MARCH OF DIMES FOUNDATION

Financial Statements

December 31, 2014

(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 financial statements of the March of Dimes Foundation, which comprise the balance sheet as of December 31, 2014, 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 Foundation as of December 31, 2014, 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.

Report on Summarized Comparative Information

We have previously audited the March of Dimes Foundation's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 9, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

KPMG LLP

April 9, 2015

MARCH OF DIMES FOUNDATION

Balance Sheet

December 31, 2014, with comparative amounts as of December 31, 2013
(amounts in thousands)

Assets	**2014**	**2013**
Cash and cash equivalents	$ 13,167	$ 11,647
Sponsorships and other receivables	7,341	7,882
Inventory and other assets	5,850	6,200
Investments (note 2)	91,979	104,074
Assets held in trust by others (notes 2 and 4)	11,144	11,169
Land, building and equipment - net (note 5)	10,497	12,982
Total assets	$ 139,978	$ 153,954

Liabilities and Net Assets		
Accounts payable and accrued expenses	$ 9,906	$ 10,964
Notes payable (note 6)	5,000	-
Grants and awards payable - net (note 3)	19,886	19,331
Refundable advances and deferred revenue	2,044	1,668
Accrued pension and postretirement benefit obligation (note 9)	78,525	46,914
Total liabilities	115,361	78,877
Commitments and contingencies (notes 8 and 9)		
Net assets:		
Unrestricted:		
Operating	85,463	105,039
Accrued pension and postretirement benefit obligation	(78,525)	(46,914)
Total unrestricted	6,938	58,125
Temporarily restricted (note 4)	4,380	3,732
Permanently restricted (note 4)	13,299	13,220
Total net assets	24,617	75,077
Total liabilities and net assets	$ 139,978	$ 153,954

See accompanying notes to financial statements.

MARCH OF DIMES FOUNDATION

Statement of Activities

Year ended December 31, 2014, with summarized totals for the year ended December 31, 2013

(amounts in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2014 Total	2013 Total
Operating Activity					
Revenue:					
Campaign contributions and sponsorships	$ 191,878	$ 77	$ -	$ 191,955	$ 198,756
Less: direct benefits to donors and sponsors	(14,635)	-	-	(14,635)	(14,661)
Net campaign contributions and sponsorships	177,243	77	-	177,320	184,095
Bequests	2,652	94	93	2,839	2,645
Government, foundation and corporate grants	1,925	1,047	-	2,972	3,216
Major gifts and other contributions	3,238	1,554	-	4,792	5,670
Contributed materials and services	2,223	-	-	2,223	3,581
Investment return appropriated for operations (note 2)	5,475	275	-	5,750	5,200
Program service revenue	1,840	-	-	1,840	1,787
Other	1,100	-	-	1,100	1,323
Net assets released from restrictions	2,438	(2,438)	-	-	-
Total revenue	198,134	609	93	198,836	207,517
Expenses (note 7):					
Program services:					
Research and medical support	31,972	-	-	31,972	29,785
Public and professional education	75,168	-	-	75,168	80,267
Community services	50,732	-	-	50,732	53,321
Total program services	157,872	-	-	157,872	163,373
Supporting services:					
Management and general	21,607	-	-	21,607	24,989
Fund raising	26,538	-	-	26,538	27,757
Total supporting services	48,145	-	-	48,145	52,746
Total expenses	206,017	-	-	206,017	216,119
(Deficiency) excess of operating revenue over expenses	(7,883)	609	93	(7,181)	(8,602)
Non-operating Activity					
Investment return (less than) greater than amount appropriated for operations (note 2)	(2,337)	44	-	(2,293)	8,875
Net (decrease) increase in fair value of assets held in trust by others	-	(5)	(14)	(19)	911
Pension and postretirement (costs) credit other than net periodic benefit costs (note 9)	(40,967)	-	-	(40,967)	67,114
Change in net assets	(51,187)	648	79	(50,460)	68,298
Net assets at beginning of year	58,125	3,732	13,220	75,077	6,779
Net assets at end of year	$ 6,938	$ 4,380	$ 13,299	$ 24,617	$ 75,077

See accompanying notes to financial statements.

