



MARCH OF DIMES BIRTH DEFECTS FOUNDATION

Financial Statements

December 31, 2005

(With Independent Auditors' Report Thereon)



KPMG LLP
345 Park Avenue
New York, NY 10154

Independent Auditors' Report

The Board of Trustees
March of Dimes Birth Defects Foundation:

We have audited the accompanying balance sheet of the March of Dimes Birth Defects Foundation (the Foundation) as of December 31, 2005, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Foundation's 2004 financial statements and, in our report dated March 11, 2005, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the March of Dimes Birth Defects Foundation as of December 31, 2005, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

KPMG LLP

March 17, 2006

MARCH OF DIMES BIRTH DEFECTS FOUNDATION

Balance Sheet

December 31, 2005, with comparative amounts as of December 31, 2004

(in thousands)

<u>Assets</u>	<u>2005</u>	<u>2004</u>
Cash and cash equivalents (note 6).....	\$ 9,654	\$ 8,758
Contributions and other receivables.....	7,147	6,353
Inventory and other assets (note 9).....	9,019	10,340
Investments (notes 2 and 6).....	102,201	96,069
Assets held in trust by others.....	9,207	9,317
Land, building, and equipment - net (notes 5 and 6).....	10,173	11,039
Total assets.....	\$ 147,401	\$ 141,876
 <u>Liabilities and Net Assets</u>		
Accounts payable and accrued expenses.....	\$ 11,756	\$ 18,327
Grants and awards payable - net (note 3).....	30,448	23,369
Refundable advances and deferred revenue.....	8,450	10,348
Accrued postretirement and pension benefit costs (note 9).....	47,745	52,858
Mortgage note payable (note 6).....	4,790	5,335
Total liabilities.....	103,189	110,237
Commitments and contingencies (notes 8 and 9)		
Net assets:		
Unrestricted.....	29,924	15,087
Temporarily restricted (note 4).....	2,605	4,602
Permanently restricted (note 4).....	11,683	11,950
Total net assets.....	44,212	31,639
Total liabilities and net assets.....	\$ 147,401	\$ 141,876

See accompanying notes to financial statements.

MARCH OF DIMES BIRTH DEFECTS FOUNDATION

Statement of Activities

Year ended December 31, 2005, with summarized totals for the year ended December 31, 2004

(in thousands)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2005 Total</u>	<u>2004 Total</u>
<u>Operating Activity</u>					
Revenue:					
Campaign contributions and sponsorships.....	\$ 213,919	\$ 1,780	\$ -	\$ 215,699	\$ 209,033
Less: direct benefits to donors and sponsors.....	(15,948)	-	-	(15,948)	(15,791)
Net campaign contributions and sponsorships.....	197,971	1,780	-	199,751	193,242
Bequests.....	2,561	263	-	2,824	4,011
Government, foundation and corporate grants.....	9,205	689	-	9,894	10,040
Major gifts and other contributions.....	4,646	414	-	5,060	4,756
Contributed materials and services.....	2,585	-	-	2,585	2,232
Investment return appropriated for operations (note 2).....	2,621	379	-	3,000	3,000
Program service revenue.....	2,027	-	-	2,027	2,107
Other.....	1,776	-	-	1,776	1,878
Net assets released from restrictions.....	5,679	(5,491)	(188)	-	-
Total revenue.....	229,071	(1,966)	(188)	226,917	221,266
Expenses (note 7):					
Program services:					
Research and medical support.....	39,696	-	-	39,696	39,012
Public and professional education.....	78,958	-	-	78,958	77,541
Community services.....	48,105	-	-	48,105	46,844
Total program services.....	166,759	-	-	166,759	163,397
Supporting services:					
Management and general.....	15,482	-	-	15,482	15,874
Fund raising.....	35,996	-	-	35,996	37,510
Total supporting services.....	51,478	-	-	51,478	53,384
Total expenses.....	218,237	-	-	218,237	216,781
Excess (deficiency) of operating revenue over expenses.....	10,834	(1,966)	(188)	8,680	4,485
<u>Non-operating Activity</u>					
Investment return greater than amount appropriated for operations (note 2).....	1,815	-	-	1,815	2,902
Net (decrease) increase in fair value of assets held in trust by others.....	-	(31)	(79)	(110)	217
Excess (deficiency) of total revenue over total expenses.....	12,649	(1,997)	(267)	10,385	7,604
Decrease in minimum pension liability (note 9).....	2,188	-	-	2,188	980
Increase in net assets.....	14,837	(1,997)	(267)	12,573	8,584
Net assets at beginning of year.....	15,087	4,602	11,950	31,639	23,055
Net assets at end of year.....	\$ 29,924	\$ 2,605	\$ 11,683	\$ 44,212	\$ 31,639

See accompanying notes to financial statements.

