

**Financial Statements and Report of
Independent Certified Public Accountants**

**The Charles A. and Anne Morrow
Lindbergh Foundation**

December 31, 2003 and 2002

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the accompanying statements of financial position of The Charles A. and Anne Morrow Lindbergh Foundation (the Foundation, a not-for-profit corporation) as of December 31, 2003 and 2002, and the related statements of activities, functional expenses, and cash flows for the years 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide 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 Charles A. and Anne Morrow Lindbergh Foundation at December 31, 2003 and 2002, and the changes in its net assets, and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, appearing to read "Grant Thornton", is written in a cursive style.

Minneapolis, Minnesota
April 7, 2004

The Charles A. and Anne Morrow Lindbergh Foundation

STATEMENTS OF FINANCIAL POSITION

December 31,

ASSETS	<u>2003</u>	<u>2002</u>
Cash and equivalents	\$ 87,109	\$ 103,227
Investments	1,445,815	1,280,869
Pledges receivable	1,000	11,290
Investment income receivable	8,628	12,931
Prepaid expenses and other	17,751	17,384
Office furniture and equipment – at cost, less accumulated depreciation of \$25,702 and \$23,593	<u>35,817</u>	<u>36,684</u>
	<u>\$1,596,120</u>	<u>\$1,462,385</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 4,855	\$ 17,207
Grants payable	24,580	21,000
Commitments and contingencies	-	-
Net assets		
Unrestricted	209,110	59,762
Temporarily restricted	49,554	56,395
Permanently restricted	<u>1,308,021</u>	<u>1,308,021</u>
	<u>1,566,685</u>	<u>1,424,178</u>
	<u>\$1,596,120</u>	<u>\$1,462,385</u>

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

The Charles A. and Anne Morrow Lindbergh Foundation

STATEMENT OF ACTIVITIES

Year ended December 31, 2003

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Support and revenue				
Contributions – general operating and grants	\$ 87,164	\$ 65,824	\$ -	\$ 152,988
Investment return	225,705	29,846	-	255,551
Events revenue, contributions, and other	<u>2,387</u>	<u>197,907</u>	<u>-</u>	<u>200,294</u>
	315,256	293,577	-	608,833
Net assets released from restrictions:				
Satisfaction of program restrictions	<u>300,418</u>	<u>(300,418)</u>	<u>-</u>	<u>-</u>
Total support and revenue	615,674	(6,841)	-	608,833
Expenses				
Program services – research and education:				
Lindbergh grants	81,899	-	-	81,899
Events and programs	107,230	-	-	107,230
Other	<u>192,068</u>	<u>-</u>	<u>-</u>	<u>192,068</u>
Total program services	381,197	-	-	381,197
Supporting services:				
Management and general	68,724	-	-	68,724
Fundraising	<u>16,405</u>	<u>-</u>	<u>-</u>	<u>16,405</u>
Total supporting services	<u>85,129</u>	<u>-</u>	<u>-</u>	<u>85,129</u>
Total expenses	<u>466,326</u>	<u>-</u>	<u>-</u>	<u>466,326</u>
CHANGE IN NET ASSETS	149,348	(6,841)	-	142,507
Net assets at beginning of year	<u>59,762</u>	<u>56,395</u>	<u>1,308,021</u>	<u>1,424,178</u>
Net assets at end of year	<u>\$209,110</u>	<u>\$ 49,554</u>	<u>\$1,308,021</u>	<u>\$1,566,685</u>

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

The Charles A. and Anne Morrow Lindbergh Foundation

STATEMENT OF ACTIVITIES

Year ended December 31, 2002

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Support and revenue				
Contributions – general operating and grants	\$ 144,886	\$ 40,240	\$ -	\$ 185,126
Investment return	(77,400)	2,784	-	(74,616)
Events revenue, contributions, and other	<u>75,735</u>	<u>182,740</u>	<u>-</u>	<u>258,475</u>
	143,221	225,764	-	368,985
Net assets released from restrictions:				
Satisfaction of program restrictions	<u>324,331</u>	<u>(324,331)</u>	<u>-</u>	<u>-</u>
Total support and revenue	467,552	(98,567)	-	368,985
Expenses				
Program services – research and education:				
Lindbergh grants	93,550	-	-	93,550
Events and programs	289,644	-	-	289,644
Other	<u>198,567</u>	<u>-</u>	<u>-</u>	<u>198,567</u>
Total program services	581,761	-	-	581,761
Supporting services:				
Management and general	56,881	-	-	56,881
Fundraising	<u>18,026</u>	<u>-</u>	<u>-</u>	<u>18,026</u>
Total supporting services	<u>74,907</u>	<u>-</u>	<u>-</u>	<u>74,907</u>
Total expenses	<u>656,668</u>	<u>-</u>	<u>-</u>	<u>656,668</u>
CHANGE IN NET ASSETS	(189,116)	(98,567)	-	(287,683)
Net assets at beginning of year	<u>248,878</u>	<u>154,962</u>	<u>1,308,021</u>	<u>1,711,861</u>
Net assets at end of year	<u>\$ 59,762</u>	<u>\$ 56,395</u>	<u>\$1,308,021</u>	<u>\$1,424,178</u>

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

The Charles A. and Anne Morrow Lindbergh Foundation

STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2003

	Program services – research and education	Management and general	Fundraising	Total
Lindbergh grants	\$ 81,899	\$ -	\$ -	\$ 81,899
Events and programs	107,230	-	-	107,230
Wages and salaries	121,117	17,954	10,920	149,991
Payroll taxes	8,859	1,364	792	11,015
Employee benefits	8,748	1,347	783	10,878
Office rental	13,571	1,197	1,197	15,965
Bank fees	260	-	-	260
Legal and audit	-	14,351	-	14,351
Investment management fees	-	13,946	-	13,946
Depreciation	-	4,422	-	4,422
Out-of-state travel/board meetings	7,934	2,644	-	10,578
Insurance	3,550	2,580	-	6,130
Newsletter	4,326	-	2,480	6,806
Purchased services	-	1,649	-	1,649
Postage/freight	6,049	-	-	6,049
Communication services	5,279	-	233	5,512
Office supplies	2,704	-	-	2,704
Lindbergh book programs	726	-	-	726
Printing	3,999	-	-	3,999
Special projects	1,113	-	-	1,113
Equipment rental	1,271	-	-	1,271
Publicity/photography	481	-	-	481
Contract parking	900	-	-	900
Local travel	61	-	-	61
Gain on disposal of assets	-	(65)	-	(65)
Maintenance	783	-	-	783
Bad debt	-	7,335	-	7,335
Seminars/subscriptions	337	-	-	337
	<u>\$381,197</u>	<u>\$68,724</u>	<u>\$16,405</u>	<u>\$466,326</u>

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

The Charles A. and Anne Morrow Lindbergh Foundation

STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2002

	Program services – research and education	Management and general	Fundraising	Total
Lindbergh grants	\$ 93,550	\$ -	\$ -	\$ 93,550
Events and programs	289,644	-	-	289,644
Wages and salaries	121,871	11,290	12,168	145,329
Payroll taxes	8,380	805	833	10,018
Employee benefits	8,836	819	882	10,537
Office rental	13,140	1,163	1,163	15,466
Bank fees	-	1,594	-	1,594
Legal and audit	-	12,440	-	12,440
Investment management fees	-	14,543	-	14,543
Depreciation	-	5,070	-	5,070
Reserve for legal settlements	-	4,000	-	4,000
Out-of-state travel/board meetings	6,068	2,022	-	8,090
Insurance	3,737	1,146	-	4,883
Newsletter	8,145	-	2,715	10,860
Purchased services	840	1,675	-	2,515
Postage/freight	7,145	-	-	7,145
Communication services	5,000	-	265	5,265
Office supplies	3,328	-	-	3,328
Lindbergh book programs	4,189	-	-	4,189
Printing	3,544	-	-	3,544
Special projects	745	-	-	745
Equipment rental	1,401	-	-	1,401
Publicity/photography	827	-	-	827
Contract parking	720	-	-	720
Local travel	507	-	-	507
Loss on disposal of assets	-	314	-	314
Seminars/subscriptions	144	-	-	144
	<u>\$581,761</u>	<u>\$56,881</u>	<u>\$18,026</u>	<u>\$656,668</u>

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

The Charles A. and Anne Morrow Lindbergh Foundation

STATEMENTS OF CASH FLOWS

Years ended December 31,

	<u>2003</u>	<u>2002</u>
Cash flows from operating activities:		
Change in net assets	\$ 142,507	\$(287,683)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	4,422	5,070
Realized and unrealized investment (gains) losses	(219,825)	104,662
(Gain) loss on disposal of assets	(65)	314
Changes in assets and liabilities		
Pledges receivable	10,290	57,623
Investment income receivable	4,303	(354)
Prepaid expenses and other	(367)	6,406
Accounts and grants payable and accrued expenses	<u>(8,772)</u>	<u>(6,993)</u>
Net cash used in operating activities	(67,507)	(120,955)
Cash flows from investing activities:		
Proceeds from sale of investments	480,397	437,110
Proceeds from sale of office furniture and equipment	450	-
Purchase of investments	(425,518)	(452,436)
Capital expenditures	<u>(3,940)</u>	<u>(27,724)</u>
Net cash provided by (used in) investing activities	<u>51,389</u>	<u>(43,050)</u>
Net decrease in cash and equivalents	(16,118)	(164,005)
Cash and equivalents at beginning of year	<u>103,227</u>	<u>267,232</u>
Cash and equivalents at end of year	<u>\$ 87,109</u>	<u>\$ 103,227</u>

