

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

AUDITED FINANCIAL STATEMENTS

Year Ended December 31, 2006 with  
Comparative Totals for 2005

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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, 2006, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2005 financial statements which were audited by other auditors whose report, dated March 21, 2006, 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 2006 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, 2006, 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  
April 13, 2007

THE CHARLES A. AND ANNE MORROW LINDBERGH FOUNDATION

December 31, 2006 and 2005

*Statements of Financial Position*

	ASSETS	
	<u>2006</u>	<u>2005</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 116,539	\$ 72,579
Promises to Give Receivable	75,580	21,160
Accounts Receivable	794	6,202
Inventory	9,210	9,993
Prepaid Expenses and Other Assets	<u>3,818</u>	<u>5,570</u>
Total Current Assets	<u>205,941</u>	<u>115,504</u>
<b>FURNITURE AND EQUIPMENT</b>		
Furniture and Equipment	72,170	62,095
Less Accumulated Depreciation	<u>(34,192)</u>	<u>(32,518)</u>
Net Furniture and Equipment	<u>37,978</u>	<u>29,577</u>
<b>OTHER ASSETS</b>		
Endowment Investments	1,437,925	1,278,036
Long-Term Promises to Give, Net of Current Portion	<u>200,000</u>	<u>200,000</u>
Total Other Assets	<u>1,437,925</u>	<u>1,478,036</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 1,681,844</u></b>	<b><u>\$ 1,623,117</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Grants Payable	\$ 26,528	\$ 22,528
Accounts Payable	629	1,900
Accrued Expenses	<u>2,893</u>	<u>11,015</u>
Total Current Liabilities	<u>30,050</u>	<u>35,443</u>
<b>NET ASSETS</b>		
<i>Unrestricted Net Assets</i>		
Undesignated	(27,313)	10,786
<i>Temporarily Restricted Net Assets</i>	171,086	68,867
<i>Permanently Restricted Net Assets</i>	<u>1,508,021</u>	<u>1,508,021</u>
Total Net Assets	<u>1,651,794</u>	<u>1,587,674</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 1,681,844</u></b>	<b><u>\$ 1,623,117</u></b>

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, 2006 with Comparative Totals for 2005  
*Statements of Activities and Changes in Net Assets*

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2006	2005
<b>PUBLIC SUPPORT AND REVENUE</b>					
<i>Public Support</i>					
Contributions and Grants	\$ 179,033	\$ 142,317		\$ 321,350	\$ 409,456
Donated Services	5,579			5,579	1,597
Fund Raising Events					38,764
Total Public Support	<u>184,612</u>	<u>142,317</u>		<u>326,929</u>	<u>449,817</u>
<i>Revenue</i>					
Investment Income (Loss)	95,072	86,710		181,782	22,044
Award Event Revenues	107,089			107,089	28,017
Other Revenue	4,378			4,378	5,239
Total Revenue	<u>206,539</u>	<u>86,710</u>		<u>293,249</u>	<u>55,300</u>
<i>Net Assets Released from Restrictions</i>					
Satisfaction of Purpose Restrictions	<u>126,808</u>	<u>(126,808)</u>			
Total Public Support and Revenue	<u>517,959</u>	<u>102,219</u>		<u>620,178</u>	<u>505,117</u>
<b>EXPENSES</b>					
<i>Program Services</i>					
Lindbergh Grants	125,808			125,808	83,223
Events and Programs	54,892			54,892	29,304
Other	175,589			175,589	174,047
Total Program Services	<u>356,289</u>			<u>356,289</u>	<u>286,574</u>
<i>Supporting Activities</i>					
Management and General	68,026			68,026	70,247
Fund Raising	131,743			131,743	63,193
Total Supporting Activities	<u>199,769</u>			<u>199,769</u>	<u>133,440</u>
Total Expenses	<u>556,058</u>			<u>556,058</u>	<u>420,014</u>
INCREASE (DECREASE) IN NET ASSETS	(38,099)	102,219		64,120	85,103
NET ASSETS, BEGINNING 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>
NET ASSETS, END OF YEAR	<u>\$ (27,313)</u>	<u>\$ 171,086</u>	<u>\$ 1,508,021</u>	<u>\$ 1,651,794</u>	<u>\$ 1,587,674</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, 2006 with Comparative Totals for 2005  
*Statements of Functional Expenses*