MARCH OF DIMES BIRTH DEFECTS FOUNDATION
Statement of Functional Expenses
Year ended December 31, 2005, with summarized totals for 2004

(in thousands)

Program Services.....			Supporting Services.....			Total 2005	Total 2004	Direct Benefits to Donors and Sponsors	
	Research and Medical Support	Public and Professional Education	Community Services	Total	Management and General	Fund Raising	Total			2005	2004
Grants and awards.....	\$ 27,333	\$ 4,270	\$ 4,429	\$ 36,032	-	-	-	\$ 36,032	\$ 33,427	-	-
California Birth Defects Monitoring Program (note 10)	6,063	-	-	6,063	-	-	-	6,063	6,270	-	-
Salaries and employee benefits.....	2,835	33,448	30,831	67,114	\$ 9,626	\$ 10,938	\$ 20,564	87,678	91,668	-	-
Professional fees.....	1,654	10,841	2,193	14,688	1,636	6,738	8,374	23,062	22,097	-	-
Printing, supplies, postage and shipping.....	164	19,419	1,579	21,162	402	14,786	15,188	36,350	35,895	\$ 6,389	\$ 6,421
Occupancy and telephone.....	246	4,025	4,306	8,577	1,247	1,322	2,569	11,146	11,330	-	-
Interest.....	37	130	41	208	58	45	103	311	342	-	-
Travel, lodging, conferences and meetings.....	647	4,039	3,352	8,038	958	1,154	2,112	10,150	8,805	-	-
Equipment and maintenance.....	185	996	857	2,038	724	403	1,127	3,165	2,681	-	-
Facilities rental, catering, entertainment, etc.....	-	-	-	-	-	-	-	-	-	9,559	9,370
Other.....	205	659	167	1,031	320	227	547	1,578	1,846	-	-
Depreciation of building and equipment.....	327	1,131	350	1,808	511	383	894	2,702	2,420	-	-
Total expenses.....	\$ 39,696	\$ 78,958	\$ 48,105	\$ 166,759	\$ 15,482	\$ 35,996	\$ 51,478	\$ 218,237	\$ 216,781	\$ 15,948	\$ 15,791

See accompanying notes to financial statements.

MARCH OF DIMES BIRTH DEFECTS FOUNDATION

Statement of Cash Flows

Year ended December 31, 2005, with comparative amounts for the year ended December 31, 2004

(in thousands)

	<u>2005</u>	<u>2004</u>
Cash flows from operating activities:		
Increase in net assets.....	\$ 12,573	\$ 8,584
Adjustments to reconcile increase in net assets		
to net cash provided by operating activities:		
Depreciation.....	2,702	2,420
Net appreciation in fair value of investments.....	(1,467)	(2,691)
Net decrease (increase) in fair value of assets held in trust by others.....	110	(217)
(Increase) decrease in contributions and other receivables.....	(794)	1,119
Decrease in inventory and other assets.....	1,321	1,355
Increase in assets held in trust by others.....	-	(407)
(Decrease) increase in accounts payable and accrued expenses.....	(6,571)	5,251
Increase in grants and awards payable.....	7,079	704
(Decrease) increase in refundable advances and deferred revenue.....	(1,898)	2,032
Decrease in accrued postretirement and pension benefit costs.....	<u>(5,113)</u>	<u>(3,734)</u>
Net cash provided by operating activities.....	<u>7,942</u>	<u>14,416</u>
Cash flows from investing activities:		
Purchase of fixed assets.....	(1,836)	(1,779)
Purchase of investments.....	(159,327)	(118,169)
Proceeds from sale of investments.....	<u>154,662</u>	<u>103,892</u>
Net cash used in investing activities.....	<u>(6,501)</u>	<u>(16,056)</u>
Cash flows from financing activities:		
Payments on mortgage note.....	<u>(545)</u>	<u>(520)</u>
Net cash used in financing activities.....	<u>(545)</u>	<u>(520)</u>
Net increase (decrease) in cash and cash equivalents.....	896	(2,160)
Cash and cash equivalents at beginning of year.....	<u>8,758</u>	<u>10,918</u>
Cash and cash equivalents at end of year.....	<u>\$ 9,654</u>	<u>\$ 8,758</u>
Supplemental disclosures: Interest paid.....	<u>\$ 311</u>	<u>\$ 342</u>

See accompanying notes to financial statements.

