

**FINANCIAL STATEMENTS**

**THE LAM FOUNDATION**

**Years ended December 31, 2006 and 2005  
With Report of Independent Auditors**

**FLYNN & COMPANY, INC.**  
*Certified Public Accountants*

# THE LAM FOUNDATION

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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
The LAM Foundation  
Cincinnati, Ohio

We have audited the accompanying statements of financial position of The LAM Foundation (a non-profit organization) as of December 31, 2006 and 2005 and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The LAM Foundation as of December 31, 2006 and 2005, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Flynn & Company, Inc.*

February 6, 2007

**THE LAM FOUNDATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2006 and 2005**

<b>ASSETS</b>		
	<b>2006</b>	<b>2005</b>
<b>Current Assets</b>		
Cash	\$ 1,821,206	\$ 1,604,827
Accounts receivable	20,341	44,000
Other assets	<u>7,571</u>	<u>12,004</u>
<b>Total Current Assets</b>	1,849,118	1,660,831
<b>Investments</b>	269,625	41,106
<b>Property and Equipment, net</b>	<u>15,729</u>	<u>13,059</u>
<b>TOTAL ASSETS</b>	\$ <u>2,134,472</u>	\$ <u>1,714,996</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 19,282	\$ 2,991
Compensation and related taxes payable	46,025	32,899
Fellowships payable	<u>955,950</u>	<u>815,000</u>
<b>Total Current Liabilities</b>	1,021,257	850,890
<b>Net Assets</b>		
Unrestricted		
Available for operations	497,641	453,062
Board designated funds for fellowships	540,000	385,000
Expended on property and equipment	<u>15,729</u>	<u>13,059</u>
	1,053,370	851,121
Temporarily restricted	16,795	12,985
Permanently restricted	<u>43,050</u>	<u>-</u>
<b>Total Net Assets</b>	<u>1,113,215</u>	<u>864,106</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ <u>2,134,472</u>	\$ <u>1,714,996</u>

The accompanying notes are an integral part of these financial statements.

**THE LAM FOUNDATION**  
**STATEMENTS OF ACTIVITIES**  
**For the years ended December 31, 2006 and 2005**

	<b>2006</b>			<u>Total</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
<b>Revenues, support, and gains</b>				
<b>Support</b>				
Contributions from special events	\$ 802,143	\$ -	\$ 1,000	\$ 803,143
Honorariums	192,409	-	40,050	232,459
General donations	129,455	-	1,000	130,455
LAMposium sponsorships and registrations	80,245	6,310	-	86,555
Grants	78,963	-	-	78,963
Memorials	64,273	-	-	64,273
Matching gifts	45,273	-	1,000	46,273
United Way	38,057	-	-	38,057
Donated investments	24,121	-	-	24,121
Sponsorships	10,528	-	-	10,528
Contributed services and materials	9,140	-	-	9,140
Combined federal campaign	3,152	-	-	3,152
Net assets released from restrictions	<u>2,500</u>	<u>(2,500)</u>	<u>-</u>	<u>-</u>
	1,480,259	3,810	43,050	1,527,119
<b>Dividends, interest and gains</b>				
Interest and dividends	69,490	-	-	69,490
Net realized and unrealized gain	<u>19,787</u>	<u>-</u>	<u>-</u>	<u>19,787</u>
<b>Total revenues, support and gains</b>	1,569,536	3,810	43,050	1,616,396
<b>Expenses</b>				
Program services	1,155,384	-	-	1,155,384
Management and general	111,455	-	-	111,456
Fundraising	<u>100,448</u>	<u>-</u>	<u>-</u>	<u>100,448</u>
<b>Total expenses</b>	<u>1,367,287</u>	<u>-</u>	<u>-</u>	<u>1,367,287</u>
<b>Increase in Net Assets</b>	202,249	3,810	43,050	249,109
<b>Net assets at beginning of year</b>	<u>851,121</u>	<u>12,985</u>	<u>-</u>	<u>864,106</u>
<b>Net assets at end of year</b>	\$ <u>1,053,370</u>	\$ <u>16,795</u>	\$ <u>43,050</u>	\$ <u>1,113,215</u>

The accompanying notes are an integral part of these financial statements.

