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MARCH OF DIMES FOUNDATION

Financial Statements

December 31, 2008

(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, 2008, 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 2007 financial statements and, in our report dated March 21, 2008, 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, 2008, 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.

As discussed in notes 1 and 2 to the financial statements, the March of Dimes Foundation adopted the provisions of Statement of Financial Accounting Standards No. 157, *Fair Value Measurements*, as of January 1, 2008.

As discussed in note 4 to the financial statements, the March of Dimes Foundation adopted the provisions of Financial Accounting Standards Board Staff Position 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and Enhanced Disclosures for All Endowment Funds*, as of December 31, 2008.

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As discussed in note 10 to the financial statements, the March of Dimes Foundation adopted the provisions of Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans,* as of December 31, 2007.

KPMG LLP

April 13, 2009

MARCH OF DIMES FOUNDATION
Balance Sheet
December 31, 2008, with comparative amounts as of December 31, 2007
(in thousands)

Assets	2008	2007
Cash and cash equivalents	$ 6,864	$ 8,930
Contributions and other receivables	9,454	8,805
Inventory and other assets	7,418	7,411
Investments (note 2)	108,976	138,441
Assets held in trust by others (notes 2 and 4)	8,410	10,081
Land, building, and equipment - net (notes 5 and 6)	12,405	10,704
Total assets	$ 153,527	$ 184,372

Liabilities and Net Assets	2008	2007
Accounts payable and accrued expenses	$ 16,866	$ 16,359
Grants and awards payable - net (note 3)	36,246	37,611
Refundable advances and deferred revenue	3,447	4,174
Accrued pension and postretirement benefit costs (note 10)	85,859	44,915
Mortgage note payable (note 6)	2,960	3,605
Total liabilities	145,378	106,664
Commitments and contingencies (notes 7, 9 and 10)		
Net assets:		
Unrestricted:		
Operating	80,970	107,883
Accrued pension and postretirement benefit costs	(85,859)	(44,915)
Total unrestricted	(4,889)	62,968
Temporarily restricted (note 4)	2,027	2,204
Permanently restricted (note 4)	11,011	12,536
Total net assets	8,149	77,708
Total liabilities and net assets	$ 153,527	$ 184,372

See accompanying notes to financial statements.

MARCH OF DIMES FOUNDATION

Statement of Activities

Year ended December 31, 2008, with summarized totals for the year ended December 31, 2007

(in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2008 Total	2007 Total
Operating Activity					
Revenue:					
Campaign contributions and sponsorships	$ 225,312	$ 909	$ -	$ 226,221	$ 230,683
Less: direct benefits to donors and sponsors	(17,189)	-	-	(17,189)	(17,270)
Net campaign contributions and sponsorships	208,123	909	-	209,032	213,413
Bequests	4,399	274	110	4,783	4,046
Government, foundation and corporate grants	9,516	483	-	9,999	12,298
Major gifts and other contributions	4,969	1,798	-	6,767	7,016
Contributed materials and services	2,528	-	-	2,528	2,448
Investment return appropriated for operations (note 2)	4,921	79	-	5,000	3,500
Program service revenue	2,303	-	-	2,303	2,611
Other	1,392	-	-	1,392	1,459
Net assets released from restrictions	3,484	(3,484)	-	-	-
Total revenue	241,635	59	110	241,804	246,791
Expenses (note 8):					
Program services:					
Research and medical support	40,020	-	-	40,020	46,323
Public and professional education	87,295	-	-	87,295	85,662
Community services	51,018	-	-	51,018	50,563
Total program services	178,333	-	-	178,333	182,548
Supporting services:					
Management and general	21,465	-	-	21,465	20,422
Fund raising	35,020	-	-	35,020	34,183
Total supporting services	56,485	-	-	56,485	54,605
Total expenses	234,818	-	-	234,818	237,153
Excess of operating revenue over expenses	6,817	59	110	6,986	9,638
Non-operating Activity					
Investment return (less) greater than amount appropriated for operations (note 2)	(33,010)	-	-	(33,010)	5,174
Net (decrease) increase in fair value of assets held in trust by others	-	(236)	(1,635)	(1,871)	38
Pension/Postretirement costs other than net periodic benefit costs and minimum pension liability (note 10)	(41,664)	-	-	(41,664)	2,689
(Deficiency) excess of total revenue over total expenses	(67,857)	(177)	(1,525)	(69,559)	17,539
Effect of implementation of SFAS No. 158 (note 10)	-	-	-	-	(11,234)
(Decrease) increase in net assets	(67,857)	(177)	(1,525)	(69,559)	6,305
Net assets at beginning of year	62,968	2,204	12,536	77,708	71,403
Net assets at end of year	$ (4,889)	$ 2,027	$ 11,011	$ 8,149	$ 77,708

See accompanying notes to financial statements.

