

Financial Statements and Report of
Independent Certified Public
Accountants

March of Dimes Inc.

December 31, 2020 and 2019

Contents

Page

Report of Independent Certified Public Accountants	3
Financial Statements	
Statements of financial position	5
Statements of activities	6
Statements of functional expenses	8
Statements of cash flows	10
Notes to financial statements	11

GRANT THORNTON LLP

1000 Wilson Blvd., Suite 1400
Arlington, VA 22209-3927

D +1 202 296 7800

F +1 202 833 9165

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
March of Dimes Inc.

We have audited the accompanying financial statements of March of Dimes Inc. (the "Organization"), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Arlington, Virginia
July 8, 2021

March of Dimes Inc.

STATEMENTS OF FINANCIAL POSITION

December 31,
(Amounts in thousands)

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 3,869	\$ 4,338
Sponsorships and other receivables - net	10,086	8,373
Inventory and other assets	2,065	2,117
Investments	47,079	46,527
Assets held in trust by others	11,508	10,569
Furniture and equipment - net	348	634
	<u>74,955</u>	<u>72,558</u>
Total assets	<u>\$ 74,955</u>	<u>\$ 72,558</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 7,040	\$ 8,197
Grants and awards payable	2,561	4,114
Refundable advances and deferred revenue	5,113	2,349
Accrued pension obligation	79,749	65,788
	<u>94,463</u>	<u>80,448</u>
Total liabilities	<u>94,463</u>	<u>80,448</u>
Net assets (deficit):		
Without donor restrictions	(42,596)	(27,311)
With donor restrictions	23,088	19,421
	<u>(19,508)</u>	<u>(7,890)</u>
Total net assets (deficit)	<u>(19,508)</u>	<u>(7,890)</u>
Total liabilities and net assets (deficit)	<u>\$ 74,955</u>	<u>\$ 72,558</u>

The accompanying notes are an integral part of these financial statements.

March of Dimes Inc.

STATEMENT OF ACTIVITIES

Year ended December 31, 2020

(Amounts in thousands)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating activity:			
Revenue:			
Campaign contributions and sponsorships	\$ 60,755	\$ 438	\$ 61,193
Less direct benefits to donors and sponsors	(1,520)	-	(1,520)
Net campaign contributions and sponsorships	59,235	438	59,673
Bequests	7,309	986	8,295
Government, foundation and corporate grants	3,311	946	4,257
Corporate contributions	12,055	6,537	18,592
Major gifts and other contributions	3,718	1,490	5,208
Contributed materials and services	1,074	-	1,074
Investment return, net appropriated for operations	2,000	-	2,000
Program service revenue	515	-	515
Other	638	-	638
Net assets released from restrictions	7,777	(7,777)	-
Total revenue	<u>97,632</u>	<u>2,620</u>	<u>100,252</u>
Expenses:			
Program services:			
Research and medical support	13,845	-	13,845
Public and professional education	10,817	-	10,817
Community services	49,581	-	49,581
Total program services	<u>74,243</u>	<u>-</u>	<u>74,243</u>
Supporting services:			
Management and general	10,215	-	10,215
Fund raising	14,115	-	14,115
Total supporting services	<u>24,330</u>	<u>-</u>	<u>24,330</u>
Total expenses	<u>98,573</u>	<u>-</u>	<u>98,573</u>
Change in net assets from operating activities	<u>(941)</u>	<u>2,620</u>	<u>1,679</u>
Nonoperating activity:			
Investment return, net, less amounts appropriated for operations	917	227	1,144
Net increase in fair value of assets held in trust by others	-	820	820
Pension and postretirement costs	(15,261)	-	(15,261)
Change in net assets	(15,285)	3,667	(11,618)
Net assets (deficit) at beginning of year	<u>(27,311)</u>	<u>19,421</u>	<u>(7,890)</u>
Net assets (deficit) at end of year	<u>\$ (42,596)</u>	<u>\$ 23,088</u>	<u>\$ (19,508)</u>

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

March of Dimes Inc.