**THE LAM FOUNDATION**  
**STATEMENTS OF ACTIVITIES**  
**For the years ended December 31, 2006 and 2005**

	<b>2005</b>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Revenues, support, and gains</b>			
<b>Support</b>			
Contributions from special events	\$ 926,612	\$ -	\$ 926,612
Honorariums	159,134	-	159,134
General donations	140,191	-	140,191
LAMposium sponsorships and registrations	62,025	2,925	64,950
Grants	94,805	-	94,805
Memorials	77,368	-	77,368
Matching gifts	31,596	-	31,596
United Way	34,894	-	34,894
Donated investments	48,065	-	48,065
Sponsorships	13,146	-	13,146
Contributed services and materials	7,380	-	7,380
Combined federal campaign	1,775	-	1,775
Net assets released from restrictions	<u>7,600</u>	<u>(7,600)</u>	<u>-</u>
	1,604,591	(4,675)	1,599,916
<b>Dividends, interest and gains</b>			
Interest and dividends	28,226	-	28,226
Net realized and unrealized loss	<u>(4,395)</u>	<u>-</u>	<u>(4,395)</u>
<b>Total revenues, support and gains</b>	1,628,422	(4,675)	1,623,747
<b>Expenses</b>			
Program services	1,053,347	-	1,053,347
Management and general	101,177	-	101,177
Fundraising	<u>77,916</u>	<u>-</u>	<u>77,916</u>
<b>Total expenses</b>	<u>1,232,440</u>	<u>-</u>	<u>1,232,440</u>
<b>Increase in Net Assets</b>	395,982	(4,675)	391,307
<b>Net assets at beginning of year</b>	<u>455,139</u>	<u>17,660</u>	<u>472,799</u>
<b>Net assets at end of year</b>	\$ <u>851,121</u>	\$ <u>12,985</u>	\$ <u>864,106</u>

The accompanying notes are an integral part of these financial statements.

**THE LAM FOUNDATION**  
**STATEMENTS OF CASH FLOWS**  
**For the years ended December 31, 2006 and 2005**

	<b>2006</b>	<b>2005</b>
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ 249,109	\$ 391,307
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	7,673	3,962
Donated securities	(24,121)	(48,065)
Unrealized (gain) loss on investments	(36,718)	2,805
Realized (gain) loss on investments	16,931	1,590
(Increase) decrease in assets		
Accounts receivable	23,659	65,477
Other assets	4,433	(768)
Increase (decrease) in liabilities		
Accounts payable	16,291	(3,901)
Compensation and related taxes payable	13,126	8,941
Deferred revenue	-	(700)
Fellowships payable	<u>140,950</u>	<u>385,000</u>
<b>Net Cash Provided By Operating Activities</b>	411,333	805,648
<b>Cash Flows From Investing Activities</b>		
Proceeds from sale of investments	37,298	95,027
Maturities of certificates of deposit	-	31,934
Reinvestment of dividends	(7,599)	(1,122)
Purchase of investments	(214,310)	-
Purchase of property and equipment	<u>(10,343)</u>	<u>(2,245)</u>
<b>Net Cash Provided by (Used In) Investing Activities</b>	<u>(194,954)</u>	<u>123,594</u>
<b>Net Increase in Cash and Cash Equivalents</b>	216,379	929,242
<b>Cash and Cash Equivalents, beginning of year</b>	<u>1,604,827</u>	<u>675,585</u>
<b>Cash and Cash Equivalents, end of year</b>	\$ <u>1,821,206</u>	\$ <u>1,604,827</u>

The accompanying notes are an integral part of these financial statements.

**THE LAM FOUNDATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the year ended December 31, 2006**

**Program Services**

	<u>Research</u>	<u>Patient Services</u>	<u>Public Education</u>	<u>Professional Education &amp; Training</u>
Fellowships given	\$ 688,732	\$ -	\$ -	\$ -
Compensation	41,669	84,498	84,046	11,446
LAMposium conference	62,230	29,254	-	-
Professional services	460	775	28,601	9,649
Shipping and postage	6,454	4,294	10,665	526
Printing	3,606	1,285	9,838	204
Miscellaneous	2,656	1,441	1,108	581
Supplies	2,077	3,177	4,903	463
Conferences	1,633	1,385	3,315	5,689
Travel	1,116	898	4,009	3,867
Publicity	2,880	-	7,453	-
Telephone	2,827	2,380	2,437	311
Occupancy	1,535	2,756	2,651	326
Contributed services and materials	191	327	7,990	35
Depreciation	<u>1,067</u>	<u>1,803</u>	<u>1,650</u>	<u>215</u>
 Total Expenses	 \$ <u>819,133</u>	 \$ <u>134,273</u>	 \$ <u>168,666</u>	 \$ <u>33,312</u>

The accompanying notes are an integral part of these financial statements.

