MARCH OF DIMES INC.

Financial Statements

December 31, 2018

(With Independent Auditors' Report Thereon)

KPMG LLP
1676 International Drive
McLean, VA 22102

Independent Auditors' Report

To the Board of Trustees
March of Dimes Inc.:

We have audited the accompanying financial statements of the March of Dimes Inc. (the Organization), which comprise the balance sheet as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of March of Dimes Inc. as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 1(q) to the financial statements, the Organization adopted Accounting Standards Update 2016-14 Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14) during the year ended December 31, 2018. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the March of Dimes Inc.'s 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 20, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived before the adjustments to adopt ASU 2016-14. As part of our audit of the 2018 financial statements, we also audited the adjustments described in Note 1(q) that were applied to adopt ASU 2016-14 retrospectively in the 2017 financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

KPMG LLP

July 15, 2019
McLean, Virginia

MARCH OF DIMES INC.

Balance Sheet

December 31, 2018,
with comparative amounts as of December 31, 2017

(Amounts in thousands)

Assets		**2018**	**2017**
Cash and cash equivalents	$	8,736	12,014
Sponsorships and other receivables		6,909	9,595
Investment Receivables		58	36
Inventory and other assets		1,714	3,431
Investments		39,718	36,065
Assets held in trust by others		9,665	11,062
Assets held for sale – net		3,597	3,597
Land, building and equipment – net		1,391	2,211
Total assets	$	71,788	78,011
Liabilities and Net Assets			
Accounts payable and accrued expenses	$	9,452	12,564
Grants and awards payable – net		11,450	12,184
Refundable advances and deferred revenue		1,115	3,417
Accrued pension and postretirement benefit obligation		62,202	60,726
Total liabilities		84,219	88,891
Commitments and contingencies			
Net assets (deficit):			
Without donor restrictions		(33,237)	(30,634)
With donor restrictions		20,806	19,754
Total net assets (deficit)		(12,431)	(10,880)
Total liabilities and net assets (deficit)	$	71,788	78,011

See accompanying notes to financial statements.

MARCH OF DIMES INC.

Statement of Activities

Year ended December 31, 2018,
with summarized totals for the year ended December 31, 2017

(Amounts in thousands)

	Without donor restrictions	With donor restrictions	2018 Total	2017 Total
Operating activity:				
Revenue:				
Campaign contributions and sponsorships	$ 129,379	—	129,379	148,554
Less direct benefits to donors and sponsors	(9,772)	—	(9,772)	(11,913)
Net campaign contributions and sponsorships	119,607	—	119,607	136,641
Bequests	6,187	—	6,187	1,342
Government, foundation and corporate grants	2,126	5,391	7,517	8,595
Major gifts and other contributions	3,815	1,174	4,989	6,309
Contributed materials and services	1,340	—	1,340	1,075
Investment return, net appropriated for operations	1,286	214	1,500	1,500
Program service revenue	857	—	857	1,039
Other	1,245	—	1,245	838
Net assets released from restrictions	4,199	(4,199)	—	—
Total revenue	140,662	2,580	143,242	157,339
Expenses:				
Program services:				
Research and medical support	28,055	—	28,055	21,064
Public and professional education	15,643	—	15,643	57,950
Community services	56,777	—	56,777	36,580
Total program services	100,475	—	100,475	115,594
Supporting services:				
Management and general	13,892	—	13,892	14,962
Fund raising	20,079	—	20,079	22,988
Total supporting services	33,971	—	33,971	37,950
Total expenses	134,446	—	134,446	153,544
Change in net assets from operating activities	6,216	2,580	8,796	3,795
Nonoperating activity:				
Investment (loss) return, less amounts appropriated for operations	(1,165)	(218)	(1,383)	1,193
Net (decrease) increase in fair value of assets held in trust by others	—	(1,074)	(1,074)	1,055
Loss on termination of perpetual trust	—	(236)	(236)	—
Pension and postretirement costs other than net periodic benefit costs	(7,654)	—	(7,654)	(4,020)
Change in net assets	(2,603)	1,052	(1,551)	2,023
Net assets (deficit) at beginning of year	(30,634)	19,754	(10,880)	(12,903)
Net assets (deficit) at end of year	$ (33,237)	20,806	(12,431)	(10,880)

See accompanying notes to financial statements.

MARCH OF DIMES INC.

