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 unfunded postretirement benefit plans that cover employees who meet certain eligibility requirements. The plan provides health care benefits and life insurance benefits. The health care plan is contributory with participants' contributions adjusted annually. In accordance with an August 1, 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, 2009 and 2008.

	Pension Benefits		**Other Benefits**	
	2009	**2008**	**2009**	**2008**
Change in projected benefit obligation				
Benefit obligation at January 1,	$ 129,601	$ 123,559	$ 36,659	$ 33,225
Service cost	2,335	2,402	903	1,001
Interest cost	8,021	7,793	2,140	2,142
Participant contributions	-	-	298	286
Amendments	-	-	(2,012)	-
Actuarial loss (gain)	3,179	1,311	(2,335)	2,020
Federal retiree subsidy	-	-	201	186
Benefit payments	(5,779)	(5,464)	(2,230)	(2,201)
Benefit obligation at December 31,	$ 137,357	$ 129,601	$ 33,624	$ 36,659
Change in fair value of plan assets				
Fair value of plan assets at January 1,	$ 80,401	$ 111,869	$ -	$ -
Actual return on plan assets	18,581	(30,204)	-	-
Employer contributions	5,900	4,200	1,932	1,915
Participant contributions	-	-	298	286
Benefit payments	(5,779)	(5,464)	(2,230)	(2,201)
Fair value of plan assets at December 31	$ 99,103	$ 80,401	$ -	$ -
Amounts recognized in the balance sheets				
Accrued benefit liability	$ (38,254)	$ (49,200)	$ (33,624)	$ (36,659)

(amounts in thousands)

10. continued

	Pension Benefits 2009	Pension Benefits 2008	Other Benefits 2009	Other Benefits 2008
Net periodic benefit costs				
Service cost	$ 2,335	$ 2,402	$ 903	$ 1,001
Interest cost	8,021	7,793	2,140	2,142
Expected return on plan assets	(6,930)	(9,564)	-	-
Amortization of prior service cost (credit)	522	522	(505)	(505)
Amortization of net loss	6,649	1,265	42	154
Total net periodic benefit cost	$ 10,597	$ 2,418	$ 2,580	$ 2,792
Curtailment gain	-	-	(513)	-
Total cost	10,597	2,418	2,067	2,792

At December 31, 2009 and 2008, the accumulated benefit obligation amounted to $129,019 and $117,323, respectively.

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

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

Amounts not yet recognized as a component of net periodic costs for the year ended December 31, 2008:

	Pension Benefits	Other Benefits	Total
Net actuarial loss	$ 59,990	$ 5,125	$ 65,115
Prior service cost (credit)	1,001	(3,451)	(2,450)
Total	$ 60,991	$ 1,674	$ 62,665

(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, 2009:

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

The components of the pension and postretirement cost other than net periodic pension and postretirement benefit costs for the year ended December 31, 2008:

	Pension Benefits	Other Benefits	Total
Net actuarial loss	$ 41,080	$ 2,020	$ 43,100
Recognized actuarial loss	(1,265)	(154)	(1,419)
Amortization of prior service (cost) credit	(522)	505	(17)
Total of other changes in unrestricted net assets	$ 39,293	$ 2,371	$ 41,664

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

	Pension Benefits	Other Benefits	Total
Prior service cost (credit)	$ 478	$ (716)	$ (238)
Net actuarial loss	4,175	-	4,175
Total	$ 4,653	$ (716)	$ 3,937

(amounts in thousands)

10. continued

	Pension Benefits 2009	Pension Benefits 2008	Other Benefits 2009	Other Benefits 2008
Weighted average assumptions for benefit obligations				
Discount rate	6.24%	6.20%	6.14%	6.20%
Rate of compensation increase	3.50%	3.50%	N/A	N/A
Weighted average assumptions for benefit costs				
Discount rate	6.20%	6.35%	6.20%	6.29%
Expected return on plan assets	8.50%	8.50%	N/A	N/A
Rate of compensation increase	3.50%	3.50%	N/A	N/A
Assumed health care cost trend rates				
Health care cost trend rate assumed for next year	N/A	N/A	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	2015	2015
Impact of one-percentage-point change in assumed health care cost trend rates	Increase	Decrease	Increase	Decrease
Effect on service cost and interest cost next for 2009	N/A	N/A	$ 436	$ (355)
Effect on postretirement benefit obligation at December 31, 2009	N/A	N/A	$ 4,017	$ (3,332)

