MARCH OF DIMES FOUNDATION

Financial Statements

December 31, 2016

(With Independent Auditors' Report Thereon)

KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report

The Board of Trustees
March of Dimes Foundation:

We have audited the accompanying financial statements of the March of Dimes Foundation, which comprise the balance sheet as of December 31, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of March of Dimes Foundation as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Report on Summarized Comparative Information

We have previously audited the March of Dimes Foundation's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 21, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

KPMG LLP

May 11, 2017

MARCH OF DIMES FOUNDATION

Balance Sheet

December 31, 2016, with comparative amounts as of December 31, 2015

(Amounts in thousands)

Assets		2016	2015
Cash and cash equivalents	$	18,633	13,446
Sponsorships and other receivables		9,418	8,077
Investment receivable		548	5,080
Inventory and other assets		4,706	5,534
Investments		43,317	61,709
Assets held in trust by others		10,382	10,250
Land, building and equipment – net		7,166	8,767
Total assets	$	94,170	112,863
Liabilities and Net Assets			
Accounts payable and accrued expenses	$	14,905	15,998
Line of credit		—	5,000
Grants and awards payable – net		19,746	22,646
Refundable advances and deferred revenue		3,943	2,249
Accrued pension and postretirement benefit obligation		68,479	53,555
Total liabilities		107,073	99,448
Commitments and contingencies			
Net assets (deficit):			
Unrestricted:			
Operating		37,553	49,767
Accrued pension and postretirement benefit obligation		(68,479)	(53,555)
Total unrestricted		(30,926)	(3,788)
Temporarily restricted		5,206	4,558
Permanently restricted		12,817	12,645
Total net assets (deficit)		(12,903)	13,415
Total liabilities and net assets (deficit)	$	94,170	112,863

See accompanying notes to financial statements.

MARCH OF DIMES FOUNDATION

Statement of Activities

Year ended December 31, 2016, with summarized totals for the year ended December 31, 2015

(Amounts in thousands)

	Unrestricted	Temporarily restricted	Permanently restricted	2016 Total	2015 Total
Operating activity:					
Revenue:					
Campaign contributions and sponsorships	$ 167,504	—	—	167,504	182,456
Less direct benefits to donors and sponsors	(13,880)	—	—	(13,880)	(14,886)
Net campaign contributions and sponsorships	153,624	—	—	153,624	167,570
Bequests	1,399	41	—	1,440	2,994
Government, foundation and corporate grants	2,852	867	—	3,719	3,901
Major gifts and other contributions	4,143	781	—	4,924	6,765
Contributed materials and services	1,370	—	—	1,370	2,143
Investment return appropriated for operations	2,762	338	—	3,100	5,750
Program service revenue	1,415	—	—	1,415	1,832
Other	2,395	—	—	2,395	1,151
Net assets released from restrictions	1,506	(1,506)	—	—	—
Total revenue	171,466	521	—	171,987	192,106
Expenses:					
Program services:					
Research and medical support	26,096	—	—	26,096	31,263
Public and professional education	64,686	—	—	64,686	78,609
Community services	44,008	—	—	44,008	52,939
Total program services	134,790	—	—	134,790	162,811
Supporting services:					
Management and general	19,451	—	—	19,451	23,137
Fund raising	25,167	—	—	25,167	29,780
Total supporting services	44,618	—	—	44,618	52,917
Total expenses	179,408	—	—	179,408	215,728
(Deficiency) excess of operating revenue over expenses	(7,942)	521	—	(7,421)	(23,622)
Nonoperating activity:					
Investment return greater (less) than amount appropriated for operations	934	167	—	1,101	(6,152)
Net (decrease) increase in fair value of assets held in trust by others	—	(40)	172	132	(837)
Pension and postretirement (costs) credit other than net periodic benefit costs	(20,130)	—	—	(20,130)	19,409
Change in net assets	(27,138)	648	172	(26,318)	(11,202)
Net assets at beginning of year	(3,788)	4,558	12,645	13,415	24,617
Net assets (deficit) at end of year	$ (30,926)	5,206	12,817	(12,903)	13,415

See accompanying notes to financial statements.