Statement of Functional Expenses

Year ended December 31, 2018,
with summarized totals for the year ended December 31, 2017

(Amounts 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 2018**	**Total 2017**	**2018**	**2017**
Grants and awards	$ 10,219	2,015	929	13,163	40	10	50	13,213	20,913	—	—
Salaries and employee benefits	10,500	1,026	38,664	50,190	1,669	13,102	14,771	64,961	69,671	—	—
Professional fees	3,724	2,026	6,329	12,079	6,418	2,578	8,996	21,075	19,820	—	—
Printing, supplies, postage and shipping	1,331	9,993	4,070	15,394	1,945	2,257	4,202	19,596	25,895	768	2,507
Occupancy and telephone	770	73	2,726	3,569	1,496	949	2,445	6,014	8,042	—	—
Travel, lodging, conferences and meetings	1,052	453	2,032	3,537	455	504	959	4,496	3,834	—	—
Equipment and maintenance	254	23	1,033	1,310	383	418	801	2,111	2,193	—	—
Facilities rental, catering, entertainment, etc.	—	—	—	—	—	—	—	—	—	9,004	9,406
Other	79	8	294	381	160	106	266	647	765	—	—
Depreciation of building and equipment	122	26	446	594	244	155	399	993	1,336	—	—
Donated goods and services	4	—	254	258	1,082	—	1,082	1,340	1,075	—	—
Total expenses	$ 28,055	15,643	56,777	100,475	13,892	20,079	33,971	134,446	153,544	9,772	11,913

See accompanying notes to financial statements.

MARCH OF DIMES INC.

Statement of Cash Flows

Year ended December 31, 2018,
with summarized totals for the year ended December 31, 2017

(Amounts in thousands)

	2018	2017
Cash flows from operating activities:		
Change in net assets	$ (1,551)	2,023
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	993	1,336
Net depreciation (appreciation) in fair value of investments	829	(2,015)
Net decrease (increase) in fair value of assets held in trust by others	1,397	(1,055)
Pension and postretirement charge other than net periodic benefit cost	7,654	4,020
Changes in operating assets and liabilities:		
Sponsorships and other receivables	2,686	(177)
Assets held in trust by others	—	375
Inventory and other assets	1,717	1,275
Accounts payable and accrued expenses	(3,112)	(2,341)
Grants and awards payable	(734)	(7,562)
Refundable advances and deferred revenue	(2,302)	(526)
Accrued postretirement and pension benefit obligation	(6,178)	(11,773)
Net cash provide by (used in) operating activities	1,399	(16,420)
Cash flows from investing activities:		
Purchase of fixed assets	(115)	(32)
Loss on disposal of fixed assets	(58)	54
Investment receivable	(22)	512
Purchase of investments	(11,722)	(29,938)
Proceeds from sale of investments	7,240	39,205
Net cash provided by investing activities	(4,677)	9,801
Cash flows from financing activities:		
Proceeds from line of credit	5,000	10,000
Payments on line of credit	(5,000)	(10,000)
Net cash used in financing activities	—	—
Net decrease in cash and cash equivalents	(3,278)	(6,619)
Cash and cash equivalents at beginning of year	12,014	18,633
Cash and cash equivalents at end of year	$ 8,736	12,014
Supplemental disclosures:		
Interest paid	$ 61	78
Contributed materials and services	1,340	1,075

See accompanying notes to financial statements.

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

The mission of the March of Dimes Inc. (the Organization), formerly March of Dimes Foundation, is to lead the fight for the health of all moms and babies. The Organization carries out this mission through programs of research and medical support, community services, public and professional education, and advocacy. Building on a successful 80-year legacy of impact and innovation, the Organization stands up for every mom and every baby.

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

The Organization is a not-for-profit voluntary health agency and contributions to it are tax deductible as prescribed by the Code.

(b) Basis of Presentation

The accompanying financial statements have been prepared to focus on the Organization as a whole. The financial statements include the accounts of the Organization’s offices and operating units in the United States. All significant intra-Organization accounts and transactions have been eliminated.

The Organization excludes the following from operating activities:

- investment return greater 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 and postretirement costs or credits other than net periodic benefit costs, and;
- nonrecurring items.

(c) Net Asset Classes

Based on the existence or absence of donor-imposed restrictions, resources are classified into two categories: without donor restrictions and with donor restrictions.

- Net assets without donor restrictions are free of donor-imposed restrictions. All revenues, gains, and losses that are not restricted by the donor are included in this classification. All expenses are reported as decreases in net assets without donor restrictions.

- Net assets with donor restrictions are subject to donor-imposed restrictions that will be met either by actions of the Organization or the passage of time. These net assets include donor restricted endowments and unconditional pledges. Generally, the donor-imposed restrictions of these assets permit the Organization to use all or part of the income earned (interest and dividend income) on the related investments for specific purposes; however, investment gains and losses are reinvested into the corpus.