	Supporting Activities			2006	2005
	Program Services	Management and General	Fund Raising		
Salaries	\$ 113,404	\$ 27,779	\$ 5,212	\$ 146,395	\$ 156,118
Payroll Taxes	8,407	2,292	326	11,025	10,291
Employee Benefits	<u>8,359</u>	<u>2,048</u>	<u>384</u>	<u>10,791</u>	<u>11,640</u>
Total Salaries and Related Expenses	130,170	32,119	5,922	168,211	178,049
Lindbergh Grants	125,808			125,808	83,223
Contract Services	622	1,368	75,000	76,990	14,307
Events Expense	53,706			53,706	46,963
Fundraising Expense			35,423	35,423	3,398
Office Rental	13,165	3,225	605	16,995	16,689
Travel and Board Meeting Expense	3,850	3,722	7,445	15,017	4,154
Professional Fees		9,178		9,178	8,497
Investment Management Fees		13,225		13,225	12,645
Newsletter	5,154		1,718	6,872	3,886
Insurance	4,027	2,096		6,123	6,606
Conferences and Conventions			5,550	5,550	
DVD Production	4,710			4,710	15,055
Printing	4,197			4,197	4,074
Communication	2,904	413		3,317	3,408
Postage and Freight	2,868			2,868	2,838
Office Expense	1,078	359		1,437	3,097
Book Program and Special Projects	1,186			1,186	7,561
Bank Card Fees		1,049		1,049	388
Equipment Rental and Maintenance	968			968	1,187
Seminars and Subscriptions		848		848	351
Photography and Publicity	<u>146</u>			<u>146</u>	<u>543</u>
Total Expenses Before Depreciation	354,559	67,602	131,663	553,824	416,919
Depreciation	<u>1,730</u>	<u>424</u>	<u>80</u>	<u>2,234</u>	<u>3,095</u>
Total Expenses	<u>\$ 356,289</u>	<u>\$ 68,026</u>	<u>\$ 131,743</u>	<u>\$ 556,058</u>	<u>\$ 420,014</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, 2006 with Comparative Totals for 2005  
*Statements of Cash Flows*

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	\$ 64,120	\$ 85,103
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided By (Used In) Operating Activities:		
Depreciation Expense	2,234	3,095
Bond Amortization		3,764
Realized (Gain) Loss on Sale of Investments and Assets	(8,804)	(83,858)
Unrealized (Gain) Loss on Investments	(109,707)	119,674
Changes in Current Assets and Liabilities:		
(Increase) Decrease in Promises to Give Receivable	145,580	(221,160)
(Increase) Decrease in Investment Income Receivable		6,322
(Increase) Decrease in Accounts Receivable	5,408	(6,202)
(Increase) Decrease in Inventory	783	485
(Increase) Decrease in Prepaid Expenses and Other	1,752	(1,803)
Increase (Decrease) in Grants Payable	4,000	7,528
Increase (Decrease) in Accounts Payable	(1,271)	1,197
Increase (Decrease) in Accrued Expenses	(8,122)	5,287
Net Cash Provided By (Used In) Operating Activities	95,973	(80,568)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(301,462)	(3,068,489)
Proceeds from Sale of Investments	260,074	3,157,745
Purchase of Furniture and Equipment	(11,125)	(475)
Proceeds from Sale of Furniture and Equipment	500	
Net Cash Provided By (Used In) Investing Activities	(52,013)	88,781
NET INCREASE (DECREASE) IN CASH	43,960	8,213
CASH, BEGINNING OF YEAR	72,579	64,366
CASH, END OF YEAR	\$ 116,539	\$ 72,579

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 supports technological solutions to improve the environment for a sustainable future. The Foundation's support comes from contributions as well as investment income and growth generated by 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. Conditional promises to give are not included as support until such time as the conditions are substantially met.

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 in accordance with SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Equity securities with no readily determinable fair value are carried at cost or estimated fair value, if lower. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

Investment earnings available for distribution are recorded in unrestricted net assets on the statement of financial position. 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 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.

