

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

AUDITED FINANCIAL STATEMENTS

Year Ended December 31, 2004 with
Comparative Totals for 2003

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INDEPENDENT AUDITORS' REPORT

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

We have audited the statement of financial position of The Charles A. and Anne Morrow Lindbergh Foundation as of December 31, 2004, and the related statements of activities and changes in net assets, 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 financial statements of The Charles A. and Anne Morrow Lindbergh Foundation as of December 31, 2003, were audited by other auditors whose report dated April 7, 2004, 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 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 that our audit provides a reasonable basis for our opinion.

In our opinion, the 2004 financial statements referred to above present fairly, in all material respects, the financial position of The Charles A. and Anne Morrow Lindbergh Foundation as of December 31, 2004, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Minneapolis, Minnesota
March 15, 2005

THE CHARLES A. AND ANNE MORROW LINDBERGH FOUNDATION

December 31, 2004 and 2003

Statements of Financial Position

	ASSETS	
	<u>2004</u>	<u>2003</u>
CURRENT ASSETS		
Cash	\$ 64,366	\$ 65,652
Promises to Give Receivable		1,000
Investment Income Receivable	6,322	8,628
Inventory	10,478	10,551
Prepaid Expenses and Other Assets	<u>3,767</u>	<u>7,200</u>
Total Current Assets	<u>84,933</u>	<u>93,031</u>
FURNITURE AND EQUIPMENT		
Furniture and Equipment	61,620	61,520
Less Accumulated Depreciation	<u>(29,423)</u>	<u>(25,702)</u>
Net Furniture and Equipment	<u>32,197</u>	<u>35,818</u>
OTHER ASSETS		
Endowment Investments	<u>1,406,872</u>	<u>1,467,272</u>
TOTAL ASSETS	<u>\$ 1,524,002</u>	<u>\$ 1,596,121</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Grants Payable	\$ 15,000	\$ 24,580
Accounts Payable	703	584
Accrued Expenses	<u>5,728</u>	<u>4,272</u>
Total Current Liabilities	<u>21,431</u>	<u>29,436</u>
NET ASSETS		
<i>Unrestricted Net Assets</i>		
Undesignated	130,745	209,110
<i>Temporarily Restricted Net Assets</i>	63,805	49,554
<i>Permanently Restricted Net Assets</i>	<u>1,308,021</u>	<u>1,308,021</u>
Total Net Assets	<u>1,502,571</u>	<u>1,566,685</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,524,002</u>	<u>\$ 1,596,121</u>

The Accompanying Notes are an Integral
Part of These Financial Statements

THE CHARLES A. AND ANNE MORROW LINDBERGH FOUNDATION
For the Year Ended December 31, 2004 with Comparative Totals for 2003
Statements of Activities and Changes in Net Assets

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2004	2003
PUBLIC SUPPORT AND REVENUE					
<i>Public Support</i>					
Contributions and Grants	\$ 93,762	\$ 60,662		\$ 154,424	\$ 147,372
In-Kind Contributions	<u>7,250</u>			<u>7,250</u>	<u>7,000</u>
Total Public Support	<u>101,012</u>	<u>60,662</u>		<u>161,674</u>	<u>154,372</u>
<i>Revenue</i>					
Investment Income	54,417	68,597		123,014	255,618
Events Revenues		34,926		34,926	195,273
Other Revenue	<u>4,163</u>			<u>4,163</u>	<u>3,310</u>
Total Revenue	<u>58,580</u>	<u>103,523</u>		<u>162,103</u>	<u>454,201</u>
<i>Net Assets Released from Restrictions</i>					
Satisfaction of Purpose Restrictions	<u>149,934</u>	<u>(149,934)</u>			
Total Public Support and Revenue	<u>309,526</u>	<u>14,251</u>		<u>323,777</u>	<u>608,573</u>
EXPENSES					
<i>Program Services</i>					
Lindbergh Grants	80,075			80,075	81,899
Events and Programs	26,056			26,056	106,970
Other	<u>170,426</u>			<u>170,426</u>	<u>192,068</u>
Total Program Services	<u>276,557</u>			<u>276,557</u>	<u>380,937</u>
<i>Supporting Activities</i>					
Management and General	99,677			99,677	68,724
Fund Raising	<u>11,657</u>			<u>11,657</u>	<u>16,405</u>
Total Supporting Activities	<u>111,334</u>			<u>111,334</u>	<u>85,129</u>
Total Expenses	<u>387,891</u>			<u>387,891</u>	<u>466,066</u>
INCREASE (DECREASE) IN NET ASSETS	(78,365)	14,251		(64,114)	142,507
NET ASSETS, BEGINNING OF YEAR	<u>209,110</u>	<u>49,554</u>	\$ 1,308,021	<u>1,566,685</u>	<u>1,424,178</u>
NET ASSETS, END OF YEAR	<u>\$ 130,745</u>	<u>\$ 63,805</u>	<u>\$ 1,308,021</u>	<u>\$ 1,502,571</u>	<u>\$ 1,566,685</u>