(d) Use of Estimates

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

(e) Cash Equivalents

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

(f) Inventory

Inventory is stated at the lower of cost or market.

(g) Fair Value of Financial Instruments

Certain assets and liabilities that are recorded in the balance sheet at fair value. Fair value is determined based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Accounting standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. 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 measurements involving significant unobservable inputs (Level 3 measurements).

The level fair value hierarchy are as follows:

Level 1 Valuation based on quoted prices in active markets for identical assets or liabilities that a reporting entity has the ability to access at the measurement date, and where transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 Valuation based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, that is markets in which there are few transactions, prices are not current, or prices vary substantially over time.

Level 3 Valuation methodology is unobservable for the asset or liability and are significant to the fair value measurement.

The Organization estimates 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, as a practical expedient.

(h) Investments

Investments are recorded at fair value on the balance sheet based upon quoted prices and published market prices in active markets, except for the fair values of certain alternative investments. Investments in alternative investment funds are reported at the net asset value (NAV) reported by the fund managers 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 Organization’s alternative investments, including those held in the pension plan, involve funds whose managers have the authority to invest in various asset classes at their discretion, including the ability to invest long and short. Funds with hedged strategies generally hold securities or other financial instruments for which a ready market exists, and may include stocks, bonds, put or call options, swaps, currency hedges, and other instruments. Investment in real estate consists of investment funds which invest in real estate.

Investment return, including realized and unrealized gains and losses, is recognized when earned and reported in the statement of activities net of related investment expenses.

(i) Assets Held in Trusts by Others

The Organization is named as beneficiary of several perpetual trusts and charitable remainder trusts that are administered by third parties. The perpetual trusts are reported in the net assets with donor restrictions at fair value based on quoted market prices of the underlying trust assets as provided by trustees. Distributions from these trusts are generally without donor restrictions and are reported as investment return. Those trusts in which the Organization has a remainder interest are reported in the net assets with donor restrictions class at the present value of the estimated future benefit to be received when the trust assets are distributed.

(j) Land, Building and Equipment

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

(k) Grants Payable

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

(l) 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 Organization has an irrevocable right to the gift, such as when the bequest has been through probate and declared valid. Related receivables are generally due within one year.

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

The Organization 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 2018 and 2017, the Organization recognized $1,340 and $1,075, respectively, of contributed services and materials revenue (related expenses are included in professional fees, equipment and travel). Contributed services are provided by doctors, nurses and other healthcare professionals who serve on its Research and Program Service Committees. Contributed materials include donation of software, airline miles and items for baby shower programs. Many other volunteers have made significant contributions of time to the Organization’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.

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(m) Functional Allocation of Expenses

Expenses have been summarized on a functional basis in the statement of activities. Expenses that are specifically associated with a programmatic activity or supporting service are allocated to that activity. Employee costs are allocated based on employee time attributed to each programmatic activity or supporting service. Costs associated with the development and distribution of direct response mailings that include a call to action along with fundraising component, as described further in note 7, are allocated based on call to action in campaign materials. Overhead costs are allocated based on time studies and employee headcount attributed to each programmatic activity or supporting service.

(n) Taxes

The Tax Cuts and Jobs Act (the Tax Act) was signed into law on December 22, 2017. The Tax Act includes several changes relevant to tax-exempt organizations, primarily related to unrelated business income, net operating losses, certain new excise taxes, and changes affecting the deductibility of certain expenses. Management has determined the primary impact of the Tax Act relates to unrelated business income tax from employee transportation benefits provided. The impact has been deemed immaterial.

The Organization 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.

(o) Comparative Information and Reclassifications

The financial statements include certain 2017 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, 2017 expenses by natural classification are presented in total rather than by functional category. Accordingly, such information should be read in conjunction with the Organization’s 2017 financial statements from which the summarized information was derived. As a result of the adoption of ASU 2016-14, certain prior year amounts have been reclassified to conform to the current year presentation.

(p) Operations

In 2017, the Organization adhered to the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update, Presentation of Financial Statements – Going Concern (ASU 2015-14) given the reduction in net assets that occurred that year and the previous year (2016). Although the majority of this reduction was due to changes in the pension and postretirement amounts of $7,654, the cash used for operations in 2017 was $16,420 even though the change in net assets from operations was $3,795. In 2017 and in 2018, the organization undertook a number of cost savings measures to maintain a positive change in net assets from operations and increase cash provided by (used for) operations. At the end of 2018, the Organization added $1,399 in cash for operations and finished the year with a positive change in net assets from operations of $8,796. Net assets did however drop by $1,551 in 2018 given the downturn in investment returns in quarter four and its impact pension and post retirement assets.