MARCH OF DIMES BIRTH DEFECTS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2005, with comparative amounts as of and for the year ended December 31, 2004

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements include the accounts of the Foundation's National Office and its 53 Chapters. The California Birth Defects Monitoring Program (CBDMP) is a separate and distinct program unit of the Foundation's National Office engaged in research funded principally under a contract from the State of California. All significant intra-Foundation accounts and transactions have been eliminated.

Accounting estimates are an integral part of the financial statements prepared by management and are based upon management's current judgments. Actual results may differ from those estimates.

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 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 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 in excess of or less than the amount approved by the Board of Trustees for spending (see note 2) and the change in fair value of assets held in trust by others.

MARCH OF DIMES BIRTH DEFECTS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2005, with comparative amounts as of and for the year ended December 31, 2004

1. cont'd

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

Inventory is valued at the lower of cost or market.

Investments are stated at fair value based upon quoted market prices except for the fair values of institutional mutual funds and limited partnerships, which are provided by the fund managers and general partners, respectively, based upon the underlying net assets of the funds. These values are reviewed and evaluated by management. Investments in limited partnerships 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 is named as beneficiary of several perpetual trusts and charitable remainder trusts which are administered by third parties. The perpetual trusts are reported in the permanently restricted net asset class and the reported value is measured by the fair value of the trust assets as provided by trustees. Distributions from these trusts are unrestricted and are reported as investment return. Those trusts in which the Foundation has a remainder interest are reported in the temporarily restricted net asset class at the present value of the estimated future benefit to be received when the trust assets are distributed.

Land is reported at cost. Building 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, ranging from three to twenty-five years.

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.

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 i.e., when the bequest has been through probate. 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 WalkAmerica 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.

MARCH OF DIMES BIRTH DEFECTS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2005, with comparative amounts as of and for the year ended December 31, 2004

1. cont'd

In 2005 and 2004, the Foundation recognized \$2,274,000 and \$2,232,000, respectively, of contributed services revenue (related expenses are included in professional fees) provided by doctors, nurses and other health care professionals who serve on its Research and Program Service Committees. Many 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.

In-kind contributed materials are reflected as contributions at their estimated fair value. In 2005, the Foundation recognized \$311,000 as in-kind contributed materials. Of these non-monetary contributions in the accompanying statement of activities, \$129,000 is recorded as program services expense, \$15,000 as management and general expense, and \$167,000 as fund-raising expenses.

The estimated fair value amounts for specific groups of financial instruments are presented within the footnotes applicable to such items. The fair value of financial instruments for which estimated fair value amounts have not been specifically presented is estimated to approximate the related book value.

2. INVESTMENTS

Investments at December 31, 2005 and 2004 consist of (in thousands):

	<u>2005</u>	<u>2004</u>
Short term securities	\$16,585	\$ 10,516
Fixed income securities.....	39,712	45,576
Publicly traded mutual funds	10,528	11,755
Institutional mutual funds.....	9,171	-
Limited partnerships.....	2,719	-
Common stock (including due from broker of \$1,578 in 2005).....	<u>23,486</u>	<u>28,222</u>
Total investments	<u>\$102,201</u>	<u>\$96,069</u>

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

	<u>2005</u>	<u>2004</u>
Interest and dividends.....	\$3,348	\$3,211
Net appreciation in fair value of investments.....	<u>1,467</u>	<u>2,691</u>
Total investment return.....	4,815	5,902
Amount appropriated for operations.....	<u>(3,000)</u>	<u>(3,000)</u>
Investment return greater than amount appropriated for operations.....	<u>\$1,815</u>	<u>\$2,902</u>

MARCH OF DIMES BIRTH DEFECTS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2005, with comparative amounts as of and for the year ended December 31, 2004

3. GRANTS AND AWARDS PAYABLE

Grants and awards payable at December 31, 2005 are scheduled to be paid as follows:

<u>Year ending December 31</u>	<u>Amounts (in thousands)</u>
2006.....	\$ 21,560
2007.....	8,625
2008.....	<u>805</u>
Less: discount to present value (at 5.75%)..	<u>(542)</u>
Grants and awards payable, net.....	<u>\$ 30,448</u>

The Foundation has recorded grant expense of \$1,000,000 in both 2005 and 2004 for grants to the Salk Institute for Biological Studies. The President of the Foundation is a volunteer board member of the Salk Institute.

4. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2005 and 2004 were available for the following purposes (in thousands):

	<u>2005</u>	<u>2004</u>
Remainder trusts in the custody of others.....	\$1,094	\$1,125
Biomedical research.....	-	116
Chapter programs and other.....	<u>1,511</u>	<u>3,361</u>
Total.....	<u>\$2,605</u>	<u>\$4,602</u>

Permanently restricted net assets at December 31, 2005 and 2004 consist of perpetual trusts held by others of \$8,113,000 and \$8,192,000, respectively, and Foundation endowments, the principal of which must be invested in perpetuity with income expendable to support donor specified purposes, principally research.

MARCH OF DIMES BIRTH DEFECTS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2005, with comparative amounts as of and for the year ended December 31, 2004

5. LAND, BUILDING, AND EQUIPMENT

Land, building, and equipment as of December 31, 2005 and 2004 consist of (in thousands):

	<u>2005</u>	<u>2004</u>
Land.....	\$ 918	\$ 918
Building and building and leasehold improvements.....	24,622	24,536
Furniture and other equipment.....	<u>15,033</u>	<u>13,283</u>
Total.....	40,573	38,737
Less: accumulated depreciation.....	<u>(30,400)</u>	<u>(27,698)</u>
Land, building, and equipment, net.....	<u>\$10,173</u>	<u>\$11,039</u>

6. MORTGAGE NOTE PAYABLE

During 1993, the Foundation issued \$9,950,000 Dormitory Authority of the State of New York/March of Dimes Birth Defects Foundation Insured Revenue Bonds, Series 1993 to retire the Series 1987 bonds which financed the National Office construction project.

The interest rate on the Series 1993 Bonds for the remaining maturities through July 1, 2012 is 5.6 percent. Annual principal payments and sinking fund requirements for the next five years are: 2006 - \$575,000; 2007 - \$610,000; 2008 - \$645,000, 2009 - \$680,000, and 2010 - \$720,000.

The Foundation pledged its future revenue and existing properties to the Dormitory Authority to secure payment of all liabilities and performance of all obligations and agreed that a minimum of 95 percent of the National Office property shall be occupied by or used primarily for activities related to the purposes of the Foundation. The Series 1993 Bonds contain certain financial covenants to be maintained by the Foundation.

Debt service reserve funds held by the bond trustee are included in cash (\$3,000 and \$151,000 at December 31, 2005 and 2004, respectively) and investments (\$1,089,000 and \$920,000 at December 31, 2005 and 2004, respectively).

MARCH OF DIMES BIRTH DEFECTS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2005, with comparative amounts as of and for the year ended December 31, 2004

7. ALLOCATION OF JOINT COSTS

In 2005 and 2004, 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 (in thousands):

	<u>2005</u>	<u>2004</u>
Public and professional education.....	\$21,116	\$19,140
Fund raising.....	<u>16,771</u>	<u>17,570</u>
Total.....	<u>\$37,887</u>	<u>\$36,710</u>

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, 2005:

<u>Year ending December 31</u>	<u>Amounts</u> <u>(in thousands)</u>
2006.....	\$6,396
2007.....	4,868
2008.....	3,636
2009.....	2,780
2010	1,743
2011 and thereafter.....	1,862

Total rental expense was \$7,316,000 and \$7,270,000 in 2005 and 2004, respectively.

9. RETIREMENT PLANS

The Foundation has three retirement plans - a noncontributory defined benefit pension plan covering all employees who meet certain eligibility requirements, a defined contribution match for employees who elect to participate in the 403(b) Tax Deferred Annuity Plan, and effective January 1, 2006, a noncontributory defined contribution plan. Pension expense relating to the 403(b) Tax Deferred Annuity Plan for 2005 and 2004 was \$616,000 and \$513,000, respectively. The defined benefit plan was amended effective December 31, 2005 to close the plan to new participants. Employees hired on or prior to December 31, 2005 will retain and continue to accrue benefits under the defined benefit plan. Employees hired on or after January 1, 2006 will participate in the noncontributory defined contribution plan at a percentage of salary based on years of service. The Foundation's contributions are made in accordance with the Employee Retirement Income Security Act of 1974.

