SIGHTLIFE[tm]

Consolidated Financial Statements with
Independent Auditors' Report

For the Year Ended December 31, 2008

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Certified Public
Accountants
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Independent Auditors' Report

Board of Directors
SightLife[tm]
Seattle, Washington

We have audited the accompanying consolidated statement of financial position of SightLife (the Organization) as of December 31, 2008, and the related consolidated statements of activities and changes in net assets, cash flows, and functional expenses for the year 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 audit.

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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of SightLife as of December 31, 2008, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Clark Nuber P S

Certified Public Accountants
Bellevue, Washington
April 20, 2009

SIGHTLIFE *tm*

Consolidated Statement of Financial Position
December 31, 2008

	SightLife	Audient	Northwest Lions Endowment	Eliminations	Total
Assets					
Current Assets:					
Cash and cash equivalents	$ 408,923	$ 16,295	$ 2,222	$ -	$ 427,440
Accounts receivable	1,065,804	30,550		(115,760)	980,594
Pledges receivable (Note 2)	451,412				451,412
Other assets	103,521	44,939			148,460
Inventory	86,761				86,761
Total Current Assets	**2,116,421**	**91,784**	**2,222**	**(115,760)**	**2,094,667**
Long-term pledges receivable (Note 2)	1,146,529				1,146,529
Deposits	33,029				33,029
Investments (Note 3)	1,470,934		1,564,199		3,035,133
Property and equipment, net (Note 5)	2,089,869				2,089,869
Perpetual trusts (Note 6)	787,395				787,395
Total Assets	**$ 7,644,177**	**$ 91,784**	**$ 1,566,421**	**$ (115,760)**	**$ 9,186,622**
Liabilities					
Current Liabilities:					
Accounts payable	$ 427,203	$ 127,916	$ 24,676	$ (115,760)	$ 464,035
Grants and pledges payable	197,131				197,131
Accrued liabilities	379,421	123,289			502,710
Current portion of lease incentive liability	68,168				68,168
Total Current Liabilities	**1,071,923**	**251,205**	**24,676**	**(115,760)**	**1,232,044**
Lease incentive liability	352,202				352,202
Grants and pledges payable	128,334				128,334
Total Liabilities	**1,552,459**	**251,205**	**24,676**	**(115,760)**	**1,712,580**
Net Assets:					
Unrestricted:					
Undesignated	3,365,224	(159,421)			3,205,803
Board designated (Note 9)			804,712		804,712
Total unrestricted	3,365,224	(159,421)	804,712		4,010,515
Temporarily restricted (Note 10)	1,939,099				1,939,099
Permanently restricted (Note 11)	787,395		737,033		1,524,428
Total Net Assets	**6,091,718**	**(159,421)**	**1,541,745**		**7,474,042**
Total Liabilities and Net Assets	**$ 7,644,177**	**$ 91,784**	**$ 1,566,421**	**$ (115,760)**	**$ 9,186,622**

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

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Consolidated Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2008

	SightLife	Audient	Northwest Lions Endowment	Eliminations	Total
Revenues, Gains, and Other Support:					
Eye bank revenues	$ 8,385,075	$ -	$ -	$ -	$ 8,385,075
Hearing care revenues		570,292			570,292
Grants and contributions	794,581				794,581
Investment return (Note 4)	(255,297)		(266,824)	(60,209)	(582,330)
Other	200,076				200,076
Contributions and grants released from restrictions	104,545				104,545
Total Revenue, Gains, and Other Support	**9,228,980**	**570,292**	**(266,824)**	**(60,209)**	**9,472,239**
Expenses:					
Program Services:					
Eye Bank	7,413,451				7,413,451
Lions programs	946,076	853,353		(60,209)	1,739,220
Endowment			16,212		16,212
Total program services	8,359,527	853,353	16,212	(60,209)	9,168,883
General and administrative	292,686				292,686
Development	710,951				710,951
Total Expenses	**9,363,164**	**853,353**	**16,212**	**(60,209)**	**10,172,520**
Change in Unrestricted Net Assets	**(134,184)**	**(283,061)**	**(283,036)**		**(700,281)**
Temporarily Restricted Net Assets:					
Contributions and grants	131,413				131,413
Contributions and grants released from restrictions	(104,545)				(104,545)
Change in Temporarily Restricted Net Assets	**26,868**				**26,868**
Permanently Restricted Net Assets:					
Contributions and grants			737,033		737,033
Net loss on perpetual trust (Note 6)	(140,913)				(140,913)
Change in Permanently Restricted Net Assets	**(140,913)**		**737,033**		**596,120**
Total Change in Net Assets Before Transfers	**(248,229)**	**(283,061)**	**453,997**		**(77,293)**
Transfer between entities (Note 12)	(1,821,443)	1,260,505	(41,765)	602,703	
Total Change in Net Assets	**(2,069,672)**	**977,444**	**412,232**	**602,703**	**(77,293)**
Beginning of year net assets	8,161,390	(1,136,865)	1,129,513	(602,703)	7,551,335
End of Year Net Assets	**$ 6,091,718**	**$ (159,421)**	**$ 1,541,745**	**$ -**	**$ 7,474,042**