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As of January 1, 2018 the Organization eliminated all postretirement medical and dental coverage. In addition, to reduce defined benefit pension risk, a partial annuitization was completed in December of 2018. This moved approximately 560 plan beneficiaries off of the defined benefit plan to an insurance company to assume payments going forward. The result was a decrease in liability of $18,000 and an annual savings of over $400 in PBGC fees. Finally, in March of 2018 the Organization entered into an agreement to sell its facility in White Plains, NY for approximately $12,000 with an approximate close date of July 2019.

As required by ASU 2015-14, management has assessed its liquidity requirements for one year from the date of issuance of the financial statements and believes the Organization has sufficient liquidity to support operations.

(q) Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), which requires an entity to recognize revenue when the entity transfers promised goods and services to the customer. Revenue is recognized in an amount that reflects the consideration an entity expects to receive in exchange for those goods or services. Entities are required to disclose sufficient quantitative and qualitative information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The FASB has also issued several amendments to the standard, which are intended to promote a more consistent interpretation and application of the principles outlined in the standard. This standard is effective for the Organization as of January 1, 2019, and management is in the process of evaluating the impact on the Organization’s consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The amendments in ASU 2016-02 create FASB ASC Topic 842, *Leases*, and supersede the requirements in ASC Topic 840, *Leases*. ASU 2016-02 requires the recognition of lease assets and lease liabilities by lessees for all leases, including operating leases, with a term greater than 12 months. Under the guidance of ASU 2016-02, a lessee should recognize in the balance sheet, a liability to make lease payments (lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. The accounting applied by a lessor under ASU 2016-02 is largely unchanged from that applied under ASC Topic 840. The ASU is effective for the Organization for the year ended December 31, 2020. The Organization is currently in the process of evaluating the impact of the new standard on its consolidated financial statements.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made,* which clarifies how entities will determine whether to account for a transfer of assets as an exchange transaction or a contribution. The distinction is important because contributions are accounted for under Accounting Standards Codification (ASC) 958-605, *Not-For-Profit Entities - Revenue Recognition,* while exchange transactions are accounted for under other guidance such as ASC 606, *Revenue from Contracts with Customers.* The guidance also clarifies how entities will determine whether a contribution is conditional. The timing of revenue and expense recognition depends upon whether a contribution is conditional or unconditional. The new standard is effective

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(Amounts in thousands)

for the Organization as of January 1, 2019, and management is in the process of evaluating the impact on the Organization’s consolidated financial statements.

During 2018, the Organization adopted ASU 2016-14, *Not-for Profit Entities* (Topic 958): *Presentation of Financial Statements for Not-for-Profit Entities*. ASU 2016-14 reduces the number of net asset classes from three to two: net assets without donor restrictions, previously reported as unrestricted net assets, and net assets with donor restrictions, previously reported as temporarily restricted net assets of $5,948 and permanently restricted net assets of $13,806 as of December 31, 2017. Additionally, it increases the quantitative and qualitative disclosures regarding liquidity and availability of resources (Note 10, Liquidity and Availability of Financial Assets). The Organization applied the changes retrospectively herein.

(r) Subsequent Events

In conjunction with the preparation of the financial statements, the Organization evaluated events subsequent to December 31, 2018 and through July 15, 2019, the date on which the financial statements were issued.

(2) Investments and Assets Held in Trust by Others

The following table presents the Organization’s investments and assets held in trust reported at fair value categorized in the fair value hierarchy as of December 31, 2018:

	Fair value	Level 1	Level 2	Level 3
Investments:				
Short-term securities	$ 14,414	14,414	—	—
Fixed income:				
Government securities	375	375	—	—
Unit investment trusts	499	499	—	—
Domestic common stock	3,367	3,367	—	—
Publicly traded mutual funds:				
Domestic equity	2,892	2,892	—	—
Fixed income	16,353	16,353	—	—
Real estate	258	258	—	—
International	1,560	1,560	—	—
Total investments	$ 39,718	39,718	—	—
Assets held in trust by others	$ 9,665	—	—	9,665

(Amounts in thousands)

The following table presents the Organization's investments and assets held in trust reported at fair value categorized in the fair value hierarchy as of December 31, 2017:

