

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

AUDITED FINANCIAL STATEMENTS

Year Ended December 31, 2007 with  
Comparative Totals for 2006

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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, 2007, 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 2006 financial statements and, in our report dated April 13, 2007, 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 2007 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, 2007, 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  
May 2, 2008

**THE CHARLES A. AND ANNE MORROW LINDBERGH FOUNDATION**  
**STATEMENTS OF FINANCIAL POSITION**

December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 121,247	\$ 116,539
Promises to give receivable	85,580	75,580
Accounts receivable	15,121	794
Inventory	5,740	9,210
Prepaid expenses and other assets	<u>16,820</u>	<u>3,818</u>
TOTAL CURRENT ASSETS	<u>244,508</u>	<u>205,941</u>
 <b>FURNITURE AND EQUIPMENT</b>		
Furniture and equipment	67,789	72,170
Less accumulated depreciation	<u>(32,692)</u>	<u>(34,192)</u>
NET FURNITURE AND EQUIPMENT	<u>35,097</u>	<u>37,978</u>
 <b>OTHER ASSETS</b>		
Endowment investments	<u>1,451,597</u>	<u>1,437,925</u>
 <b>TOTAL ASSETS</b>	 <b>\$ <u>1,731,202</u></b>	 <b>\$ <u>1,681,844</u></b>
<b><u>LIABILITIES</u></b>		
<b>CURRENT LIABILITIES</b>		
Grants payable	\$ 26,000	\$ 26,528
Accounts payable	5,011	629
Accrued expenses	<u>3,736</u>	<u>2,893</u>
TOTAL CURRENT LIABILITIES	<u>34,747</u>	<u>30,050</u>
 <b><u>NET ASSETS</u></b>		
<b>UNRESTRICTED NET ASSETS</b>		
Undesignated	14,054	(27,313)
<b>TEMPORARILY RESTRICTED NET ASSETS</b>		
	174,380	171,086
<b>PERMANENTLY RESTRICTED NET ASSETS</b>		
	<u>1,508,021</u>	<u>1,508,021</u>
TOTAL NET ASSETS	<u>1,696,455</u>	<u>1,651,794</u>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <b>\$ <u>1,731,202</u></b>	 <b>\$ <u>1,681,844</u></b>

The Accompanying Notes are an Integral  
Part of These Financial Statements

**THE CHARLES A. AND ANNE MORROW LINDBERGH FOUNDATION**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
For the Year Ended December 31, 2007 with Comparative Totals for 2006

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2007	2006
<b><u>PUBLIC SUPPORT AND REVENUE</u></b>					
<b>PUBLIC SUPPORT</b>					
Contributions and grants	\$ 249,979	\$ 81,996		\$ 331,975	\$ 321,350
Donated services and inventory	<u>6,696</u>			<u>6,696</u>	<u>5,579</u>
<b>TOTAL PUBLIC SUPPORT</b>	<u>256,675</u>	<u>81,996</u>		<u>338,671</u>	<u>326,929</u>
<b>REVENUE</b>					
Investment income (loss)	63,271	68,586		131,857	181,782
Award event revenues	88,617			88,617	107,089
Less costs of direct benefits	(1,673)			(1,673)	(2,052)
Unrealized gains (losses) on inventory	(6,440)			(6,440)	
Other revenue	<u>773</u>			<u>773</u>	<u>4,378</u>
<b>TOTAL REVENUE</b>	<u>144,548</u>	<u>68,586</u>		<u>213,134</u>	<u>291,197</u>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>					
Satisfaction of purpose restrictions	<u>147,288</u>	<u>(147,288)</u>			
<b>TOTAL PUBLIC SUPPORT AND REVENUE</b>	<u>548,511</u>	<u>3,294</u>		<u>551,805</u>	<u>618,126</u>
<b><u>EXPENSES</u></b>					
<b>PROGRAM SERVICES</b>					
Lindbergh grants	145,988			145,988	125,808
Events and programs	34,579			34,579	32,889
Other	<u>138,076</u>			<u>138,076</u>	<u>174,729</u>
<b>TOTAL PROGRAM SERVICES</b>	<u>318,643</u>			<u>318,643</u>	<u>333,426</u>
<b>SUPPORTING ACTIVITIES</b>					
Management and general	79,382			79,382	69,019
Fund raising	<u>109,119</u>			<u>109,119</u>	<u>151,561</u>
<b>TOTAL SUPPORTING ACTIVITIES</b>	<u>188,501</u>			<u>188,501</u>	<u>220,580</u>
<b>TOTAL EXPENSES</b>	<u>507,144</u>			<u>507,144</u>	<u>554,006</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	41,367	3,294		44,661	64,120
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>(27,313)</u>	<u>171,086</u>	<u>\$ 1,508,021</u>	<u>1,651,794</u>	<u>1,587,674</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 14,054</u>	<u>\$ 174,380</u>	<u>\$ 1,508,021</u>	<u>\$ 1,696,455</u>	<u>\$ 1,651,794</u>

