

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

FINANCIAL STATEMENTS

Year Ended December 31, 2009 (Unaudited) with  
Comparative Totals for 2008 (Audited)

## TABLE OF CONTENTS

	PAGE
ACCOUNTANT'S REVIEW REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	2
Statements of Activities and Changes in Net Assets	3
Statements of Functional Expenses	4
Statements of Cash Flows	5
NOTES TO FINANCIAL STATEMENTS	6



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ACCOUNTANT'S REVIEW REPORT

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

We have reviewed the statement of financial position of The Charles A. and Anne Morrow Lindbergh Foundation as of December 31, 2009, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, in accordance with Statement on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the Foundation's management.

A review consists principally of inquiries of the Foundation's personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

As discussed in note 9 to the financial statements, the Foundation has experienced difficulty in obtaining sufficient revenues to fund operations which raises substantial doubt about its ability to continue as a going concern. Management's plans regarding these matters also are described in note 9. The financial statements do not include any adjustments that might be necessary should the Foundation be unable to continue as a going concern.

The financial statements for the year ended December 31, 2008, were audited by us, and we expressed an unqualified opinion on them in our report dated November 18, 2009, but we have not performed any auditing procedures since that date.

*Mayer Hoffman McCann P.C.*

Minneapolis, Minnesota  
September 7, 2010

**THE CHARLES A. AND ANNE MORROW LINDBERGH FOUNDATION**  
**STATEMENTS OF FINANCIAL POSITION**  
December 31, 2009 and 2008

	<u>2009</u> (Unaudited)	<u>2008</u> (Audited)
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 18,187	\$ 11,343
Promises to give receivable		25,000
Accounts receivable	8,062	7,722
Due from officer		368,234
Investment income receivable		7,438
Prepaid expenses and other assets	<u>2,725</u>	<u>3,077</u>
TOTAL CURRENT ASSETS	<u>28,974</u>	<u>422,814</u>
 <b>FURNITURE AND EQUIPMENT</b>		
Furniture and equipment	101,249	70,287
Less accumulated depreciation	<u>(42,719)</u>	<u>(34,063)</u>
NET FURNITURE AND EQUIPMENT	<u>58,530</u>	<u>36,224</u>
 <b>OTHER ASSETS</b>		
Endowment investments	<u>854,380</u>	<u>769,988</u>
 <b>TOTAL ASSETS</b>	 <u>\$ 941,884</u>	 <u>\$ 1,229,026</u>
<b><u>LIABILITIES</u></b>		
<b>CURRENT LIABILITIES</b>		
Grants payable	\$ 17,000	\$ 31,580
Accounts payable	15,545	4,971
Accrued expenses	<u>6,387</u>	<u>11,883</u>
TOTAL CURRENT LIABILITIES	<u>38,932</u>	<u>48,434</u>
<b><u>NET ASSETS</u></b>		
UNRESTRICTED NET ASSETS (DEFICIT)	(644,546)	(389,959)
TEMPORARILY RESTRICTED NET ASSETS	39,477	62,530
PERMANENTLY RESTRICTED NET ASSETS	<u>1,508,021</u>	<u>1,508,021</u>
TOTAL NET ASSETS	<u>902,952</u>	<u>1,180,592</u>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <u>\$ 941,884</u>	 <u>\$ 1,229,026</u>

See Accompanying Notes to Financial Statements  
See Accountant's Review Report.