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

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Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2008

	SightLife						*Audient*	*NLE*		
	Program Services			*General*						
		Lions		*and*		*Total*	*Program*	*Program*		
	Eye Bank	*Programs*	*Total*	*Administrative*	*Development*	*SightLife*	*Services*	*Services*	*Eliminations*	*Total*
Wages and salaries	$ 2,322,482	$ 273,696	$ 2,596,178	$ 132,082	$ 316,693	$ 3,044,953	$ 215,812	$ 9,603	$ -	$ 3,270,368
Employee benefits	492,326	68,716	561,042	29,388	65,304	655,734	51,370	3,059		710,163
Payroll taxes	193,389	21,689	215,078	10,307	27,555	252,940	18,752	702		272,394
Total Salaries and Related Expenses	**3,008,197**	**364,101**	**3,372,298**	**171,777**	**409,552**	**3,953,627**	**285,934**	**13,364**		**4,252,925**
Tissue processing	1,616,887		1,616,887	7,085		1,623,972				1,623,972
Rent	444,452	47,888	492,340	23,944	23,944	540,228	23,428			563,656
Supplies, lab	547,254	4,970	552,224			552,224				552,224
Hearing aid cost of goods sold							370,413			370,413
Depreciation	290,621	29,096	319,717	9,107	10,877	339,701	8,984			348,685
Marketing	156,213	48,948	205,161	2,394	68,229	275,784	52,280			328,064
Vehicles	188,573	47,187	235,760	7,622	6,432	249,814	3,202	292		253,308
Travel	145,002	39,433	184,435	21,927	3,602	209,964	11,281			221,245
Telephone	136,633	18,520	155,153	5,644	9,310	170,107	13,366			183,473
Professional services	120,995	5,946	126,941	2,998	2,973	132,912	6,500	2,029		141,441
Special event direct cost					122,599	122,599				122,599
Hearing aid refurbishing		104,790	104,790			104,790				104,790
Contract services / consulting	73,189	14,398	87,587	6,728	7,199	101,514	1,297			102,811
Repairs and maintenance	87,513	2,478	89,991	483	471	90,945	581			91,526
Meetings	36,278	4,634	40,912	16,081	18,699	75,692	2,910	89		78,691
Office	44,881	9,852	54,733	4,248	6,837	65,818	3,884	143		69,845
Dues and subscriptions	61,604	2,934	64,538	297	1,517	66,352	251			66,603
Insurance	53,458	3,784	57,242	1,750	1,844	60,836	1,938			62,774
Office relocation	39,181	4,924	44,105	2,462	2,462	49,029	1,618			50,647
Business & excise tax	35,424		35,424			35,424	4,289			39,713
Continuing education	29,850	1,530	31,380	3,475	2,015	36,870				36,870
Medical director	34,774		34,774			34,774				34,774
Seminars and conferences	21,458	1,504	22,962	1,018	9,707	33,687	182			33,869
Miscellaneous	23,168	1,612	24,780	2,360	835	27,975	42	90		28,107
Postage and shipping	8,127	2,672	10,799	1,106	1,386	13,291	751	205		14,247
Printing and publications	4,219	424	4,643	180	461	5,284	13			5,297
Interest expense & loan fees							60,209		(60,209)	
Total Expenses before Grants	**7,207,951**	**761,625**	**7,969,576**	**292,686**	**710,951**	**8,973,213**	**853,353**	**16,212**	**(60,209)**	**9,782,569**
Other grants	205,500		205,500			205,500				205,500
Patient care grants		91,463	91,463			91,463				91,463
Vision grants		66,347	66,347			66,347				66,347
Hearing grants		26,641	26,641			26,641				26,641
Total Grants	**205,500**	**184,451**	**389,951**			**389,951**				**389,951**
Total Expenses	**$ 7,413,451**	**$ 946,076**	**$ 8,359,527**	**$ 292,686**	**$ 710,951**	**$ 9,363,164**	**$ 853,353**	**$ 16,212**	**$ (60,209)**	**$ 10,172,520**