The Accompanying Notes are an Integral  
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**THE CHARLES A. AND ANNE MORROW LINDBERGH FOUNDATION**  
**STATEMENTS OF FUNCTIONAL EXPENSES**

For the Year Ended December 31, 2007 with Comparative Totals for 2006

	Supporting Activities			2007	2006
	Program Services	Management			
		and General	Fund Raising		
Salaries	\$ 89,627	\$ 38,125	\$ 49,230	\$ 176,982	\$ 146,395
Payroll taxes	6,335	2,695	3,489	12,519	11,025
Employee benefits	<u>3,713</u>	<u>1,581</u>	<u>2,044</u>	<u>7,338</u>	<u>10,791</u>
Total salaries and related expenses	99,675	42,401	54,763	196,839	168,211
Lindbergh grants	145,988			145,988	125,808
Award program	32,792	2,749	14,664	50,205	51,654
Office rental	9,027	3,750	4,630	17,407	16,995
Investment management fees		11,087		11,087	13,225
Professional fees		10,971		10,971	9,178
Contract services	2,119	942	6,475	9,536	76,990
Newsletter	6,630		2,210	8,840	6,872
Insurance	4,061	2,398		6,459	6,123
Conferences and conventions	2,533		2,533	5,066	5,550
Photography and publicity	2,519		2,518	5,037	146
Travel and board meeting expense	2,753	2,549	17,892	23,194	15,017
Communication	2,914	310		3,224	3,317
Postage and freight	2,053			2,053	2,868
Seminars and subscriptions	462	470	975	1,907	848
Book program and special projects	1,787			1,787	1,186
Fund raising expense					35,423
Office expense	970	323	1,553	2,846	1,437
Printing	594			594	4,197
Bank card fees		368		368	1,049
Equipment rental and maintenance		330		330	968
DVD production					<u>4,710</u>
Total expenses before depreciation	316,877	78,648	108,213	503,738	551,772
Depreciation	<u>1,766</u>	<u>734</u>	<u>906</u>	<u>3,406</u>	<u>2,234</u>
Total expenses	<u>\$ 318,643</u>	<u>\$ 79,382</u>	<u>\$ 109,119</u>	<u>\$ 507,144</u>	<u>\$ 554,006</u>

The Accompanying Notes are an Integral  
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**THE CHARLES A. AND ANNE MORROW LINDBERGH FOUNDATION**  
**STATEMENTS OF CASH FLOWS**

For the Year Ended December 31, 2007 with Comparative Totals for 2006

	2007	2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$ 44,661	\$ 64,120
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	3,406	2,234
Realized (gain) loss on sale of investments and assets	(68,023)	(8,804)
Unrealized (gain) loss on investments	19,458	(109,707)
Changes in assets and liabilities:		
(Increase) decrease in promises to give receivable	(10,000)	145,580
(Increase) decrease in accounts receivable	(14,327)	5,409
(Increase) decrease in inventory	3,470	783
(Increase) decrease in prepaid expenses and other assets	(13,002)	1,752
Increase (decrease) in grants payable	(528)	4,000
Increase (decrease) in accounts payable	4,382	(1,271)
Increase (decrease) in accrued expenses	<u>843</u>	<u>(8,123)</u>
 NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	 <u>(29,660)</u>	 <u>95,973</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(468,243)	(301,462)
Proceeds from sale of investments	503,136	260,074
Purchase of furniture and equipment	(525)	(11,125)
Proceeds from sale of furniture and equipment	<u>500</u>	<u>500</u>
 NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	 <u>34,368</u>	 <u>(52,013)</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 4,708	 43,960
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	 <u>116,539</u>	 <u>72,579</u>
 CASH AND CASH EQUIVALENTS, END OF YEAR	 <u>\$ 121,247</u>	 <u>\$ 116,539</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, 2007 and 2006

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### 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.