MARCH OF DIMES BIRTH DEFECTS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2005, with comparative amounts as of and for the year ended December 31, 2004

9. cont'd

In addition to providing pension benefits, the Foundation sponsors two unfunded postretirement benefit plans that cover all employees who meet certain eligibility requirements. One plan provides health care benefits and the other provides life insurance benefits. The health care plan is contributory with participants' contributions adjusted annually. Effective January 1, 2004, retiree benefits other than access to the plan were discontinued for new hires. Effective January 1, 2006 prescription copays were changed from a flat amount to a percentage of the benefit. The life insurance plan is noncontributory.

The following tables provide information with respect to the plans as of and for the years ended December 31, 2005 and 2004 (in thousands).

	Pension Benefits		Other Benefits	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
<i>Change in projected benefit obligation</i>				
Benefit obligation at January 1.....	\$110,848	\$102,062	\$35,007	\$35,057
Service cost.....	2,324	2,194	904	916
Interest cost.....	6,491	6,301	2,038	1,866
Participant contributions.....	-	-	206	176
Plan amendments.....	-	-	(5,050)	-
Actuarial loss.....	3,539	4,215	982	4,542
Impact of Medicare Rx.....	-	-	-	(5,544)
Benefit payments.....	<u>(4,230)</u>	<u>(3,924)</u>	<u>(2,098)</u>	<u>(2,006)</u>
Benefit obligation at December 31....	<u>\$118,972</u>	<u>\$110,848</u>	<u>\$31,989</u>	<u>\$35,007</u>
 <i>Change in fair value of plan assets</i>				
Fair value of plan assets at January 1..	\$80,189	\$66,878	\$ -	\$ -
Actual return on plan assets.....	8,450	7,475	-	-
Employer contributions.....	8,464	9,760	1,892	1,830
Participant contributions.....	-	-	206	176
Benefit payments.....	<u>(4,230)</u>	<u>(3,924)</u>	<u>(2,098)</u>	<u>(2,006)</u>
Fair value of plan assets at December 31.....	<u>\$92,873</u>	<u>\$80,189</u>	<u>\$ -</u>	<u>\$ -</u>

MARCH OF DIMES BIRTH DEFECTS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2005, with comparative amounts as of and for the year ended December 31, 2004

9. cont'd

	Pension Benefits		Other Benefits	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
<i>Amounts recognized in the balance sheets</i>				
Funded status at December 31.....	\$(26,099)	\$(30,659)	\$(31,989)	\$(35,007)
Unrecognized prior service cost.....	2,839	3,706	(4,966)	-
Unrecognized loss.....	<u>32,285</u>	<u>32,925</u>	<u>4,838</u>	<u>3,885</u>
Prepaid (accrued) benefit cost before minimum pension liability adjustments.....	9,025	5,972	(32,117)	(31,122)
Intangible asset.....	(2,839)	(3,706)	-	-
Accumulated minimum pension liability charge to net assets.....	<u>(21,814)</u>	<u>(24,002)</u>	<u>-</u>	<u>-</u>
Accrued benefit liability.....	<u>\$(15,628)</u>	<u>\$(21,736)</u>	<u>\$(32,117)</u>	<u>\$(31,122)</u>

The accumulated benefit obligation (ABO) at December 31, 2005 and 2004 was \$108,501 and \$101,925, respectively, which exceeded plan assets by \$15,628 and \$21,736, respectively. The underfunded ABO is the minimum liability required to be recognized in the balance sheet. In addition, the Foundation has recorded an intangible asset (included in inventory and other assets in the balance sheet) equal to unrecognized prior service cost.