MARCH OF DIMES FOUNDATION

Statement of Functional Expenses

Year ended December 31, 2016, with summarized totals for the year ended December 31, 2015

(Amounts in thousands)

	Program Services				Supporting Services					Direct Benefits to Donors and Sponsors	
	Research	Public and Professional Education	Community Services	Total	Management and General	Fund Raising	Total	Total 2016	Total 2015	2016	2015
Grants and awards	$ 19,297	1,779	1,268	22,344	—	—	—	22,344	29,240	—	—
Salaries and employee benefits	3,759	31,768	30,898	66,425	9,746	11,810	21,556	87,981	103,471	—	—
Professional fees	1,426	7,240	3,781	12,447	2,868	3,862	6,730	19,177	24,773	—	—
Printing, supplies, postage and shipping	204	16,283	794	17,281	4,369	6,688	11,057	28,338	32,552	3,285	3,794
Occupancy and telephone	213	3,249	3,732	7,194	1,047	1,269	2,316	9,510	10,590	—	—
Travel, lodging, conferences and meetings	703	2,804	2,242	5,749	556	783	1,339	7,088	9,880	—	—
Equipment and maintenance	133	587	705	1,425	458	361	819	2,244	2,441	—	—
Facilities rental, catering, entertainment, etc	—	—	—	—		—	—	—	—	10,595	11,092
Other	184	324	197	705	156	139	295	1,000	954	—	—
Depreciation of building and equipment	177	652	391	1,220	251	255	506	1,726	1,827	—	—
Total expenses	$ 26,096	64,686	44,008	134,790	19,451	25,167	44,618	179,408	215,728	13,880	14,886

See accompanying notes to financial statements.

MARCH OF DIMES FOUNDATION

Statement of Cash Flows

Year ended December 31, 2016, with summarized totals for the year ended December 31, 2015

(Amounts in thousands)

		2016	2015
Cash flows from operating activities:			
Change in net assets	$	(26,318)	(11,202)
Adjustments to reconcile change in net assets to net cash used in operating activities:			
Depreciation		1,726	1,827
Net (appreciation) depreciation in fair value of investments		(3,118)	1,528
Net (increase) decrease in fair value of assets held in trust by others		(132)	837
Pension and postretirement charge other than net periodic benefit cost		20,130	(19,409)
Changes in operating assets and liabilities:			
Sponsorships and other receivables		(1,341)	(736)
Assets held in trust by others		—	57
Inventory and other assets		828	316
Accounts payable and accrued expenses		(1,093)	6,092
Grants and awards payable		(2,900)	2,760
Refundable advances and deferred revenue		1,694	205
Accrued postretirement and pension benefit obligation		(5,206)	(5,561)
Net cash used in operating activities		(15,730)	(23,286)
Cash flows from investing activities:			
Purchase of fixed assets		(125)	(97)
Investment receivable		4,532	(5,080)
Purchase of investments		(15,800)	(2,574)
Proceeds from sale of investments		37,310	31,316
Net cash provided by investing activities		25,917	23,565
Cash flows from financing activities:			
Proceeds from line of credit		10,000	15,000
Payments on line of credit		(15,000)	(15,000)
Net cash used in financing activities		(5,000)	—
Net increase in cash and cash equivalents		5,187	279
Cash and cash equivalents at beginning of year		13,446	13,167
Cash and cash equivalents at end of year	$	18,633	13,446
Supplemental disclosures:			
Interest paid	$	103	106
Contributed materials and services		1,370	2,143

See accompanying notes to financial statements.

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

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

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

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

(b) Basis of Presentation

The financial statements include the accounts of the Foundation's offices and operating units in the United States. All significant intra-Foundation accounts and transactions have been eliminated.

The accompanying financial statements have been prepared to focus on the Foundation as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets resulting from revenue whose use by the Foundation is not subject to donor-imposed restrictions.

Temporarily Restricted Net Assets – Net assets resulting from revenue whose use by the Foundation is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Foundation pursuant to those donor-imposed stipulations.

Permanently Restricted Net Assets – Net assets resulting from revenue whose use by the Foundation is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Foundation.

Revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by donors or state law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the required time period has elapsed) are reported as net assets released from restrictions.

The Foundation excludes from operating activities investment return greater or less than the amount appropriated by the Board of Trustees for spending (see note 2), the change in fair value of assets held in trust by others, pension and postretirement costs or credits other than net periodic benefit costs, and non-recurring items.

(c) Use of Estimates

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

(d) Cash Equivalents

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

(e) Inventory

Inventory is stated at the lower of cost or market.

(f) Fair Value of Financial Instruments

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. It prioritizes the inputs to the valuation techniques used to measure fair value by giving the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are as follows:

Level 1 Inputs that reflect unadjusted quoted or published prices in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date

Level 2 Inputs other than quoted or published prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active

Level 3 Inputs that are unobservable

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

(g) Investments

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

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

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

Multi-strategy hedge funds – represent investments through fund of funds with individual managers who employ a broad range of investment strategies that seek to benefit from opportunities as they occur in the markets due to temporary dislocations or structural inefficiencies and include event-driven strategies, distressed debt, merger and other arbitrage, and value investing.

(h) Assets Held in Trusts by Others

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

(i) Land, Building and Equipment

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

(j) Grants Payable

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

(k) Contributions, Bequests and Grants

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

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

The Foundation receives corporate sponsorships in connection with March for Babies and other special events. Although most of these sponsorship arrangements are considered exchange transactions under which sponsors receive direct benefits, the revenue earned is reported with campaign contributions.

In 2016 and 2015, the Foundation recognized $1,370 and $2,143, respectively, of contributed services and materials revenue (related expenses are included in professional fees, equipment and travel). Contributed services are provided by doctors, nurses and other healthcare professionals who serve on its Research and Program Service Committees. Contributed materials include donation of software and airline miles. Many other volunteers have made significant contributions of time to the Foundation's program and supporting functions. The value of these contributed services does not meet the criteria for recognition and, accordingly, is not recognized in the accompanying financial statements.

(l) Taxes

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

(m) Comparative Information

The financial statements include certain 2015 comparative information. With respect to the statement of activities, such prior year information is not presented by net asset class and, in the statement of functional expenses, 2015 expenses by natural classification are presented in total rather than by functional category. Accordingly, such information should be read in conjunction with the Foundation's 2015 financial statements from which the summarized information was derived. Certain prior year amounts have been reclassified to conform to the current year presentation.

(n) Operations

In 2016, the Foundation adopted the provisions of Financial Accounting Standards Board Accounting Standards Update (ASU) 2015-14, *Presentation of Financial Statements – Going Concern*. The Foundation has experienced a decrease in net assets in 2016 and 2015. Although a portion of the net asset change in 2016 is related to changes in the pension and postretirement amounts of $20,130, the cash used for operations during 2016 and 2015 was $15,730 and $23,286, respectively. The Foundation has undertaken a variety of steps to reduce the operating deficit and improve revenue. In 2014, a strategic realignment study began to look at how to best optimize revenues for the Foundation. In 2016, the plan was finalized and implementation began. Headcount reductions were made in November 2015 and throughout 2016. Additionally the pension plan was frozen to new accruals effective December 31, 2016. As required by ASU 2015-14, management has assessed its liquidity requirements for one year from the date of issuance of the financial statements and believes that the Foundation has sufficient liquidity to support operations.

(Continued)

(Amounts in thousands)

(o) Subsequent Events

In conjunction with the preparation of the financial statements, the Foundation evaluated events subsequent to December 31, 2016 and through May 11, 2017, the date on which the financial statements were issued and determined that no additional disclosures were required.

(2) Investments and Assets Held in Trust by Others

The following table presents the Foundation's investments and assets held in trust reported at fair value categorized in the fair value hierarchy as of December 31, 2016:

	Fair value	Level 1	Level 2	Level 3
Investments:				
Short-term securities	$ 1,050	1,050	—	—
Fixed income:				
Government securities	180	—	180	—
Unit investment trusts	770	770	—	—
Domestic common stock	23,401	23,401	—	—
Publicly traded mutual funds:				
Domestic equity	3,496	3,496	—	—
Fixed income	13,668	13,668	—	—
Real estate	251	251	—	—
International	501	501	—	—
Total investments	$ 43,317	$ 43,137	180	—
Assets held in trust by others	$ 10,382	—	—	10,382

(Amounts in thousands)

The following table presents the Foundation's investments and assets held in trust reported at fair value categorized in the fair value hierarchy as of December 31, 2015:

	Fair value	Level 1	Level 2	Level 3
Investments:				
Short-term securities	$ 1,128	1,128	—	—
Fixed income:				
Government securities	192	—	192	—
Unit investment trust	608	608	—	—
Domestic common stock	20,383	20,383	—	—
Publicly traded mutual funds:				
Domestic equity	4,888	4,888	—	—
Fixed income	15,315	15,315	—	—
Real estate	2,995	2,995	—	—
International	485	485	—	—
Alternative investments:				
International	10,240	—	10,240	—
	56,234	$ 45,802	10,432	—
Investments reported at net asset value:				
Alternative investments:				
Multi-strategy hedge funds	5,475			
Total investments	$ 61,709			
Assets held in trust by others	$ 10,250	—	—	10,250

In accordance with ASU 2015-10, *Technical Corrections and Improvements*, the Foundation removed $12,835 and $10,240 as of December 31, 2015 from investments reported at net asset value and included these amounts in Level 1 and Level 2, respectively, to correct the fair value hierarchy table.

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

	Assets held in trust by others	
	2016	2015
Balance at January 1	$ 10,250	11,144
Distribution of proceeds from trust	—	(57)
Net appreciation (depreciation) in fair value of investments	132	(837)
Balance at December 31	$ 10,382	10,250

The Foundation's policy is to record transfers from Level 3 to Level 2 on the actual date of the event or change in circumstances that caused the transfer. There were no such transfers in 2016 or 2015.

(Amounts in thousands)

The Foundation reports as operating revenue the amount of investment return appropriated by the Board of Trustees for spending. This amount includes return on investments held as part of a long-term investment strategy as well as return on cash and cash equivalents. The difference between the actual return and the authorized spending level is reported as nonoperating activity. The components of investment return are as follows:

		2016	2015
Interest and dividends	$	1,083	1,126
Net appreciation (depreciation) in fair value of investments		3,118	(1,528)
Total investment return (loss)		4,201	(402)
Amount appropriated for operations		(3,100)	(5,750)
Investment return greater (less) than amount appropriated for operations	$	1,101	(6,152)

(3) Grants and Awards Payable

Grants and awards payable at December 31, 2016 are scheduled to be paid as follows:

		Amounts
Year ending December 31:		
2017	$	17,786
2018		2,054
Discount to present value (at 4.56%)		(94)
Grants and awards payable, net	$	19,746

The Foundation has recorded grant expense of $1,000 in both 2016 and 2015 for grants to the Salk Institute for Biological Studies. On April 12, 2011, an agreement was signed between the Foundation and the Salk Institute for an annual $1,000 conditional grant. The agreement supports research at the Salk Institute through 2025 based upon conditions included in the agreement. The grant expense is recognized annually as the conditions are assessed and determined to have been met. The President of the Foundation is a volunteer board member of the Salk Institute.

(Continued)

(Amounts in thousands)

(4) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets at December 31, 2016 and 2015 are available for the following purposes:

		2016	2015
Remainder trusts in the custody of others	$	1,175	1,215
Local programs and other		4,031	3,343
Total	$	5,206	4,558

Permanently restricted net assets at December 31, 2016 and 2015 consist of perpetual trusts held by others of $9,207 and $9,035, respectively, and donor-restricted endowments of $3,610 for 2016 and 2015.

(a) Endowment

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

(b) Interpretation of Relevant Law

The Foundation's endowment is subject to the provisions of the New York Prudent Management of Institutional Funds Act (NYPMIFA), which imposes guidelines on the management and investment of endowment funds. The Foundation classifies as permanently restricted net assets (a) the original value of gifts to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations of investment returns on the permanent endowment made in accordance with the direction of the applicable donor gift instrument, when applicable. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified in temporarily restricted net assets until those amounts are appropriated for expenditures. Such amounts recorded in temporarily restricted net assets are released from restriction when the donor stipulated purpose has been fulfilled and/or the amount has been appropriated in compliance with the Board of Trustees approved spending policy.