		Fair value	Level 1	Level 2	Level 3
Investments:					
Short-term securities	$	12,727	12,727	—	—
Fixed income:					
Government securities		229	—	229	—
Unit investment trusts		819	819	—	—
Domestic common stock		16,019	16,019	—	—
Publicly traded mutual funds:					
Domestic equity		4,151	4,151	—	—
Fixed income		1,239	1,239	—	—
Real estate		255	255	—	—
International		626	626	—	—
Total investments	$	36,065	35,836	229	—
Assets held in trust by others	$	11,062	—	—	11,062

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

		Assets held in trust by others	
		2018	2017
Balance at January 1	$	11,062	10,382
Distribution of proceeds from trust		—	(375)
Loss on termination of perpetual trust		(236)	—
Net (decrease) appreciation in fair value of investments		(1,161)	1,055
Balance at December 31	$	9,665	11,062

The Organization's policy is to record transfers from Level 3 to Level 2 on the actual date of the event or change in circumstances that caused the transfer. There were no such transfers in 2018 or 2017.

(Amounts in thousands)

The Organization 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 nonoperating activity. The investment return are as follows:

		2018	2017
Total investment return, net	$	309	2,906
Investment expenses		(192)	(213)
Amount appropriated for operations		(1,500)	(1,500)
Investment (loss) return, net less amounts appropriated for operations	$	(1,383)	1,193

(3) Grants and Awards Payable

Grants and awards payable at December 31, 2018 are scheduled to be paid as follows:

		Amounts
Year ending December 31:		
2019	$	11,048
2020		302
2021		119
Discount to present value (at 4.52%)		(19)
Grants and awards payable, net	$	11,450

The Organization has recorded grant expense of $111 and $1,000 in 2018 and 2017, respectively, for grants to the Salk Institute for Biological Studies. On April 12, 2011, an agreement was signed between the Organization and the Salk Institute for an annual $1,000 conditional grant. On May 4, 2018, the Organization terminated the agreement with Salk Institute. The $111 of 2018 grant expenses represents a pro-rata portion of the 2018 grant amount through the date of termination.

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(Amounts in thousands)

(4) Net Assets

The following is a summary of net assets with donor restrictions at December 31

		2018	2017
Remainder trusts in the custody of others	$	781	868
Perpetual trusts held by others		8,884	10,196
Donor-restricted endowments		4,078	4,602
Local programs and other		7,063	4,088
Total with donor restrictions	$	20,806	19,754

Net assets released from restriction were $4,199 and $1,054 for the years ended December 31, 2018 and 2017, respectively.

(a) Endowment

The Organization's endowments consist of 22 individual donor-restricted funds established for a variety of purposes, principally research. The Organization has no board designated endowment funds.

(b) Interpretation of Relevant Law

The Organization's endowment is subject to the provisions of the New York Prudent Management of Institutional Funds Act (NYPMIFA), which imposes guidelines on the management and investment of endowment funds. The corpus of the Organization's endowment funds consist of (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. Earnings and accumulated appreciation of the endowment funds remain restricted until those amounts are appropriated for expenditure. Such amounts recorded in temporarily restricted net assets are released from restriction when the donor stipulated purpose has been fulfilled and/or the amount has been appropriated in compliance with the Board of Trustees approved spending policy.

(Amounts in thousands)

The following table presents changes in endowments for the year ended December 31, 2018:

		Without donor restrictions	With donor restrictions	Total
Endowment net assets at January 1, 2018	$	—	4,602	4,602
Additions		—	3	3
Investment income, net		—	74	74
Net depreciation (realized and unrealized)		—	(386)	(386)
Appropriation of endowment assets for expenditure		—	(215)	(215)
Endowment net assets at December 31, 2018	$	—	4,078	4,078

The following table presents changes in endowments for the year ended December 31, 2017:

		Without donor restrictions	With donor restrictions	Total
Endowment net assets at January 1, 2017	$	—	4,248	4,248
Investment income, net		—	33	33
Net appreciation (realized and unrealized)		—	563	563
Appropriation of endowment assets for expenditure		—	(242)	(242)
Endowment net assets at December 31, 2017	$	—	4,602	4,602

(c) Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or relevant law requires the Organization to retain as a fund for perpetual duration. There was no such deficiency in 2018 or 2017.

(d) Return Objectives and Risk Parameters

The Organization 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 Organization 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.

(Amounts in thousands)

(e) Spending Policy

The Organization annually reviews its investment policy and includes considerations that specifically address appropriation from endowment funds in accordance with NYPMIFA. In years where the endowment fund experiences a gain, the Organization's spending policy provides that 5% of the market value of the endowment funds will be appropriated for expenditure. In years where the endowment portfolio suffers a loss, no amounts will be appropriated, unless it is considered reasonable to do so due to accumulated gains. In 2018, there were accumulated gains such that an appropriation was deemed reasonable.