MARCH OF DIMES FOUNDATION
Statement of Functional Expenses
Year ended December 31, 2008, with summarized totals for 2007

(in thousands)

	Program Services: Research and Medical Support	Program Services: Public and Professional Education	Program Services: Community Services	Program Services: Total	Supporting Services: Management and General	Supporting Services: Fund Raising	Supporting Services: Total	Total 2008	Total 2007	Direct Benefits to Donors and Sponsors 2008	Direct Benefits to Donors and Sponsors 2007
Grants and awards	$ 27,580	$ 6,455	$ 2,999	$ 37,034	-	-	-	$ 37,034	$ 42,459	-	-
California Birth Defects Monitoring Program (note 11)	5,920	-	-	5,920	-	-	-	5,920	6,872	-	-
Salaries and employee benefits	3,089	38,042	34,015	75,146	$ 10,979	$ 12,879	$ 23,858	99,004	93,597	-	-
Professional fees	1,918	11,923	2,539	16,380	3,192	6,711	9,903	26,283	27,368	-	-
Printing, supplies, postage and shipping	154	20,003	1,950	22,107	3,936	11,735	15,671	37,778	36,977	$ 5,903	$ 6,513
Occupancy and telephone	241	4,110	4,524	8,875	1,274	1,421	2,695	11,570	11,287	-	-
Travel, lodging, conferences and meetings	664	4,334	3,498	8,496	1,063	1,233	2,296	10,792	11,383	-	-
Equipment and maintenance	145	1,025	889	2,059	514	486	1,000	3,059	3,519	-	-
Facilities rental, catering, entertainment, etc.	-	-	-	-	-	-	-	-	-	11,286	10,757
Other	122	526	205	853	194	210	404	1,257	1,375	-	-
Depreciation of building and equipment	187	877	399	1,463	313	345	658	2,121	2,316	-	-
Total expenses	$ 40,020	$ 87,295	$ 51,018	$ 178,333	$ 21,465	$ 35,020	$ 56,485	$ 234,818	$ 237,153	$ 17,189	$ 17,270

See accompanying notes to financial statements.

MARCH OF DIMES FOUNDATION

Statement of Cash Flows

Year ended December 31, 2008, with comparative amounts for the year ended December 31, 2007

(in thousands)

Cash flows from operating activities:	2008	2007
(Decrease) increase in net assets	$ (69,559)	$ 6,305
Adjustments to reconcile (decrease) increase in net assets		
to net cash provided by operating activities:		
Effect of implementation of SFAS No. 158	-	11,234
Depreciation	2,121	2,316
Net depreciation (appreciation) in fair value of investments	32,082	(3,034)
Net decrease (increase) in fair value of assets held in trust by others	1,871	(38)
Increase in contributions and other receivables	(649)	(461)
Increase in assets held in trust by others attributable to contributions	(200)	(206)
(Increase) decrease in inventory and other assets	(7)	1,000
Increase in accounts payable and accrued expenses	507	3,159
(Decrease) increase in grants and awards payable	(1,365)	2,619
Decrease in refundable advances and deferred revenue	(727)	(2,909)
Increase (decrease) in accrued postretirement and pension benefit costs	40,944	(5,153)
Net cash provided by operating activities	5,018	14,832
Cash flows from investing activities:		
Purchase of fixed assets	(3,822)	(4,411)
Purchase of investments	(75,269)	(84,593)
Proceeds from sale of investments	72,652	74,671
Net cash used in investing activities	(6,439)	(14,333)
Cash flows from financing activities:		
Payments on mortgage note	(645)	(610)
Net cash used in financing activities	(645)	(610)
Net decrease in cash and cash equivalents	(2,066)	(111)
Cash and cash equivalents at beginning of year	8,930	9,041
Cash and cash equivalents at end of year	$ 6,864	$ 8,930
Supplemental disclosures: Interest paid	$ 183	$ 219

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.

Use of Estimates

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.

