

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

AUDITED FINANCIAL STATEMENTS

Year Ended December 31, 2005 with
Comparative Totals for 2004

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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, 2005, 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 prior year summarized comparative information has been derived from the Organization's 2004 financial statements and, in our report dated March 15, 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 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 2005 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, 2005, 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.

Kern, DeWente, Dine, Ltd.

Minneapolis, Minnesota
March 21, 2006

THE CHARLES A. AND ANNE MORROW LINDBERGH FOUNDATION

December 31, 2005 and 2004

Statements of Financial Position

	ASSETS	
	<u>2005</u>	<u>2004</u>
CURRENT ASSETS		
Cash	\$ 72,579	\$ 64,366
Promises to Give Receivable	21,160	
Accounts Receivable	6,202	
Investment Income Receivable		6,322
Inventory	9,993	10,478
Prepaid Expenses and Other Assets	<u>5,570</u>	<u>3,767</u>
Total Current Assets	<u>115,504</u>	<u>84,933</u>
FURNITURE AND EQUIPMENT		
Furniture and Equipment	62,095	61,620
Less Accumulated Depreciation	<u>(32,518)</u>	<u>(29,423)</u>
Net Furniture and Equipment	<u>29,577</u>	<u>32,197</u>
OTHER ASSETS		
Endowment Investments	1,278,036	1,406,872
Long-Term Promises to Give, Net of Current Portion	<u>200,000</u>	
Total Other Assets	<u>1,478,036</u>	<u>1,406,872</u>
TOTAL ASSETS	\$ <u>1,623,117</u>	\$ <u>1,524,002</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Grants Payable	\$ 22,528	\$ 15,000
Accounts Payable	1,900	703
Accrued Expenses	<u>11,015</u>	<u>5,728</u>
Total Current Liabilities	<u>35,443</u>	<u>21,431</u>
NET ASSETS		
<i>Unrestricted Net Assets</i>		
Undesignated	10,786	130,745
<i>Temporarily Restricted Net Assets</i>	68,867	63,805
<i>Permanently Restricted Net Assets</i>	<u>1,508,021</u>	<u>1,308,021</u>
Total Net Assets	<u>1,587,674</u>	<u>1,502,571</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>1,623,117</u>	\$ <u>1,524,002</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, 2005 with Comparative Totals for 2004

Statements of Activities and Changes in Net Assets

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2005	2004
PUBLIC SUPPORT AND REVENUE					
<i>Public Support</i>					
Contributions and Grants	\$ 128,463	\$ 80,993	\$ 200,000	\$ 409,456	\$ 154,424
Donated Services	1,597			1,597	7,250
Fund Raising Events	<u>38,764</u>			<u>38,764</u>	
Total Public Support	<u>168,824</u>	<u>80,993</u>	<u>200,000</u>	<u>449,817</u>	<u>161,674</u>
<i>Revenue</i>					
Investment Income (Loss)	7,752	14,292		22,044	123,014
Award Event Revenues		28,017		28,017	34,926
Other Revenue	<u>5,239</u>			<u>5,239</u>	<u>4,163</u>
Total Revenue	<u>12,991</u>	<u>42,309</u>		<u>55,300</u>	<u>162,103</u>
<i>Net Assets Released from Restrictions</i>					
Satisfaction of Purpose Restrictions	<u>118,240</u>	<u>(118,240)</u>			
Total Public Support and Revenue	<u>300,055</u>	<u>5,062</u>	<u>200,000</u>	<u>505,117</u>	<u>323,777</u>
EXPENSES					
<i>Program Services</i>					
Lindbergh Grants	83,223			83,223	80,075
Events and Programs	29,304			29,304	26,056
Other	<u>174,047</u>			<u>174,047</u>	<u>170,426</u>
Total Program Services	<u>286,574</u>			<u>286,574</u>	<u>276,557</u>
<i>Supporting Activities</i>					
Management and General	70,247			70,247	99,677
Fund Raising	<u>63,193</u>			<u>63,193</u>	<u>11,657</u>
Total Supporting Activities	<u>133,440</u>			<u>133,440</u>	<u>111,334</u>
Total Expenses	<u>420,014</u>			<u>420,014</u>	<u>387,891</u>
INCREASE (DECREASE) IN NET ASSETS	(119,959)	5,062	200,000	85,103	(64,114)
NET ASSETS, BEGINNING 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>
NET ASSETS, END OF YEAR	<u>\$ 10,786</u>	<u>\$ 68,867</u>	<u>\$ 1,508,021</u>	<u>\$ 1,587,674</u>	<u>\$ 1,502,571</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, 2005 with Comparative Totals for 2004
Statements of Functional Expenses