STATEMENT OF ACTIVITIES

Year ended December 31, 2019

(Amounts in thousands)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating activity:			
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>
Expenses:			
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>
Supporting services:			
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>
Nonoperating activity:			
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
Net assets (deficit) at beginning of year	<u>(30,381)</u>	<u>17,950</u>	<u>(12,431)</u>
Net assets (deficit) at end of year	<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, 2020
(Amounts 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	\$ 3,925	\$ -	\$ 381	\$ 4,306	\$ -	\$ -	\$ -	\$ 4,306	\$ -
Salaries and employee benefits	5,880	1,858	33,585	41,323	3,359	8,192	11,551	52,874	-
Professional fees	2,305	1,787	6,218	10,310	2,931	2,375	5,306	15,616	181
Printing, supplies, postage and shipping	455	6,562	3,070	10,087	1,358	1,751	3,109	13,196	-
Occupancy and telephone	475	156	2,736	3,367	1,280	545	1,825	5,192	-
Travel, lodging, conferences and meetings	170	60	348	578	58	228	286	864	-
Equipment and maintenance	365	101	1,871	2,337	849	544	1,393	3,730	-
Facilities rental, catering, entertainment, etc.	-	-	-	-	-	-	-	-	1,339
Other expense	218	277	1,078	1,573	241	424	665	2,238	-
Depreciation	52	16	294	362	139	56	195	557	-
Total expenses	<u>\$ 13,845</u>	<u>\$ 10,817</u>	<u>\$ 49,581</u>	<u>\$ 74,243</u>	<u>\$ 10,215</u>	<u>\$ 14,115</u>	<u>\$ 24,330</u>	<u>\$ 98,573</u>	<u>\$ 1,520</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

(Amounts 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.

STATEMENTS OF CASH FLOWS

Years ended December 31,
(Amounts in thousands)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ (11,618)	\$ 4,541
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	557	775
Restricted contributions to endowment	(203)	-
Net appreciation in fair value of investments	(3,081)	(2,523)
Net increase in fair value of assets held in trust by others	(820)	(903)
Gain on disposal of assets	-	(8,409)
Changes in operating assets and liabilities:		
Sponsorships and other receivables	(1,761)	(1,991)
Assets held in trust by others	(119)	-
Inventory and other assets	52	172
Accounts payable and accrued expenses	(1,157)	(1,255)
Grants and awards payable	(1,553)	(7,336)
Refundable advances and deferred revenue	2,764	1,234
Accrued pension and postretirement benefit obligation	13,961	3,586
	<u>(2,978)</u>	<u>(12,109)</u>
Net cash used in operating activities		
Cash flows from investing activities:		
Purchase of furniture and equipment	(271)	(19)
Loss on disposal of fixed assets	-	12,006
Investment receivable	48	10
Purchase of investments	(68,983)	(6,689)
Proceeds from sale of investments	71,512	2,403
	<u>2,306</u>	<u>7,711</u>
Net cash provided by investing activities		
Cash flows from financing activities:		
Restricted contributions to endowment	203	-
	<u>203</u>	<u>-</u>
Net cash provided by financing activities		
Net decrease in cash and cash equivalents	(469)	(4,398)
Cash and cash equivalents at beginning of year	<u>4,338</u>	<u>8,736</u>
Cash and cash equivalents at end of year	<u>\$ 3,869</u>	<u>\$ 4,338</u>
Supplemental disclosures:		
Contributed materials and services	<u>\$ 1,074</u>	<u>\$ 3,007</u>

The accompanying notes are an integral part of these financial statements.

March of Dimes Inc.

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2020 and 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

**Years ended December 31, 2020 and 2019
(Amounts in thousands)**

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 Organization has not experienced any losses as a result of exceeding such amounts. For the years ended December 31, 2020 and 2019, there were approximately \$5,203 and \$4,400, respectively, in funds held in excess of the Federal Deposit Insurance Corporation 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.

Fair Value of Financial Instruments

Certain assets and liabilities are recorded in the statement of financial position 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.

March of Dimes Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

**Years ended December 31, 2020 and 2019
(Amounts in thousands)**

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.

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 10 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.

March of Dimes Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

**Years ended December 31, 2020 and 2019
(Amounts in thousands)**

Contributions, Bequests and Grants

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. Revenue is recognized when an unconditional promise to give is received, or when conditions are satisfied.

In 2020 and 2019, the Organization recognized \$1,074 and \$3,007, 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. The Organization received \$297 and \$2,627 of contributed services from these professionals in 2020 and 2019, respectively. 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 \$8,819 and \$11,205 in unrecognized conditional contributions for the years ended December 31, 2020 and 2019, respectively, 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 \$1,274 and \$1,284 in unrecognized conditional contributions for the years ended December 31, 2020 and 2019, respectively, 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 statements of financial position.