Basis of Presentation

The financial statements include the accounts of the Foundation's National Office and its 51 Chapters. The California Birth Defects Monitoring Program (CBDMP) and California Research Division are separate and distinct program units 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.
>
> 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.

1. continued

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.

Investments

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 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 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.

Effective January 1, 2008, the Foundation adopted Statement of Financial Accounting Standards (SFAS) No. 157 "Fair Value Measurements". SFAS No. 157 defines fair value and establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. In February 2008, the Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) No. FAS 157-2, Effective Date of FASB Statement No. 157, which defers the effective date of SFAS No. 157 for one year for non-financial assets and non-financial liabilities that are not disclosed at fair value in the consolidated financial statements on a recurring basis. The FSP did not defer the recognition and disclosure requirements for financial or non-financial assets and liabilities that are measured at least annually. In February 2008, the Foundation adopted FSP No. FAS 157-2. In October 2008, the FASB issued FSP No. FAS 157-3, Determining the Fair Value of a Financial Asset in a Market That Is Not Active. FSP No. FAS 157-3 was effective upon issuance, and applies to periods for which financial statements have not been issued. The FSP's guidance clarifies various application issues with respect to the objective of a fair value measurement, distressed transactions, relevance of observable data, and the use of management's assumptions. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

1. continued

The three levels of the fair value hierarchy under SFAS No. 157 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.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the Foundation's management. Management considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Foundation's perceived risk of that instrument. The effect of the adoption of SFAS No. 157, FAS 157-2 and 157-3 did not have a material effect on the changes in net assets or financial position of the Foundation.

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, 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.

1. continued

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. 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 2008 and 2007, the Foundation recognized $2,528 and $2,448, respectively, of contributed services and materials revenue (related expenses are included in professional fees 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.

Fair Value of Financial Instruments

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.

Comparative Information

The financial statements include certain 2007 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, 2007 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 2007 financial statements from which the summarized information was derived.

Certain 2007 amounts have been reclassified to conform to the current year presentation.

(amounts in thousands)

2. INVESTMENTS

Investments at December 31, 2008 and 2007 consist of:

	2008	2007
Short term securities	$ 21,709	$ 11,789
Fixed income securities	17,465	30,493
Common stock	20,047	43,571
Publicly traded mutual funds	18,829	15,676
Institutional mutual funds	15,787	22,173
Limited partnerships	15,139	14,739
Total investments	$ 108,976	$ 138,441

The following table presents the Foundation's fair value hierarchy for those assets and liabilities measured at fair value as of December 31, 2008. At December 31, 2008, Level 3 assets comprised approximately 28% of the Foundation's total investment portfolio.

	Fair Value	Level 1	Level 2	Level 3
Financial Assets				
Investments:				
Short term securities	$ 21,709	$ 21,709	$ -	$ -
Fixed income securities	17,465	-	17,465	-
Common stock	20,047	20,047	-	-
Publicly traded mutual funds	18,829	18,829	-	-
Institutional mutual funds	15,787	-	-	15,787
Limited partnerships	15,139	-	-	15,139
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 as of December 31, 2008.

	Level 3 Investments
Balance at January 1, 2008	$ 36,912
Purchases	2,225
Interest and dividends	979
Net depreciation in fair value of investments	(9,190)
Balance at December 31, 2008	$ 30,926

(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:

	2008	2007
Interest and dividends	$ 4,072	$ 5,640
Net (depreciation) appreciation in fair value of investments	(32,082)	3,034
Total investment (loss) return	(28,010)	8,674
Amount appropriated for operations	(5,000)	(3,500)
Investment return (less) greater than amount appropriated for operations	$ (33,010)	$ 5,174

3. GRANTS AND AWARDS PAYABLE

Grants and awards payable at December 31, 2008 are scheduled to be paid as follows:

Year ending December 31,	Amounts
2009	$ 26,530
2010	9,276
2011	919
Less: discount to present value (at 4.7 - 6.0%)	(479)
Grants and awards payable, net	$ 36,246

The Foundation has recorded grant expense of $1,000 in both 2008 and 2007 for grants to the Salk Institute for Biological Studies. The President of the Foundation is a volunteer board member of the Salk Institute.

(amounts in thousands)

4. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2008 and 2007 were available for the following purposes:

	2008	2007
Remainder trusts in the custody of others…………	$ 969	$ 1,115
Chapter programs and other………………………	1,058	1,089
Total………………………………………………	$ 2,027	$ 2,204

Permanently restricted net assets at December 31, 2008 and 2007 consists perpetual trusts held by others of $7,441 and $8,966, respectively, and donor-restricted endowments of $3,570 and $3,570, respectively.