(5) Land, Building and Equipment

Land, building, and equipment as of December 31, 2018 and 2017 consist of the following:

		2018	2017
Land	$	—	—
Building and building and leasehold improvements		5	5
Furniture and equipment		19,148	25,844
Total		19,153	25,849
Accumulated depreciation		(17,762)	(23,638)
Land, building and equipment, net	$	1,391	2,211

Assets held for sale as of December 31, 2018 and 2017 consist of the following:

		2018	2017
Land	$	918	918
Building and building improvements		27,683	28,350
Total		28,601	29,268
Accumulated depreciation		(25,004)	(25,671)
Assets held for sale, net	$	3,597	3,597

In March 2018, the Organization entered into an agreement to sell their building, which houses the Organization's current headquarters, and the associated property, for a purchase price of not less than

(Amounts in thousands)

$12,000. The sale is contingent on the purchaser obtaining certain permit and site plan approvals from the city of White Plains, NY within a defined time-period not to exceed two years. The assets associated with this sale have been segregated from land, building, and equipment and presented as assets held for sale within the accompanying financial statements. The Organization evaluated the identified assets using the criteria for classification as held for sale included in FASB Accounting Standards Codification (ASC), Topic 360, *Property, Plant, and Equipment,* and were determined to meet the criteria and have been classified as such.

(6) Line of Credit

During 2018, the Organization had available an unsecured line of credit that provided for $5,000 of short term financing through September 2018. Effective September 28, 2018, the credit line was extended through September 27, 2019 in the amount of $5,000. Borrowings against this loan were at LIBOR daily floating rates. In 2018 and 2017, $5,000 and $10,000, respectively, of the lines were used. There was no balance outstanding as of December 31, 2018 and 2017. The interest cost for use of the line amounted to $61 and $77, for 2018 and 2017 respectively. The line is secured by collateral in certain investments held by the Organization.

(7) Allocation of Joint Costs

In 2018 and 2017, the Organization conducted activities, principally direct response, that included fund-raising appeals as well as program components. The joint costs incurred through these activities were allocated as follows:

		2018	2017
Public and professional education	$	11,563	15,023
Management and general		3,373	4,290
Fund raising		4,678	6,049
Total	$	19,614	25,362

(8) Commitments

The Organization leases office space for their headquarters and market offices. In March 2018, the Organization entered into a lease for office space in a building in the Washington, D.C. metropolitan area to house the new headquarters. The lease commenced on January 1, 2019.

(Amounts in thousands)

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, 2018:

		Amounts
Year ending December 31:		
2019	$	2,934
2020		2,074
2021		1,714
2022		1,571
2023		1,306
2024 and thereafter		10,226

Total rental expense was $3,658 and $5,379 in 2018 and 2017, respectively.

(9) Retirement Plans

The Organization has three retirement plans for employees who meet certain eligibility requirements – a noncontributory defined benefit pension plan, a defined contribution plan for which there could be an employer match for employees who elect to participate in the plan, and a noncontributory defined contribution plan. The Organization has not made a defined contribution match in 2018 or 2017. Pension expense relating to the noncontributory defined contribution plan for 2018 and 2017 was $1,617 and $2,700, respectively. The Organization's contributions are made in accordance with the Employee Retirement Income Security Act of 1974. In 2015, an election was made to close the noncontributory defined benefit pension plan to new accruals effective December 31, 2016. Effective December 19, 2018, the Organization purchased a group annuity contract that transferred approximately 560 plan participants to an insurance company plan which continued payments to the recipients in full. This represented a settlement of the plan for accounting purposes.

In addition to providing pension benefits, the Organization sponsors an unfunded postretirement benefit plan that covers employees who meet certain eligibility requirements. The plan provides healthcare benefits and life insurance benefits. The healthcare plan is contributory with participants' contributions adjusted annually. In accordance with a 2013 plan amendment, certain benefits were eliminated for active and retired employees who did not meet certain eligibility requirements. In 2017, an election was made to eliminate all postretirement medical and dental coverage beginning in 2018. This represented a settlement and curtailment of the plan for accounting purposes. In 2018, the Organization elected to eliminate the life insurance plan effective December 31, 2018. This represented a curtailment of the plan for accounting purposes.