	Supporting Activities			2005	2004
	Program Services	Management			
		and General	Fund Raising		
Salaries	\$ 110,237	\$ 35,293	\$ 10,588	\$ 156,118	\$ 164,325
Payroll Taxes	7,299	2,282	710	10,291	11,091
Employee Benefits	<u>8,219</u>	<u>2,632</u>	<u>789</u>	<u>11,640</u>	<u>12,972</u>
Total Salaries and Related Expenses	125,755	40,207	12,087	178,049	188,388
Lindbergh Grants	83,223			83,223	80,075
Events Expense	21,743		25,220	46,963	23,890
DVD Production	7,527		7,528	15,055	
Printing	4,074			4,074	4,872
Office Rental	14,185	1,252	1,252	16,689	16,335
Contract Services	748	1,059	12,500	14,307	2,615
Fundraising Expense			3,398	3,398	
Investment Management Fees		12,645		12,645	16,301
Professional Fees		8,497		8,497	15,050
Book Program and Special Projects	7,561			7,561	2,166
Insurance	4,012	2,594		6,606	6,307
Travel and Board Meeting Expense	3,180	974		4,154	8,592
Newsletter	2,915		971	3,886	4,580
Communication	3,123	285		3,408	3,933
Office Expense	1,486	1,611		3,097	2,036
Postage and Freight	2,811		27	2,838	3,939
Equipment Rental and Maintenance	1,187			1,187	1,675
Photography and Publicity	543			543	602
Bank Card Fees		388		388	315
Seminars and Subscriptions	316	35		351	549
Bad Debt					<u>1,950</u>
Total Expenses Before Depreciation	284,389	69,547	62,983	416,919	384,170
Depreciation	<u>2,185</u>	<u>700</u>	<u>210</u>	<u>3,095</u>	<u>3,721</u>
Total Expenses	<u>\$ 286,574</u>	<u>\$ 70,247</u>	<u>\$ 63,193</u>	<u>\$ 420,014</u>	<u>\$ 387,891</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, 2005 with Comparative Totals for 2004
Statements of Cash Flows

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	\$ 85,103	\$ (64,114)
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided By (Used In) Operating Activities:		
Depreciation Expense	3,095	3,721
Bond Amortization	3,764	4,731
Realized (Gain) Loss on Sale of Investments	(83,858)	(74,807)
Unrealized (Gain) Loss on Investments	119,674	(11,199)
Changes in Current Assets and Liabilities:		
(Increase) Decrease in Promises to Give Receivable	(221,160)	1,000
(Increase) Decrease in Investment Income Receivable	6,322	2,306
(Increase) Decrease in Accounts Receivable	(6,202)	
(Increase) Decrease in Inventory	485	73
(Increase) Decrease in Prepaid Expenses and Other	(1,803)	3,433
Increase (Decrease) in Grants Payable	7,528	(9,580)
Increase (Decrease) in Accounts Payable	1,197	119
Increase (Decrease) in Accrued Expenses	5,287	1,456
Net Cash Provided By (Used In) Operating Activities	(80,568)	(142,861)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(3,068,489)	(549,704)
Proceeds from Sale of Investments	3,157,745	691,379
Purchase of Furniture and Equipment	(475)	(100)
Net Cash Provided By (Used In) Investing Activities	88,781	141,575
NET INCREASE (DECREASE) IN CASH	8,213	(1,286)
CASH, BEGINNING OF YEAR	64,366	65,652
CASH, END OF YEAR	\$ 72,579	\$ 64,366

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 life and 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, 2005 and 2004

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 nonfinancial 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:

	2005	2004
Bond Funds	\$ 185,959	\$ 490,723
Equity Funds	1,076,199	912,207
Cash and Money Markets	15,878	3,942
	\$ 1,278,036	\$ 1,406,872

Investment income is summarized as follows:

	2005	2004
Interest and Dividend Income, Net of Bond Amortization	\$ 57,861	\$ 37,009
Realized Gains (Losses)	83,857	74,807
Unrealized Gains (Losses)	(119,674)	11,198
Total	\$ 22,044	\$ 123,014

THE CHARLES A. AND ANNE MORROW LINDBERGH FOUNDATION

December 31, 2005 and 2004

Notes to Financial Statements

3. TEMPORARILY RESTRICTED AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily and permanently restricted net assets at December 31, 2005 and 2004 are available for the following purposes:

	2005	2004
Temporarily Restricted:		
Grant Endowment Funds	\$ 68,508	\$ 57,321
Anne Spencer Lindbergh Prize	125	6,484
Lindbergh Scholarship - Little Falls	234	
Total Temporarily Restricted	\$ 68,867	\$ 63,805
Permanently Restricted:		
Grant Endowment	\$ 300,000	\$ 300,000
General/Regular Endowment	1,008,021	1,008,021
James and Maureen Lloyd Fund	200,000	
Total Permanently Restricted	\$ 1,508,021	\$ 1,308,021

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.

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, 2005, as follows:

Anne Spencer Lindbergh Prize	\$ 6,000
Annual Award Event	28,017
Lindbergh Scholarship	1,000
Grants Awarded	83,223
	\$ 118,240

THE CHARLES A. AND ANNE MORROW LINDBERGH FOUNDATION

December 31, 2005 and 2004

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, 2005:

2006	\$	16,995
2007		17,406
2008		17,929
2009		<u>10,639</u>
Total	\$	<u>62,969</u>

Lease expenses recorded for the years ended December 31, 2005 and 2004 are \$16,689 and \$16,335, 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. There were no Associate contributions received during the year ended December 31, 2005.

7. RETIREMENT PLAN

The Organization has established a Simple IRA retirement plan effective January 1, 2000. The plan calls for a contribution equal to 2% of eligible employee compensation. Expense for the years ended December 31, 2005 and 2004 was \$2,997 and \$3,257, respectively.