#### 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.

#### 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.

# THE CHARLES A. AND ANNE MORROW LINDBERGH FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

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### 1. Summary of significant accounting policies (continued)

#### Financial Statement Presentation (Continued)

- Permanently Restricted - Those resources where the original gift was subject to a donor-imposed restriction, that they be maintained permanently.

#### 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.

#### Concentrations and credit risk

The Foundation places its temporary cash investments with high credit quality financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit. The Foundation believes it is not exposed to any significant credit risk on cash balances.

The Foundation invests in various securities, including U.S. government securities and domestic and foreign corporate debt and equity securities. Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities it is reasonably possible that changes in the values of investment securities could occur in the near term and that such changes could materially affect the value of investments.

#### Cash and Cash Equivalents

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

#### 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.

# THE CHARLES A. AND ANNE MORROW LINDBERGH FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

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### 1. Summary of significant accounting policies (continued)

#### 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.

#### 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, 2007 and 2006, depreciation expense was \$3,406 and \$2,234, 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 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.

#### 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.

# THE CHARLES A. AND ANNE MORROW LINDBERGH FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

### 1. Summary of significant accounting policies (continued)

#### 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, 2006, from which the summarized information was derived.

#### Recent Pronouncements

During September 2006, the FASB issued SFAS 157, "Fair Value Measurements" ("SFAS 157"), which provides enhanced guidance for using fair value to measure assets and liabilities. The standard applies whenever other standards require (or permit) assets or liabilities to be measured at fair value. The standard does not expand the use of fair value in any new circumstances. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. The Foundation is required to adopt the provisions of SFAS 157 in 2008 and is currently evaluating the effects, if any, that this pronouncement may have on the financial statements.

### 2. Allowance for doubtful accounts

No allowance for doubtful accounts on pledges and other receivables has been provided for at December 31, 2007 and 2006, since management of the Foundation expects all receivables to be collected.

### 3. Investments

Investments at December 31 are comprised of the following:

	<u>2007</u>	<u>2006</u>
Bond funds	\$ 221,965	\$ 203,503
Equity funds	1,208,941	1,222,293
Cash and money markets	<u>20,691</u>	<u>12,129</u>
	<u>\$ 1,451,597</u>	<u>\$ 1,437,925</u>

Investment income is summarized as follows:

	<u>2007</u>	<u>2006</u>
Interest, dividend, and capital gain allocations income	\$ 83,292	\$ 63,282
Realized gains (losses)	68,023	8,793
Unrealized gains (losses)	<u>(19,458)</u>	<u>109,707</u>
Total	<u>\$ 131,857</u>	<u>\$ 181,782</u>

**THE CHARLES A. AND ANNE MORROW LINDBERGH FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2007 and 2006

**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, 2007, as follows:

Grants awarded	\$	145,988
Lindbergh scholarship		1,000
Anne Spencer Lindbergh prize		<u>300</u>
	\$	<u>147,288</u>

**5. Temporarily restricted and permanently restricted net assets**

Temporarily and permanently restricted net assets at December 31, 2007 and 2006 are available for the following purposes:

	<u>2007</u>	<u>2006</u>
Temporarily Restricted:		
Lindbergh grants	\$ 174,380	\$ 170,811
Anne Spencer Lindbergh prize		<u>275</u>
Total temporarily restricted	<u>\$ 174,380</u>	<u>\$ 171,086</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.

**6. Donated services and inventory**

The Foundation received the following donated services and inventory during the year ended December 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Professional fees	\$ 3,696	\$ 5,579
Inventory	<u>3,000</u>	<u>          </u>
	<u>\$ 6,696</u>	<u>\$ 5,579</u>

# THE CHARLES A. AND ANNE MORROW LINDBERGH FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

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### 7. 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 \$1,476. 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 this lease at December 31, 2007:

2008	\$	17,929
2009		<u>10,639</u>
Total	\$	<u>28,568</u>

Lease expenses recorded for the years ended December 31, 2007 and 2006 are \$17,407 and \$16,995, respectively.

### 8. 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.

### 9. 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, 2007 and 2006 was \$1,807 and \$2,427, respectively.

### 10. Compliance with donor restrictions

At December 31, 2007 and 2006, the Foundation has not maintained adequate cash and resources to comply with donor restrictions. The additional resources needed to comply with donor restrictions are approximately \$197,000 and \$183,000, respectively.

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.

### 11. Reclassifications

Certain reclassifications have been made to the financial statements for the year ended December 31, 2006 to conform with classifications of the current year. The reclassifications did not affect financial position or results of operations.