	Pension Benefits		Other Benefits	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Service cost.....	\$2,324	\$2,194	\$ 904	\$ 916
Interest cost.....	6,491	6,301	2,038	1,866
Expected return on plan assets.....	(7,007)	(5,918)	-	-
Amortization of prior service cost.....	867	956	(84)	-
Amortization of net loss.....	<u>2,736</u>	<u>3,477</u>	<u>29</u>	<u>-</u>
Total net periodic benefit cost.....	<u>\$5,411</u>	<u>\$7,010</u>	<u>\$2,887</u>	<u>\$2,782</u>

Weighted average assumptions at end of year

Discount rate.....	5.75%	6.00%	5.75%	6.00%
Rate of compensation increase.....	3.50%	3.50%	N/A	N/A

*Weighted average assumptions at beginning
of year*

Discount rate.....	6.00%	6.25%	6.00%	6.25%
Expected return on plan assets.....	8.50%	8.50%	N/A	N/A
Rate of compensation increase.....	3.50%	3.50%	N/A	N/A

MARCH OF DIMES BIRTH DEFECTS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2005, with comparative amounts as of and for the year ended December 31, 2004

9. cont'd

	Pension Benefits		Other Benefits	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
<i>Assumed health care cost trend rates</i>				
Health care cost trend rate assumed for next year.....	N/A	N/A	9.50%	10.00%
Ultimate rate.....	N/A	N/A	5.00%	5.00%
Year that the ultimate rate is reached.....	N/A	N/A	2015	2015
Impact of one-percentage-point change in assumed health care cost trend rates	<u>Increase</u>		<u>Other Benefits</u>	
		<u>Decrease</u>	<u>Increase</u>	<u>Decrease</u>
Effect on service cost and interest cost for 2005.....	N/A	N/A	\$ 455	\$ (373)
Effect on postretirement benefit obligation at December 31, 2005.....	N/A	N/A	3,692	(3,046)

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

	Target Asset Allocation	Actual Allocation at December 31	
	<u>2006</u>	<u>2005</u>	<u>2004</u>
Plan assets			
Equity securities.....	45 – 75%	60%	60%
Debt securities.....	15 – 25%	18%	21%
Real estate.....	2.5 – 7.5%	5%	5%
Other.....	7 – 23%	17%	14%

Based upon historically indexed data, the assumed long term rates of return for 2006 are: equity securities - 10%; debt securities - 5.0%; real estate - 8.5%; other assets including Absolute Return Fund and Commodity Index – 10.0% which produces an expected composite rate of return of 8.5%.

The Foundation has a Pension Investments Committee comprised of staff, volunteers, and external consultants who meet on a quarterly basis to review asset performance and allocation. The committee has an adopted 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.

MARCH OF DIMES BIRTH DEFECTS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2005, with comparative amounts as of and for the year ended December 31, 2004

9. cont'd

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

	<u>Pension Benefits</u>	<u>Other Benefits reflecting Medicare Rx subsidy</u>	<u>Medicare Rx subsidy</u>	<u>Other Benefits not reflecting Medicare Rx subsidy</u>
Expected contributions for 2006:				
Employer.....	\$ 3,000	\$ 1,403	\$ 212	\$ 1,615
Employee.....	-	180	-	180
Estimated future benefit payments reflecting expected future service for the year(s) ending:				
December 31, 2006.....	\$ 4,720	\$ 1,583	\$ 212	\$ 1,795
December 31, 2007.....	5,030	1,682	229	1,911
December 31, 2008.....	5,397	1,793	247	2,040
December 31, 2009.....	5,760	1,876	272	2,148
December 31, 2010.....	6,124	1,980	295	2,275
December 31, 2011 – December 31, 2015.....	36,146	11,040	1,933	12,973

Expected employer pension contributions were developed reflecting Congressional funding relief that has been granted for 2005 and 2006.

10. CALIFORNIA BIRTH DEFECTS MONITORING PROGRAM

Because of the separate and distinct nature of the program conducted by CBDMP, its expenses are aggregated in the statements of functional expenses. The following table presents CBDMP's expenses by natural classification.

	<u>2005</u>	<u>2004</u>
Salaries and employee benefits.....	\$3,317	\$3,289
Professional fees.....	1,478	1,721
Occupancy and telephone.....	443	411
Travel, lodging, conferences, and meetings	253	230
Printing, supplies, and all other.....	<u>572</u>	<u>619</u>
Total.....	<u>\$6,063</u>	<u>\$6,270</u>

MARCH OF DIMES BIRTH DEFECTS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2005, with comparative amounts as of and for the year ended December 31, 2004

11. TAX STATUS

The March of Dimes Birth Defects Foundation (including its National Office and Chapters) is a not-for-profit voluntary health agency, exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code (the Code), and contributions to it are tax deductible as prescribed by the Code.

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 Code.

12. COMPARATIVE INFORMATION

The financial statements include certain 2004 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, 2004 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 2004 financial statements from which the summarized information was derived.