Functional Allocation of Expenses

Expenses have been summarized on a functional basis in the statements 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.

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.

March of Dimes Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2020 and 2019
(Amounts in thousands)

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

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 statement of financial position, 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 effective date for this guidance is for the 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, 2020 and through July 8, 2021, the date on which the financial statements were issued.

On March 24, 2021, the Organization received a loan in the amount of \$10,000,000 pursuant to the Paycheck Protection Program (PPP) under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and subsequent amendments. The loan bears interest at a rate of 1% per annum. Under the program terms, the loan and accrued interest are expected to be forgiven and recognized as grant revenue if the loan proceeds are used to maintain compensation costs and employee headcount, and other qualifying expenses (mortgage interest, rent and utilities) incurred following receipt of the loan. The Organization expects to recognize a contribution at the time the loan is explicitly forgiven.

No other items to disclose or adjustments to record.

March of Dimes Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2020 and 2019
(Amounts in thousands)

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, 2020 and 2019:

	2020			Total
	Level 1	Level 2	Level 3	
Investments:				
Short-term securities	\$ 9,944	\$ -	\$ -	\$ 9,944
Fixed income:				
Government securities	32	-	-	32
Publicly traded mutual funds:				
Domestic equity	2,621	-	-	2,621
Fixed income	557	-	-	557
Real estate	38	-	-	38
International	5,644	-	-	5,644
Investments reported at NAV:				
Government securities	-	-	-	21,456
Domestic equity	-	-	-	6,787
	-	-	-	28,243
Total investments	\$ 18,836	\$ -	\$ -	\$ 47,079
Assets held in trust by others	\$ -	\$ -	\$ 11,508	\$ 11,508
	2019			Total
	Level 1	Level 2	Level 3	
Investments:				
Short-term securities	\$ 19,187	\$ -	\$ -	\$ 19,187
Fixed income:				
Government securities	32	-	-	32
Unit investment trusts	191	-	-	191
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	\$ 46,527	\$ -	\$ -	\$ 46,527
Assets held in trust by others	\$ -	\$ -	\$ 10,569	\$ 10,569

March of Dimes Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2020 and 2019
(Amounts in thousands)

The following table presents a reconciliation for all Level 3 assets measured at fair value for 2020 and 2019:

	Assets Held in Trust by Others	
	2020	2019
Balance at January 1	\$ 10,569	\$ 9,665
Loss on termination of perpetual trust	-	(359)
Distribution of proceeds from trust	119	-
Net appreciation	820	1,263
Balance at December 31	<u>\$ 11,508</u>	<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 2020 and 2019.

As of December 31, 2020, the following table summarize the composition of alternative investments at fair value by the various redemption provisions. As of December 31, 2019, the Organization did not have any investments measured at NAV.

	2020	
	Amount	Days' Notice for Redemption
Daily:		
Government securities	\$ 21,456	1
Domestic equity	6,787	1
	<u>\$ 28,243</u>	

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 was as follows:

	2020	2019
Total investment return	\$ 3,366	\$ 3,444
Investment expenses	(222)	(114)
Amount appropriated for operations	<u>(2,000)</u>	<u>(2,000)</u>
Investment return, net less amounts appropriated for operations	<u>\$ 1,144</u>	<u>\$ 1,330</u>

March of Dimes Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2020 and 2019
(Amounts in thousands)

NOTE 3 - GRANTS AND AWARDS PAYABLE

Grants and awards payable as of December 31, 2020 are scheduled to be paid as follows:

Year Ending December 31:

2021	\$	<u>2,561</u>
------	----	--------------

As of December 31, 2020, the Organization has also authorized payments of \$1,333 contingent upon the recipients meeting various deliverables, which are not recorded in the underlying financial statements. The conditional grants will be considered unconditional when the contingency requirements are met.

NOTE 4 - NET ASSETS

The following is a summary of net assets with donor restrictions as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Remainder trusts in the custody of others	\$ 648	\$ 458
Perpetual trusts held by others	10,859	10,110
Donor-restricted endowments (original gift amount of \$1,290 in 2020 and \$1,087 in 2019)	1,651	1,446
Local programs and other	<u>9,930</u>	<u>7,407</u>
Total with donor restrictions	<u>\$ 23,088</u>	<u>\$ 19,421</u>

Net assets released from restriction were \$7,777 and \$7,204 for the years ended December 31, 2020 and 2019, respectively. 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 years ended December 31, 2020 and 2019.