**THE LAM FOUNDATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the year ended December 31, 2006**

	<u>Program Services</u>	<u>Supporting Services</u>		
	Total Program Services	Management and General	Fundraisin g	Total
Fellowships given	\$ 688,732	\$ -	\$ -	\$ 688,732
Compensation	221,659	74,600	65,982	362,241
LAMposium conference	91,484	-	-	91,484
Professional services	39,485	5,998	3,802	49,285
Shipping and postage	21,939	3,577	5,602	31,118
Printing	14,933	1,569	9,871	26,373
Miscellaneous	5,786	10,956	2,354	19,096
Supplies	10,620	4,440	3,424	18,484
Conferences	12,022	2,173	1,129	15,324
Travel	9,890	394	2,802	13,086
Publicity	10,333	-	1,491	11,824
Telephone	7,955	2,424	1,412	11,791
Occupancy	7,268	2,975	1,393	11,636
Contributed services and materials	8,543	400	197	9,140
Depreciation	<u>4,735</u>	<u>1,949</u>	<u>989</u>	<u>7,673</u>
 Total Expenses	 \$ <u>1,155,384</u>	 \$ <u>111,455</u>	 \$ <u>100,448</u>	 \$ <u>1,367,287</u>

The accompanying notes are an integral part of these financial statements.

**THE LAM FOUNDATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the year ended December 31, 2005**

	<b>Program Services</b>			
	Research	Patient Services	Public Education	Professional Education & Training
Fellowships given	\$ 726,190	\$ -	\$ -	\$ -
Compensation	38,712	80,748	39,496	12,603
LAMposium conference	36,116	35,566	-	-
Professional services	43	85	38	14
Shipping and postage	3,295	6,012	5,773	2,732
Printing	2,094	7,040	3,858	2,010
Miscellaneous	1,134	2,046	1,240	736
Supplies	1,019	3,516	2,082	784
Conferences	1,668	518	1,013	5,861
Travel	413	2,567	1,606	4,096
Publicity	-	-	2,513	-
Telephone	1,757	1,972	1,080	422
Occupancy	1,143	2,261	1,014	370
Contributed services and materials	-	734	5,000	-
Depreciation	<u>563</u>	<u>1,113</u>	<u>499</u>	<u>182</u>
Total Expenses	\$ <u>814,147</u>	\$ <u>144,178</u>	\$ <u>65,212</u>	\$ <u>29,810</u>

The accompanying notes are an integral part of these financial statements.

**THE LAM FOUNDATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the year ended December 31, 2005**

	<u>Program Services</u>	<u>Supporting Services</u>		
	Total Program Services	Management and General	Fundraisin g	Total
Fellowships given	\$ 726,190	\$ -	\$ -	\$ 726,190
Compensation	171,559	67,056	54,537	293,152
LAMposium conference	71,682	-	-	71,682
Professional services	180	4,479	44	4,703
Shipping and postage	17,812	2,458	6,855	27,125
Printing	15,002	1,784	4,724	21,510
Miscellaneous	5,156	12,235	1,940	19,331
Supplies	7,401	4,601	2,527	14,529
Conferences	9,060	1,641	402	11,103
Travel	8,682	897	3,728	13,307
Publicity	2,513	-	-	2,513
Telephone	5,231	2,892	1,283	9,406
Occupancy	4,788	2,100	1,159	8,047
Contributed services and materials	5,734	-	146	5,880
Depreciation	<u>2,357</u>	<u>1,034</u>	<u>571</u>	<u>3,962</u>
 Total Expenses	 <u>\$ 1,053,347</u>	 <u>\$ 101,177</u>	 <u>\$ 77,916</u>	 <u>\$1,232,440</u>

The accompanying notes are an integral part of these financial statements.

**THE LAM FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2006 and 2005**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of The LAM Foundation (the Foundation) is presented to assist in understanding the Foundation's financial statements. The financial statements and notes are representations of the Foundation's management who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Nature of Business

The LAM Foundation (incorporated Ohio, 1995) is a not-for-profit organization urgently seeking an effective treatment and ultimately a cure for lymphangioleiomyomatosis (LAM), a progressive and frequently fatal lung disease that affects only women. The Foundation believes its goals will be achieved through advocacy and the funding of promising research and is dedicated to serving the scientific, medical and patient communities by offering information, resources and a worldwide network of hope and support. The Foundation is governed by a Board of Trustees and obtains significant funding from contributions and fundraising activities.