The Foundation's endowments consist of approximately 20 individual donor-restricted funds established for a variety of purposes, principally research. As required by Generally Accepted Accounting Principles (GAAP), net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

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 to 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 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 endowment funds:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds………..	$ (735)	$ -	$ 3,570	$ 2,835

(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,…………	$ -	$ -	$ 3,570	$ 3,570
Investment income……………………………	-	53	-	53
Net depreciation (realized and unrealized)….	(735)	-	-	(735)
Contributions…………………………………	-	-	-	-
Appropriation of endowment assets for for expenditure/net assets released from restriction…………………………….	-	(53)	-	(53)
Endowment net assets at December 31,…..	$ (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 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, 2008 and 2007 consist of:

	2008	2007
Land	$ 918	$ 918
Building and building and leasehold improvements	25,037	25,026
Furniture and other equipment	23,852	20,100
Total	49,807	46,044
Less: accumulated depreciation	(37,402)	(35,340)
Land, building and equipment, net	$ 12,405	$ 10,704

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 four years are: 2009 - $680, 2010 - $720; 2011 - $760; 2012 - $800. In 2008 and 2007, interest cost on the Series 1993 Bonds amounted to $183 and $219, 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 2008.

(amounts in thousands)

8. ALLOCATION OF JOINT COSTS

In 2008 and 2007, 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:

	2008	2007
Public and professional education……	$ 22,378	$ 22,152
Management and general……………	4,749	4,211
Fund raising…………………………	11,547	11,319
Total…………………………………	$ 38,674	$ 37,682

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, 2008:

Year ending December 31,	Amounts
2009……………………………………………	$ 6,677
2010……………………………………………	4,764
2011……………………………………………	3,333
2012……………………………………………	2,380
2013……………………………………………	1,376
2014 and thereafter……………………………	5,101

Total rental expense was $7,170 and $7,277 in 2008 and 2007, 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 a noncontributory defined contribution plan. Pension expense relating to the 403(b) Tax Deferred Annuity Plan for 2008 and 2007 was $767 and $728, 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 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 2008 and 2007 was $871 and $551, 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 all 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 the 2004 plan amendment, the health care coverage for employees hired on or after January 1, 2004 was eliminated. The life insurance plan is noncontributory.

Effective December 31, 2007, the Foundation adopted 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 its balance sheet.

(amounts in thousands)

10. continued

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, 2008 and 2007.

	Pension Benefits		**Other Benefits**	
	2008	**2007**	**2008**	**2007**
Change in projected benefit obligation				
Benefit obligation at January 1,…………	$ 123,559	$ 120,248	$ 33,225	$ 34,069
Service cost………………………………	2,402	2,540	1,001	998
Interest cost………………………………	7,793	7,239	2,142	1,935
Participant contributions…………………	-	-	286	286
Actuarial loss (gain)…………………….	1,311	(1,380)	2,020	(2,167)
Federal retiree subsidy………………….	-	-	186	196
Benefit payments………………………	(5,464)	(5,088)	(2,201)	(2,092)
Benefit obligation at December 31,…..	$ 129,601	$ 123,559	$ 36,659	$ 33,225
Change in fair value of plan assets				
Fair value of plan assets at January 1,…..	$ 111,869	$ 104,160	$ -	$ -
Actual return on plan assets…………….	(30,204)	8,397	-	-
Employer contributions………………….	4,200	4,400	1,915	1,806
Participant contributions………………..	-	-	286	286
Benefit payments………………………	(5,464)	(5,088)	(2,201)	(2,092)
Fair value of plan assets at December 31………………………….	$ 80,401	$ 111,869	$ -	$ -
Amounts recognized in the balance sheets				
Accrued benefit liability…………………	$ (49,200)	$ (11,690)	$ (36,659)	$ (33,225)

(amounts in thousands)

10. continued

	Pension Benefits		Other Benefits	
	2008	2007	2008	2007
Net periodic benefit costs				
Service cost………………………………	$ 2,402	$ 2,540	$ 1,001	$ 998
Interest cost………………………………	7,793	7,239	2,142	1,935
Expected return on plan assets…………	(9,564)	(8,873)	-	-
Amortization of prior service cost (credit)	522	614	(505)	(505)
Amortization of net loss…………………	1,265	1,635	154	100
Total net periodic benefit cost…………	$ 2,418	$ 3,155	$ 2,792	$ 2,528

At December 31, 2008, the accumulated benefit obligation amounted to $117,323. At December 31, 2007, the accumulated benefit obligation of $113,151 exceeded plan assets resulting in a minimum pension liability credit adjustment of $2,689, recorded as a non-operating gain on the statement of activities.