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. 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.

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, 2006 and 2005, depreciation expense was \$2,234 and \$3,095, respectively.

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.

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 of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2005, from which the summarized information was derived.

2. ALLOWANCE FOR DOUBTFUL ACCOUNTS

No allowance for doubtful accounts on pledges and other receivables has been provided for at December 31, 2006 and 2005, since management of the Foundation expects all receivables to be collected.

THE CHARLES A. AND ANNE MORROW LINDBERGH FOUNDATION

December 31, 2006 and 2005

*Notes to Financial Statements*

3. INVESTMENTS

Investments at December 31 are comprised of the following:

	<u>2006</u>	<u>2005</u>
Bond Funds	\$ 203,503	\$ 185,959
Equity Funds	1,222,293	1,076,199
Cash and Money Markets	<u>12,129</u>	<u>15,878</u>
	<u>\$ 1,437,925</u>	<u>\$ 1,278,036</u>

Investment income is summarized as follows:

	<u>2006</u>	<u>2005</u>
Interest, Dividend, and Capital Gain Allocations Income	\$ 63,282	\$ 57,861
Realized Gains (Losses)	8,793	83,857
Unrealized Gains (Losses)	<u>109,707</u>	<u>(119,674)</u>
Total	<u>\$ 181,782</u>	<u>\$ 22,044</u>

4. TEMPORARILY RESTRICTED AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily and permanently restricted net assets at December 31, 2006 and 2005 are available for the following purposes:

	<u>2006</u>	<u>2005</u>
Temporarily Restricted:		
Lindbergh Grants	\$ 170,811	\$ 68,508
Anne Spencer Lindbergh Prize	275	125
Little Falls Lindbergh Scholarship	<u>          </u>	<u>234</u>
Total Temporarily Restricted	<u>\$ 171,086</u>	<u>\$ 68,867</u>
Permanently Restricted:		
Lindbergh Grant Endowment	\$ 300,000	\$ 300,000
General/Regular Endowment	1,008,021	1,008,021
Lloyd Grant Endowment	<u>200,000</u>	<u>200,000</u>
Total Permanently Restricted	<u>\$ 1,508,021</u>	<u>\$ 1,508,021</u>

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. The income from the Lindbergh grant endowment and the Lloyd grant endowment are available for grants. 80% of the income from the general/regular endowment is available for grants with the remainder available for the Foundation's general operations.

THE CHARLES A. AND ANNE MORROW LINDBERGH FOUNDATION

December 31, 2006 and 2005

*Notes to Financial Statements*

5. 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, 2006, as follows:

Grants Awarded	\$ 125,808
Lindbergh Scholarship	<u>1,000</u>
	<u>\$ 126,808</u>

6. OPERATING LEASES

The Foundation leases office space in Anoka, Minnesota under an operating lease with a term of five years and a monthly payment of \$1,433. 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, 2006:

2007	\$ 17,406
2008	17,929
2009	<u>10,639</u>
Total	<u>\$ 45,974</u>

Lease expenses recorded for the years ended December 31, 2006 and 2005 are \$16,995 and \$16,689, respectively.

7. 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.

8. RETIREMENT PLAN

The Foundation 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, 2006 and 2005 was \$2,427 and \$2,997, respectively.

9. COMPLIANCE WITH DONOR RESTRICTIONS

At December 31, 2006, the Foundation has not maintained adequate cash and resources to comply with donor restrictions. The additional resources needed to comply with donor restrictions is approximately \$49,000.

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.

May 11, 2007

The Charles A. and Anne Morrow Lindbergh Foundation  
Shelley Nehl  
2150 Third Avenue North Suite 310  
Anoka, MN 55303

Dear Shelley:

I have enclosed 30 bound copies of the audited financial statements of The Charles A. and Anne Morrow Lindbergh Foundation for the year ended December 31, 2006. Also enclosed are 30 bound copies of the management letter.

Please call if you have any questions.

Sincerely,

Mayer Hoffman McCann P.C.

Bruce Thiel  
Certified Public Accountant

Enclosure