The following table presents changes in endowments for the year ended December 31, 2016:

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets at January 1, 2016	$	—	472	3,610	4,082
Investment income		—	77	—	77
Net appreciation (realized and unrealized)		—	313	—	313
Appropriation of endowment assets for expenditure		—	(224)	—	(224)
Endowment net assets at December 31, 2016	$	—	638	3,610	4,248

(Amounts in thousands)

The following table presents changes in endowments for the year ended December 31, 2015:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets at January 1, 2015	$ —	767	3,610	4,377
Investment income	—	75	—	75
Net depreciation (realized and unrealized)	—	(163)	—	(163)
Appropriation of endowment assets for expenditure	—	(207)	—	(207)
Endowment net assets at December 31, 2015	$ —	472	3,610	4,082

(c) Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or relevant law requires the Foundation to retain as a fund for perpetual duration. There was no such deficiency in 2016 or 2015.

(d) Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to protect the original value of the gift. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that match the price and yield results of the S&P 500 index. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 8% annually. Actual returns in any given year may vary from this amount.

(e) Spending Policy

The Foundation annually reviews its investment policy and includes considerations that specifically address appropriation from endowment funds in accordance with NYPMIFA. In years where the endowment fund experiences a gain, the Foundation’s spending policy provides that 5% of the market value of the endowment funds will be appropriated for expenditure. In years where the endowment portfolio suffers a loss, no amounts will be appropriated, unless it is considered reasonable to do so due to accumulated gains. In 2016, there were accumulated gains such that an appropriation was deemed reasonable.

(Amounts in thousands)

(5) Land, Building and Equipment

Land, building, and equipment as of December 31, 2016 and 2015 consist of the following:

		2016	2015
Land	$	918	918
Building and building and leasehold improvements		28,347	28,255
Furniture and equipment		26,236	26,438
Total		55,501	55,611
Accumulated depreciation		(48,335)	(46,844)
Land, building and equipment, net	$	7,166	8,767

(6) Line of Credit

During 2016, the Foundation had available an unsecured line of credit that provided for $15,000 of short term financing. Borrowings against this loan are at LIBOR daily floating rates. In 2016 and 2015, $10,000 and $15,000, respectively, of the line was used. There was $0 and $5,000 outstanding as of December 31, 2016 and 2015, respectively. The interest cost for use of the line amounted to $96 and $106, for 2016 and 2015 respectively. On January 12, 2017, the credit line was extended through September 30, 2017. The line is secured by collateral in certain investments held by the Foundation.

(7) Allocation of Joint Costs

In 2016 and 2015, the Foundation conducted activities, principally direct response, that included fund-raising appeals as well as program components. The joint costs incurred were allocated as follows:

		2016	2015
Public and professional education	$	17,214	18,570
Management and general		4,877	5,292
Fund raising		6,887	7,244
Total	$	28,978	31,106

(Amounts in thousands)

(8) Commitments

The following is a schedule of the approximate future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of December 31, 2016:

		Amounts
Year ending December 31:		
2017	$	5,423
2018		3,815
2019		2,648
2020		1,241
2021		783
2022 and thereafter		579

Total rental expense was $6,570 and $7,515 in 2016 and 2015, respectively.

(9) Retirement Plans

The Foundation has three retirement plans for employees who meet certain eligibility requirements – a noncontributory defined benefit pension plan, a defined contribution plan for which there could be an employer match for employees who elect to participate in the plan, and a noncontributory defined contribution plan. The Foundation has not made a defined contribution match in 2016 or 2015. Pension expense relating to the noncontributory defined contribution plan for 2016 and 2015 was $1,800 and $1,900, respectively. The Foundation'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. This represented a curtailment of the plan for accounting purposes in 2015.