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

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Consolidated Statement of Cash Flows
For the Year Ended December 31, 2008

	SightLife	*Audient*	*NLE*	*Total*
Cash Flows from Operating Activities:				
Change in net assets before transfers	$ (248,229)	$ (283,061)	$ 453,997	$ (77,293)
Adjustments to reconcile change in net assets to cash provided by operating activities:				
Non-cash items included in change in net assets:				
Depreciation	339,701	8,984		348,685
Loss on investments	397,022		308,963	705,985
Gain on disposal of fixed assets	(3,577)			(3,577)
Loss on perpetual trust	140,913			140,913
Change in operating accounts:				
Increase in accounts receivable	(261,905)	(3,442)		(265,347)
Decrease in tenant improvement receivable	103,950			103,950
Increase in grants and bequests receivable	(110,496)			(110,496)
Increase in inventory	(30,446)			(30,446)
(Increase) decrease in other assets	(14,337)	2,084		(12,253)
(Decrease) increase in accounts payable	(49,069)	41,586	14,937	7,454
Increase in grants payable	196,338			196,338
Increase (decrease) in accrued liabilities	15,783	(19,940)		(4,157)
Increase in tenant improvement liability	316,420			316,420
Net Cash Provided (Used) by Operating Activities	**792,068**	**(253,789)**	**777,897**	**1,316,176**
Cash Flows from Investing Activities:				
Purchase of investments	(88,208)		(779,173)	(867,381)
Proceeds from sale of investments	1,239,128		41,766	1,280,894
Purchase of fixed assets	(1,661,725)	(8,984)		(1,670,709)
Proceeds from sale of fixed assets	20,184			20,184
Net Cash Used by Investing Activities	**(490,621)**	**(8,984)**	**(737,407)**	**(1,237,012)**
Cash Flows from Financing Activities:				
Forgiveness of intercompany loan	986,000	(986,000)		
Equity transfer	(1,218,740)	1,260,505	(41,765)	
Net Cash (Used) Provided by Financing Activities	**(232,740)**	**274,505**	**(41,765)**	
Net Increase (Decrease) in Cash	**68,707**	**11,732**	**(1,275)**	**79,164**
Cash beginning of year	340,216	4,563	3,497	348,276
Cash End of Year	**$ 408,923**	**$ 16,295**	**$ 2,222**	**$ 427,440**

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

Note 1 - Mission Statement and Summary of Significant Accounting Policies

During 2008, the Organization changed its legal name from Northwest Lions Foundation for Sight & Hearing (the Foundation) to SightLife. The former Foundation's board of directors continues to support the Lions programs within SightLife.

Mission Statement - SightLife (the Organization), a not-for-profit corporation, serves as an innovative provider of sight and hearing care with a passion for quality and excellence.

Audient, LLC, formerly Northwest Hearing Care, LLC, a wholly owned subsidiary of the Organization, was formed in 2004. Its mission is to deliver affordability in hearing care in the United States to low income populations who could not otherwise afford the high cost of hearing aids.

Northwest Lions Endowment (NLE), a not-for-profit corporation, was formed in 2005. Its mission is to conduct fundraising activities to support the charitable programs of SightLife.

Principles of Consolidation - The consolidated financial statements include the accounts of the Organization, Audient and Northwest Lions Endowment. All significant inter-organization transactions have been eliminated.