**THE CHARLES A. AND ANNE MORROW LINDBERGH FOUNDATION**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
For the Year Ended December 31, 2009 with Comparative Totals for 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2009 (Unaudited)	2008 (Audited)
<b><u>PUBLIC SUPPORT AND REVENUE</u></b>					
<b>PUBLIC SUPPORT</b>					
Contributions and grants	\$ 232,665	\$ 53,446		\$ 286,111	\$ 172,687
Donated services and supplies	<u>60,321</u>			<u>60,321</u>	<u>8,479</u>
<b>TOTAL PUBLIC SUPPORT</b>	<u>292,986</u>	<u>53,446</u>	_____	<u>346,432</u>	<u>181,166</u>
<b>REVENUE</b>					
Investment income (loss)	2,979	11,221		14,200	(160,659)
Award and special event revenues	40,970			40,970	117,245
Less costs of direct benefits	(9,051)			(9,051)	(13,712)
Unrealized gains (losses) on inventory					(5,720)
Other revenue	<u>46</u>			<u>46</u>	<u>597</u>
<b>TOTAL REVENUE</b>	<u>34,944</u>	<u>11,221</u>	_____	<u>46,165</u>	<u>(62,249)</u>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>					
Satisfaction of purpose restrictions	<u>87,720</u>	<u>(87,720)</u>		_____	_____
<b>TOTAL PUBLIC SUPPORT AND REVENUE</b>	<u>415,650</u>	<u>(23,053)</u>	_____	<u>392,597</u>	<u>118,917</u>
<b><u>EXPENSES</u></b>					
<b>PROGRAM SERVICES</b>					
Lindbergh grants	83,720			83,720	123,741
Events and programs	25,666			25,666	72,336
Kenya Wildlife Service	217,572			217,572	
Other	<u>108,716</u>			<u>108,716</u>	<u>134,109</u>
<b>TOTAL PROGRAM SERVICES</b>	<u>435,674</u>			<u>435,674</u>	<u>330,186</u>
<b>SUPPORTING ACTIVITIES</b>					
Management and general	181,217			181,217	135,010
Fund raising	<u>53,346</u>			<u>53,346</u>	<u>169,584</u>
<b>TOTAL SUPPORTING ACTIVITIES</b>	<u>234,563</u>			<u>234,563</u>	<u>304,594</u>
<b>TOTAL EXPENSES</b>	<u>670,237</u>	_____	_____	<u>670,237</u>	<u>634,780</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	(254,587)	(23,053)		(277,640)	(515,863)
<b>NET ASSETS, BEGINNING 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>
<b>NET ASSETS (DEFICIT), END OF YEAR</b>	<u>\$ (644,546)</u>	<u>\$ 39,477</u>	<u>\$ 1,508,021</u>	<u>\$ 902,952</u>	<u>\$ 1,180,592</u>

See Accompanying Notes to Financial Statements  
See Accountant's Review Report.

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

For the Year Ended December 31, 2009 with Comparative Totals for 2008

	Supporting Activities			2009 (Unaudited)	2008 (Audited)
	Program services	Management and general	Fund raising		
Salaries	\$ 57,423	\$ 35,981	\$ 25,388	\$ 118,792	\$ 186,038
Payroll taxes	4,311	2,879	1,979	9,169	12,741
Employee benefits	<u>9,765</u>	<u>6,345</u>	<u>4,410</u>	<u>20,520</u>	<u>9,478</u>
Total salaries and related expenses	71,499	45,205	31,777	148,481	208,257
Special projects - KWS	217,572			217,572	
Special projects - other	1,000			1,000	2,758
Professional fees		93,938		93,938	14,303
Lindbergh grants	83,720			83,720	123,741
Bad debt expense		25,000		25,000	50,300
Office rental	8,603	5,390	3,803	17,796	17,929
Travel and board meeting expense	2,924	997	10,721	14,642	41,655
Newsletter	4,681		1,561	6,242	13,055
Insurance	4,145	1,898		6,043	7,841
Contract services	2,252	860		3,112	4,117
Communication	2,361	600		2,961	2,808
Printing	2,813			2,813	1,110
Investment management fees		2,733		2,733	9,004
Postage and freight	1,906			1,906	1,162
Conferences and conventions			1,626	1,626	7,160
Photography and publicity	1,115			1,115	4,292
Seminars and subscriptions	704	55		759	793
Office expense	529	176		705	1,567
Bank card fees		556		556	957
Equipment rental and maintenance		464		464	761
Award program	<u>25,666</u>	<u>724</u>	<u>2,008</u>	<u>28,398</u>	<u>117,200</u>
Total expenses before depreciation	431,490	178,596	51,496	661,582	630,770
Depreciation	<u>4,184</u>	<u>2,621</u>	<u>1,850</u>	<u>8,655</u>	<u>4,010</u>
Total expenses	<u>\$ 435,674</u>	<u>\$ 181,217</u>	<u>\$ 53,346</u>	<u>\$ 670,237</u>	<u>\$ 634,780</u>

See Accompanying Notes to Financial Statements  
See Accountant's Review Report.

**THE CHARLES A. AND ANNE MORROW LINDBERGH FOUNDATION**  
**STATEMENTS OF CASH FLOWS**

For the Years Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
	<u>(Unaudited)</u>	<u>(Audited)</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Decrease in net assets	\$ (277,640)	\$ (515,863)
Adjustments to reconcile decrease in net assets to net cash flows from operating activities:		
Depreciation expense	8,655	4,010
Equipment donations		(1,995)
Realized (gain) loss on sale of investments and assets	(66)	187,163
Unrealized loss on inventory		5,720
Changes in assets and liabilities:		
Decrease in promises to give receivable	25,000	60,580
(Increase) decrease in investment income receivable	7,438	(7,438)
(Increase) decrease in accounts receivable	(340)	7,399
Decrease in inventory		20
(Increase) decrease in prepaid expenses and other assets	352	13,743
Increase (decrease) in grants payable	(14,580)	5,580
Increase (decrease) in accounts payable	10,574	(40)
Increase (decrease) in accrued expenses	<u>(5,496)</u>	<u>8,147</u>
 NET CASH FLOWS FROM OPERATING ACTIVITIES	 <u>(246,103)</u>	 <u>(232,974)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(1,229,272)	(1,489,111)
Proceeds from sale of investments	1,144,947	1,984,135
Collections of amounts due from officer	368,234	
Purchase of furniture and equipment	(30,962)	(3,720)
Amounts due from officer	<u>                    </u>	<u>(368,234)</u>
 NET CASH FLOWS FROM INVESTING ACTIVITIES	 <u>252,947</u>	 <u>123,070</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 6,844	 (109,904)
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	 <u>11,343</u>	 <u>121,247</u>
 CASH AND CASH EQUIVALENTS, END OF YEAR	 <u>\$ 18,187</u>	 <u>\$ 11,343</u>

