

Financial Statements and Report of  
Independent Certified Public  
Accountants

**March of Dimes Inc.**

December 31, 2019

## Contents

	Page
Report of Independent Certified Public Accountants	3
Financial Statements	
Statement of financial position	5
Statement of activities	6
Statement of functional expenses	7
Statement of cash flows	8
Notes to financial statements	9

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**GRANT THORNTON LLP**

1000 Wilson Boulevard  
Suite 1400  
Arlington, VA 22209

**D** +1 703 847 7500

**F** +1 703 848 9580

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

Board of Trustees  
March of Dimes Inc.:

**Report on the financial statements**

We have audited the accompanying financial statements of March of Dimes Inc. (the "Organization"), which comprise the statement of financial position as of December 31, 2019, 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 accounting principles generally accepted in the United States of America; 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.

**Auditor's 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 auditor's 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, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of matter**

As discussed in Note 1 of the financial statements, the 2019 opening net assets have been restated to correct an error. Our opinion is not modified with respect to this matter.

*Grant Thornton LLP*

Arlington, Virginia  
September 2, 2020

March of Dimes Inc.

STATEMENT OF FINANCIAL POSITION

December 31, 2019  
(Amount in thousands)

**ASSETS**

Cash and cash equivalents	\$	4,338
Sponsorships and other receivables		8,325
Investment receivables		48
Inventory and other assets		2,117
Investments		46,527
Assets held in trust by others		10,569
Furniture and equipment - net		<u>634</u>
Total assets	\$	<u><u>72,558</u></u>

**LIABILITIES AND NET ASSETS**

Accounts payable and accrued expenses	\$	8,197
Grants and awards payable - net		4,114
Refundable advances and deferred revenue		2,349
Accrued pension and postretirement benefit obligation		<u>65,788</u>
Total liabilities		<u>80,448</u>

Net assets (deficit):

Without donor restrictions		(27,311)
With donor restrictions		<u>19,421</u>
Total net assets (deficit)		<u>(7,890)</u>
Total liabilities and net assets (deficit)	\$	<u><u>72,558</u></u>

The accompanying notes are an integral part of this financial statement.

March of Dimes Inc.

STATEMENT OF ACTIVITIES

Year ended December 31, 2019  
(Amount in thousands)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Operating activity:</b>			
Revenue:			
Campaign contributions and sponsorships	\$ 101,354	\$ -	\$ 101,354
Less direct benefits to donors and sponsors	(10,928)	-	(10,928)
Net campaign contributions and sponsorships	90,426	-	90,426
Bequests	3,155	41	3,196
Government, foundation and corporate grants	1,782	590	2,372
Corporate contributions	11,679	6,205	17,884
Major gifts and other contributions	4,240	535	4,775
Contributed materials and services	3,007	-	3,007
Investment return, net appropriated for operations	2,000	-	2,000
Program service revenue	802	-	802
Other	664	26	690
Net assets released from restrictions	7,204	(7,204)	-
Total revenue	<u>124,959</u>	<u>193</u>	<u>125,152</u>
<b>Expenses:</b>			
Program services:			
Research and medical support	21,435	-	21,435
Public and professional education	13,439	-	13,439
Community services	60,535	-	60,535
Total program services	<u>95,409</u>	<u>-</u>	<u>95,409</u>
<b>Supporting services:</b>			
Management and general	12,710	-	12,710
Fund raising	20,262	-	20,262
Total supporting services	<u>32,972</u>	<u>-</u>	<u>32,972</u>
Total expenses	<u>128,381</u>	<u>-</u>	<u>128,381</u>
Change in net assets from operating activities	<u>(3,422)</u>	<u>193</u>	<u>(3,229)</u>
<b>Nonoperating activity:</b>			
Investment return, net, less amounts appropriated for operations	955	375	1,330
Net increase in fair value of assets held in trust by others	-	1,263	1,263
Gain on disposal of assets	8,409	-	8,409
Loss on termination of perpetual trust	-	(360)	(360)
Pension and postretirement costs	(2,872)	-	(2,872)
Change in net assets	3,070	1,471	4,541
<b>Net assets (deficit) at beginning of year</b>	<u>(30,381)</u>	<u>17,950</u>	<u>(12,431)</u>
<b>Net assets (deficit) at end of year</b>	<u>\$ (27,311)</u>	<u>\$ 19,421</u>	<u>\$ (7,890)</u>

The accompanying notes are an integral part of this financial statement.