(Amounts in thousands)

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, 2018 and 2017:

	Pension benefits		Other benefits	
	2018	2017	2018	2017
Change in projected benefit obligation:				
Benefit obligation at January 1	$ 224,829	215,571	1,923	8,909
Service cost	—	—	—	47
Interest cost	7,391	7,695	58	183
Participant contributions	—	—	—	178
Actuarial loss (gain)	(14,392)	11,926	(29)	(190)
Amendments	—	—	(1,749)	(6,283)
Employer Group Waiver Plans subsidy received	—	—	—	41
Settlements	(17,907)	—	—	—
Benefit payments	(11,250)	(10,363)	(203)	(962)
Benefit obligation at December 31	188,671	224,829	—	1,923
Change in fair value of plan assets:				
Fair value of plan assets at January 1	166,026	156,001	—	—
Actual gain (loss) on plan assets	(9,333)	20,388	—	—
Employer contributions	—	—	—	784
Participant contributions	—	—	—	178
Settlements	(17,907)	—	—	—
PBGC expenses paid from trust	(1,067)	—	—	—
Benefit payments	(11,250)	(10,363)	—	(962)
Fair value of plan assets at December 31	126,469	166,026	—	—
Amounts recognized in the balance sheet:				
Accrued benefit liability	$ (62,202)	(58,803)	—	(1,923)

(Amounts in thousands)

	Pension benefits		Other benefits	
	2018	2017	2018	2017
Net periodic benefit costs:				
Service cost	$ 1,067	—	—	47
Interest cost	7,391	7,695	58	183
Expected return on plan assets	(11,209)	(10,545)	—	—
Amortization of prior service credit	—	—	(556)	(2,392)
Amortization of net loss (gain)	2,229	2,162	(371)	(408)
Total net periodic benefit cost (credit)	(522)	(688)	(869)	(2,570)
Curtailment gain	—	—	—	(7,772)
Loss due to settlements	6,570	—	—	—
Prior service costs due to termination	—	—	(7,268)	—
Gain due to termination	—	—	(3,886)	—
Total	$ 6,048	(688)	(12,023)	(10,342)

Amounts not yet recognized as a component of net periodic costs for the year ended December 31, 2018:

	Pension benefits	Other benefits	Total
Net actuarial loss (gain)	$ 69,217	—	69,217
Prior service credit	—	—	—
Total	$ 69,217	—	69,217

Amounts not yet recognized as a component of net periodic costs for the year ended December 31, 2017:

	Pension benefits	Other benefits	Total
Net actuarial loss (gain)	$ 71,873	(4,228)	67,645
Prior service credit	—	(6,075)	(6,075)
Total	$ 71,873	(10,303)	61,570

(Continued)

(Amounts in thousands)

The components of the pension and postretirement cost other than net periodic pension and postretirement benefit costs for the year ended December 31, 2018:

	Pension benefits	Other benefits	Total
Net actuarial loss (gain)	$ 6,150	(28)	6,122
Recognized actuarial (loss) gain	(8,799)	370	(8,429)
Prior service credit	—	(1,749)	(1,749)
Amortization of prior service credit	—	556	556
Prior service credit due to termination	—	7,268	7,268
Loss due to termination	—	3,886	3,886
Total pension and postretirement costs other than net periodic benefit costs	$ (2,649)	10,303	7,654

The components of the pension and postretirement cost other than net periodic pension and postretirement benefit costs for the year ended December 31, 2017:

	Pension benefits	Other benefits	Total
Net actuarial loss (gain)	$ 2,083	(190)	1,893
Recognized actuarial (loss) gain	(2,162)	408	(1,754)
Prior service credit	—	(6,283)	(6,283)
Amortization of prior service credit	—	10,164	10,164
Total pension and postretirement costs other than net periodic benefit costs	$ (79)	4,099	4,020

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

	Pension benefits	Other benefits	Total
Net actuarial loss	$ 1,992	—	1,992

(Amounts in thousands)

	Pension benefits		Other benefits	
	2018	**2017**	**2018**	**2017**
Weighted average assumptions for benefit obligations:				
Discount rate	4.38 %	3.75 %	4.22 %	3.54 %
Expected return on plan assets	7.00	7.00	N/A	N/A
Rate of compensation increase	N/A	N/A	N/A	N/A
Weighted average assumptions for benefit costs:				
Discount rate	3.75 %	4.18 %	N/A	N/A
Expected return on plan assets	7.00	7.00	N/A	N/A
Rate of compensation increase	N/A	N/A	N/A	N/A
Assumed healthcare cost trend rates:				
Healthcare cost trend rate assumed for next year:				
Pre-65	N/A	N/A	N/A	N/A
Post-65	N/A	N/A	N/A	N/A
Ultimate rate:				
Pre-65	N/A	N/A	N/A	N/A
Post-65	N/A	N/A	N/A	N/A
Year that the ultimate rate is reached:				
Pre-65	N/A	N/A	N/A	N/A
Post-65	N/A	N/A	N/A	N/A