See Accompanying Notes to Financial Statements  
See Accountant's Review Report.

# THE CHARLES A. AND ANNE MORROW LINDBERGH FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

### 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 web site, and other educational forums and symposia centered on the balance theme. In 2009, the Foundation embarked upon a special project to provide support for pilot training programs and equipment for the Kenya Wildlife Service, which strives to protect elephants, rhinos and other wildlife in Kenya's National parks against poaching and other threats.

#### Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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.

On January 1, 2009, the Foundation adopted new accounting guidance on accounting for uncertainty in income taxes. The Foundation reviews and assesses its tax positions taken or expected to be taken in tax returns. Based on this assessment the Foundation determines whether it is more likely than not that the position would be sustained upon examination by tax authorities. The Foundation's assessment has not identified any significant positions that it believes would not be sustained under examination.

#### 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.

# THE CHARLES A. AND ANNE MORROW LINDBERGH FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

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

#### Financial statement presentation

The Foundation presents its financial statements in accordance with Financial Accounting Standards Board (FASB) ASC 958 (formerly SFAS No. 117), *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958, 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. Designated amounts represent net assets the Board has set aside for a particular purpose.
- Temporarily restricted with respect to time or purpose - resources subject to a donor-imposed restriction which will be satisfied by actions of the Foundation or the passage of time.
- Permanently restricted - resources subject to a donor-imposed restriction that they be maintained permanently.

#### Revenue recognition

The Foundation presents its financial statements using Financial Accounting Standards Board (FASB) ASC 958 (formerly 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 contributions are available for unrestricted use unless specifically restricted by the donor.

Support that is temporarily restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. Investment income that is limited to specific uses by donor restrictions is reported as increases in unrestricted net assets if the restrictions are met in the same reporting period as the income is recognized. 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.

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.

# THE CHARLES A. AND ANNE MORROW LINDBERGH FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

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

#### 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.

#### Allowance for doubtful accounts

No allowance for doubtful accounts on pledges and other receivables has been provided for at December 31, 2009 and 2008, since management of the Foundation expects all receivables to be collected.

#### 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 Financial Accounting Standards Board (FASB) ASC 958-320 (formerly 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.

# THE CHARLES A. AND ANNE MORROW LINDBERGH FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

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

#### 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, 2009 and 2008, depreciation expense was \$8,655 and \$4,010, 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 Financial Accounting Standards Board (FASB) ASC 958 (formerly SFAS No. 116), *Accounting for Contributions Received and Contributions Made* 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.

#### Fair value measurement definition and hierarchy

ASC Topic 820 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 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 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 CHARLES A. AND ANNE MORROW LINDBERGH FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

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

#### Fair value measurement definition and hierarchy (continued)

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 than observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Foundation 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 U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2008, from which the summarized information was derived.

#### Subsequent events policy

Subsequent events have been evaluated through September 7, 2010 which is the date the financial statements were available to be issued.

#### Recently issued pronouncements

In June 2009, the Financial Accounting Standard Board (FASB) issued Update No. 2009-01, which establishes the FASB Accounting Standards Codification (ASC) as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with generally accepted accounting principals (GAAP). The ASC is effective for annual periods ending after September 15, 2009. The Foundation has adopted the ASC when referring to GAAP in this report. The adoption of the ASC did not have an impact on the Foundation's financial statements.

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

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2009 and 2008

**2. Endowment investments**

Investments at December 31 are comprised of the following:

	<u>2009</u>	<u>2008</u>
Cash and money markets	\$ <u>854,380</u>	\$ <u>769,988</u>

Investment income is summarized as follows:

	<u>2009</u>	<u>2008</u>
Interest, dividend, and capital gain allocations income	\$ 14,134	\$ 26,504
Realized gains (losses)	<u>66</u>	<u>(187,163)</u>
Total	\$ <u>14,200</u>	\$ <u>(160,659)</u>

All endowment investments are in cash and money market accounts. Fair values of endowment investments measured on a recurring basis at December 31, 2009 and 2008 were measured using level 1 inputs. Money market accounts are valued at the closing prices reported on the active market on which the securities are traded.

**3. 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, 2009, as follows:

Grants awarded	\$ 83,720
Lindbergh scholarship	1,000
Website development	<u>3,000</u>
	\$ <u>87,720</u>

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

Temporarily and permanently restricted net assets at December 31, 2009 and 2008 are available for the following purposes:

	<u>2009</u>	<u>2008</u>
Temporarily Restricted:		
Lindbergh grants	\$ <u>39,477</u>	\$ <u>62,530</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>

See Accountant's Review Report

# THE CHARLES A. AND ANNE MORROW LINDBERGH FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

#### 4. Temporarily restricted and permanently restricted net assets (continued)

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.

#### 5. 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.

#### 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

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

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2009 and 2008

**5. Endowment (continued)**

2009 endowment net asset composition by type of fund as of December 31, 2009:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor-restricted:				
Regular endowment	\$ (668,750)	\$ 17,305	\$ 1,008,021	\$ 356,576
Lindbergh Grant endowment		21,059	300,000	321,059
Lloyd endowment	<u>(23,255)</u>	<u>                    </u>	<u>200,000</u>	<u>176,745</u>
Total endowment net assets	<u>\$ (692,005)</u>	<u>\$ 38,364</u>	<u>\$ 1,508,021</u>	<u>\$ 854,380</u>

2008 endowment net asset composition by type of fund as of December 30, 2008:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
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>

Changes in endowment net assets for the year ended December 31, 2009:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ (433,005)	\$ 44,972	\$ 1,508,021	\$ 1,119,988
Investment return:				
Investment income	923	10,114		11,037
Deposits	7,446			7,446
Internal borrowing by Foundation	(297,866)			(297,866)
Repayments of borrowings by Foundation	41,077	4,308		45,385
Appropriation of endowment assets for expenditure	<u>(10,580)</u>	<u>(21,030)</u>	<u>                    </u>	<u>(31,610)</u>
Endowment net assets, end of year	<u>\$ (692,005)</u>	<u>\$ 38,364</u>	<u>\$ 1,508,021</u>	<u>\$ 854,380</u>

See Accountant's Review Report

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

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2009 and 2008

**5. Endowment (continued)**

Changes in endowment net assets for the fiscal year ended December 30, 2008:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
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 appreciation (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)
Repayment 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>

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

	<u>2009</u>	<u>2008</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>38,364</u>	\$ <u>44,972</u>
Total endowment funds classified as temporarily restricted net assets	\$ <u>38,364</u>	\$ <u>44,972</u>

# THE CHARLES A. AND ANNE MORROW LINDBERGH FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

### 5. Endowment (continued)

#### 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 \$692,000 and \$433,000 as of December 31, 2009 and 2008, respectively. These deficiencies resulted from unfavorable market fluctuations in 2008 that occurred throughout the year and borrowings by the operating fund of the Foundation in 2009 and 2008.

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 three additional advances from the endowment to cover operating costs. Total unpaid advances at December 31, 2009 and 2008 are \$644,546 and \$389,959.

#### 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.

#### 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 CHARLES A. AND ANNE MORROW LINDBERGH FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

### 5. Endowment (continued)

#### Spending policy and how the investment objectives relate to spending policy (continued)

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.

### 6. Donated services and materials

The Foundation received the following donated services, materials, and assets during the year ended December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Professional fees	\$ 60,321	\$ 5,828
Software		1,995
Program supplies		<u>656</u>
	<u>\$ 60,321</u>	<u>\$ 8,479</u>

### 7. 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, 2009 and 2008 was \$1,795 and \$1,848, respectively.

### 8. Operating leases

The Foundation leases office space under an operating lease. The term of the lease is for five years through July 2014, with a current monthly payment of \$1,476. The following is a summary of the minimum future annual lease payments required under this lease at December 31, 2009:

#### Years ending December 31,

2010	\$ 17,707
2011	17,929
2012	18,467
2013	19,021
2014	<u>11,287</u>
Total	<u>\$ 84,411</u>

Lease expenses recorded for the years ended December 31, 2009 and 2008 were \$17,796 and \$17,929, respectively.

See Accountant's Review Report

# THE CHARLES A. AND ANNE MORROW LINDBERGH FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

### 9. Going concern uncertainty

The Foundation has experienced difficulty in obtaining sufficient unrestricted funds to provide working capital. At December 31, 2009 the Foundation had a deficit in unrestricted net assets of approximately \$645,000. 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, 2009. However, the Foundation borrowed additional funds of approximately \$510,000 from its regular endowment during 2009, 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.