March of Dimes Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2019

(Amount in thousands)

	Program Services				Supporting Services			Total	Direct Benefits to Donors and Sponsors
	Research and Medical Support	Public and Professional Education	Community Services	Total	Management and General	Fund Raising	Total		
Grants and awards	\$ 7,203	\$ 5	\$ 481	\$ 7,689	\$ -	\$ -	\$ -	\$ 7,689	\$ -
Salaries and employee benefits	7,703	1,592	40,224	49,519	3,213	11,374	14,587	64,106	-
Professional fees	3,833	3,465	6,390	13,688	3,766	4,151	7,917	21,605	890
Printing, supplies, postage and shipping	593	7,625	3,635	11,853	1,867	1,816	3,683	15,536	-
Occupancy and telephone	719	155	3,839	4,713	1,832	858	2,690	7,403	-
Travel, lodging, conferences and meetings	592	76	1,909	2,577	491	431	922	3,499	-
Equipment and maintenance	341	72	1,858	2,271	784	480	1,264	3,535	-
Facilities rental, catering, entertainment, etc.	-	-	-	-	-	-	-	-	10,038
Other expense	375	433	1,798	2,606	563	1,064	1,627	4,233	-
Depreciation	76	16	401	493	194	88	282	775	-
Total expenses	<u>\$ 21,435</u>	<u>\$ 13,439</u>	<u>\$ 60,535</u>	<u>\$ 95,409</u>	<u>\$ 12,710</u>	<u>\$ 20,262</u>	<u>\$ 32,972</u>	<u>\$ 128,381</u>	<u>\$ 10,928</u>

The accompanying notes are an integral part of this financial statement.

March of Dimes Inc.

STATEMENT OF CASH FLOWS

Year ended December 31, 2019

**Cash flows from operating activities:**

Change in net assets	\$	4,541
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation		775
Net appreciation in fair value of investments		(2,523)
Net increase in fair value of assets held in trust by others		(903)
Gain on disposal of assets		(8,409)
Changes in operating assets and liabilities:		
Sponsorships and other receivables		(1,991)
Inventory and other assets		172
Accounts payable and accrued expenses		(1,255)
Grants and awards payable		(7,336)
Refundable advances and deferred revenue		1,234
Accrued pension and postretirement benefit obligation		3,586
		<hr/>
Net cash used in operating activities		(12,109)

**Cash flows from investing activities:**

Purchase of fixed assets		(19)
Loss on disposal of fixed assets		12,006
Investment receivable		10
Purchase of investments		(6,689)
Proceeds from sale of investments		2,403
		<hr/>
Net cash provided by investing activities		7,711
		<hr/>
Net decrease in cash and cash equivalents		(4,398)

**Cash and cash equivalents at beginning of year**

8,736

**Cash and cash equivalents at end of year**

\$ 4,338

**Supplemental disclosures:**

Contributed materials and services	\$	3,007
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The accompanying notes are an integral part of this financial statement.



**March of Dimes Inc.**

**NOTES TO FINANCIAL STATEMENTS**

**Year ended December 31, 2019**  
**(Amounts in thousands)**

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Organization***

The mission of March of Dimes Inc. (the Organization) 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.