At December 31, 2007, prior to recognizing the effect of adoption of SFAS No. 158, unrecognized net loss and unrecognized prior service credit were $13,667 and $(2,433) in 2007, respectively. These amounts were recognized as a decrease in unrestricted net assets and reported in the 2007 statement of activities as the effect of adoption of SFAS No. 158.

(amounts in thousands)

10. continued

Amounts not yet recognized as a component of net periodic costs are as follows:

	Pension Benefits	Other Benefits	Total
Net actuarial loss………………………………………	$ 50,223	$ 5,125	$ 55,348
Prior service (credit) cost………………………………	1,001	(3,451)	(2,450)
Total……………………………………………………	$ 51,224	$ 1,674	$ 52,898

The components of the pension and postretirement cost other than net periodic pension and postretirement benefit costs are as follows:

	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)………………………………	$ 522	$ (505)	$ 17
Net actuarial loss………………………………………	6,092	146	6,238
Total……………………………………………………	$ 6,614	$ (359)	$ 6,255

(amounts in thousands)

10. continued

	Pension Benefits		Other Benefits	
	2008	**2007**	**2008**	**2007**
Weighted average assumptions for benefit obligations				
Discount rate……………………………	6.20%	6.35%	6.20%	6.29%
Rate of compensation increase…………	3.50%	3.50%	N/A	N/A
Weighted average assumptions for benefit costs				
Discount rate……………………………	6.35%	6.05%	6.29%	6.05%
Expected return on plan assets…………	8.50%	8.50%	N/A	N/A
Rate of compensation increase…………	3.50%	3.50%	N/A	N/A
Assumed health care cost trend rates				
Health care cost trend rate assumed for next year………………………………	N/A	N/A	8.00%	8.50%
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	Increase	Decrease	Increase	Decrease
Effect on service cost and interest cost next for 2008……………	N/A	N/A	$ 448	$ (369)
Effect on postretirement benefit obligation at December 31, 2008……	N/A	N/A	$ 4,206	$ (3,484)

(amounts in thousands)

10. continued

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

	Target Asset Allocation	**Actual Allocation at December 31,**	
	2008	**2008**	**2007**
Plan assets			
Equity securities…………….	45 - 75%	53%	61%
Debt securities………………..	15 - 25%	26%	19%
Real estate…………………..	3 - 8%	8%	5%
Other…………………………	7 - 23%	13%	15%

Based upon historically indexed data, the assumed long term rates of return for 2009 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%.

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.

(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 2009:				
Employer	$ 6,000	$ 1,777	$ 219	$ 1,996
Employee	-	290	-	290
Estimated future benefit payments reflecting expected future service for the year(s) ending:				
December 31, 2009	$ 6,207	$ 2,067	$ 219	$ 2,286
December 31, 2010	6,603	2,192	240	2,432
December 31, 2011	6,989	2,332	262	2,594
December 31, 2012	7,425	2,409	292	2,701
December 31, 2013	7,868	2,554	319	2,873
December 31, 2014 - December 31, 2018	45,317	14,012	2,045	16,057

11. CALIFORNIA BIRTH DEFECTS MONITORING PROGRAM AND CALIFORNIA RESEARCH DIVISION

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

	2008	2007
Salaries and employee benefits	$ 3,593	$ 3,965
Professional fees	1,190	1,593
Occupancy and telephone	420	477
Travel, lodging, conferences, and meetings	162	237
Printing, supplies, and all other	555	600
Total	$ 5,920	$ 6,872

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.

In June 2006, FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109* (FIN 48). FIN 48 addresses the accounting for uncertainties in income taxes recognized in an enterprise's financial statements and prescribes a threshold of more-likely-than-not for recognition and derecognition of tax positions taken or expected to be taken in a tax return. FIN 48 also provides related guidance on measurement, classification, interest and penalties, and disclosure. There was no material impact to the Foundation's financial statements as a result of the adoption of FIN 48.