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Unrestricted Net Assets

Funds which have not been restricted in any manner by the donors are referred to as unrestricted net assets and are available for general purposes of the Foundation. Unrestricted net assets are currently expendable.

Board Designated Net Assets

Board designated net assets include amounts for contingent fellowship commitments which the Foundation has awarded. Fulfillment of the fellowship is dependant on the awardees receiving favorable reviews by the Foundation's Scientific Board.

**THE LAM FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2006 and 2005**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Temporarily Restricted Net Assets

Temporarily restricted net assets are amounts received from donors who specified the use of their gifts for specific purposes. Temporarily restricted net assets are subject to donor imposed restrictions which will be met either by future actions or the passage of time. When a donor restriction expires, that is, when a stipulated time restriction or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as released from restrictions.

Permanently Restricted Net Assets

Permanently restricted net assets are amounts received from donors for which the donor-imposed restrictions limiting the Organization's use of the asset or its economic benefit neither expire with the passage of time, nor can be removed by meeting certain requirements.

Cash and Cash Equivalents

For the statement of cash flows, the Foundation considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. There were no cash equivalents at December 31, 2006 and 2005.

Accounts Receivable

The Foundation's accounts receivable consists of matching contributions receivable, a grant receivable and donations pledged to fund fellowships payable. Management believes the balance to be fully collectible and has not recorded an allowance for uncollectible accounts receivable.

Investments

The Foundation's investments consist of various marketable securities, presented at fair market value. Contributed securities are recorded at their fair market value on the date received. The unrealized investment gains and losses are reported in the change in net assets. All gains and investment income are unrestricted.

**THE LAM FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2006 and 2005**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment are recorded at cost or fair value at the time of the gift in the case of donated items. Depreciation is provided using the straight line method over the estimated useful lives of the assets, which range from three to six years. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in changes in net assets for the period. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized.

Contributions

The Foundation records contributions at fair value as either unrestricted, temporarily restricted, or permanently restricted contributions when they are received. When donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions. It is the Foundation's policy to record temporarily restricted contributions received and expended in the same accounting period in the unrestricted net asset class.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Federal Income Tax Status

The Foundation is exempt from federal income tax under Section 501 (c)(3) of the Internal Revenue Code. The Internal Revenue Service has determined that the Foundation is not a private foundation under Section 509(a)(2) of the Internal Revenue Code.

**THE LAM FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2006 and 2005**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

Directly identifiable expenses are charged to program services, management and general, and fundraising. Program service expenses are further categorized as research, patient services, public education, and professional education and training. Research costs are primarily fellowships given to research scientists, as well as costs incurred to administer, evaluate and support the fellowships given. Patient services include mailings and meetings that have the purpose of educating and supporting LAM patients and their families. Public education is the efforts to inform and educate the general public. Professional education and training is primarily the costs to educate the medical and scientific communities through various communications and attendance at medical conferences and meetings. Management and general includes administrative expenses that provide for the overall support and direction of the Foundation. Fundraising includes efforts to provide LAM financial support. Expenses related to more than one function are charged to the functional category on the basis of periodic time and expense studies.

Reclassifications

Certain 2005 amounts have been reclassified to conform to the 2006 presentation. The reclassifications had no impact on reported net assets.

**THE LAM FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2006 and 2005**

NOTE B – INVESTMENTS

At December 31, investments consisted of the following:

	2006		2005	
	Cost	Market	Cost	Market
Common stocks – mutual fund	\$ -	\$ -	\$ 1,716	\$ 1,735
Common stocks	347	617	52,969	39,371
i Shares S&P 500 Growth Index Fund	64,640	70,763	-	-
i Shares S&P 500 Value Index Fund	48,838	54,284	-	-
i Shares Trust S&P Midcap Growth Index Fund	23,773	25,507	-	-
i Shares Trust S&P Midcap Value Index Fund	23,693	25,594	-	-
i Shares Trust Lehman US Aggregate Fund	24,029	24,129	-	-
i Shares Trust MSCI EAFE Index Fund	36,538	41,734	-	-
i Shares Trust S&P Smallcap Value Index Fund	12,229	13,561	-	-
i Shares Trust S&P Smallcap Growth Index Fund	<u>12,399</u>	<u>13,436</u>	-	-
	<u>\$ 246,486</u>	<u>\$ 269,625</u>	<u>\$ 54,685</u>	<u>\$ 41,106</u>

The components of investment gain (loss) were as follows for 2006 and 2005:

	2006	2005
Realized capital gains (losses)	\$ (16,931)	\$ (1,590)
Unrealized capital gains (losses)	<u>36,718</u>	<u>(2,805)</u>
	<u>\$ 19,787</u>	<u>\$ (4,395)</u>

**THE LAM FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2006 and 2005**

NOTE C – PROPERTY AND EQUIPMENT

Property and equipment at December 31 are as follows:

	2006	2005
Equipment	\$ 35,277	\$ 31,579
Leasehold improvements	<u>6,646</u>	<u>4,313</u>
	41,923	35,892
Less accumulated depreciation	<u>(26,194)</u>	<u>(22,833)</u>
Property and Equipment, net	\$ <u>15,729</u>	\$ <u>13,059</u>
Depreciation expense	\$ <u>7,673</u>	\$ <u>3,962</u>

NOTE D – FELLOWSHIPS PAYABLE

The Foundation provides three award types: Fellowship Awards, Established Investigator Awards, and Pilot Project Awards. The Fellowship Awards provide salary support for a post-doctoral fellow for three years; Established Investigator Awards provide three years of salary support for a technician; and Pilot Project Awards provide seed monies to pursue new research directions. The Foundation has also committed monies to a drug treatment trial that started in 2006. Fellowships authorized and unpaid at December 31, 2006 and 2005 were \$955,950 and \$815,000 respectively. In addition, subject to certain conditions including satisfactory scientific progress, review and financial reporting, the Foundation is contingently liable for future fellowships and awards of \$540,000 and \$385,000 at December 31, 2006 and 2005, respectively. These fellowships and awards have not been included in the Foundation's liabilities since all conditions have not yet been satisfied.

NOTE E – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2006 and 2005 include contributions designated to the LAM Family Network which assists LAM patients in attending the annual LAMposium conference and a contribution to fund a future travel expense of the Scientific Director.

NOTE F – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets at December 31, 2006 include amounts contributed as endowments, the earnings on which are available for unrestricted use. There were no permanently restricted net assets at December 31, 2005.

**THE LAM FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2006 and 2005**

NOTE G – RELATED PARTY TRANSACTIONS

The Foundation rented office space, located in the executive director’s home, from the executive director through August 2006. The amount paid for rent was \$4,000 and \$6,000 for 2006 and 2005, respectively. The Foundation reimbursed the executive director for utilities at a rate of 32% of the total billed amount. The amounts paid for utilities were \$1,135 and \$1,453 in 2006 and 2005, respectively.

The Organization began leasing office space from an unrelated party, effective September 1, 2006. The lease expires July 31, 2009, and requires monthly rent of \$1,266.

NOTE H – DONATIONS IN KIND

Donated Services

The Foundation receives the volunteer services of many individuals who perform a variety of tasks that assist the Foundation with fund raising solicitations, oversight assistance, and other support. The volunteer services were not recorded in the financial statements since the recognition criteria under accounting principles generally accepted in the United States of America was not met.

Donated Property and Equipment and Supplies

Donations of property and equipment and supplies are recorded as contributions at their estimated fair value at the date of donation. The donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. The donated property and equipment and supplies were:

	<u>2006</u>	<u>2005</u>
Printing – program services	\$ 5,500	\$ 5,000
Website Design	2,200	-
Other	<u>1,440</u>	<u>2,380</u>
	<u>\$ 9,140</u>	<u>\$ 7,380</u>

**THE LAM FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2006 and 2005**

NOTE I – CONCENTRATION OF CREDIT RISK

Financial instruments which potentially subject the Foundation to a concentration of credit risk consist primarily of cash and investments.

The Foundation maintains its cash in various bank accounts which, at times, may exceed the federally insured limits. The Foundation has not experienced any losses in such accounts. The amount in excess of the insurance coverage was \$1,576,661 at December 31, 2006.

The Foundation's investments consist primarily of money market, mutual funds and common stock. Though the market value of investments is subject to fluctuations on a year-to-year basis, management believes that its investment policy is prudent for the long-term welfare of the Foundation.