MARCH OF DIMES FOUNDATION

Statement of Functional Expenses

Year ended December 31, 2014, with summarized totals for 2013

(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 2014	Total 2013	2014	2013
Grants and awards	$ 24,422	$ 3,472	$ 1,707	$ 29,601	-	-	-	$ 29,601	$ 28,089	-	-
Salaries and employee benefits	3,700	36,283	34,465	74,448	$ 9,882	$ 11,878	$ 21,760	96,208	104,203	-	-
Professional fees	1,767	7,950	4,691	14,408	4,745	4,263	9,008	23,416	25,382	-	-
Printing, supplies, postage and shipping	198	18,093	1,102	19,393	4,326	7,324	11,650	31,043	32,803	$ 3,950	$ 3,915
Occupancy and telephone	196	3,539	4,111	7,846	1,006	1,199	2,205	10,051	9,549	-	-
Travel, lodging, conferences and meetings	1,012	3,586	3,073	7,671	710	943	1,653	9,324	8,524	-	-
Equipment and maintenance	91	675	733	1,499	340	316	656	2,155	3,442	-	-
Facilities rental, catering, entertainment, etc.	-	-	-	-	-	-	-	-	-	10,685	10,746
Other	255	357	196	808	156	151	307	1,115	985	-	-
Depreciation of building and equipment	331	1,213	654	2,198	442	464	906	3,104	3,142	-	-
Total expenses	$ 31,972	$ 75,168	$ 50,732	$ 157,872	$ 21,607	$ 26,538	$ 48,145	$ 206,017	$ 216,119	$ 14,635	$ 14,661

See accompanying notes to financial statements.

MARCH OF DIMES FOUNDATION

Statement of Cash Flows

Year ended December 31, 2014, with comparative amounts for the year ended December 31, 2013

(amounts in thousands)

Cash flows from operating activities:	2014	2013
Change in net assets	$ (50,460)	$ 68,298
Adjustments to reconcile change in net assets		
to net cash used in operating activities:		
Depreciation	3,104	3,142
Net appreciation in fair value of investments	(1,708)	(12,139)
Net decrease (increase) in fair value of assets held in trust by others	19	(911)
Changes in operating assets and liabilities:		
Sponsorships and other receivables	541	228
Assets held in trust by others	6	(206)
Inventory and other assets	350	(34)
Accounts payable and accrued expenses	(1,058)	(520)
Grants and awards payable	555	(2,090)
Refundable advances and deferred revenue	376	260
Accrued postretirement and pension benefit obligation	31,611	(67,516)
Net cash used in operating activities	(16,664)	(11,488)
Cash flows from investing activities:		
Purchase of fixed assets	(619)	(1,053)
Purchase of investments	(17,996)	(5,861)
Proceeds from sale of investments	31,799	14,167
Net cash provided by investing activities	13,184	7,253
Cash flows from financing activities:		
Proceeds from line of credit	15,000	10,000
Payments on line of credit	(10,000)	(10,000)
Net cash provided by financing activities	5,000	-
Net increase (decrease) in cash and cash equivalents	1,520	(4,235)
Cash and cash equivalents at beginning of year	11,647	15,882
Cash and cash equivalents at end of year	$ 13,167	$ 11,647
Supplemental disclosures: Interest paid	$ 64	$ 65

See accompanying notes to financial statements.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

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

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

Basis of Presentation

The financial statements include the accounts of the Foundation's National Office and its Chapters. 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 the 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 the 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 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 non recurring items.

1. continued

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.

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 Foundation and its investment manager as part of a long-term investment strategy.

Inventory

Inventory is stated at the lower of cost or market.