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

The Charles A. and Anne Morrow Lindbergh Foundation

NOTES TO FINANCIAL STATEMENTS

December 31, 2003 and 2002

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 pursues its mission through three major programs: Lindbergh Grants, which are given to researchers whose proposed projects will make important contributions to the technology/environment balance; the annual honorary Lindbergh Award, presented to individuals who have made significant contributions toward balance in their work; and a variety of educational programs including a newsletter, comprehensive web site, and other educational events centered on the balance theme. The Foundation's support comes from contributions by corporations, foundations, and individuals as well as the investment income generated in its endowment funds.

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

Basis of Presentation

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

- Unrestricted net assets – Net assets that are not subject to donor-imposed restrictions.
- Temporarily restricted net assets – Net assets subject to donor-imposed restrictions that may or will be met either by actions of the Foundation and/or the passage of time.
- Permanently restricted net assets – Net assets subject to donor-imposed restrictions that are to be maintained permanently by the Foundation. Interest and dividends are expendable to support program activities or fund grants.

Cash and Equivalents

The Foundation considers all highly liquid temporary investments with original maturities of six months or less to be cash equivalents.

The Charles A. and Anne Morrow Lindbergh Foundation
NOTES TO FINANCIAL STATEMENTS – CONTINUED

December 31, 2003 and 2002

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are carried at fair value with both realized and unrealized gains and losses included in the statements of activities. All endowment fund cash and investments are maintained with one investment management company.

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.

Depreciation

Depreciation of office furniture and equipment is provided in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives, generally 5 – 7 years, on straight-line and accelerated methods.

Income Taxes

The Internal Revenue Service has determined that the Foundation is exempt from federal income tax under Section 501(a) of the Internal Revenue Code, as an organization described in Section 501(c)(3). Similar exemptions exist under Minnesota statutes. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

Contributions Received

Contributions received are measured at fair value and reported as an increase in net assets. The Foundation reports gifts of cash and other assets as permanently or temporarily restricted support if they are received with donor stipulations that limit their use. When a donor 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.

The Charles A. and Anne Morrow Lindbergh Foundation
NOTES TO FINANCIAL STATEMENTS – CONTINUED

December 31, 2003 and 2002

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Contributed Services and Materials

Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair market value when received.

Functional Allocation of Expenses

The costs of providing program services and other activities have been summarized on a functional basis in the accompanying financial statements. Certain costs have been allocated among the programs and the supporting services that received benefit.

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting periods. Actual results could differ from the estimates.

NOTE B – INVESTMENTS

Investments, at fair value, consist of the following at December 31:

	<u>2003</u>	<u>2002</u>
Bond Funds	\$ 548,571	\$ 674,645
Equity Funds	<u>897,244</u>	<u>606,224</u>
	<u>\$1,445,815</u>	<u>\$1,280,869</u>

The Charles A. and Anne Morrow Lindbergh Foundation
NOTES TO FINANCIAL STATEMENTS – CONTINUED

December 31, 2003 and 2002

NOTE B – INVESTMENTS – Continued

Investment return consists of the following for the years ended December 31:

	<u>2003</u>	<u>2002</u>
Investment and dividend income and capital gains reinvestments, net of bond amortization	\$ 35,726	\$ 30,046
Net realized and unrealized gains (losses)	<u>219,825</u>	<u>(104,662)</u>
	<u>\$255,551</u>	<u>\$ (74,616)</u>

NOTE C – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at December 31:

	<u>2003</u>	<u>2002</u>
Friends of the Spirit Campaign	\$27,294	\$34,630
Anne Spencer Lindbergh Prize	3,186	12,031
Reserve for specific event expenses	1,466	4,265
St. Louis Racquet Club donations	3,838	2,588
Little Falls 2002 celebration	-	2,881
Grant endowment funds	<u>13,770</u>	<u>-</u>
	<u>\$49,554</u>	<u>\$56,395</u>

NOTE D – OPERATING LEASE

The Foundation leases office space in Anoka, Minnesota under an operating lease which expires in August of 2004. Rent expense for office space was \$15,965 and \$15,466 in 2003 and 2002. The future minimum rental commitment under the lease is \$9,450 for 2004. The foundation anticipates renewing the lease for substantially the same terms and conditions as prior to expiration.