

THE CHARLES A. AND ANNE MORROW
LINDBERGH FOUNDATION
(A Non-Profit Corporation)

FINANCIAL STATEMENTS

Year Ended December 31, 2010 with
Comparative Totals for 2009

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ACCOUNTANT'S REVIEW REPORT

Board of Directors
The Charles A. and Anne Morrow Lindbergh Foundation
Anoka, Minnesota

We have reviewed the statement of financial position of The Charles A. and Anne Morrow Lindbergh Foundation as of December 31, 2010, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion. The prior year summarized comparative information has been derived from the Organization's 2009 financial statements, which we previously reviewed and in our report dated September 7, 2010, stated that we were not aware of any material modifications that should be made to those statements in order for them to be in conformity with accounting principles generally accepted in the United States.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States.

As discussed in note 13 to the financial statements, the Foundation has experienced difficulty in obtaining sufficient revenues to fund operations which raises substantial doubt about its ability to continue as a going concern. Management's plans regarding these matters also are described in note 13. The financial statements do not include any adjustments that might be necessary should the Foundation be unable to continue as a going concern.

Mayer Hoffman McCann P.C.

Minneapolis, Minnesota

October 3, 2011

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THE CHARLES A. AND ANNE MORROW LINDBERGH FOUNDATION
STATEMENTS OF FINANCIAL POSITION
December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 11,035	\$ 18,187
Marketable securities	30,290	
Promises to give receivable	10,580	
Accounts receivable	9,744	8,062
Prepaid expenses and other assets	<u>2,451</u>	<u>2,725</u>
TOTAL CURRENT ASSETS	<u>64,100</u>	<u>28,974</u>
 FURNITURE AND EQUIPMENT		
Furniture and equipment	101,249	101,249
Less accumulated depreciation	<u>(56,611)</u>	<u>(42,719)</u>
NET FURNITURE AND EQUIPMENT	<u>44,638</u>	<u>58,530</u>
 OTHER ASSETS		
Endowment investments	<u>622,649</u>	<u>854,380</u>
 TOTAL ASSETS	 \$ <u>731,387</u>	 \$ <u>941,884</u>
<u>LIABILITIES</u>		
CURRENT LIABILITIES		
Grants payable	\$ 15,500	\$ 17,000
Accounts payable	34,121	15,545
Accrued expenses	<u>1,126</u>	<u>6,387</u>
TOTAL CURRENT LIABILITIES	<u>50,747</u>	<u>38,932</u>
<u>NET ASSETS</u>		
UNRESTRICTED NET ASSETS (DEFICIT)	(876,552)	(658,327)
TEMPORARILY RESTRICTED NET ASSETS	49,171	53,258
PERMANENTLY RESTRICTED NET ASSETS	<u>1,508,021</u>	<u>1,508,021</u>
TOTAL NET ASSETS	<u>680,640</u>	<u>902,952</u>
 TOTAL LIABILITIES AND NET ASSETS	 \$ <u>731,387</u>	 \$ <u>941,884</u>

See Accompanying Notes to Financial Statements
See Accountant's Review Report.

THE CHARLES A. AND ANNE MORROW LINDBERGH FOUNDATION
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended December 31, 2010 with Comparative Totals for 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2010	2009
<u>PUBLIC SUPPORT AND REVENUE</u>					
PUBLIC SUPPORT					
Contributions and grants	\$ 75,770	\$ 36,754		\$ 112,524	\$ 286,111
Donated services and supplies	1,259			1,259	60,321
Special event revenue	25,874			25,874	
Less special event expenses	<u>(34,982)</u>			<u>(34,982)</u>	
TOTAL PUBLIC SUPPORT	<u>67,921</u>	<u>36,754</u>		<u>104,675</u>	<u>346,432</u>
REVENUE					
Investment income (loss)	442	720		1,162	14,200
Award event revenues	74,470			74,470	40,970
Less costs of direct benefits	(11,848)			(11,848)	(9,051)
Other revenue	<u>223</u>			<u>223</u>	<u>46</u>
TOTAL REVENUE	<u>63,287</u>	<u>720</u>		<u>64,007</u>	<u>46,165</u>
NET ASSETS RELEASED FROM RESTRICTIONS					
Satisfaction of purpose restrictions	<u>41,561</u>	<u>(41,561)</u>			
TOTAL PUBLIC SUPPORT AND REVENUE	<u>172,769</u>	<u>(4,087)</u>		<u>168,682</u>	<u>392,597</u>
<u>EXPENSES</u>					
PROGRAM SERVICES					
Grants programs	111,476			111,476	83,720
Award event program	80,677			80,677	25,666
Educational:					
Kenya Wildlife Service	6,577			6,577	217,572
Other	<u>40,451</u>			<u>40,451</u>	<u>108,716</u>
TOTAL PROGRAM SERVICES	<u>239,181</u>			<u>239,181</u>	<u>435,674</u>
SUPPORTING ACTIVITIES					
Management and general	74,487			74,487	181,217
Fund raising	<u>77,326</u>			<u>77,326</u>	<u>53,346</u>
TOTAL SUPPORTING ACTIVITIES	<u>151,813</u>			<u>151,813</u>	<u>234,563</u>
TOTAL EXPENSES	<u>390,994</u>			<u>390,994</u>	<u>670,237</u>
INCREASE (DECREASE) IN NET ASSETS	(218,225)	(4,087)		(222,312)	(277,640)
NET ASSETS (DEFICIT), BEGINNING OF YEAR	<u>(658,327)</u>	<u>53,258</u>	<u>\$ 1,508,021</u>	<u>902,952</u>	<u>1,180,592</u>
NET ASSETS (DEFICIT), END OF YEAR	<u>\$ (876,552)</u>	<u>\$ 49,171</u>	<u>\$ 1,508,021</u>	<u>\$ 680,640</u>	<u>\$ 902,952</u>

See Accompanying Notes to Financial Statements
See Accountant's Review Report.

THE CHARLES A. AND ANNE MORROW LINDBERGH FOUNDATION
STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2010 with Comparative Totals for 2009

	Supporting Activities			2010	2009
	Program services	Management and general	Fund raising		
Salaries	\$ 44,822	\$ 31,103	\$ 10,151	\$ 86,076	\$ 118,792
Payroll taxes	3,632	2,513	784	6,929	9,169
Employee benefits	<u>4,849</u>	<u>3,365</u>	<u>1,099</u>	<u>9,313</u>	<u>20,520</u>
Total salaries and related expenses	53,303	36,981	12,034	102,318	148,481
Lindbergh grants	80,467			80,467	83,720
Contract services-development	24,700	6,175	30,875	61,750	
Award program	24,488	940	16,024	41,452	28,398
Office rental	9,221	6,398	2,088	17,707	17,796
Development expenses	5,339	1,305	6,213	12,857	
Special projects - other	11,580			11,580	1,000
Professional fees		9,860		9,860	93,938
Kenya Wildlife Services	6,577			6,577	217,572
Newsletter	4,577		1,526	6,103	6,242
Insurance	3,014	1,738		4,752	6,043
Travel and board meeting expense	2,576	1,083	642	4,301	16,269
Communication	1,308	939	297	2,544	2,961
Contract services	413	1,486	5,635	7,534	3,112
Photography and publicity	1,873			1,873	1,115
Printing	622	178	352	1,152	2,813
Postage and freight	942	150		1,092	1,906
Office expense	630	163	2	795	705
Investment management fees		731		731	2,733
Seminars and subscriptions	317	195		512	759
Bank card fees		504		504	556
Equipment rental and maintenance		494		494	464
Bad debt expense		<u>147</u>		<u>147</u>	<u>25,000</u>
Total expenses before depreciation	231,947	69,467	75,688	377,102	661,582
Depreciation	<u>7,234</u>	<u>5,020</u>	<u>1,638</u>	<u>13,892</u>	<u>8,655</u>
Total expenses	<u>\$ 239,181</u>	<u>\$ 74,487</u>	<u>\$ 77,326</u>	<u>\$ 390,994</u>	<u>\$ 670,237</u>

See Accompanying Notes to Financial Statements
See Accountant's Review Report.

THE CHARLES A. AND ANNE MORROW LINDBERGH FOUNDATION
STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2010 and 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in net assets	\$ (222,312)	\$ (277,640)
Adjustments to reconcile decrease in net assets to net cash flows from operating activities:		
Depreciation expense	13,892	8,655
Marketable securities donations	(15,304)	
Realized (gain) loss on sale of investments and assets		(66)
Unrealized (gain) loss on investments	(8)	
Changes in assets and liabilities:		
(Increase) decrease in promises to give receivable	(10,580)	25,000
Decrease in investment income receivable		7,438
Increase in accounts receivable	(1,682)	(340)
Decrease in prepaid expenses and other assets	274	352
Decrease in grants payable	(1,500)	(14,580)
Increase in accounts payable	18,576	10,574
Decrease in accrued expenses	(5,261)	(5,496)
 NET CASH FLOWS FROM OPERATING ACTIVITIES	 (223,905)	 (246,103)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(928,713)	(1,229,272)
Proceeds from sale of investments	1,145,466	1,144,947
Collections of amounts due from officer		368,234
Purchase of furniture and equipment		(30,962)
 NET CASH FLOWS FROM INVESTING ACTIVITIES	 216,753	 252,947
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 (7,152)	 6,844
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	 18,187	 11,343
 CASH AND CASH EQUIVALENTS, END OF YEAR	 \$ 11,035	 \$ 18,187

See Accompanying Notes to Financial Statements
See Accountant's Review Report.

THE CHARLES A. AND ANNE MORROW LINDBERGH FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

1. Summary of significant accounting policies

Organization

The Charles A. and Anne Morrow Lindbergh Foundation (the Foundation), headquartered in Anoka, Minnesota and incorporated in 1976 in the State of New York, was established for the purpose of furthering a balance between technological advancement and environmental preservation. The Foundation supports technological solutions to improve the environment for a sustainable future. The Foundation's support comes from contributions.

Description of programs

The Foundation pursues its mission through three major programs:

Lindbergh Grants - These are given to researchers whose proposed projects will make important contributions to the technology/environment balance.

The Annual Honorary Lindbergh Award - Since 1978 the Lindbergh Award has been presented to individuals who have made significant contributions toward balance in their life and work. In 2006, the program was expanded to recognize corporations/organizations whose dedication and concern for the environment is demonstrated in their business practices.

Education - A variety of educational programs are conducted including a newsletter, comprehensive web site, and other educational forums and symposia centered on the balance theme. In 2009, the Foundation embarked upon a special project to help provide support for pilot training programs and equipment for the Kenya Wildlife Service, which strives to protect elephants, rhinos and other wildlife in Kenya's National parks against poaching and other threats.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income tax status

The Foundation is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state income tax laws. The Foundation is a nonprivate foundation and contributions to the Foundation qualify as a charitable tax deduction by the contributor.

The Foundation reviews and assesses its tax positions taken or expected to be taken in tax returns. Based on this assessment the Foundation determines whether it is more likely than not that the position would be sustained upon examination by tax authorities. The Foundation's assessment has not identified any significant positions that it believes would not be sustained under examination.

Basis of accounting

The Foundation uses the accrual basis of accounting whereby revenue and support are recognized when earned and expenses are recognized when incurred.

THE CHARLES A. AND ANNE MORROW LINDBERGH FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

1. Summary of significant accounting policies (continued)

Financial statement presentation

The Foundation presents its financial statements in accordance with Financial Accounting Standards Board (FASB) ASC 958-205, *Presentation of Financial Statements*. Under FASB ASC 958-205, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets:

- Unrestricted - resources over which the Board of Directors has discretionary control. Designated amounts represent net assets the Board has set aside for a particular purpose.
- Temporarily restricted with respect to time or purpose - resources subject to a donor-imposed restriction which will be satisfied by actions of the Foundation or the passage of time.
- Permanently restricted - resources subject to a donor-imposed restriction that they be maintained permanently.

Revenue recognition

The Foundation presents its financial statements using Financial Accounting Standards Board (FASB) ASC 958-605, *Revenue Recognition*. As such, contributions are recognized as revenue when they are received or unconditionally pledged. All contributions are available for unrestricted use unless specifically restricted by the donor.

Support that is temporarily restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. Investment income that is limited to specific uses by donor restrictions is reported as increases in unrestricted net assets if the restrictions are met in the same reporting period as the income is recognized. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Cash and cash equivalents

The Foundation considers all highly liquid temporary investments with original maturities of three months or less to be cash equivalents. Money market funds and certificates of deposit, held as a portion of the Foundation's endowment portfolio, are classified as investments and are not considered to be cash equivalents for purposes of the statement of cash flows. The Foundation maintains its cash and cash equivalents with high credit quality financial institutions. From time to time, the Foundation's balances in its bank accounts exceed Federal Deposit Insurance Corporation limits. The Foundation periodically evaluates the risk of exceeding insurance levels and may transfer funds as it deems appropriate. The Foundation has not experienced any losses with regards to balances in excess of insured limits or as a result of other concentrations of credit risk.

THE CHARLES A. AND ANNE MORROW LINDBERGH FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

1. Summary of significant accounting policies (continued)

Promises to give receivable

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Promises to give receivable represent amounts committed by donors that have not been received by the Foundation. The Foundation uses the allowance method to determine uncollectible promises to give (receivable).

Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using interest rates applicable to the years in which the promises are to be received. Conditional promises to give are not included as support until such time as the conditions are substantially met.

Allowance for doubtful accounts

No allowance for doubtful accounts on promises to give and other receivables has been provided for at December 31, 2010 and 2009, since management of the Foundation expects all receivables to be collected.

Investments

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See note 2 for discussion of fair value measurements.

Investment earnings available for distribution are recorded in unrestricted net assets on the statement of financial position. All donor-restricted investment earnings are reported as an increase or decrease in temporarily or permanently restricted net assets, depending on the nature of the restrictions. Unrealized losses on the Foundation's grant endowment investments reduce temporarily restricted net assets to the extent that restrictions on previously recorded appreciation have not been met before the loss occurs. Remaining losses and those pertaining to the Foundation's regular endowment reduce unrestricted net assets.

Purchases and sales of investment are reflected on a trade-date basis. Realized gains or losses on sales of investments are based on the cost of specifically identified investments. Changes in unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend dates.

The Foundation receives contributions of equity securities from donors on occasion. It is the policy of the Foundation to sell these equity securities as soon as is reasonably possible.

Furniture, equipment and depreciation

Furniture and equipment are recorded at cost, or in the case of contributed property at the fair market value at the date of contribution. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of furniture and equipment are recorded as unrestricted support.

THE CHARLES A. AND ANNE MORROW LINDBERGH FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

1. Summary of significant accounting policies (continued)

Furniture, equipment and depreciation (continued)

Expenditures for renewals and improvements are capitalized while the cost of maintenance and repairs is charged to expense as incurred. When assets are retired, or otherwise disposed of, the cost and related accumulated depreciation is removed from the accounts and any resulting gain or loss is reflected in income for the period.

Depreciation is computed using the straight-line method over estimated useful lives of three to five years. For the years ended December 31, 2010 and 2009, depreciation expense was \$13,892 and \$8,655, respectively.

A bronze portrait and pedestal not used in operations with a carrying amount of \$27,724 is included in furniture and equipment on the statement of financial position for the years ended December 31, 2010 and 2009, respectively.

Donated services and materials

The Foundation receives significant amounts of donated services from a substantial number of unpaid volunteers who assist in the program services of the Foundation. All amounts have not been recognized in the accompanying statement of activities because the criteria for recognition of such volunteer effort under Financial Accounting Standards Board (FASB) ASC 958-605, *Revenue Recognition* have not been satisfied. Donated services, which enhance nonfinancial assets, materials and equipment are reflected as contributions in the accompanying statements at their estimated values at date of receipt.

Functional allocation of expenses

The costs of providing programs and services have been summarized on a functional basis. Accordingly, certain costs have been allocated between program and the supporting services benefited.

Fair value measurement definition and hierarchy

ASC Topic 820 establishes a three-level valuation hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Foundation. Unobservable inputs are inputs that reflect the Foundation's assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available in the circumstances. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

The hierarchy is broken down into three levels based on the observability of inputs as follows:

Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2 - Valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

THE CHARLES A. AND ANNE MORROW LINDBERGH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

1. Summary of significant accounting policies (continued)

Fair value measurement definition and hierarchy (continued)

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of observable inputs can vary by types of assets and liabilities and is affected by a wide variety of factors, including, for example, whether the asset or liability is established in the marketplace, the liquidity of markets and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less than observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Foundation in determining fair value is greatest for assets and liabilities categorized in Level 3.

Summarized information

The financial statements include certain prior year summarized comparative information in total but neither by net asset class nor by functionalized expenses. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2009, from which the summarized information was derived.

Subsequent events policy

Subsequent events have been evaluated through October 3, 2011 which is the date the financial statements were available to be issued.

2. Endowment investments

Investments at December 31 are comprised of the following:

	2010	2009
Cash and money markets	\$ 236,814	\$
Certificates of deposit	385,835	
U.S. government bonds and securities		854,380
	\$ 622,649	\$ 854,380

Investment income is summarized as follows:

	2010	2009
Interest, dividend, and capital gain allocations income	\$ 1,154	\$ 14,134
Realized gains (losses)		66
Unrealized gains (losses)	8	
Total	\$ 1,162	\$ 14,200

THE CHARLES A. AND ANNE MORROW LINDBERGH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

3. Fair value measurements

Fair values of assets measured on a recurring basis at December 31, 2010 and 2009 are as follows:

	Fair value measurements at reporting date using			
	Fair value	Quoted prices in active markets for identical assets/ liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<u>2010:</u>				
Cash and money markets	\$ 236,814	\$ 236,814	\$	\$
Marketable securities	30,290	30,290		
Certificates of deposit	385,835		385,835	
Total assets measured at fair value	\$ 652,939	\$ 267,104	\$ 385,835	\$ 0
<u>2009:</u>				
U.S. government bonds and securities	\$	\$ 845,381	\$	\$
Total assets measured at fair value	\$	\$ 845,381	\$ 0	\$ 0

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2010.

Money market: Valued at the closing price reported on the active market on which the securities are traded.

Marketable securities: Valued at the closing price reported on the active market on which the individual securities are traded.

Certificates of deposits: Valued at original cost plus accrued interest.

U.S. government bonds and securities: Valued at the closing price reported on the active market on which the individual securities are traded.

The preceding methods described may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

THE CHARLES A. AND ANNE MORROW LINDBERGH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

4. Net assets released from restrictions

Net assets of \$41,561 for Lindbergh grants awarded were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors for the year ended December 31, 2010.

5. Temporarily restricted and permanently restricted net assets

Temporarily and permanently restricted net assets at December 31, 2010 and 2009 are available for the following purposes:

	2010	2009
Temporarily Restricted:		
Lindbergh grants	\$ 48,510	\$ 53,258
Aviation Green - KWS	661	
Total temporarily restricted	\$ 49,171	\$ 53,258
Permanently Restricted:		
General/regular endowment	\$ 1,008,021	\$ 1,008,021
Lindbergh grant endowment	300,000	300,000
Lloyd grant endowment	200,000	200,000
Total permanently restricted	\$ 1,508,021	\$ 1,508,021

Endowment restrictions have been established as a result of arrangements made with the Foundation and the New York Attorney General. These restrictions guide the investment and spending policies of the Foundation. 80% of the income from the general/regular endowment is available for grants with the remainder available for the Foundation's general operations. The income from the Lindbergh grant endowment and the Lloyd grant endowment are available for grants.

6. Endowment

The Foundation has three donor-restricted endowment funds. The regular endowment fund was the result of efforts in 1977 by friends of Charles Lindbergh to establish a living memorial in his honor. Those efforts helped build a financial base for supporting the Foundation's operations and grants program then and into the future - promising that the principal would remain intact. The Lindbergh grant endowment was established in 1993 with a gift from Anne Morrow Lindbergh. The earnings from the endowment are to be used into perpetuity to assist in funding research grants that demonstrate a balance between the advancement of technology with the preservation of the environment. In 2006, the Lloyd grant endowment was established by a bequest from former board members James W. and Maureen B. Lloyd. This endowment is to fund one grant of \$10,580 per year. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor imposed restrictions.

THE CHARLES A. AND ANNE MORROW LINDBERGH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

6. Endowment (continued)

Interpretation of relevant law

The Board of Directors of the Foundation has interpreted the Minnesota Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Foundation and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Foundation
- (7) The investment policies of the Foundation

Endowment net asset composition by type of fund as of December 31, 2010:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted:				
Regular endowment	\$ (866,694)	\$ 4,802	\$ 1,008,021	\$ 146,129
Lindbergh grant endowment		10,592	300,000	310,592
Lloyd endowment	<u>(34,072)</u>	<u> </u>	<u>200,000</u>	<u>165,928</u>
Total endowment net assets	<u>\$ (900,766)</u>	<u>\$ 15,394</u>	<u>\$ 1,508,021</u>	<u>\$ 622,649</u>

Endowment net asset composition by type of fund as of December 30, 2009:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted:				
Regular endowment	\$ (668,750)	\$ 17,305	\$ 1,008,021	\$ 356,576
Lindbergh grant endowment		21,059	300,000	321,059
Lloyd endowment	<u>(23,255)</u>	<u> </u>	<u>200,000</u>	<u>176,745</u>
Total endowment net assets	<u>\$ (692,005)</u>	<u>\$ 38,364</u>	<u>\$ 1,508,021</u>	<u>\$ 854,380</u>

See Accountant's Review Report

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6. Endowment (continued)

Changes in endowment net assets for the year ended December 31, 2010:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	\$ (692,005)	\$ 38,364	\$ 1,508,021	\$ 854,380
Investment return:				
Investment income (expense)	(12)	719		707
Internal borrowing by Foundation	(248,913)			(248,913)
Repayments of borrowings by Foundation	50,744	2,978		53,722
Appropriation of endowment assets for expenditure	<u>(10,580)</u>	<u>(26,667)</u>		<u>(37,247)</u>
Endowment net assets, end of year	<u>\$ (900,766)</u>	<u>\$ 15,394</u>	<u>\$ 1,508,021</u>	<u>\$ 622,649</u>

Changes in endowment net assets for the fiscal year ended December 30, 2009:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	\$ (433,005)	\$ 44,972	\$ 1,508,021	\$ 1,119,988
Investment return:				
Investment income	923	10,114		11,037
Deposits	7,446			7,446
Internal borrowing by Foundation	(297,866)			(297,866)
Repayment of borrowings by Foundation	41,077	4,308		45,385
Appropriation of endowment assets for expenditure	<u>(10,580)</u>	<u>(21,030)</u>		<u>(31,610)</u>
Endowment net assets, end of year	<u>\$ (692,005)</u>	<u>\$ 38,364</u>	<u>\$ 1,508,021</u>	<u>\$ 854,380</u>

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6. Endowment (continued)

A description of amounts classified as permanently restricted net assets and temporarily restricted net assets (endowment only) are as follows:

	<u>2010</u>	<u>2009</u>
Permanently restricted net assets		
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	\$ <u>1,508,021</u>	\$ <u>1,508,021</u>
Total endowment funds classified as permanently restricted net assets	\$ <u><u>1,508,021</u></u>	\$ <u><u>1,508,021</u></u>
Temporarily restricted net assets		
The portion of perpetual endowment funds subject to a time restriction under UPMIFA:		
With purpose restrictions	\$ <u>15,394</u>	\$ <u>38,364</u>
Total endowment funds classified as temporarily restricted net assets	\$ <u><u>15,394</u></u>	\$ <u><u>38,364</u></u>

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were approximately \$901,000 and \$692,000 as of December 31, 2010 and 2009, respectively. These deficiencies resulted from unfavorable market fluctuations in 2008 that occurred throughout the year and borrowings by the operating fund of the Foundation in the years 2007-2010.

During 2006, the Foundation, with the approval of the State of New York Attorney General, borrowed \$200,000 from its regular endowment. The Foundation signed a promissory note specifying the repayment of these endowment borrowings including interest. There have been four additional advances from the endowment to cover operating costs. Total unpaid advances at December 31, 2010 and 2009 are \$855,786 and \$656,944.

Return objectives and risk parameters

The Foundation has adopted investment and spending policies for endowment assets that seek growth of principal over time and to preserve purchasing power on a consistent and long-term basis. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the board of directors, based on the investment objectives, the Foundation's goal, over time, is to earn an investment return three to five percent in excess of the return measured by the 90-day U.S. Treasury Rate and achieve an average annual rate of return of the Consumer Price Index plus five percent for the aggregate endowment assets evaluated over a period of five years. Actual returns in any given year may vary from these amounts.

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6. Endowment (continued)

Strategies employed for achieving objectives

To satisfy its long-term rate-of-return objectives, the Foundation's investment direction is to achieve capital appreciation (realized and unrealized) during favorable markets and preservation of capital during poor market conditions. The Foundation expects to need income annually and therefore will only accept minimal short-term volatility in those assets providing short-term income, however, the majority of assets are to be invested for the long term, and volatility in these assets is to be expected and accepted.

Spending policy and how the investment objectives relate to spending policy

The Foundation has a policy of appropriating for distribution each year an amount up to \$10,580 of its Lloyd grant endowment fund. The endowment funds will be invested with the goal to maintain the principal of \$200,000 if possible.

The Foundation has a policy of appropriating for distribution each year 3.5 percent of the fair market value of its Lindbergh grant endowment fund balance at June 30 of each year, even if the income and capital gains are in excess of that amount, in order to continue to maintain and grow the corpus. At a minimum, the initial gift of \$300,000 will be maintained.

Spending policy and how the investment objectives relate to spending policy (continued)

The Foundation has a policy of appropriating for distribution each year five to ten percent of its regular endowment fund's average fair value over the prior 20 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment. The Foundation will upon occasion require the distribution of a significant portion of the total investment return and may occasionally require distributing capital. However, over the long term, the investment return is expected to be greater than the amount distributed and this excess will be reinvested. The reinvested portion should be sufficient to cover expected future inflation and investment management and related fees so that the real value of the Foundation's endowment assets is preserved and grown over time.

7. Donated services and materials

The Foundation received donated professional fees of \$1,259 and \$60,321, respectively, for the years ended December 31, 2010 and 2009.

8. Retirement plan

The Foundation has a Simple IRA retirement plan. The plan calls for a discretionary contribution equal to 2% of eligible employee compensation. Expense for the year ended December 31, 2009 was \$1,795. No contribution was made for the year ended December 31, 2010.

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9. Operating leases

The Foundation leases office space under an operating lease. The term of the lease is for five years through July 2014, with a current monthly payment of \$1,476. The following is a summary of the minimum future annual lease payments required under this lease at December 31, 2010:

<u>Years ending December 31,</u>	
2011	\$ 17,929
2012	18,467
2013	19,021
2014	<u>11,287</u>
Total	\$ <u>66,704</u>

Lease expenses recorded for the years ended December 31, 2010 and 2009 were \$17,707 and \$17,796, respectively.

10. Related party transactions

During the year ended December 31, 2010, the Foundation paid a corporation owned by a member of the board of directors \$61,750 for consulting services and \$11,417 for reimbursement of travel costs.

At December 31, 2010, the Foundation has an outstanding pledge receivable, from an honorary board member, in the amount of \$10,580.

At December 31, 2010, the Foundation has an outstanding payable, to an honorary board member, in the amount of \$33,800 for a live auction item, sold during a fund raising event.

11. Compliance with donor restrictions

In addition to endowment deficiencies discussed in note 5, the Foundation has not maintained adequate cash and resources to comply with non-endowment donor restrictions at December 31, 2010. The additional resources needed to comply with donor restrictions are approximately \$22,000.

12. Joint Costs

During the year ended December 31, 2010, the Foundation incurred joint costs of \$41,452 for the Lindbergh Award event. Of these, \$24,488 was allocated to program services, \$940 was allocated to management and general expenses, and \$16,024 was allocated to fund raising.

During the year ended December 31, 2009, the Foundation incurred joint costs of \$28,398 for the Lindbergh Award event. Of these, \$25,666 was allocated to program services, \$724 was allocated to management and general expenses, and \$2,008 was allocated to fund raising.

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13. Going concern uncertainty

The Foundation has experienced difficulty in obtaining sufficient unrestricted funds to provide working capital. At December 31, 2010 the Foundation had a deficit in unrestricted net assets of approximately \$877,000. During 2006, the Foundation, with the approval of the State of New York Attorney General, borrowed \$200,000 from its regular endowment. The Foundation signed a promissory note specifying the repayment of these endowment borrowings including interest. Timely payments have been made on the promissory note as of December 31, 2010. However, the Foundation borrowed additional funds of approximately \$800,000 from its regular endowment during 2010, 2009, 2008 and 2007 that were used for working capital purposes. No repayment terms have been established and no payments have been made on these additional borrowings. These factors create an uncertainty about the Foundation's ability to continue as a going concern. Management is developing plans to generate unrestricted revenues and to reduce operating costs. The ability of the Foundation to continue as a going concern is dependent upon the success of these efforts. The financial statements do not include any adjustments that might be necessary if the Foundation is unable to continue as a going concern.

14. Subsequent Event

During July of 2011, the Foundation received notice of a potential claim against the Foundation totaling \$400,000. The Nature of the potential claim relates to the source of funds that the Foundation's former President/CEO used to repay personal obligations he had to the Foundation during 2009. To date, no actual claim has been filed. The foundation along with its legal counsel feel the potential claim is without merit.

15. Reclassifications

Certain reclassifications have been made to the financial statements for the year ended December 31, 2009 to conform with classifications of the current year. The reclassifications did not affect financial position or results of operations.