

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

**AUDITED FINANCIAL STATEMENTS**

Year Ended December 31, 2008 with  
Comparative Totals for 2007

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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, 2008, 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 2007 financial statements and, in our report dated May 2, 2008, 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 2008 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, 2008, 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.

The accompanying financial statements have been prepared assuming that the Organization will continue as a going concern. As discussed in note 13 to the financial statements, the Organization has experienced difficulty in obtaining sufficient revenues that raise substantial doubt about its ability to continue as a going concern. Management's plans regarding these matters also are described in note 13. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

*Mayer Hoffman McCann P.C.*

Minneapolis, Minnesota  
November 18, 2009

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

**STATEMENTS OF FINANCIAL POSITION**

December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<b><u>ASSETS</u></b>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 11,343	\$ 121,247
Promises to give receivable	25,000	85,580
Accounts receivable	7,722	15,121
Due from officer	368,234	
Investment income receivable	7,438	
Inventory		5,740
Prepaid expenses and other assets	<u>3,077</u>	<u>16,820</u>
TOTAL CURRENT ASSETS	<u>422,814</u>	<u>244,508</u>
FURNITURE AND EQUIPMENT		
Furniture and equipment	70,287	67,789
Less accumulated depreciation	<u>(34,063)</u>	<u>(32,692)</u>
NET FURNITURE AND EQUIPMENT	<u>36,224</u>	<u>35,097</u>
OTHER ASSETS		
Endowment investments	<u>769,988</u>	<u>1,451,597</u>
TOTAL OTHER ASSETS	<u>769,988</u>	<u>1,451,597</u>
TOTAL ASSETS	\$ <u>1,229,026</u>	\$ <u>1,731,202</u>
<b><u>LIABILITIES</u></b>		
CURRENT LIABILITIES		
Grants payable	\$ 31,580	\$ 26,000
Accounts payable	4,971	5,011
Accrued expenses	<u>11,883</u>	<u>3,736</u>
TOTAL CURRENT LIABILITIES	<u>48,434</u>	<u>34,747</u>
<b><u>NET ASSETS</u></b>		
UNRESTRICTED NET ASSETS (DEFICIT)	(389,959)	14,054
TEMPORARILY RESTRICTED NET ASSETS	62,530	174,380
PERMANENTLY RESTRICTED NET ASSETS	<u>1,508,021</u>	<u>1,508,021</u>
TOTAL NET ASSETS	<u>1,180,592</u>	<u>1,696,455</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>1,229,026</u>	\$ <u>1,731,202</u>

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, 2008 with Comparative Totals for 2007

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2008	2007
<b><u>PUBLIC SUPPORT AND REVENUE</u></b>					
<b>PUBLIC SUPPORT</b>					
Contributions and grants	\$ 96,832	\$ 75,855		\$ 172,687	\$ 331,975
Donated services and supplies	<u>8,479</u>			<u>8,479</u>	<u>6,696</u>
<b>TOTAL PUBLIC SUPPORT</b>	<u>105,311</u>	<u>75,855</u>		<u>181,166</u>	<u>338,671</u>
<b>REVENUE</b>					
Investment income (loss)	(97,695)	(62,964)		(160,659)	131,857
Award and special event revenues	117,245			117,245	88,617
Less costs of direct benefits	(13,712)			(13,712)	(1,673)
Unrealized gains (losses) on inventory	(5,720)			(5,720)	(6,440)
Other revenue	<u>597</u>			<u>597</u>	<u>773</u>
<b>TOTAL REVENUE</b>	<u>715</u>	<u>(62,964)</u>		<u>(62,249)</u>	<u>213,134</u>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>					
Satisfaction of purpose restrictions	<u>124,741</u>	<u>(124,741)</u>			
<b>TOTAL PUBLIC SUPPORT AND REVENUE</b>	<u>230,767</u>	<u>(111,850)</u>		<u>118,917</u>	<u>551,805</u>
<b><u>EXPENSES</u></b>					
<b>PROGRAM SERVICES</b>					
Lindbergh grants	123,741			123,741	145,988
Events and programs	72,336			72,336	34,579
Other	<u>134,109</u>			<u>134,109</u>	<u>138,076</u>
<b>TOTAL PROGRAM SERVICES</b>	<u>330,186</u>			<u>330,186</u>	<u>318,643</u>
<b>SUPPORTING ACTIVITIES</b>					
Management and general	135,010			135,010	79,382
Fund raising	<u>169,584</u>			<u>169,584</u>	<u>109,119</u>
<b>TOTAL SUPPORTING ACTIVITIES</b>	<u>304,594</u>			<u>304,594</u>	<u>188,501</u>
<b>TOTAL EXPENSES</b>	<u>634,780</u>			<u>634,780</u>	<u>507,144</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	(404,013)	(111,850)		(515,863)	44,661
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>14,054</u>	<u>174,380</u>	\$ 1,508,021	<u>1,696,455</u>	<u>1,651,794</u>
<b>NET ASSETS (DEFICIT), END OF YEAR</b>	<u>\$ (389,959)</u>	<u>\$ 62,530</u>	<u>\$ 1,508,021</u>	<u>\$ 1,180,592</u>	<u>\$ 1,696,455</u>

The Accompanying Notes are an Integral  
Part of These Financial Statements

**THE CHARLES A. AND ANNE MORROW LINDBERGH FOUNDATION**  
**STATEMENTS OF FUNCTIONAL EXPENSES**

For the Year Ended December 31, 2008 with Comparative Totals for 2007

	Supporting Activities			2008	2007
	Program services	Management and general	Fund raising		
Salaries	\$ 84,219	\$ 37,208	\$ 64,611	\$ 186,038	\$ 176,982
Payroll taxes	5,768	2,548	4,425	12,741	12,519
Employee benefits	<u>4,290</u>	<u>1,896</u>	<u>3,292</u>	<u>9,478</u>	<u>7,338</u>
Total salaries and related expenses	94,277	41,652	72,328	208,257	196,839
Lindbergh grants	123,741			123,741	145,988
Award program	71,336	6,964	38,900	117,200	50,205
Office rental	8,116	3,586	6,227	17,929	17,407
Investment management fees		9,004		9,004	11,087
Professional fees		14,303		14,303	10,971
Contract services	3,000	1,117		4,117	9,536
Newsletter	9,791		3,264	13,055	8,840
Insurance	4,707	3,134		7,841	6,459
Conferences and conventions			7,160	7,160	5,066
Photography and publicity	4,292			4,292	5,037
Travel and board meeting expense	1,616	1,485	38,554	41,655	23,194
Communication	2,656	152		2,808	3,224
Postage and freight	1,162			1,162	2,053
Seminars and subscriptions		793		793	1,907
Book program and special projects	1,000		1,758	2,758	1,787
Bad debt expense		50,300		50,300	
Office expense	1,567			1,567	2,846
Printing	1,110			1,110	594
Bank card fees		957		957	368
Equipment rental and maintenance		<u>761</u>		<u>761</u>	<u>330</u>
Total expenses before depreciation	328,371	134,208	168,191	630,770	503,738
Depreciation	<u>1,815</u>	<u>802</u>	<u>1,393</u>	<u>4,010</u>	<u>3,406</u>
Total expenses	<u>\$ 330,186</u>	<u>\$ 135,010</u>	<u>\$ 169,584</u>	<u>\$ 634,780</u>	<u>\$ 507,144</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, 2008 with Comparative Totals for 2007

	2008	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$ (515,863)	\$ 44,661
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	4,010	3,406
Equipment donations	(1,995)	
Realized (gain) loss on sale of investments and assets	187,163	(68,023)
Unrealized (gain) loss on investments		19,458
Unrealized loss on inventory	5,720	
Changes in assets and liabilities:		
(Increase) decrease in promises to give receivable	60,580	(10,000)
Increase in investment income receivable	(7,438)	
Increase in accounts receivable	7,399	(14,327)
Decrease in inventory	20	3,470
(Increase) decrease in prepaid expenses and other assets	13,743	(13,002)
Increase (decrease) in grants payable	5,580	(528)
Increase (decrease) in accounts payable	(40)	4,382
Increase in accrued expenses	8,147	843
 NET CASH USED IN OPERATING ACTIVITIES	 (232,974)	 (29,660)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(1,489,111)	(468,243)
Proceeds from sale of investments	1,984,135	503,136
Purchase of furniture and equipment	(3,720)	(525)
Amounts due from officer	(368,234)	
 NET CASH PROVIDED BY INVESTING ACTIVITIES	 123,070	 34,368
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 (109,904)	 4,708
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	 121,247	 116,539
 CASH AND CASH EQUIVALENTS, END OF YEAR	 \$ 11,343	 \$ 121,247

The Accompanying Notes are an Integral  
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**THE CHARLES A. AND ANNE MORROW LINDBERGH FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**

December 31, 2008 and 2007

**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 presents its financial statements in accordance with 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, 2008 and 2007

**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 maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. Bank accounts are generally insured up to \$250,000 per financial institution and there is no limit on non-interest bearing checking accounts. These limitations will revert to \$100,000 on January 1, 2014.

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. Money market funds held as a portion of the Foundation's endowment portfolio are classified as investments and are not considered to be cash equivalents for purposes of the statement of cash flows.

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 market 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, 2008 and 2007

**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, 2008 and 2007, depreciation expense was \$4,010 and \$3,406, 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, 2008 and 2007

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

#### Fair value measurement definition and hierarchy

The provisions of Statement of Financial Accounting Standards ("SFAS") No. 157, Fair Value Measurements ("SFAS No. 157"), were effective for the Foundation's financial statements beginning on January 1, 2008.

SFAS No. 157 establishes a hierarchal disclosure framework which prioritizes and ranks the level of market price observability used in measuring assets and liabilities at fair value. Market price observability is affected by a number of factors, including the type of asset or liability, the characteristics specific to the asset or liability and the state of the marketplace including the existence and transparency of transactions between market participants. Assets and liabilities with readily available active quoted prices or for which fair value can be measured from actively quoted prices in an orderly market generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. SFAS No. 157 establishes a three-level valuation hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Foundation. Unobservable inputs are inputs that reflect the Foundation's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

The hierarchy is broken down into three levels based on the observability of inputs as follows:

- Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.
- Level 2 - Valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.
- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of observable inputs can vary by types of assets and liabilities and is affected by a wide variety of factors, including, for example, whether the asset or liability is established in the marketplace, the liquidity of markets and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by management in determining fair value is greatest for assets and liabilities categorized in Level 3.

#### 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, 2007, from which the summarized information was derived.

**THE CHARLES A. AND ANNE MORROW LINDBERGH FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**

December 31, 2008 and 2007

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

Recently issued pronouncements

FIN 48-3

In December 2008, the Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) FIN 48-3, "Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises." FSP FIN 48-3 permits an entity within its scope to defer the effective date of FASB Interpretation 48 (Interpretation 48), "Accounting for Uncertainty in Income Taxes", to its annual financial statements for fiscal years beginning after December 15, 2008. The Foundation has elected to defer the application of Interpretation 48 for the year ending December 31, 2008. The Foundation evaluates its uncertain tax positions using the provisions of FASB Statement 5, "Accounting for Contingencies." Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the financial statements and the amount of loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount to be recognized.

SFAS 157 and SFAS 157-2

In February 2008, the FASB issued FASB Staff Position ("FSP") No. 157-2, Effective Date of FASB Statement No. 157. FSP 157-2 delays the effective date of SFAS No. 157, for nonfinancial assets and nonfinancial liabilities, except for certain items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). FSP No. 157-2 is effective upon issuance. The adoption of FSP No. 157-2 did not have a material impact on the Foundation's financial statements.