	Increase	**Decrease**	**Increase**	**Decrease**
Impact of one-percentage-point change in assumed healthcare cost trend rates:				
Effect on service cost and interest cost next for 2018	N/A	N/A	N/A	$ 19
Effect on postretirement benefit obligation at December 31, 2018	N/A	N/A	N/A	N/A

(Amounts in thousands)

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

	Pension benefits
Expected contributions for 2019:	
Employer	$ 500
Employee	—
Estimated future benefit payments reflecting expected future service for the year(s) ending:	
December 31, 2019	$ 9,881
December 31, 2020	10,008
December 31, 2021	10,223
December 31, 2022	10,448
December 31, 2023	10,760
December 31, 2024–December 31, 2028	56,104

The Organization has a Pension Investments Committee, which is comprised of staff and volunteers, with the advice of outside consultants, who meet on a quarterly basis to review asset performance and allocation. The committee has adopted a set of Investment Policies and Guidelines that was approved by the Organization's Board of Trustees and serves as a guide for allocating plan assets among various asset classes and investment managers. Managers are evaluated against prevalent indices and changes are made when deemed necessary.

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

	Target asset allocation	Actual allocation at December 31	
	2018	2018	2017
Plan assets:			
Equity securities	42-78%	54 %	56 %
Debt securities	28-38%	34	25
Real estate	0-10%	5	5
Other	0-8%	7	14

(Amounts in thousands)

Based upon historically indexed data, the assumed long-term rates of return for 2018 are: equity securities – 8.5%; debt securities – 4.25%; real estate – 8.8%; other assets including Commodity Index – 7% which produces an expected composite rate of return of 7%.

The following table presents the plan assets' investments as of December 31, 2018:

	Fair value	Level 1	Level 2	Level 3
Short-term securities	$ 2,922	2,922	—	—
Fixed income – corporate bonds	43,156	—	43,156	—
Publicly traded mutual funds:				
Real estate	6,601	6,601	—	—
Common collective trusts:				
Domestic equity	25,240	25,240	—	—
	77,919	$ 34,763	43,156	—
Investments reported at net asset value:				
Alternative investments:				
International	25,721			
Long/short equity	22,622			
Multi-strategy	80			
Plan assets	$ 126,342			

(Amounts in thousands)

The following table presents the plan assets' investments as of December 31, 2017:

	Fair value	Level 1	Level 2	Level 3
Short-term securities	$ 9,599	9,599	—	—
Receivable for investment sold	12,813	12,813	—	—
Fixed income – corporate bonds	40,427	—	40,427	—
Publicly traded mutual funds:				
Real estate	8,441	8,441	—	—
Common collective trusts:				
Domestic equity	34,744	34,744	—	—
Alternative investments:				
International	34,151	—	34,151	—
	140,175	$ 65,597	74,578	—
Investments reported at net asset value:				
Alternative investments:				
Long/short equity	23,574			
Multi-strategy	1,826			
Plan assets	$ 165,575			

As of December 31, 2018, the following table summarizes the composition of alternative investments at fair value of such plan assets by the various redemption provisions:

Redemption period	Amount	Days notice for redemption
Monthly:		
Alternative – International	$ 25,721	5–10
Quarterly:		
Alternative – Long/short equity	22,622	60
Alternative – Multi-strategy	80	90
Total	$ 48,423	

(10) Availability of Financial Assets for General Expenditures

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. General expenditures include operating expenses incurred in carrying out the organization's day-to-day activities. In addition, the organization actively manages its resources utilizing a combination of short, medium, and long-term operating investment strategies, to align its cash inflows with anticipated outflows in accordance with policies approved by the Board. None of the investment assets shown on the balance sheet, that are not listed separately as charitable gift annuity, held in trust or endowments, are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. To help manage unanticipated liquidity needs, the Organization has committed lines of credit in the amount of $5 million, which it could draw upon. At December 31, 2018, exiting financial assets and liquidity resources available within one year were as follows:

Financial Assets Available Within One Year:		
Cash and cash equivalents	$	8,736
Sponsorships and other receivables		5,702
Investment Receivables		58
Investments		32,849
	$	47,345
Liquidity Resources		
Line of credit	$	5,000

Endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure.