MARCH OF DIMES INC.

Financial Statements

December 31, 2017

(With Independent Auditors' Report Thereon)

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

Independent Auditors' Report

To the Board of Trustees
March of Dimes Inc.:

We have audited the accompanying financial statements of the March of Dimes Inc., which comprise the balance sheet as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of March of Dimes Inc. as of December 31, 2017, 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 Inc.'s 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 11, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

KPMG LLP

June 20, 2018

MARCH OF DIMES INC.

Balance Sheet

December 31, 2017, with comparative amounts as of December 31, 2016

(Amounts in thousands)

Assets		**2017**	**2016**
Cash and cash equivalents	$	12,014	18,633
Sponsorships and other receivables		9,595	9,418
Investment receivable		36	548
Inventory and other assets		3,431	4,706
Investments		36,065	43,317
Assets held in trust by others		11,062	10,382
Assets held for sale – net		3,597	—
Land, building and equipment – net		2,211	7,166
Total assets	$	78,011	94,170
Liabilities and Net Assets			
Accounts payable and accrued expenses	$	12,564	14,905
Grants and awards payable – net		12,184	19,746
Refundable advances and deferred revenue		3,417	3,943
Accrued pension and postretirement benefit obligation		60,726	68,479
Total liabilities		88,891	107,073
Commitments and contingencies			
Net assets (deficit):			
Unrestricted:			
Operating		30,092	37,553
Accrued pension and postretirement benefit obligation		(60,726)	(68,479)
Total unrestricted		(30,634)	(30,926)
Temporarily restricted		5,948	5,206
Permanently restricted		13,806	12,817
Total net assets (deficit)		(10,880)	(12,903)
Total liabilities and net assets (deficit)	$	78,011	94,170

See accompanying notes to financial statements.

MARCH OF DIMES INC.

Statement of Activities

Year ended December 31, 2017, with summarized totals for the year ended December 31, 2016

(Amounts in thousands)

	Unrestricted	Temporarily restricted	Permanently restricted	2017 Total	2016 Total
Operating activity:					
Revenue:					
Campaign contributions and sponsorships	$ 148,554	—	—	148,554	167,504
Less direct benefits to donors and sponsors	(11,913)	—	—	(11,913)	(13,880)
Net campaign contributions and sponsorships	136,641	—	—	136,641	153,624
Bequests	1,322	20	—	1,342	1,440
Government, foundation and corporate grants	8,063	532	—	8,595	3,719
Major gifts and other contributions	5,884	425	—	6,309	4,924
Contributed materials and services	1,075	—	—	1,075	1,370
Investment return appropriated for operations	1,101	399	—	1,500	3,100
Program service revenue	1,039	—	—	1,039	1,415
Other	838	—	—	838	2,395
Net assets released from restrictions	1,054	(1,054)	—	—	—
Total revenue	157,017	322	—	157,339	171,987
Expenses:					
Program services:					
Research and medical support	21,064	—	—	21,064	26,096
Public and professional education	57,950	—	—	57,950	64,686
Community services	36,580	—	—	36,580	44,008
Total program services	115,594	—	—	115,594	134,790
Supporting services:					
Management and general	15,175	—	—	15,175	19,451
Fund raising	22,988	—	—	22,988	25,167
Total supporting services	38,163	—	—	38,163	44,618
Total expenses	153,757	—	—	153,757	179,408
Excess (deficiency) of operating revenue over expenses	3,260	322	—	3,582	(7,421)
Nonoperating activity:					
Investment return greater than amount appropriated for operations	1,052	354	—	1,406	1,101
Net increase in fair value of assets held in trust by others	—	66	989	1,055	132
Pension and postretirement costs other than net periodic benefit costs	(4,020)	—	—	(4,020)	(20,130)
Change in net assets	292	742	989	2,023	(26,318)
Net assets (deficit) at beginning of year	(30,926)	5,206	12,817	(12,903)	13,415
Net assets (deficit) at end of year	$ (30,634)	5,948	13,806	(10,880)	(12,903)

See accompanying notes to financial statements.

MARCH OF DIMES INC.

Statement of Functional Expenses

Year ended December 31, 2017, with summarized totals for the year ended December 31, 2016

(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 2017	Total 2016	2017	2016
Grants and awards	$ 17,162	2,794	957	20,913	—	—	—	20,913	22,344	—	—
Salaries and employee benefits	1,648	25,943	25,458	53,049	7,105	9,517	16,622	69,671	87,981	—	—
Professional fees	1,210	8,903	3,560	13,673	2,335	5,100	7,435	21,108	19,177	—	—
Printing, supplies, postage and shipping	129	14,711	1,023	15,863	3,932	6,100	10,032	25,895	28,338	2,507	3,285
Occupancy and telephone	54	2,769	3,334	6,157	787	1,098	1,885	8,042	9,510	—	—
Travel, lodging, conferences and meetings	572	1,533	1,084	3,189	261	384	645	3,834	7,088	—	—
Equipment and maintenance	121	543	646	1,310	453	430	883	2,193	2,244	—	—
Facilities rental, catering, entertainment, etc.	—	—	—	—	—	—	—	—	—	9,406	10,595
Other	62	262	187	511	118	136	254	765	1,000	—	—
Depreciation of building and equipment	106	492	331	929	184	223	407	1,336	1,726	—	—
Total expenses	$ 21,064	57,950	36,580	115,594	15,175	22,988	38,163	153,757	179,408	11,913	13,880

See accompanying notes to financial statements.

MARCH OF DIMES INC.

Statement of Cash Flows

Year ended December 31, 2017, with summarized totals for the year ended December 31, 2016

(Amounts in thousands)

		2017	2016
Cash flows from operating activities:			
Change in net assets	$	2,023	(26,318)
Adjustments to reconcile change in net assets to net cash used in operating activities:			
Depreciation		1,336	1,726
Net appreciation in fair value of investments		(2,015)	(3,118)
Net increase in fair value of assets held in trust by others		(1,055)	(132)
Pension and postretirement charge other than net periodic benefit cost		4,020	20,130
Changes in operating assets and liabilities:			
Sponsorships and other receivables		(177)	(1,341)
Assets held in trust by others		375	—
Inventory and other assets		1,275	828
Accounts payable and accrued expenses		(2,341)	(1,093)
Grants and awards payable		(7,562)	(2,900)
Refundable advances and deferred revenue		(526)	1,694
Accrued postretirement and pension benefit obligation		(11,773)	(5,206)
Net cash used in operating activities		(16,420)	(15,730)
Cash flows from investing activities:			
Purchase of fixed assets		(32)	(125)
Loss on disposal of fixed assets		54	—
Investment receivable		512	4,532
Purchase of investments		(29,938)	(15,800)
Proceeds from sale of investments		39,205	37,310
Net cash provided by investing activities		9,801	25,917
Cash flows from financing activities:			
Proceeds from line of credit		10,000	10,000
Payments on line of credit		(10,000)	(15,000)
Net cash used in financing activities		—	(5,000)
Net (decrease) increase in cash and cash equivalents		(6,619)	5,187
Cash and cash equivalents at beginning of year		18,633	13,446
Cash and cash equivalents at end of year	$	12,014	18,633
Supplemental disclosures:			
Interest paid	$	78	103
Contributed materials and services		1,075	1,370

See accompanying notes to financial statements.

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

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

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

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

(b) Basis of Presentation

The 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 accompanying financial statements have been prepared to focus on the Organization 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 Organization and changes therein are classified and reported as follows:

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

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

Permanently Restricted Net Assets – Net assets resulting from revenue whose use by the Organization 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 Organization.

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.

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The Organization 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 nonrecurring 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 Organization 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 Organization 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 Organization 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 Organization'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 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 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 Organization 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 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.

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

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

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

In 2017 and 2016, the Organization recognized $1,075 and $1,370, 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 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.

(l) Taxes

The Tax Cuts and Jobs Act (the Tax Act) was signed into law on December 22, 2017. The Tax Act includes several changes relevant to tax-exempt organizations, primarily related to unrelated business income, net operating losses, certain new excise taxes, and changes affecting the deductibility of certain expenses. Management is currently in the process of evaluating the new law and the impact it may have on the Organization.

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

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(m) Comparative Information

The financial statements include certain 2016 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, 2016 expenses by natural classification are presented in total rather than by functional category. Accordingly, such information should be read in conjunction with the Organization's 2016 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 Organization adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2015-14, *Presentation of Financial Statements – Going Concern* (ASU 2015-14). The Organization experienced a decrease in net assets in 2016 and 2015. Although a portion of the net asset change in 2016 was related to changes in the pension and postretirement amounts of $20,130, the cash used for operations during 2017 and 2016 was $16,420 and $15,730, respectively. The Organization has undertaken a variety of steps to reduce the operating deficit and improve revenue and had an excess of operating revenue over expenses of $3,582 in 2017. In 2014, a strategic realignment study began to look at how to best optimize revenues for the Organization. In 2016, the plan was finalized and implementation began. Headcount reductions were made throughout 2016 and 2017. Additionally the defined benefit pension plan was frozen to new accruals effective December 31, 2016. As of January 1, 2018 the Organization eliminated all postretirement medical and dental coverage. In March 2018, the Organization entered into an agreement to sell the building and land housing the current headquarters for $12,000 (see note 5). 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 Organization has sufficient liquidity to support operations.

(o) Subsequent Events

In conjunction with the preparation of the financial statements, the Organization evaluated events subsequent to December 31, 2017 and through June 20, 2018, the date on which the financial statements were issued. See notes 5 and 8.

(Amounts in thousands)

(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, 2017:

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

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

		Assets held in trust by others	
		2017	**2016**
Balance at January 1	$	10,382	10,250
Distribution of proceeds from trust		(375)	—
Net appreciation in fair value of investments		1,055	132
Balance at December 31	$	11,062	10,382

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 2017 or 2016.

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 components of investment return are as follows:

		2017	**2016**
Interest and dividends	$	891	1,083
Net appreciation in fair value of investments		2,015	3,118
Total investment return		2,906	4,201
Amount appropriated for operations		(1,500)	(3,100)
Investment return greater than amount appropriated for operations	$	1,406	1,101

(3) Grants and Awards Payable

Grants and awards payable at December 31, 2017 are scheduled to be paid as follows:

		Amounts
Year ending December 31:		
2018	$	10,860
2019		1,383
Discount to present value (at 4.24%)		(59)
Grants and awards payable, net	$	12,184

(Amounts in thousands)

The Organization has recorded grant expense of $1,000 in both 2017 and 2016 for grants to the Salk Institute for Biological Studies. On April 12, 2011, an agreement was signed between the Organization and the Salk Institute for an annual $1,000 conditional grant. 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 Organization is a volunteer board member of the Salk Institute.

(4) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets at December 31, 2017 and 2016 are available for the following purposes:

		2017	2016
Remainder trusts in the custody of others	$	868	1,175
Local programs and other		5,080	4,031
Total	$	5,948	5,206

Permanently restricted net assets at December 31, 2017 and 2016 consist of perpetual trusts held by others of $10,196 and $9,207, respectively, and donor-restricted endowments of $3,610 for 2017 and 2016.

(a) Endowment

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

(b) Interpretation of Relevant Law

The Organization's endowment is subject to the provisions of the New York Prudent Management of Institutional Funds Act (NYPMIFA), which imposes guidelines on the management and investment of endowment funds. The Organization 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.

(Continued)

(Amounts in thousands)

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

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets at January 1, 2017	$	—	638	3,610	4,248
Investment income		—	71	—	71
Net appreciation (realized and unrealized)		—	525	—	525
Appropriation of endowment assets for expenditure		—	(242)	—	(242)
Endowment net assets at December 31, 2017	$	—	992	3,610	4,602

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

(c) Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or relevant law requires the Organization to retain as a fund for perpetual duration. There was no such deficiency in 2017 or 2016.

(d) Return Objectives and Risk Parameters

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

(Amounts in thousands)

(e) Spending Policy

The Organization annually reviews its investment policy and includes considerations that specifically address appropriation from endowment funds in accordance with NYPMIFA. In years where the endowment fund experiences a gain, the Organization's spending policy provides that 5% of the market value of the endowment funds will be appropriated for expenditure. In years where the endowment portfolio suffers a loss, no amounts will be appropriated, unless it is considered reasonable to do so due to accumulated gains. In 2017, there were accumulated gains such that an appropriation was deemed reasonable.

(5) Land, Building and Equipment

Land, building, and equipment as of December 31, 2017 and 2016 consist of the following:

		2017	2016
Land	$	—	918
Building and building and leasehold improvements		5	28,347
Furniture and equipment		25,844	26,236
Total		25,849	55,501
Accumulated depreciation		(23,638)	(48,335)
Land, building and equipment, net	$	2,211	7,166

Assets held for sale as of December 31, 2017 and 2016 consist of the following:

		2017	2016
Land	$	918	—
Building and building improvements		28,350	—
Total		29,268	—
Accumulated depreciation		(25,671)	—
Assets held for sale, net	$	3,597	—

In March 2018, the Organization entered into an agreement to sell their building, which houses the Organization's current headquarters, and the associated property, for a purchase price of not less than $12,000. The sale is contingent on the purchaser obtaining certain permit and site plan approvals from the city of White Plains, NY within a defined time-period not to exceed two years. The assets associated with this sale have been segregated from land, building, and equipment and presented as assets held for sale within the accompanying financial statements. The Organization evaluated the identified assets using the criteria for classification as held for sale included in FASB Accounting Standards Codification (ASC), Topic 360, *Property, Plant, and Equipment,* and were determined to meet the criteria and have been classified as such.

(Amounts in thousands)

(6) Line of Credit

During 2017, the Organization had available an unsecured line of credit that provided for $15,000 of short term financing through September 2017. On September 30, 2017, the credit line was extended through September 28, 2018 in the amount of $5,000. Borrowings against this loan were at LIBOR daily floating rates. In 2017 and 2016, $10,000 and $10,000, respectively, of the lines were used. There was no balance outstanding as of December 31, 2017 and 2016. The interest cost for use of the line amounted to $77 and $96, for 2017 and 2016 respectively. The line is secured by collateral in certain investments held by the Organization.

(7) Allocation of Joint Costs

In 2017 and 2016, the Organization conducted activities, principally direct response, that included fund-raising appeals as well as program components. The joint costs incurred were allocated as follows:

		2017	2016
Public and professional education	$	15,023	17,214
Management and general		4,290	4,877
Fund raising		6,049	6,887
Total	$	25,362	28,978

(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, 2017:

		Amounts
Year ending December 31:		
2018	$	3,740
2019		2,710
2020		1,323
2021		798
2022		498
2023 and thereafter		81

Total rental expense was $5,379 and $6,570 in 2017 and 2016, respectively.

(Amounts in thousands)

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 will commence on January 1, 2019 or thereafter, subject to completion of construction.

(9) Retirement Plans

The Organization has three retirement plans for employees who meet certain eligibility requirements – a noncontributory defined benefit pension plan, a defined contribution plan for which there could be an employer match for employees who elect to participate in the plan, and a noncontributory defined contribution plan. The Organization has not made a defined contribution match in 2017 or 2016. Pension expense relating to the noncontributory defined contribution plan for 2017 and 2016 was $2,700 and $1,800, respectively. The Organization's contributions are made in accordance with the Employee Retirement Income Security Act of 1974. In 2015, an election was made to close the noncontributory defined benefit pension plan to new accruals effective December 31, 2016. This represented a curtailment of the plan for accounting purposes.

In addition to providing pension benefits, the Organization sponsors an unfunded postretirement benefit plan that covers employees who meet certain eligibility requirements. The plan provides healthcare benefits and life insurance benefits. The healthcare plan is contributory with participants' contributions adjusted annually. In accordance with a 2013 plan amendment, certain benefits were eliminated for active and retired employees who did not meet certain eligibility requirements. The impact on expense will be recognized over the next several years. In 2017, an election was made to eliminate all postretirement medical and dental coverage beginning in 2018. This represented a curtailment of the plan for accounting purposes. The existing life insurance plan was unchanged.

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, 2017 and 2016:

	Pension benefits		Other benefits	
	2017	2016	2017	2016
Change in projected benefit obligation:				
Benefit obligation at January 1	$ 215,571	198,162	8,909	8,811
Service cost	—	1,875	47	91
Interest cost	7,695	7,296	183	283
Participant contributions	—	—	178	131
Actuarial loss (gain)	11,926	17,429	(190)	1,353
Amendments	—	—	(6,283)	—
Employer Group Waiver Plans subsidy received	—	—	41	26
Benefit payments	(10,363)	(9,191)	(962)	(1,786)
Benefit obligation at December 31	224,829	215,571	1,923	8,909

(Amounts in thousands)

	Pension benefits		Other benefits	
	2017	2016	2017	2016
Change in fair value of plan assets:				
Fair value of plan assets at January 1	$ 156,001	153,418	—	—
Actual gain on plan assets	20,388	9,574		—
Employer contributions	—	2,200	784	1,655
Participant contributions	—	—	178	131
Benefit payments	(10,363)	(9,191)	(962)	(1,786)
Fair value of plan assets at December 31	166,026	156,001	—	—
Amounts recognized in the balance sheet:				
Accrued benefit liability	$ (58,803)	(59,570)	(1,923)	(8,909)

	Pension benefits		Other benefits	
	2017	2016	2017	2016
Net periodic benefit costs:				
Service cost	$ —	1,875	47	91
Interest cost	7,695	7,296	183	283
Expected return on plan assets	(10,545)	(11,658)	—	—
Amortization of prior service credit	—	—	(2,392)	(3,628)
Amortization of net loss (gain)	2,162	4,933	(408)	(569)
Total net periodic benefit cost (credit)	(688)	2,446	(2,570)	(3,823)
Curtailment (gain) loss	—	—	(7,772)	—
Total	$ (688)	2,446	(10,342)	(3,823)

At December 31, 2017 and 2016, the accumulated benefit obligation on the defined benefit pension plan amounted to $224,829 and $215,571, respectively.

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

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

(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	(4,445)	67,499
Prior service credit		—	(9,956)	(9,956)
Total	$	71,944	(14,401)	57,543

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

		Pension benefits	Other benefits	Total
Net actuarial loss (gain)	$	2,083	(190)	1,893
Recognized actuarial (loss) gain		(2,162)	408	(1,754)
Prior service credit		—	(6,283)	(6,283)
Amortization of prior service credit		—	10,164	10,164
Total of other changes in unrestricted net assets	$	(79)	4,099	4,020

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

(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)	$	2,156	(364)	1,792
Prior service costs		—	(556)	(556)
Total	$	2,156	(920)	1,236

	Pension benefits		Other benefits	
	2017	**2016**	**2017**	**2016**
Weighted average assumptions for benefit obligations:				
Discount rate	3.75 %	4.18 %	3.54 %	3.84 %
Expected return on plan assets	7.00	7.00	N/A	N/A
Rate of compensation increase	N/A	N/A	N/A	N/A
Weighted average assumptions for benefit costs:				
Discount rate	4.18 %	4.38 %	N/A	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
Assumed healthcare cost trend rates:				
Healthcare cost trend rate assumed for next year:				
Pre-65	N/A	N/A	N/A	7.25 %
Post-65	N/A	N/A	N/A	5.25
Ultimate rate:				
Pre-65	N/A	N/A	N/A	4.75 %
Post-65	N/A	N/A	N/A	4.75
Year that the ultimate rate is reached:				
Pre-65	N/A	N/A	N/A	2027
Post-65	N/A	N/A	N/A	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 2017	N/A	N/A	$ 19	34
Effect on postretirement benefit obligation at December 31, 2017	N/A	N/A	N/A	564

(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 2018:			
Employer	$	—	185
Employee		—	—
Estimated future benefit payments reflecting expected future service for the year(s) ending:			
December 31, 2018	$	11,116	185
December 31, 2019		11,262	173
December 31, 2020		11,369	162
December 31, 2021		11,535	153
December 31, 2022		11,712	145
December 31, 2023–December 31, 2027		61,154	625

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

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

	Target asset allocation	Actual allocation at December 31	
	2017	2017	2016
Plan assets:			
Equity securities	31–67%	56 %	51 %
Debt securities	20–30%	25	25
Real estate	3–13%	5	6
Other	10–28%	14	18

(Amounts in thousands)

Based upon historically indexed data, the assumed long-term rates of return for 2017 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 7.00%.

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

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

(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			

As of December 31, 2017, 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	$ 34,151	5–10
Quarterly:		
Alternative – Long/short equity	23,574	60
Alternative – Multi-strategy	1,826	90
Total	$ 59,551	