The Foundation has adopted the portion of SFAS No. 157 that has not been delayed by FSP FAS 157-2 as of the beginning of its 2008 year, and plans to adopt the balance of its provisions as of the beginning of its 2009 year. Items carried at fair value on a recurring basis (to which SFAS No. 157 applies in 2008) consist primarily of investments, which are valued as described in the investments section of this note on page 8. Items carried at fair value on a non-recurring basis (to which SFAS No. 157 will apply in 2009) generally consist of in-kind donations. The Foundation is continuing to evaluate the impact the standard will have on the determination of fair value related to non-financial assets and non-financial liabilities in post-2008 years.

**2. Allowance for doubtful accounts**

No allowance for doubtful accounts on pledges and other receivables has been provided for at December 31, 2008 and 2007, since management of the Foundation expects all receivables to be collected.

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

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2008 and 2007

**3. Endowment investments**

Investments at December 31 are comprised of the following:

	<u>2008</u>	<u>2007</u>
Cash and money markets	\$ 769,988	\$ 20,691
Equity funds		1,208,941
Bond funds		<u>221,965</u>
	<u>\$ 769,988</u>	<u>\$ 1,451,597</u>

Investment income is summarized as follows:

	<u>2008</u>	<u>2007</u>
Interest, dividend, and capital gain allocations income	\$ 26,504	\$ 83,292
Realized gains (losses)	(187,163)	68,023
Unrealized gains (losses)		<u>(19,458)</u>
Total	<u>\$ (160,659)</u>	<u>\$ 131,857</u>

**4. Fair value measurements**

Fair values of assets measured on a recurring basis at December 31, 2008 and 2007 are as follows:

	<u>Fair value measurements at reporting date using</u>			
	<u>Fair value</u>	Quoted prices in active markets for identical assets/ liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<u>2008:</u>				
Cash and money markets	\$ <u>769,988</u>	\$ <u>769,988</u>	\$ _____	\$ _____
<u>2007:</u>				
Cash and money markets	\$ 20,691	\$ 20,691	\$ _____	\$ _____
Equity funds	1,208,941	1,208,941	_____	_____
Bond funds	<u>221,965</u>	<u>221,965</u>	_____	_____
Total assets measured at fair value	\$ <u>1,451,597</u>	\$ <u>1,451,597</u>	\$ <u>0</u>	\$ <u>0</u>

**THE CHARLES A. AND ANNE MORROW LINDBERGH FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**

December 31, 2008 and 2007

**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, 2008, as follows:

Grants awarded	\$	123,741
Lindbergh scholarship		<u>1,000</u>
	\$	<u>124,741</u>

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

Temporarily and permanently restricted net assets at December 31, 2008 and 2007 are available for the following purposes:

	<u>2008</u>	<u>2007</u>
Temporarily Restricted:		
Lindbergh grants	\$ <u>62,530</u>	\$ <u>174,380</u>
Total temporarily restricted	\$ <u>62,530</u>	\$ <u>174,380</u>
Permanently Restricted:		
General/regular endowment	\$ 1,008,021	\$ 1,008,021
Lindbergh grant endowment	300,000	300,000
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. 80% of the income from the general/regular endowment is available for grants with the remainder available for the Foundation's general operations. The income from the Lindbergh grant endowment and the Lloyd grant endowment are available for grants.

**7. Endowment**

The Foundation has three donor-restricted endowment funds. The regular endowment fund was the result of efforts in 1977 by friends of Charles Lindbergh to establish a living memorial in his honor. Those efforts helped build a financial base for supporting the Foundation's operations and grants program then and into the future - promising that the principal would remain intact. The Lindbergh grant endowment was established in 1993 with a gift from Anne Morrow Lindbergh. The earnings from the endowment are to be used into perpetuity to assist in funding research grants that demonstrate a balance between the advancement of technology with the preservation of the environment. In 2006, the Lloyd grant endowment was established by a bequest from former board members James W. and Maureen B. Lloyd. This endowment is to fund one grant of \$10,580 per year. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor imposed restrictions.

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December 31, 2008 and 2007

**7. Endowment (continued)**

Interpretation of relevant law

The Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Foundation and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Foundation
- (7) The investment policies of the Foundation

2008 endowment net asset composition by type of fund as of December 31, 2008:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted:				
Regular endowment	\$ (421,202)	\$ 12,598	\$ 1,008,021	\$ 599,417
Lindbergh Grant endowment		32,374	300,000	332,374
Lloyd endowment	<u>(11,803)</u>	<u>          </u>	<u>200,000</u>	<u>188,197</u>
Total endowment net assets	<u>\$ (433,005)</u>	<u>\$ 44,972</u>	<u>\$ 1,508,021</u>	<u>\$ 1,119,988</u>

2007 endowment net asset composition by type of fund as of December 31, 2007:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted:				
Regular endowment	\$ (200,027)	\$ 4,237	\$ 1,008,021	\$ 812,231
Lindbergh Grant endowment		103,700	300,000	403,700
Lloyd endowment	<u>          </u>	<u>37,419</u>	<u>200,000</u>	<u>237,419</u>
Total endowment net assets	<u>\$ (200,027)</u>	<u>\$ 145,356</u>	<u>\$ 1,508,021</u>	<u>\$ 1,453,350</u>

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

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**7. Endowment (continued)**

Changes in endowment net assets for the fiscal year ended December 31, 2008:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ (200,027)	\$ 145,356	\$ 1,508,021	\$ 1,453,350
Investment return:				
Investment income	(5,548)	18,751		13,203
Net depreciation (realized and unrealized)	<u>(99,626)</u>	<u>(94,240)</u>		<u>(193,866)</u>
Total investment return	(105,174)	(75,489)		(180,663)
Internal borrowing by Foundation	(159,420)			(159,420)
Repayments of borrowings by Foundation	31,616	5,436		37,052
Appropriation of endowment assets for expenditure		<u>(30,331)</u>		<u>(30,331)</u>
Endowment net assets, end of year	\$ <u>(433,005)</u>	\$ <u>44,972</u>	\$ <u>1,508,021</u>	\$ <u>1,119,988</u>

Changes in endowment net assets for the fiscal year ended December 31, 2007:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ (181,452)	\$ 108,392	\$ 1,508,021	\$ 1,434,961
Investment return:				
Investment income	36,570	44,438		81,008
Net appreciation (realized and unrealized)	<u>30,428</u>	<u>18,121</u>		<u>48,549</u>
Total investment return	66,998	62,559		129,557
Internal borrowing by Foundation	(100,000)			(100,000)
Repayment of borrowings by Foundation	21,280	6,145		27,425
Appropriation of endowment assets for expenditure	<u>(6,853)</u>	<u>(31,740)</u>		<u>(38,593)</u>
Endowment net assets, end of year	\$ <u>(200,027)</u>	\$ <u>145,356</u>	\$ <u>1,508,021</u>	\$ <u>1,453,350</u>

**THE CHARLES A. AND ANNE MORROW LINDBERGH FOUNDATION**  
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**7. Endowment (continued)**

A description of amounts classified as permanently restricted net assets and temporarily restricted net assets (endowment only) are as follows:

	<u>2008</u>	<u>2007</u>
Permanently restricted net assets		
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	\$ <u>1,508,021</u>	\$ <u>1,508,021</u>
Total endowment funds classified as permanently restricted net assets	\$ <u>1,508,021</u>	\$ <u>1,508,021</u>
Temporarily restricted net assets		
The portion of perpetual endowment funds subject to a time restriction under UPMIFA:		
With purpose restrictions	\$ <u>44,972</u>	\$ <u>145,356</u>
Total endowment funds classified as temporarily restricted net assets	\$ <u>44,972</u>	\$ <u>145,356</u>

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were approximately \$433,000 and \$200,000 as of December 31, 2008 and 2007, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred throughout the year and borrowings by the operating fund of the Foundation.

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. There have been two additional advances from the endowment to cover operating costs. Total unpaid advances at December 31, 2008 and 2007 are \$409,420 and \$280,000.