Endowment

The Organization's endowments consist of 15 individual donor-restricted funds established for a variety of purposes, principally research. The Organization has no board designated endowment funds.

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.

March of Dimes Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2020 and 2019
(Amounts in thousands)

The following tables present changes in endowments for the years ended December 31, 2020 and 2019:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at January 1, 2020	\$ -	\$ 1,446	\$ 1,446
Additions	-	203	203
Investment income, net	-	41	41
Net appreciation (realized and unrealized)	-	121	121
Appropriation of endowment assets for expenditure	-	(160)	(160)
Endowment net assets at December 31, 2020	<u>\$ -</u>	<u>\$ 1,651</u>	<u>\$ 1,651</u>
	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
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 2020 and 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.

March of Dimes Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2020 and 2019
(Amounts in thousands)

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 2020 and 2019, there were accumulated gains such that an appropriation was deemed reasonable.

NOTE 5 - FURNITURE AND EQUIPMENT

Furniture and equipment as of December 31, 2020 and 2019 consist of the following:

	2020	2019
Furniture and equipment	\$ 19,443	\$ 19,172
Accumulated depreciation	(19,095)	(18,538)
Land, building and equipment, net	<u>\$ 348</u>	<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 \$8,409.

NOTE 7 - ALLOCATION OF JOINT COSTS

In 2020 and 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 for the years ended December 31, 2020 and 2019 through these activities were allocated as follows:

	2020	2019
Public and professional education	\$ 8,431	\$ 11,436
Management and general	2,505	3,692
Fund raising	4,219	5,127
Total	<u>\$ 15,155</u>	<u>\$ 20,255</u>

NOTE 8 - COMMITMENTS AND CONTINGENCIES

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

Years ended December 31, 2020 and 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, 2020:

Year Ending December 31:

2021	\$	3,105
2022		2,676
2023		2,246
2024		2,182
2025		1,831
Thereafter		<u>1,172</u>
	\$	<u>13,212</u>

Total rental expense for the years ended December 31, 2020 and 2019 was \$3,688 and \$4,686, respectively.

NOTE 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 made a defined contribution match of \$554 and \$276 in 2020 and 2019, respectively. There was no pension expense relating to the noncontributory defined contribution plan for 2020 and 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.

March of Dimes Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2020 and 2019
(Amounts in thousands)

The following tables provide information with respect to the defined benefit pension plan as of and for the years ended December 31, 2020 and 2019:

	Pension Benefits	
	2020	2019
Change in projected benefit obligation:		
Benefit obligation at January 1	\$ 188,998	\$ 188,671
Service cost	100	-
Interest cost	5,380	7,511
Actuarial loss	23,592	20,022
Settlements	-	(16,564)
Benefit payments	(10,661)	(10,642)
	<u>207,409</u>	<u>188,998</u>
Benefit obligation at December 31,		
Change in fair value of plan assets:		
Fair value of plan assets at January 1	123,210	126,469
Actual return on plan assets	13,711	24,136
Employer contributions	1,400	525
Settlements	-	(16,564)
PBGC expenses paid from trust	-	(714)
Benefit payments	(10,661)	(10,642)
	<u>127,660</u>	<u>123,210</u>
Fair value of plan asset at December 31		
Amounts recognized in the statement of financial position:		
Accrued benefit liability	\$ (79,749)	\$ (65,788)
	2020	2019
Net periodic benefit costs		
Service cost	\$ 100	\$ 714
Interest cost	5,380	7,511
Expected return on plan assets	(8,313)	(8,493)
Amortization of net loss	2,124	1,975
	<u>(709)</u>	<u>1,707</u>
Total net periodic benefit cost		
Loss due to settlements	-	5,771
	<u>-</u>	<u>5,771</u>
Total	\$ (709)	\$ 7,478

For the year ended December 31, 2020, benefit components of the net periodic benefit cost other than the service cost component total \$809. For the year ended December 31, 2019, cost components of the net periodic benefit cost other than the service cost component total \$6,764. These are included within pension and postretirement costs within the statements of activities.