Fair Value of Financial Instruments

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal 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 and alternative investments redeemable at or near the balance sheet date

Level 3 Inputs that are unobservable and alternative investments that are not redeemable at or near the balance sheet date

1. continued

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

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

At December 31, 2014, the carrying value of the Foundation's financial instruments (other than investments) approximates their fair values because of the terms and relatively short maturities of these financial instruments. The estimated fair values, however, involve unobservable inputs considered to be Level 3 in the fair value hierarchy.

Investments

Investments are stated at fair value based upon quoted market prices except for the fair values of institutional mutual funds and alternative investments, which are based on net asset values provided by the fund managers and general partners, respectively, based upon the underlying net assets of the funds. These values are reviewed and evaluated by management. Investments in alternative investments are generally less liquid than other investments and the reported fair value may differ from the values that would have been reported had a ready market for these securities existed. The Foundation's institutional mutual funds and alternative investments, including those held in the pension plan, follow these basic strategies, as follows:

Fixed income – include investments in funds with the objective to achieve performance consistent with major bond index funds.

Domestic equity – represent investments in actively managed portfolios seeking to outperform market indices while focusing on risk reduction, cost minimization and trade effectiveness.

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

International – primarily include investments in publicly traded international equity securities.

1. continued

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.

Commodity – investment funds that primarily invest in options to purchase commodities.

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

Assets Held in Trusts by Others

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

Land, Building and Equipment

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

Grants Payable

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

Contributions, Bequests and Grants

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

1. continued

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 2014 and 2013, the Foundation recognized $2,223 and $3,581, 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 and airline miles. Many other volunteers have made significant contributions of time to the Foundation's program and supporting functions. The value of these contributed services does not meet the criteria for recognition and, accordingly, is not recognized in the accompanying financial statements.

Taxes

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

Comparative Information

The financial statements include certain 2013 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, 2013 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 2013 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, 2014 and through April 9, 2015, the date on which the financial statements were issued and determined that no additional disclosures were required.

(amounts in thousands)

2. INVESTMENTS

The following table presents the Foundation’s fair value hierarchy for those assets measured at fair value as of December 31, 2014:

Investments:	Fair Value	Level 1	Level 2	Level 3
Short-term securities	$ 842	$ 842	$ -	$ -
Fixed income:				
Government securities	275	-	275	-
Domestic common stock	20,443	20,443	-	-
Publicly traded mutual funds:				
Domestic equity	10,124	10,124	-	-
Fixed income	7,615	7,615	-	-
Real estate	4,756	4,756	-	-
International	589	589	-	-
Institutional mutual funds:				
Fixed income	15,020	-	15,020	-
Commodity	1,693	-	1,693	-
International	8,884	-	8,884	-
Alternative investments:				
Multi-strategy hedge funds	13,093	-	13,093	-
International	8,645	-	8,645	-
Total investments	$ 91,979	$ 44,369	$ 47,610	$ -
Assets held in trust by others	$ 11,144	$ -	$ -	$ 11,144

(amounts in thousands)

2. continued

The following table presents the Foundation's fair value hierarchy for those assets measured at fair value as of December 31, 2013:

Investments:	Fair Value	Level 1	Level 2	Level 3
Short-term securities	$ 948	$ 948	$ -	$ -
Fixed income:				
Government securities	272	-	272	-
Domestic common stock	25,726	25,726	-	-
Publicly traded mutual funds:				
Domestic equity	7,208	7,208	-	-
Fixed income	15,770	15,770	-	-
Real estate	5,095	5,095	-	-
Commodity	3,620	3,620	-	-
International	517	517	-	-
Institutional mutual funds:				
Fixed income	6,324	-	6,324	-
International	12,298	-	12,298	-
Alternative investments:				
Multi-strategy hedge funds	14,879	-	14,879	-
International	11,417	-	11,417	-
Total investments	$ 104,074	$ 58,884	$ 45,190	$ -
Assets held in trust by others	$ 11,169	$ -	$ -	$ 11,169

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

	Assets held in trust by others 2014	Assets held in trust by others 2013
Balance at January 1,	$ 11,169	$ 10,052
Contributions	93	656
Distribution of proceeds from trust	(99)	(450)
Net (depreciation) appreciation in fair value of investments	(19)	911
Balance at December 31,	$ 11,144	$ 11,169

(amounts in thousands)

2. continued

The Foundation's policy is to record transfers from Level 3 to Level 2 on the actual date of the event or change in circumstances that caused the transfer. There were no such transfers in 2014 or 2013.

As of December 31, 2014, the following table summarizes the composition of institutional mutual funds and alternative investments at fair value by the various redemption provisions:

Redemption Period	Amount	Days notice for redemption
Daily:		
Institutional - Fixed income……….	$ 15,020	1
Institutional - Commodity…………	$ 1,693	1
Monthly:		
Institutional - International equity….	8,884	10
Alternative - International…………	8,645	5
Quarterly:		
Alternative - Multi-strategy…………	13,093	65 - 90
Total…………………………………	$ 47,335	

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:

	2014	2013
Interest and dividends……………………………………………	$ 1,749	$ 1,936
Net appreciation in fair value of investments………………………	1,708	12,139
Total investment return……………………………………………	3,457	14,075
Amount appropriated for operations………………………………	(5,750)	(5,200)
Investment return (less than) greater than amount appropriated for operations……………………………………………………	$ (2,293)	$ 8,875

(amounts in thousands)

3. GRANTS AND AWARDS PAYABLE

Grants and awards payable at December 31, 2014 are scheduled to be paid as follows:

Year ending December 31,	Amounts
2015	$ 15,508
2016	4,568
Discount to present value (at 4.16%)	(190)
Grants and awards payable, net	$ 19,886

The Foundation has recorded grant expense of $1,000 in both 2014 and 2013 for grants to the Salk Institute for Biological Studies. On April 12, 2011, an agreement was signed between the Foundation and the Salk Institute for an annual $1,000 conditional grant. The agreement supports research at the Salk Institute through 2025 based upon conditions included in the agreement. The grant expense is recognized annually as the conditions are assessed and determined to have been met. The President of the Foundation is a volunteer board member of the Salk Institute.

4. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2014 and 2013 were available for the following purposes:

	2014	2013
Remainder trusts in the custody of others	$ 1,455	$ 1,559
Chapter programs and other	2,925	2,173
Total	$ 4,380	$ 3,732

Permanently restricted net assets at December 31, 2014 and 2013 consist of perpetual trusts held by others of $9,689 and $9,610, respectively, and donor-restricted endowments of $3,610 for 2014 and 2013.

Endowment

The Foundation's endowments consist of 21 individual donor-restricted funds established for a variety of purposes, principally research. The Foundation has no board designated endowment funds.

(amounts in thousands)

4. continued

Interpretation of Relevant Law

The Foundation'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 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 in temporarily restricted net assets until those amounts are appropriated for expenditures. 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.

The following table presents changes in endowments for the year ended December 31, 2014:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets at January 1, 2014	$ -	$ 723	$ 3,610	$ 4,333
Investment income	-	82	-	82
Net appreciation (realized and unrealized)	-	190	-	190
Appropriation of endowment assets for expenditure	-	(228)	-	(228)
Endowment net assets at December 31, 2014	$ -	$ 767	$ 3,610	$ 4,377

The following table presents changes in endowments for the year ended December 31, 2013:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets at January 1, 2013	$ -	$ 331	$ 3,610	$ 3,941
Investment income	-	80	-	80
Net appreciation (realized and unrealized)	-	537	-	537
Appropriation of endowment assets for expenditure	-	(225)	-	(225)
Endowment net assets at December 31, 2013	$ -	$ 723	$ 3,610	$ 4,333

(amounts in thousands)

4. continued

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or relevant law requires the Foundation to retain as a fund for perpetual duration. There was no such deficiency in 2014 or 2013.

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 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 Foundation'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.