Program Services - Programs and their descriptions are as follows:

SightLife Eye Bank, formerly Northwest Lions Eye Bank (NLEB) - Founded in 1969, the SightLife Eye Bank is the Organization's most recognized program. To date, SightLife Eye Bank has provided corneal tissue for more than 40,000 sight-restoring transplants and has become prominent in the eye bank community. As one of the leading eye banks in the world, it provides recovery and replacement of corneal tissue for transplant, donation services, research support and family support programs. It also is a significant provider of whole eye globes and sclera for research into eye diseases.

Audient, LLC (formerly Northwest Hearing Care) - Audient, LLC facilitates the distribution of new low-cost hearing aids through the AUDIENT Hearing Care Alliance. The alliance includes leading hearing aid manufacturers and suppliers, licensed audiologists and dispensers across the country. This program provides for people who have some means to pay for hearing aids but cannot afford full market price.

Lions Programs - The Northwest Lions Foundation for Sight & Hearing (NLFSH) is an operating unit of SightLife. NLFSH oversees the Lions community service programs. These Lions Programs include:

Lions Health Screening Unit - The Lions Health Screening Unit, which provides free screenings for vision, hearing, glaucoma, diabetes and blood pressure to more than 30,000 people annually. Since 1996, the Unit has traveled throughout Washington and Northern Idaho, staffed by volunteer Lions Club members and health professionals.

Lions Hearing Aid Bank - The Lions Hearing Aid Bank refurbishes donated hearing aids and provides them at no cost to hundreds of hard-of-hearing individuals in Northwest communities who could not otherwise afford them.

Note 1 - Continued

Project Support and Patient Care Grants - The Organization makes significant grants to Lions sponsored projects (patient care) and other non-profit organizations for special vision and hearing related projects. Some examples include grants for adaptive equipment, research, scholarships for vision and hearing related education and other sight and hearing projects in the region.

Lions Fundraising - Various fundraising events are conducted to support the Lions Programs. These include White Cane Days, Play it by Ear and Year-End Giving. In 1969, White Cane Days was started as the annual fund-raiser and public relations project of the NLFSH. Throughout the history of White Cane Days, the Lions Clubs of Washington and Northern Idaho have collected well over $8,000,000 (unaudited). The main purpose of Play it by Ear is to inform the public of Lions activities in hearing conservation. Funds from Play it by Ear go to support the Lions Hearing Aid Bank, the Lions Hearing Patient Care Programs and the Lions Health Screening Unit. Year-End Giving proceeds support various Lions Programs, including the Health Screening Unit.

Basis of Presentation - Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed restrictions.

Temporarily restricted net assets - Net assets subject to donor-imposed restrictions that will be met either by actions of the Organization and/or passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed restrictions that the net assets be maintained permanently by the Organization.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets under the caption “net assets released from restrictions.” Donor-imposed restrictions that are met in the same reporting period are classified as increases in unrestricted net assets.

Estimates - The preparation of financial statements in conformity with 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.

Cash and Cash Equivalents - The Organization considers cash and cash equivalents to include all highly liquid investments purchased with an original maturity of three months or less, except for those included in the Organization’s investment portfolio. Virtually all cash and cash equivalents are on deposit with local banks. These amounts may at times exceed the limits insured by the FDIC.

Note 1 - Continued

Accounts Receivable - The Organization carries its accounts receivable at cost less an allowance for doubtful accounts. On a periodic basis, the Organization evaluates its accounts receivable and establishes an allowance for doubtful accounts, based on a history of past write offs and collections and current credit collections. There is currently no allowance accrued because the Organization has experienced minimal losses due to uncollectible receivables. All reported receivables at December 31, 2008 are due in less than one year.

Revenue Recognition - The Organization generally recognizes SightLife Eye Bank revenue when the tissue is delivered and accepted by the recipient. Returned tissue is not recorded as revenue. The Organization provides corneal tissue to individuals meeting certain criteria and to providers in underdeveloped countries without charge. Because the Organization does not pursue collection on these corneal tissues, no revenue is reported in the statement of activities. Audient recognizes revenue when the process of the sale and fitting of hearing aids is complete. Only those individuals who qualify under certain low income guidelines are eligible to purchase the hearing aids.

Inventory - Inventory is stated at the lower of cost or market. Inventory consists of lab recovery kits.

Investments - Investments in debt and equity securities with readily determinable fair values are reported at their fair value as determined by quoted market prices. Realized and unrealized gains and losses are included in the statement of activities. The estimated fair value of certain alternative investments for which quoted market prices are not available, is based on valuations provided by the external investment managers and the management of the investees.

Property and Equipment - The Organization capitalizes all expenditures for property and equipment in excess of $1,000. Property and equipment donated to the Organization is stated at estimated fair value at the date of donation. Depreciation is provided on the straight-line method over the estimated useful lives of the assets ranging from three to ten years. Leasehold improvements are capitalized over the remaining useful life of the leasehold improvement or the lease term, whichever is shorter.

Federal Income Taxes - The Internal Revenue Service has determined that SightLife and the Northwest Lions Endowment are not-for-profit organizations exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Because Audient is a wholly-owned subsidiary of SightLife, its activities are reported along with the Organization on its annual IRS information return, Form 990.

Donated Materials and Services - The Organization periodically receives donated materials and services. Donated goods are recorded at fair market value at the date of receipt. Donated services are recorded only if specific professional expertise is provided or the services are for constructing a fixed asset, in accordance with generally accepted accounting principles. During the year ended December 31, 2008, the Organization received in-kind donations of $34,540 in advertising services, $24,174 in catering services and $2,558 in professional services.

Functional Allocation of Expenses - The costs of providing the various programs and other activities has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Marketing Costs - Marketing costs are charged to operations when incurred.

Note 1 - Continued

Recent Accounting Pronouncements - In 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. FIN 48, Accounting for Uncertainty in Income Taxes ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements in accordance with SFAS No. 109, Accounting for Income Taxes. FIN 48 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the organization's tax returns to determine whether the tax positions are "more-likely-than-not" to be sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax expense in the current year. FASB Staff Position No. FIN 48-3 permits nonpublic enterprises to defer the effective date of FIN 48 until fiscal years beginning after December 15, 2008. The Organization's management has elected to defer the implementation of FIN 48 and is evaluating the impact of FIN 48 to its financial statements. Until FIN 48 is implemented, the Organization will continue following the guidance in SFAS No. 5, Accounting for Contingencies, in accounting for any uncertain tax positions.

Note 2 - Pledges Receivable

Pledges receivable at December 31 are to be received as follows:

	2008	*2007*
Less than one year	$ 451,412	$ 123,404
One to five years	675,000	750,000
Thereafter	825,000	1,050,000
	1,951,412	1,923,404
Less present value discount	(353,471)	(435,959)
	$ 1,597,941	$ 1,487,445

At December 31, 2008, 92% of total pledges were from one donor.

Note 3 - Investments

Investments consist of the following at December 31:

	2008	*2007*
Money market	$ 1,107,462	$ 1,669,145
Equities	1,339,189	1,596,127
U.S. Treasuries	217,736	460,455
Corporate bonds	174,187	292,224
Other	196,559	136,680
	$ 3,035,133	$ 4,154,631

Note 3 - Continued

Investment return for the year ended December 31, 2008 consisted of:

Interest and dividends on investments	$ 127,310
Realized and unrealized gains on investments	(709,640)
	$ (582,330)

Note 4 - Fair Value Measurements

In September 2006, the FASB released FASB Statement ("SFAS") No. 157, *Fair Value Measurements*. SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. To increase consistency and comparability in fair value measurements, SFAS 157 uses a fair value hierarchy which prioritizes the inputs to valuation approaches into three broad levels. The hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3).

Valuation Techniques - Financial assets and liabilities valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets and liabilities valued using Level 2 inputs are based primarily on quoted prices for similar assets or liabilities in active or inactive markets. Financial assets and liabilities using Level 3 inputs are primarily valued using management's assumptions about the assumptions market participants would utilize in pricing the asset or liability. Valuation techniques utilized to determine fair value are consistently applied.