***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.

***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 on the related investments for specific purposes.

March of Dimes Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year ended December 31, 2019  
(Amounts in thousands)

During 2019, management identified a net asset classification error affecting the 2018 financial statements as previously presented. Management subsequently completed a review of all endowment funds to ensure appropriate net asset classification. Management determined that certain amounts previously recorded as with donor restrictions should have been recorded as without donor restrictions due to the absence of explicit donor intentions. Accordingly, the following net asset classification adjustments were made as of January 1, 2019: \$2,856 reclassification from net assets with donor restrictions to net assets without donor restrictions related to endowment funds. There was no effect on the change in net assets for the year ended December 31, 2018.

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>
Net assets at December 31, 2018, as originally reported	\$ (33,237)	\$ 20,806
Prior period adjustment	<u>2,856</u>	<u>(2,856)</u>
Net assets at December 31, 2018, as restated	<u>\$ (30,381)</u>	<u>\$ 17,950</u>

***Use of Estimates***

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) 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, joint cost allocations 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 Organization and its investment manager as part of a long-term investment strategy.

***Concentration of Risk***

Cash is maintained at various institutions, and at times, total deposits maintained exceed the amount insured by federal agencies and, therefore, bear some risk. The Foundation has not experienced any losses as a result of exceeding such amounts. As of December 31, 2019, there was approximately \$4,400 in funds held in excess of the Federal Deposit Insurance Corporation (FDIC) limit.

***Inventory***

Inventory primarily consists of educational materials that are available for sale to the public. Inventory is stated at the lower of cost or market.

March of Dimes Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year ended December 31, 2019  
(Amounts in thousands)

***Fair Value of Financial Instruments***

Certain assets and liabilities 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 fair value hierarchy level 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 (NAV) per share or its equivalent as reported by the investment managers, as a practical expedient.

***Investments***

Investments are recorded at fair value on the statement of financial position 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 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.

March of Dimes Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year ended December 31, 2019  
(Amounts in thousands)

***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 with donor restrictions and are reported as bequests on the statement of activities. Those trusts in which the Organization has a remainder interest are reported in the net assets with donor restrictions class.

***Furniture and Equipment***

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, ranging from three to ten years.

***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.

***Contributions, Bequests and Grants***

Effective January 1, 2019, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The Organization also adopted ASU 2014-09 (Topic 606), *Revenue from Contracts from Customers*, on January 1, 2019. In accordance with ASU 2018-08, the Organization evaluates whether a transfer of assets is: (1) an exchange transaction in which a resource provider is receiving commensurate value in return for the resources transferred; or (2) a contribution. If the transfer of assets is determined to be an exchange transaction, the Organization applies guidance under Topic 606. If the transfer of assets is determined to be a contribution, the Organization evaluates whether the contribution is conditional based upon whether the agreement includes both: (1) one or more barriers that must be overcome before the Organization is entitled to the assets transferred and promised; and (2) a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets.

In 2019, the Organization recognized \$3,007 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. The Organization received \$2,627 of contributed services from these professionals in 2019. Contributed materials and gifts in-kind include donations of software, food and beverage, flowers, tents for events, social media advertising, AV and photography services, 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.

The Organization had approximately \$11,205 in unrecognized conditional contributions as of December 31, 2019 that are conditioned on conducting certain activities as established within the terms of the agreements and are not recorded in the underlying financial statements. In addition, the Organization had approximately \$1,284 in unrecognized conditional contributions as of December 31, 2019 that are conditioned on incurring allowable expenditures under the terms of the agreements. Funds received in advance of conditions being met are reported as deferred revenue within the accompanying statement of financial position.

**March of Dimes Inc.**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**Year ended December 31, 2019  
(Amounts in thousands)**

***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 8, 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.

***Taxes***

The Organization follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues related to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the financial statements if the position is “more-likely-than-not” to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

The Organization is exempt from federal income tax under IRC Section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Organization has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

***Recent Accounting Pronouncements***

The Organization adopted ASU 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost* (“ASU 2017-07”) for the year ended December 31, 2019. This standard requires that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost - including interest cost, expected return on plan assets, recognized prior service credit or cost, and recognized actuarial gain or loss - are required to be presented in the statement of activities separately from the service cost component.