5. LAND, BUILDING AND EQUIPMENT

Land, building, and equipment as of December 31, 2014 and 2013 consist of the following:

	2014	2013
Land	$ 918	$ 918
Building and building and leasehold improvements	28,156	27,907
Furniture and equipment	26,863	26,493
Total	55,937	55,318
Accumulated depreciation	(45,440)	(42,336)
Land, building and equipment, net	$ 10,497	$ 12,982

(amounts in thousands)

6. LINE OF CREDIT

The Foundation has available an unsecured line of credit that provides for $10,000 of short term financing during the year, increasing to $15,000 between the months of February and May. Borrowings against this loan are at LIBOR daily floating rates. In 2014 and 2013, $15,000 and $10,000, respectively, of the line was used. In 2013, all amounts were subsequently repaid. In 2014, $5,000 was outstanding as of December 31, 2014. In 2014 and 2013, the interest cost amounted to $64 and $65, respectively. The credit line was amended on December 19, 2014 to extend the term through January 12, 2016.

7. ALLOCATION OF JOINT COSTS

In 2014 and 2013, 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:

	2014	2013
Public and professional education	$ 18,243	$ 20,398
Management and general	4,769	5,268
Fund raising	7,009	7,383
Total	$ 30,021	$ 33,049

8. 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, 2014:

Year ending December 31,	Amounts
2015	$ 6,313
2016	5,036
2017	4,089
2018	2,890
2019	1,586
2020 and thereafter	1,822

Total rental expense was $6,799 and $6,532 in 2014 and 2013, respectively.

9. RETIREMENT PLANS

The Foundation has three retirement plans for employees who meet certain eligibility requirements - a noncontributory defined benefit pension plan, a defined contribution plan for which there could be an employer match for employees who elect to participate in the plan, and a noncontributory defined contribution plan. In 2014 and 2013, the defined contribution match has been temporarily suspended. Pension expense relating to the noncontributory defined contribution plan for 2014 and 2013 was $1,450 and $1,137, respectively. The Foundation's contributions are made in accordance with the Employee Retirement Income Security Act of 1974.

In addition to providing pension benefits, the Foundation sponsors an unfunded postretirement benefit plan that covers employees who meet certain eligibility requirements. The plan provides healthcare benefits and life insurance benefits. The healthcare plan is contributory with participants' contributions adjusted annually. In accordance with a 2013 plan amendment, certain benefits were eliminated for active and retired employees who did not meet certain eligibility requirements. The impact on expense will be recognized over the next several years.

In 2014, the Foundation used the Society of Actuaries Base RP Mortality Table with a Generational Mortality Improvement Projection scale to value its pension and postretirement obligation. The updated mortality table increased the projected benefit obligation for the pension and postretirement plan by approximately $11,900 and $900, respectively, in 2014.

(amounts in thousands)

9. 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, 2014 and 2013:

	Pension Benefits		Other Benefits	
	2014	**2013**	**2014**	**2013**
Change in projected benefit obligation				
Benefit obligation at January 1,	$ 180,056	$ 193,336	$ 14,870	$ 48,557
Service cost	2,325	2,814	204	734
Interest cost	8,710	8,205	582	1,611
Participant contributions	-	-	152	397
Actuarial loss (gain)	36,834	(13,482)	1,000	(13,164)
Federal retiree subsidy and reimbursements	-	-	172	171
EGWP subsidy received	-	-	42	-
Plan amendments	-	-	-	(21,309)
Benefit payments	(8,145)	(10,817)	(1,174)	(2,127)
Benefit obligation at December 31,	$ 219,780	$ 180,056	$ 15,848	$ 14,870
Change in fair value of plan assets				
Fair value of plan assets at January 1,	$ 148,012	$ 127,463	$ -	$ -
Actual return on plan assets	9,235	22,766	-	-
Employer contributions	8,000	8,600	1,022	1,730
Participant contributions	-	-	152	397
Benefit payments	(8,145)	(10,817)	(1,174)	(2,127)
Fair value of plan assets at December 31,	$ 157,102	$ 148,012	$ -	$ -
Amounts recognized in the balance sheet				
Accrued benefit liability	$ (62,677)	$ (32,044)	$ (15,848)	$ (14,870)