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

	Target Asset Allocation 2009	Actual Allocation at December 31, 2009	Actual Allocation at December 31, 2008
Plan assets			
Equity securities	45 - 75%	62%	53%
Debt securities	15 - 25%	18%	26%
Real estate	3 - 8%	8%	8%
Other	7 - 23%	12%	13%

Based upon historically indexed data, the assumed long term rates of return for 2010 are: equity securities – 10.0%; debt securities - 5.5%; real estate - 8.5%; other assets including Absolute Return Fund and Commodity Index – 10.0% which produces an expected composite rate of return of 8.5%.

(amounts in thousands)

10. continued

Plan assets at December 31, 2009 and 2008 consist of:

	2009	2008
Short term securities	$ 2,079	$ 3,200
Domestic common stock	12,889	10,663
Publicly traded mutual funds	15,710	1,999
Institutional mutual funds	45,427	40,241
Alternative investments	22,998	24,298
Total plan assets	$ 99,103	$ 80,401

The following table presents the plan assets fair value hierarchy for those assets measured at fair value as of December 31, 2009:

	Fair Value	Level 1	Level 2	Level 3
Financial Assets				
Plan assets:				
Short term securities	$ 2,079	$ 2,079	$ -	$ -
Domestic equities	12,889	12,889	-	-
Publicly traded mutual funds:				
Fixed income	6,497	6,497	-	-
Treasury inflation protected securities	4,431	4,431	-	-
Commodity	4,782	4,782	-	-
Institutional mutual funds:				
Domestic	25,309	-	25,309	-
Fixed income	7,059	-	6,623	436
International	13,059	-	13,059	-
Alternative investments:				
Multi-strategy	9,859	-	9,859	-
Long/short equity	10,018	-	10,018	-
Real estate	3,121	-	-	3,121
Plan assets	$ 99,103	$ 30,678	$ 64,868	$ 3,557

(amounts in thousands)

10. continued

The following table presents a reconciliation for all Level 3 assets measured at fair value as of December 31, 2009:

	Level 3 Investments
Balance at January 1, 2009	$ 4,282
Purchases	1,236
Sales	(778)
Interest and dividends	199
Net depreciation in fair value of investments	(1,382)
Balance at December 31, 2009	$ 3,557

In 2009, the unrealized losses on Level 3 plan assets are $774.

Alternative investments contain quarterly redemption restrictions with required written notice ranging from 60 to 90 days. In addition, 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 December 31, 2008 and it is not known when the redemption suspension will be lifted. As of December 31, 2009, the following table summarizes the composition of institutional mutual funds and alternative investments at fair value of such plan assets by the various redemption provisions:

Redemption Period	Amount
Daily	$ 32,098
Monthly	6,270
Quarterly	19,877
Lock-up	3,557
Total	$ 61,802

The amount subject to redemption restrictions is set to expire as follows:

Year	Amount
2010	$ 119
2011	145
2012	-
2013	-
2014 and thereafter	3,293
Total	3,557

(amounts in thousands)

10. continued

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

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 2010:				
Employer	$ 5,000	$ 1,689	$ 208	$ 1,897
Employee	-	300	-	300
Estimated future benefit payments reflecting expected future service for the year(s) ending:				
December 31, 2010	$ 6,741	$ 1,989	$ 208	$ 2,197
December 31, 2011	7,100	2,102	224	2,326
December 31, 2012	7,502	2,143	248	2,391
December 31, 2013	7,889	2,245	268	2,513
December 31, 2014	8,210	2,308	293	2,601
December 31, 2015 - December 31, 2019	45,838	12,345	1,786	14,131

11. CALIFORNIA RESEARCH DIVISION (FORMERLY CALIFORNIA BIRTH DEFECTS MONITORING PROGRAM)

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

	2009	2008
Salaries and employee benefits	$ 2,254	$ 3,593
Professional fees	762	1,190
Occupancy and telephone	259	420
Travel, lodging, conferences, and meetings	101	162
Printing, supplies, and all other	215	555
Total	$ 3,591	$ 5,920