The Accompanying Notes are an Integral
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THE CHARLES A. AND ANNE MORROW LINDBERGH FOUNDATION
For the Year Ended December 31, 2004 with Comparative Totals for 2003
Statements of Functional Expenses

	Supporting Activities			2004	2003
	Program Services	Management and General	Fund Raising		
Salaries	\$ 105,787	\$ 50,559	\$ 7,979	\$ 164,325	\$ 149,991
Payroll Taxes	7,173	3,388	530	11,091	11,015
Employee Benefits	<u>8,351</u>	<u>3,991</u>	<u>630</u>	<u>12,972</u>	<u>10,878</u>
Total Salaries and Related Expenses	121,311	57,938	9,139	188,388	171,884
Professional Fees		15,050		15,050	14,351
Investment Management Fees		16,301		16,301	13,946
Seminars and Subscriptions	549			549	337
Equipment Rental and Maintenance	1,675			1,675	2,054
Insurance	3,825	2,482		6,307	6,130
Lindbergh Grants	80,075			80,075	81,899
Postage and Freight	3,939			3,939	6,049
Printing	4,872			4,872	3,999
Newsletter	3,435		1,145	4,580	6,805
Events Expense	23,890			23,890	94,551
Communication	3,523	410		3,933	5,512
Travel and Board Meeting Expense	7,140	1,452		8,592	14,303
Office Expense	2,036			2,036	3,489
Office Rental	13,885	1,225	1,225	16,335	15,965
Book Program and Special Projects	2,166			2,166	9,745
Contract Services	900	1,715		2,615	2,549
Bad Debt		1,950		1,950	7,335
Bank Card Fees	315			315	260
Photography and Publicity	<u>602</u>			<u>602</u>	<u>481</u>
Total Expenses Before Depreciation	274,138	98,523	11,509	384,170	461,644
Depreciation	<u>2,419</u>	<u>1,154</u>	<u>148</u>	<u>3,721</u>	<u>4,422</u>
Total Expenses	<u>\$ 276,557</u>	<u>\$ 99,677</u>	<u>\$ 11,657</u>	<u>\$ 387,891</u>	<u>\$ 466,066</u>

The Accompanying Notes are an Integral
Part of These Financial Statements

THE CHARLES A. AND ANNE MORROW LINDBERGH FOUNDATION
For the Year Ended December 31, 2004 with Comparative Totals for 2003
Statements of Cash Flows

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	\$ (64,114)	\$ 142,507
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided By (Used In) Operating Activities:		
Depreciation Expense	3,721	4,422
Bond Amortization	4,731	
Realized (Gain) Loss on Sale of Investments	(74,807)	(11,707)
Unrealized (Gain) Loss on Investments	(11,199)	(208,184)
Changes in Current Assets and Liabilities:		
(Increase) Decrease in Promises to Give Receivable	1,000	10,290
(Increase) Decrease in Investment Income Receivable	2,306	4,303
(Increase) Decrease in Inventory	73	
(Increase) Decrease in Prepaid Expenses and Other	3,433	(367)
Increase (Decrease) in Grants Payable	(9,580)	
Increase (Decrease) in Accounts Payable	119	
Increase (Decrease) in Accrued Expenses	1,456	(8,771)
Net Cash Provided By (Used In) Operating Activities	(142,861)	(67,507)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(549,704)	(446,975)
Proceeds from Sale of Investments	691,379	480,397
Purchase of Furniture and Equipment	(100)	(3,940)
Proceeds from Sale of Furniture and Equipment		450
Net Cash Provided By (Used In) Investing Activities	141,575	29,932
NET INCREASE (DECREASE) IN CASH	(1,286)	(37,575)
CASH, BEGINNING OF YEAR	65,652	103,227
CASH, END OF YEAR	\$ 64,366	\$ 65,652

The Accompanying Notes are an Integral
Part of These Financial Statements

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's support comes from contributions as well as investment income generated in its endowment funds.

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 - Presented to individuals who have made significant contributions toward balance in their work.

Education - A variety of educational programs are conducted including a newsletter, comprehensive website, and other educational events centered on the balance theme.

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.

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.