March of Dimes Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2020 and 2019
(Amounts in thousands)

Amounts not yet recognized as a component of net periodic costs as of December 31, 2020 and 2019:

	Pension Benefits	
	2020	2019
Net actuarial loss	\$ 81,920	\$ 65,850
Prior service credit	-	-
Total	\$ 81,920	\$ 65,850

The components of the pension cost other than net periodic pension costs for the years ended December 31, 2020 and 2019:

	Pension Benefits	
	2020	2019
Net actuarial loss	\$ 18,194	\$ 4,379
Recognized actuarial loss	(2,124)	(7,746)
Total pension costs other than net periodic benefit costs	\$ 16,070	\$ (3,367)

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

	Pension Benefits	
	2020	2019
Net actuarial loss	\$ 2,675	\$ 1,964

	Pension Benefits	
	2020	2019
Weighted average assumptions for benefit obligations:		
Discount rate	2.45%	3.34%
Expected return on plan assets	7.00%	7.00%
Rate of compensation increase	N/A	N/A
Weighted average assumptions for benefit costs:		
Discount rate	3.34%	4.37%
Expected return on plan assets	7.00%	7.00%
Rate of compensation increase	N/A	N/A

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

	Pension Benefits
Expected contributions for 2021:	
Employer	\$ -
Employee	-

March of Dimes Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2020 and 2019
(Amounts in thousands)

Estimated future benefit payments reflecting expected future service for the following years:

2021	\$	11,238
2022		11,171
2023		11,101
2024		11,090
2025		10,972
2026 - 2030		53,133

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 tables present information with respect to pension plan assets:

	Target Asset Allocation 2020	Actual Allocation at December 31, 2020
Plan assets:		
Equity securities	42-78%	66%
Debt securities	28-38%	32%
Real estate	0-10%	0%
Other	0-8%	2%

	Target Asset Allocation 2019	Actual Allocation at December 31, 2019
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 2020 and 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%.

March of Dimes Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2020 and 2019
(Amounts in thousands)

The following tables present the plan assets' investments as of December 31, 2020 and 2019:

	2020			
	Level 1	Level 2	Level 3	Total
Short-term securities	\$ 2,801	\$ -	\$ -	\$ 2,801
Fixed income - corporate bonds	-	-	-	-
Publicly traded mutual funds:				-
Real estate	-	-	-	-
Common collective trusts:				
Domestic equity	-	-	-	-
	<u>\$ 2,801</u>	<u>\$ -</u>	<u>\$ -</u>	<u>2,801</u>
Investments reported at NAV:				
Fixed income - corporate bonds				41,304
Common collective trusts - international				44,879
Common collective trusts - domestic equity				38,676
				<u>124,859</u>
Plan assets				<u>\$ 127,660</u>
	2019			
	Level 1	Level 2	Level 3	Total
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>

March of Dimes Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2020 and 2019
(Amounts in thousands)

For the years ended December 31, 2020 and 2019, the following tables summarize the composition of alternative investments at fair value of such plan assets by the various redemption provisions:

	2020	
	Amount	Days' Notice for Redemption
Daily:		
Fixed income - corporate bonds	\$ 41,304	1
Common collective trusts - international	44,879	1
Common collective trusts - domestic equity	38,676	1
	<u>\$ 124,859</u>	
	2019	
	Amount	Days' Notice for Redemption
Monthly:		
Alternative - International	\$ 18,233	5-10
Quarterly:		
Alternative - Long/short equity	23,604	60
	<u>\$ 41,837</u>	

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 statements 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. The available cash balance is also intended to serve the pension obligation shown in the statement of financial position. As of December 31, 2020 and 2019, existing financial assets and liquidity resources available within one year were as follows:

	2020	2019
Financial assets available within one year:		
Cash and cash equivalents	\$ 3,869	\$ 4,338
Sponsorships and other receivables	7,956	6,482
Investment receivables	-	48
Investments	43,688	43,128
	<u>\$ 55,513</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.

March of Dimes Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2020 and 2019
(Amounts in thousands)

NOTE 11 - PLEDGES RECEIVABLE

The net present value of pledges receivable as of December 31, 2020 and 2019 is expected to be received as follows:

	2020	2019
Less than one year	\$ 1,394	\$ 1,091
One to five years	1,004	802
Less:		
Unamortized discount on receivables ranging from 0.17%-1.62% to estimated net present value	(5)	(29)
Allowance for doubtful pledges	(247)	(249)
	<u>2,146</u>	<u>1,615</u>
Pledges receivable, net	\$ 2,146	\$ 1,615

NOTE 12 - RISKS AND UNCERTAINTIES

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.