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The amendments in ASU 2016-02 create FASB Accounting Standards Codification (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. ASU 2020-05 delayed the effective date for this guidance until fiscal year ending December 31, 2022. The Organization is currently in the process of evaluating the impact of the new standard on its financial statements.

***Subsequent Events***

In conjunction with the preparation of the financial statements, the Organization evaluated events subsequent to December 31, 2019 and through September 2, 2020, the date on which the financial statements were issued.

March of Dimes Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year ended December 31, 2019  
(Amounts in thousands)

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States. The spread of COVID-19 has caused significant volatility in the U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies and, as such, the Organization is unable to determine if it will have a material impact on its operations.

The United States and global markets experienced significant declines in value resulting from uncertainty caused by the world-wide coronavirus pandemic. The Organization is closely monitoring its investment portfolio and its liquidity. The Organization's financial statements do not include adjustments to fair value that have resulted from these declines.

The Organization is not aware of any other subsequent events which would require recognition or disclosure in the financial statements.

**NOTE 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, 2019:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Short-term securities	\$ 19,187	\$ 19,187	\$ -	\$ -
Fixed income:				
Government securities	32	32	-	-
Unit investment trusts	191	191	-	-
Domestic common stock	-	-	-	-
Publicly traded mutual funds:				
Domestic equity	7,482	7,482	-	-
Fixed income	17,469	17,469	-	-
Real estate	251	251	-	-
International	1,915	1,915	-	-
Total investments	<u>\$ 46,527</u>	<u>\$ 46,527</u>	<u>\$ -</u>	<u>\$ -</u>
Assets held in trust by others	<u>\$ 10,569</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,569</u>

The following table presents a reconciliation for all Level 3 assets measured at fair value for 2019:

	<u>Assets Held in Trust by Others</u>
Balance at January 1	\$ 9,665
Loss on termination of perpetual trust	(359)
Net appreciation	<u>1,263</u>
Balance at December 31	<u>\$ 10,569</u>

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 2019.

March of Dimes Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year ended December 31, 2019  
(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 for 2019 was as follows:

Total investment return	\$	3,444
Investment expenses		(114)
Amount appropriated for operations		<u>(2,000)</u>
Investment return, net less amounts appropriated for operations	\$	<u>1,330</u>

**NOTE 3 - GRANTS AND AWARDS PAYABLE**

Grants and awards payable at December 31, 2019 are scheduled to be paid as follows:

	<b>Amounts</b>	
Year ending December 31:		
2020	\$	4,014
2021		<u>119</u>
		4,133
Less: allowance for grants and awards payable		<u>(19)</u>
Grants and awards payable, net	\$	<u>4,114</u>

**NOTE 4 - NET ASSETS**

The following is a summary of net assets with donor restrictions at December 31, 2019:

Remainder trusts in the custody of others	\$	458
Perpetual trusts held by others		10,110
Donor-restricted endowments (original amount of \$1,087 in 2019)		1,446
Local programs and other		<u>7,407</u>
Total with donor restrictions	\$	<u>19,421</u>

Net assets released from restriction were \$7,204 for the year ended December 31, 2019. Net assets were released from donor-imposed restrictions by incurring expenses satisfying the restricted purposes specified by the donors. The Organization had no time-restricted releases for the year ended December 31, 2019.

**Endowment**

The Organization's endowments consist of 14 individual donor-restricted funds established for a variety of purposes, principally research. The Organization has no board designated endowment funds.

March of Dimes Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year ended December 31, 2019  
(Amounts in thousands)

**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 net assets with donor restrictions 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, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets at January 1, 2019	\$ -	\$ 1,223	\$ 1,223
Additions	-	3	3
Investment income, net	-	40	40
Net appreciation (realized and unrealized)	-	256	256
Appropriation of endowment assets for expenditure	-	(76)	(76)
Endowment net assets at December 31, 2019	<u>\$ -</u>	<u>\$ 1,446</u>	<u>\$ 1,446</u>

**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 2019.

**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.

**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 2019, there were accumulated gains such that an appropriation was deemed reasonable.



March of Dimes Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year ended December 31, 2019  
(Amounts in thousands)

**NOTE 5 - FURNITURE AND EQUIPMENT**

The Organization had no land or buildings as of December 31, 2019. Furniture and equipment as of December 31, 2019 consists of the following:

Furniture and equipment	\$	19,172
Accumulated depreciation		<u>(18,538)</u>
Land, building and equipment, net	\$	<u>634</u>

**NOTE 6 - GAIN ON DISPOSAL OF ASSETS**

In March of 2018, the Organization entered into an agreement to sell its facility in White Plains, New York. The sale was finalized in August 2019, with a recognized gain of approximately \$8,409.

**NOTE 7 - LINE OF CREDIT**

During 2019, the Organization had available an unsecured line of credit that provided for \$5,000 of short-term financing, which expired October 27, 2019 and was not renewed. Borrowings against this loan were at LIBOR daily floating rates. In 2019, the line was not used prior to expiration. The line was secured by collateral in certain investments held by the Organization.

**NOTE 8 - ALLOCATION OF JOINT COSTS**

In 2019, 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 based on the content of the materials. The joint costs incurred in 2019 through these activities were allocated as follows:

Public and professional education	\$	11,436
Management and general		3,692
Fund raising		<u>5,127</u>
Total	\$	<u>20,255</u>

**NOTE 9 - COMMITMENTS**

The Organization leases office space for its 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 February 15, 2019 for a period of 145 months.

March of Dimes Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year ended December 31, 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, 2019:

	<u>Amounts</u>
Year ending December 31:	
2020	\$ 3,006
2021	2,402
2022	2,140
2023	1,786
2024	1,710
2025 and thereafter	<u>8,897</u>
	<u>\$ 19,941</u>

Total rental expense was \$4,686 in 2019.

**NOTE 10 - 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 made a defined contribution match of \$276 in 2019. There was no pension expense relating to the noncontributory defined contribution plan for 2019. 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 2019, the Organization offered a lump-sum buyout, which represented a settlement of the plan for accounting purpose.

The following tables provide information with respect to the defined benefit pension and postretirement benefit plans as of and for the year ended December 31, 2019:

	<u>Pension Benefits</u>
Change in projected benefit obligation:	
Benefit obligation at January 1	\$ 188,671
Interest cost	7,511
Actuarial loss	20,022
Settlements	(16,564)
Benefit payments	<u>(10,642)</u>
Benefit obligation at December 31,	<u>188,998</u>
Change in fair value of plan assets:	
Fair value of plan assets at January 1	126,469
Actual return on plan assets	24,136
Employer contributions	525
Settlements	(16,564)
PBGC expenses paid from trust	(714)
Benefit payments	<u>(10,642)</u>
Fair value of plan asset at December 31	<u>123,210</u>
Amounts recognized in the statement of financial position:	
Accrued benefit liability	<u>\$ (65,788)</u>

March of Dimes Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year ended December 31, 2019  
(Amounts in thousands)

Net periodic benefit costs	
Service cost	\$ 714
Interest cost	7,511
Expected return on plan assets	(8,493)
Amortization of net loss	1,975
	<hr/>
Total net periodic benefit cost	1,707
Loss due to settlements	5,771
	<hr/>
Total	\$ 7,478
	<hr/>

Components of the net periodic benefit cost other than the service cost component total \$6,764 for the year ended December 31, 2019 and are included within pension and postretirement costs within the statement of activities.

Amounts not yet recognized as a component of net periodic costs for the year ended December 31, 2019:

	<b><u>Pension Benefits</u></b>
Net actuarial loss	\$ 65,850
Prior service credit	-
	<hr/>
Total	\$ 65,850
	<hr/>

The components of the pension and postretirement cost other than net periodic pension and postretirement benefit costs for the year ended December 31, 2019:

	<b><u>Pension Benefits</u></b>
Net actuarial loss	\$ 4,379
Recognized actuarial loss	(7,746)
	<hr/>
Total pension and postretirement costs other than net periodic benefit costs	\$ (3,367)
	<hr/>

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

	<b><u>Pension Benefits</u></b>
Net actuarial loss	\$ 1,964
	<hr/>

March of Dimes Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year ended December 31, 2019  
(Amounts in thousands)

	<u>Pension Benefits</u>
Weighted average assumptions for benefit obligations:	
Discount rate	3.34 %
Expected return on plan assets	7.00 %
Rate of compensation increase	N/A
Weighted average assumptions for benefit costs:	
Discount rate	4.37 %
Expected return on plan assets	7.00 %
Rate of compensation increase	N/A
Assumed healthcare cost trends rates:	
Healthcare cost trend rate assumed for next year:	
Pre - 65	N/A
Post - 65	N/A
Ultimate rate:	
Pre - 65	N/A
Post - 65	N/A
Year that the ultimate rate is reached:	
Pre - 65	N/A
Post - 65	N/A

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

	<u>Pension Benefits</u>
Expected contributions for 2020:	
Employer	\$ 8,800
Employee	-
Estimated future benefit payments reflecting expected future service for the following years:	
2020	\$ 10,452
2021	10,497
2022	10,566
2023	10,608
2024	10,711
2025 - 2029	53,082

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.

March of Dimes Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year ended December 31, 2019  
(Amounts in thousands)

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

	<u>Target Asset Allocation 2019</u>	<u>Actual Allocation at December 31, 2019</u>
Plan assets:		
Equity securities	42-78%	61%
Debt securities	28-38%	31%
Real estate	0-10%	4%
Other	0-8%	4%

Based upon historically indexed data, the assumed long-term rates of return for 2019 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, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Short term securities	\$ 4,489	\$ -	\$ -	\$ 4,489
Fixed income - corporate bonds	-	37,928	-	37,928
Publicly traded mutual funds:				
Real estate	5,355	-	-	5,355
Common collective trusts:				
Domestic equity	33,601	-	-	33,601
	<u>43,445</u>	<u>37,928</u>	<u>-</u>	<u>81,373</u>
Investments reported at NAV:				
Alternate investments:				
International				18,233
Long/short equity				23,604
				<u>41,837</u>
Plan assets				<u>\$ 123,210</u>

As of December 31, 2019, the following table summarizes the composition of alternative investments at fair value of such plan assets by the various redemption provisions:

	<u>Amount</u>	<u>Days' Notice for Redemption</u>
Monthly:		
Alternative - International	\$ 18,233	5-10
Quarterly:		
Alternative - Long/short equity	23,604	60
	<u>\$ 41,837</u>	

March of Dimes Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year ended December 31, 2019  
(Amounts in thousands)

**NOTE 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 statement of financial position, 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 statement of financial position date. At December 31, 2019, existing financial assets and liquidity resources available within one year were as follows:

Financial Assets Available Within One Year:

Cash and cash equivalents	\$	4,338
Sponsorships and other receivables		6,482
Investment receivables		48
Investments		<u>43,128</u>
	\$	<u>53,996</u>

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.

**NOTE 11 - PLEDGES RECEIVABLE**

The net present value of pledges receivable is expected to be received as follows at December 31, 2019:

Less than one year	\$	1,091
One to five years		<u>802</u>
Less:		
Unamortized discount on receivables at 1.62% to estimated net present value		(29)
Allowance for doubtful pledges		<u>(249)</u>
Pledges receivable, net	\$	<u>1,615</u>