Financial Statement Presentation

The Foundation follows Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-For-Profit Organizations*. Under SFAS No. 117, 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.
- Temporarily Restricted with respect to time or purpose - Those resources subject to a donor-imposed restriction which will be satisfied by actions of the Foundation or the passage of time.
- Permanently Restricted - Those resources where the original gift was subject to a donor-imposed restriction, that they be maintained permanently.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

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

Revenue Recognition

The Foundation follows Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*. As such, contributions are recognized as revenue when they are received or unconditionally pledged.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. 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.

Promises to Give

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Promises to give 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 risk-free interest rates applicable to the years in which the promises are to be received.

Estimates

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

Investments

The Foundation carries investments in marketable equity securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

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.

THE CHARLES A. AND ANNE MORROW LINDBERGH FOUNDATION

December 31, 2004 and 2003

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributed 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 SFAS No. 116 have not been satisfied. Donated services, which enhance non-financial assets, materials and equipment are reflected as contributions in the accompanying statements at their estimated values at date of receipt.

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. Depreciation is computed using the straight-line method over estimated useful lives of three to five years. 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. The cost of maintenance and repairs is charged to expense as incurred.

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.

2. INVESTMENTS

Investments are comprised of the following:

	<u>2004</u>	<u>2003</u>
Bond Funds	\$ 490,723	\$ 548,571
Equity Funds	<u>912,207</u>	<u>897,244</u>
	<u>\$ 1,402,930</u>	<u>\$ 1,445,815</u>

Investment income is summarized as follows:

	<u>2004</u>	<u>2003</u>
Interest and Dividend Income, Net of Bond Amortization	\$ 37,009	\$ 35,726
Realized Gains (Losses)	74,807	11,707
Unrealized Gains (Losses)	<u>11,198</u>	<u>208,118</u>
Total	<u>\$ 123,014</u>	<u>\$ 255,551</u>

THE CHARLES A. AND ANNE MORROW LINDBERGH FOUNDATION

December 31, 2004 and 2003

Notes to Financial Statements

3. TEMPORARILY RESTRICTED AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily and permanently restricted net assets at December 31, 2004 and 2003 are available for the following purposes:

	<u>2004</u>	<u>2003</u>
Temporarily Restricted:		
Anne Spencer Lindbergh Prize	\$ 6,484	\$ 3,186
Friends of the Spirit Campaign		27,294
Reserve for Specific Event Expenses		1,466
St. Louis Racquet Club Donations		3,838
Grant Endowment Funds	<u>57,321</u>	<u>13,770</u>
Total Temporarily Restricted	<u>\$ 63,805</u>	<u>\$ 49,554</u>
Permanently Restricted:		
Grant Endowment	\$ 300,000	\$ 300,000
General/ Regular Endowment	<u>1,008,021</u>	<u>1,008,021</u>
Total Permanently Restricted	<u>\$ 1,308,021</u>	<u>\$ 1,308,021</u>

Endowment restrictions have been established as a result of arrangements made with the Foundation, the New York Attorney General, and the Lindbergh family. These restrictions guide the investment and spending policies of the Foundation.

4. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors for programs for the year ended December 31, 2004, as follows:

Anne Spencer Lindbergh Prize	\$ 1,041
Annual Award Event	34,926
St. Louis Racquet Club Donations	3,838
Friends of the Spirit Campaign	27,378
Reserve for Specified Event Expenses	2,676
Grants Awarded	<u>80,075</u>
	<u>\$ 149,934</u>

THE CHARLES A. AND ANNE MORROW LINDBERGH FOUNDATION

December 31, 2004 and 2003

Notes to Financial Statements

5. OPERATING LEASES

The Foundation leases office space in Anoka, Minnesota under an operating lease with a term of five years. The Foundation has an option to extend the lease for an additional five year period. The following is a summary of the minimum future annual lease payments required under these leases at December 31, 2004:

2005	\$	16,662
2006		16,995
2007		17,406
2008		18,017
2009		<u>10,639</u>
Total	\$	<u>79,719</u>

Lease expenses recorded for the years ended December 31, 2004, and 2003 are \$16,335 and \$15,965, respectively.

6. RELATED PARTY TRANSACTIONS

The Foundation is the sole member of the Earth Shine Institute, Inc. (the Institute), a supporting organization that presents educational and cultural programs to further the shared vision of Charles A. and Anne Morrow Lindbergh. The trustees of the Institute are elected by the Foundation. The financial resources of the Institute are not included in these financial statements because the criteria for consolidation have not been met.

During the year ended December 31, 2004, the Foundation received Associate contributions from the Institute of \$650.

7. RECLASSIFICATIONS

Certain reclassifications have been made to the financial statements for the year ended December 31, 2003 to conform with classifications of the current year. The reclassifications did not affect financial position or results of operations.