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

(Amounts in thousands)

The following tables provide information with respect to the defined benefit pension and postretirement benefit plans as of and for the years ended December 31, 2016 and 2015:

		Pension benefits		Other benefits	
		2016	**2015**	**2016**	**2015**
Change in projected benefit obligation:					
Benefit obligation at January 1	$	198,162	219,780	8,811	15,848
Service cost		1,875	2,759	91	129
Interest cost		7,296	8,849	283	375
Participant contributions		—	—	131	137
Actuarial loss (gain)		17,429	(14,180)	1,353	(6,339)
Curtailment		—	(10,684)	—	—
Employer Group Waiver Plans subsidy received		—	—	26	6
Benefit payments		(9,191)	(8,362)	(1,786)	(1,345)
Benefit obligation at December 31		215,571	198,162	8,909	8,811
Change in fair value of plan assets:					
Fair value of plan assets at January 1		153,418	157,102	—	—
Actual gain (loss) on plan assets		9,574	(3,322)	—	—
Employer contributions		2,200	8,000	1,655	1,208
Participant contributions		—	—	131	137
Benefit payments		(9,191)	(8,362)	(1,786)	(1,345)
Fair value of plan assets at December 31		156,001	153,418	—	—
Amounts recognized in the balance sheet:					
Accrued benefit liability	$	(59,570)	(44,744)	(8,909)	(8,811)

		Pension benefits		Other benefits	
		2016	**2015**	**2016**	**2015**
Net periodic benefit costs:					
Service cost	$	1,875	2,759	91	129
Interest cost		7,296	8,849	283	375
Expected return on plan assets		(11,658)	(12,244)	—	—
Amortization of prior service credit		—	—	(3,628)	(3,897)
Amortization of net loss (gain)		4,933	8,340	(569)	(670)
Total net periodic benefit cost (credit)	$	2,446	7,704	(3,823)	(4,063)

At December 31, 2016 and 2015, the accumulated benefit obligation on the defined benefit pension plan amounted to $215,571 and $196,341, respectively.

(Amounts in thousands)

Amounts not yet recognized as a component of net periodic costs for the year ended December 31, 2016:

		Pension benefits	Other benefits	Total
Net actuarial loss (gain)	$	71,944	(9,956)	61,988
Prior service credit		—	(4,445)	(4,445)
Total	$	71,944	(14,401)	57,543

Amounts not yet recognized as a component of net periodic costs for the year ended December 31, 2015:

		Pension benefits	Other benefits	Total
Net actuarial loss (gain)	$	57,364	(6,368)	50,996
Prior service credit		—	(13,583)	(13,583)
Total	$	57,364	(19,951)	37,413

The components of the pension and postretirement cost other than net periodic pension and postretirement benefit costs for the year ended December 31, 2016:

		Pension benefits	Other benefits	Total
Net actuarial loss	$	19,513	1,353	20,866
Recognized actuarial (loss) gain		(4,933)	569	(4,364)
Amortization of prior service credit		—	3,628	3,628
Total of other changes in unrestricted net assets	$	14,580	5,550	20,130

The components of the pension and postretirement cost other than net periodic pension and postretirement benefit costs for the year ended December 31, 2015:

		Pension benefits	Other benefits	Total
Net actuarial gain	$	(9,297)	(6,339)	(15,636)
Recognized actuarial (loss) gain		(8,340)	670	(7,670)
Amortization of prior service credit		—	3,897	3,897
Total of other changes in unrestricted net assets	$	(17,637)	(1,772)	(19,409)

(Continued)

(Amounts in thousands)

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

	Pension benefits	Other benefits	Total
Net actuarial loss (gain)	$ 2,162	(444)	1,718
Prior service costs	—	(3,494)	(3,494)
Total	$ 2,162	(3,938)	(1,776)