Return objectives and risk parameters

The Foundation has adopted investment and spending policies for endowment assets that seek growth of principal over time and to preserve purchasing power on a consistent and long-term basis. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the board of directors, based on the investment objectives, the Foundation's goal, over time, is to earn an investment return three to five percent in excess of the return measured by the 90-day U.S. Treasury Rate and achieve an average annual rate of return of the Consumer Price Index plus five percent for the aggregate endowment assets evaluated over a period of five years. Actual returns in any given year may vary from these amounts.

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**7. Endowment (continued)**

Strategies employed for achieving objectives

To satisfy its long-term rate-of-return objectives, the Foundation's investment direction is to achieve capital appreciation (realized and unrealized) during favorable markets and preservation of capital during poor market conditions. The Foundation expects to need income annually and therefore will only accept minimal short-term volatility in those assets providing short-term income, however, the majority of assets are to be invested for the long term, and volatility in these assets is to be expected and accepted.

Spending policy and how the investment objectives relate to spending policy

The Foundation has a policy of appropriating for distribution each year an amount up to \$10,580 of its Lloyd grant endowment fund. The endowment funds will be invested with the goal to maintain the principal of \$200,000 if possible.

The Foundation has a policy of appropriating for distribution each year 3.5 percent of the fair market value of its Lindbergh grant endowment fund balance at June 30 of each year, even if the income and capital gains are in excess of that amount, in order to continue to maintain and grow the corpus. At a minimum, the initial gift of \$300,000 will be maintained.

The Foundation has a policy of appropriating for distribution each year five to ten percent of its regular endowment fund's average fair value over the prior 20 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment. The Foundation will upon occasion require the distribution of a significant portion of the total investment return and may occasionally require distributing capital. However, over the long term, the investment return is expected to be greater than the amount distributed and this excess will be reinvested. The reinvested portion should be sufficient to cover expected future inflation and investment management and related fees so that the real value of the Foundation's endowment assets is preserved and grown over time.

**8. Donated services and inventory**

The Foundation received the following donated services, materials, and assets during the year ended December 31, 2008 and 2007:

	2008	2007
Professional fees	\$ 5,828	\$ 3,696
Software	1,995	
Program supplies	656	
Inventory		3,000
	\$ 8,479	\$ 6,696

**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, 2008 and 2007 was \$1,848 and \$1,807, respectively.

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**10. Operating leases**

The Foundation leases office space in Anoka, Minnesota under an operating lease with a term of five years through July 2014. The following is a summary of the minimum future annual lease payments required under this lease at December 31, 2008:

2009	\$ 17,796
2010	17,707
2011	17,929
2012	18,467
2013	<u>19,021</u>
Total	\$ <u>90,920</u>

Lease expenses recorded for the years ended December 31, 2008 and 2007 are \$17,929 and \$17,407, respectively.

**11. Compliance with donor restrictions**

In addition to endowment deficiencies discussed in note 7, the Foundation has not maintained adequate cash and resources to comply with non-endowment donor restrictions at December 31, 2008. The additional resources needed to comply with donor restrictions are approximately \$6,000.

**12. Due from officer**

In August 2008, the board approved \$350,000 be given to the former president/CEO for investment purposes on behalf of the organization. No documentation of such investment was obtainable or made available by the president/CEO, and in 2009, the Foundation received \$350,000 plus interest from the president/CEO in repayment of the amount. At December 31, 2008 there was \$18,234 for personal expenses also due from the president/CEO. In 2009, the Foundation received payment of this amount.

**13. Going concern uncertainty**

The Foundation has experienced difficulty in obtaining sufficient unrestricted funds to provide working capital. At December 31, 2008 the Foundation had a deficit in unrestricted net assets of approximately \$390,000. 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. Timely payments have been made on the promissory note as of December 31, 2008. However, the Foundation borrowed additional funds of approximately \$260,000 from its regular endowment during 2008 and 2007 that were used for working capital purposes. These factors create an uncertainty about the Foundation's ability to continue as a going concern. Management is developing plans to generate unrestricted revenues and to reduce operating costs. The ability of the Foundation to continue as a going concern is dependent upon the success of these efforts. The financial statements do not include any adjustments that might be necessary if the Foundation is unable to continue as a going concern.