	Pension Benefits		Other Benefits	
	2014	**2013**	**2014**	**2013**
Net periodic benefit costs				
Service cost	$ 2,325	$ 2,814	$ 204	$ 734
Interest cost	8,710	8,205	582	1,611
Expected return on plan assets	(11,558)	(10,273)	-	-
Amortization of prior service credit	-	-	(3,941)	(1,522)
Amortization of net loss (gain)	3,258	8,467	(128)	383
Total net periodic benefit cost	$ 2,735	$ 9,213	$ (3,283)	$ 1,206
Curtailment gain recognized in operations	-	-	-	(662)
Total	$ 2,735	$ 9,213	$ (3,283)	$ 544

(amounts in thousands)

9. continued

At December 31, 2014 and 2013, the accumulated benefit obligation on the defined benefit pension plan amounted to $205,120 and $167,976, respectively.

Amounts not yet recognized as a component of net periodic costs for the year ended December 31, 2014:

	Pension Benefits	Other Benefits	Total
Net actuarial loss (gain)	$ 75,001	$ (699)	$ 74,302
Prior service credit	-	(17,480)	(17,480)
Total	$ 75,001	$ (18,179)	$ 56,822

Amounts not yet recognized as a component of net periodic costs for the year ended December 31, 2013:

	Pension Benefits	Other Benefits	Total
Net actuarial loss (gain)	$ 39,103	$ (1,827)	$ 37,276
Prior service credit	-	(21,421)	(21,421)
Total	$ 39,103	$ (23,248)	$ 15,855

The components of the pension and postretirement cost other than net periodic pension and postretirement benefit costs for the year ended December 31, 2014:

	Pension Benefits	Other Benefits	Total
Net actuarial loss	$ 39,156	$ 1,000	$ 40,156
Recognized actuarial (loss) gain	(3,258)	128	(3,130)
Amortization of prior service credit	-	3,941	3,941
Total of other changes in unrestricted net assets	$ 35,898	$ 5,069	$ 40,967

(amounts in thousands)

9. continued

The components of the pension and postretirement cost other than net periodic pension and postretirement benefit costs for the year ended December 31, 2013:

	Pension Benefits	Other Benefits	Total
Net actuarial gain	$ (25,975)	$ (13,164)	$ (39,139)
Prior service credit due to amendments	-	(21,309)	(21,309)
Curtailment gain	-	662	662
Recognized actuarial loss	(8,467)	(383)	(8,850)
Amortization of prior service credit	-	1,522	1,522
Total of other changes in unrestricted net assets	$ (34,442)	$ (32,672)	$ (67,114)

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	$ 8,484	$ -	$ 8,484
Prior service costs	-	(3,897)	$ (3,897)
Total	$ 8,484	$ (3,897)	$ 4,587

(amounts in thousands)

9. continued

	Pension Benefits		Other Benefits	
	2014	**2013**	**2014**	**2013**
Weighted average assumptions for benefit obligations				
Discount rate	4.09%	4.94%	3.72%	4.26%
Expected return on plan assets	7.75%	7.75%	N/A	N/A
Rate of compensation increase	3.25%	3.25%	N/A	N/A
Weighted average assumptions for benefit costs				
Discount rate	4.94%	4.29%	4.26%	4.26%
Expected return on plan assets	7.75%	8.00%	N/A	N/A
Rate of compensation increase	3.25%	3.25%	N/A	N/A
Assumed healthcare cost trend rates				
Healthcare cost trend rate assumed for next year				
Pre-65	N/A	N/A	7.75%	8.00%
Post-65	N/A	N/A	5.75%	6.00%
Ultimate rate				
Pre-65	N/A	N/A	4.75%	4.75%
Post-65	N/A	N/A	4.75%	4.75%
Year that the ultimate rate is reached				
Pre-65	N/A	N/A	2027	2027
Post-65	N/A	N/A	2019	2019
Impact of one-percentage-point change in assumed healthcare cost trend rates	Increase	Decrease	Increase	Decrease
Effect on service cost and interest cost next for 2014	N/A	N/A	$ 68	$ (60)
Effect on postretirement benefit obligation at December 31, 2014	N/A	N/A	$ 1,262	$ (1,101)