	Pension benefits		Other benefits	
	2016	2015	2016	2015
Weighted average assumptions for benefit obligations:				
Discount rate	4.18 %	4.38 %	3.84 %	4.00 %
Expected return on plan assets	7.00	7.75	N/A	N/A
Rate of compensation increase	N/A	1.00	N/A	N/A
Weighted average assumptions for benefit costs:				
Discount rate	4.38 %	4.09 %	4.00 %	3.72 %
Expected return on plan assets	7.75	7.75	N/A	N/A
Rate of compensation increase	1.00	3.25	N/A	N/A
Assumed healthcare cost trend rates:				
Healthcare cost trend rate assumed for next year:				
Pre-65	N/A	N/A	7.25 %	7.50 %
Post-65	N/A	N/A	5.25	5.50
Ultimate rate:				
Pre-65	N/A	N/A	4.75 %	4.75 %
Post-65	N/A	N/A	4.75	4.75
Year that the ultimate rate is reached:				
Pre-65	N/A	N/A	2027	2027
Post-65	N/A	N/A	2019	2019
	Increase	**Decrease**	**Increase**	**Decrease**
Impact of one-percentage-point change in assumed healthcare cost trend rates:				
Effect on service cost and interest cost next for 2016	N/A	N/A	$ 34	(30)
Effect on postretirement benefit obligation at December 31, 2016	N/A	N/A	564	(493)

(Amounts in thousands)

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

		Pension benefits	Other benefits
Expected contributions for 2017:			
Employer	$	—	813
Employee		—	100
Estimated future benefit payments reflecting expected future service for the year(s) ending:			
December 31, 2017	$	10,916	913
December 31, 2018		11,073	868
December 31, 2019		11,210	829
December 31, 2020		11,317	809
December 31, 2021		11,485	776
December 31, 2022–December 31, 2026		60,368	3,304

The Foundation 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 Foundation's Board of Trustees and serves as a guide for allocating plan assets among various asset classes and investment managers. Managers are evaluated against prevalent indices and changes are made when deemed necessary.

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

	Target asset allocation	Actual allocation at December 31	
	2016	2016	2015
Plan assets:			
Equity securities	31–67%	52 %	52 %
Debt securities	20–30%	24	24
Real estate	3–13%	5	5
Other	10–28%	19	19

Based upon historically indexed data, the assumed long-term rates of return for 2016 are: equity securities – 8.75%; debt securities – 5.0%; real estate – 7.5%; other assets including Commodity Index – 9.0% which produces an expected composite rate of return of 7.75%.

In accordance with ASU 2015-10, *Technical Corrections and Improvements*, the Foundation removed $30,457 and $22,574 as of December 31, 2015 from investments reported at net asset value and included these amounts in Level 1 and Level 2, respectively, to correct the fair value hierarchy table.

(Continued)

(Amounts in thousands)

The following table presents the plan assets' investments as of December 31, 2016:

	Fair value	Level 1	Level 2	Level 3
Short-term securities	$ 3,459	3,459	—	—
Receivable for investment sold	2,500	2,500	—	—
Fixed income – corporate bonds	38,287	—	38,287	—
Publicly traded mutual funds:				
Real estate	7,775	7,775	—	—
International equity	1,315	1,315	—	—
Common collective trusts:				
Domestic equity	31,097	31,097	—	—
Alternative investments:				
International	27,501	—	27,501	—
	111,934	$ 46,146	65,788	—
Investments reported at net asset value:				
Alternative investments:				
Long/short equity	20,872			
Multi-strategy	23,195			
Plan assets	$ 156,001			

The following table presents the plan assets' investments as of December 31, 2015:

	Fair value	Level 1	Level 2	Level 3
Short-term securities	$ 5,337	5,337	—	—
Fixed income – corporate bonds	37,413	—	37,413	—
Publicly traded mutual funds:				
Real estate	7,823	7,823	—	—
International equity	4,512	4,512	—	—
Common collective trusts:				
Domestic equity	29,452	29,452	—	—
Commodity	1,005	1,005	—	—
Alternative investments:				
International	22,574	—	22,574	—
	108,116	$ 48,129	59,987	—
Investments reported at net asset value:				
Alternative investments:				
Long/short equity	22,358			
Multi-strategy	22,944			
Plan assets	$ 153,418			

(Amounts in thousands)

As of December 31, 2016, the following table summarizes the composition of alternative investments at fair value of such plan assets by the various redemption provisions:

Redemption period		Amount	Days notice for redemption
Monthly:			
Alternative – International		27,501	5–10
Quarterly:			
Alternative – Long/short equity		20,872	60
Alternative – Multi-strategy		23,195	65–90
Total	$	71,568	