(amounts in thousands)

9. continued

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

	Pension Benefits	Other Benefits
Expected contributions for 2015:		
Employer	$ 8,000	$ 1,147
Employee	-	100
Estimated future benefit payments reflecting expected future service for the year(s) ending:		
December 31, 2015	8,998	1,247
December 31, 2016	9,493	1,238
December 31, 2017	9,837	1,285
December 31, 2018	10,219	1,311
December 31, 2019	10,587	1,284
December 31, 2020 - December 31, 2024	58,067	6,267

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

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

	Target Asset Allocation	Actual Allocation at December 31,	
	2014	2014	2013
Plan assets			
Equity securities	31% - 67%	52%	66%
Debt securities	20% - 30%	25%	17%
Real estate	3% - 13%	5%	5%
Other	10% - 28%	18%	12%

(amounts in thousands)

9. continued

Based upon historically indexed data, the assumed long-term rates of return for 2014 are: equity securities – 8.75%; debt securities - 5.0%; real estate - 7.5%; other assets including Commodity Index - 9.0% which produces an expected composite rate of return of 7.75%.

The following table presents the plan assets' fair value hierarchy as of December 31, 2014:

	Fair Value	Level 1	Level 2	Level 3
Short-term securities	$ 5,258	$ 5,258	$ -	$ -
Fixed income - corporate bonds	39,291	-	39,291	-
Publicly traded mutual funds:				
Real estate	7,936	7,936	-	-
International equity	5,672	5,672	-	-
Institutional mutual funds:				
Domestic equity	29,539	-	29,539	-
Commodity	1,362	-	1,362	-
International equity	11,799	-	11,799	-
Alternative investments:				
Long/short equity	22,142	-	22,142	-
Multi-strategy	23,211	-	14,229	8,982
International	10,892	-	10,892	-
Plan assets	$ 157,102	$ 18,866	$ 129,254	$ 8,982

(amounts in thousands)

9. continued

The following table presents the plan assets' fair value hierarchy as of December 31, 2013:

	Fair Value	Level 1	Level 2	Level 3
Short-term securities	$ 3,869	$ 3,869	$ -	$ -
Publicly traded mutual funds:				
Fixed income	13,453	13,453	-	-
Real estate	6,984	6,984	-	-
Commodity	3,170	3,170	-	-
International equity	6,732	6,732	-	-
Institutional mutual funds:				
Fixed income	11,167	-	11,167	-
Domestic equity	39,078	-	39,078	-
International equity	15,763	-	15,763	-
Alternative investments:				
Long/short equity	20,455	-	20,455	-
Multi-strategy	13,854	-	13,854	-
International	13,487	-	13,487	-
Plan assets	$ 148,012	$ 34,208	$ 113,804	$ -

The following table presents a reconciliation for the Level 3 assets measured at fair value at December 31, 2014:

Balance at January 1,	$ -
Purchases	9,000
Net depreciation in fair value of investments	(18)
Balance at December 31,	$ 8,982

(amounts in thousands)

9. continued

Alternative investments contain quarterly redemption restrictions with required written notice of 60 to 90 days. In addition, certain of these investments are restricted by initial lock-up periods. The amount subject to redemption restrictions of $8,982 is set to expire in 2016.

As of December 31, 2014, 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	Days notice for redemption
Daily:		
Institutional - Domestic equity	$ 29,539	1
Institutional - Commodity	1,362	1
Monthly:		
Institutional - International equity	11,799	10
Alternative - International	10,892	5
Quarterly:		
Alternative - Long/short equity	22,142	60
Alternative - Multi-strategy	14,229	90
Lockup:		
Alternative - Multi-strategy	8,982	N/A
Total	$ 98,945	