Fair Values Measured on a Recurring Basis - Fair values of assets and liabilities measured on a recurring basis at December 31, 2008 were as follows:

	Quoted Prices In Active Markets for Identical Assets (Level 1)	*Significant Other Observable Inputs (Level 2)*	*Significant Unobservable Inputs (Level 3)*	*Total*
Investments	$ 2,446,651	$ 588,482	$ -	$ 3,035,133
Perpetual trust			787,395	787,395
	$ 2,446,651	**$ 588,482**	**$ 787,395**	**$ 3,822,528**

Note 4 - Continued

A reconciliation of the beginning and ending balances, by each major category of assets and liabilities, for fair value measurements made using significant unobservable inputs (Level 3) at December 31, 2008 follows:

	Perpetual Trust
Beginning balance	$ 928,308
Net losses	(140,913)
	$ 787,395

Note 5 - Property and Equipment

A summary of property and equipment at December 31 is as follows:

	2008	*2007*
Furniture and fixtures	$ 450,719	$ 173,219
Office equipment	456,429	348,542
Vehicles	150,753	149,405
Medical equipment	529,908	503,235
Health screening unit	183,645	183,645
Tenant improvements	1,298,379	424,491
Assets in process	56,846	147,313
	3,126,679	1,929,850
Less accumulated depreciation	(1,036,810)	(1,202,243)
Net Total Property and Equipment	**$ 2,089,869**	**$ 727,607**

Note 6 - Perpetual Trusts

The Organization is named as a 12% beneficiary of a trust established by the John Moffitt Organization and held for the benefit of various non-profit agencies. The trust, which is held in perpetuity, is administered by a financial institution and provides for annual earnings distributions to the Organization. The Organization received $20,003 in earnings distributions from the trust during the year ended December 31, 2008. The earnings are available for general operating purposes. The Organization's interest in losses in the trust value of $140,913 for the year ended December 31, 2008 are recognized in the statement of activities as permanently restricted activities.

The Organization is also the recipient of a portion of a second perpetual trust, the Harry L. and Claire Kayo Wilson Charitable Trust. This trust is not recorded in these financial statements because it is subject to the trustee's discretion as to which beneficiary receives the earnings distributions in any particular year. The Organization received distributions of $35,000 for the year ended December 31, 2008.

Note 7 - Operating Leases

The Organization leases a Seattle office under an operating lease expiring February 2015 as well as two copiers under sixty month leases expiring November 2012 and May 2013, respectively. Total rental expense under operating leases were $563,661 for the year ended December 31, 2008.

The future minimum lease payments under these leases at December 31, 2008 are as follows:

2009	$ 347,101
2010	358,547
2011	369,713
2012	379,726
2013	385,600
Thereafter	462,475
	$ 2,303,162

Note 8 - Retirement Plans

The Organization has a tax-deferred annuity plan and defined contribution retirement plan under IRS Code Section 403(b) for the benefit of eligible employees. All employees are eligible for participation in the tax-deferred annuity plan sixty days following employment. Eligibility for the defined contribution retirement plan is achieved by all employees after completion of one year of service.

The Organization contributes 8% of each eligible employee's salary to the defined contribution retirement plan. Contributions to this plan totaled $185,667 for the year ended December 31, 2008.

Note 9 - Northwest Lions Endowment (NLE)

In July 2005, the Northwest Lions Endowment (NLE) was formed to create a separate legal entity to attract gifts and donations to help support charitable programs conducted through the Organization. The Organization's Board had previously approved to fund NLE with an amount approximating $1.1 million to provide significant initial capitalization. As of March 2006, the board designated net assets of $628,851 to be transferred to NLE, in addition to an amount of $423,828 that was funded from the Organization's investments. At December 31, 2008, net assets of NLE totaled $1,541,745 (due to contributions, investment performance and accrued expenses).

The Organization's endowment consists of both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments (quasi-endowments). As required by GAAP, net assets associated with endowment funds, including quasi-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 Organization has interpreted the Washington Uniform Management of Institutional Funds Act (UMIFA) 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 Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment.

As of December 31, 2008, endowment net assets consisted of the following:

	Unrestricted	*Permanently Restricted*	*Total*
Donor restricted endowment funds	$ -	$ 737,033	$ 737,033
Board designated quasi-endowment funds	804,712		805,712
Endowment Net Assets	**$ 804,712**	**$ 737,033**	**$ 1,541,745**

Note 9 - Continued

Changes to endowment net assets for the year ended December 31, 2008 are as follows:

	Unrestricted	*Permanently Restricted*	*Total*
Endowment net assets, December 31, 2007	$1,129,513	$ -	$ 1,129,513
Endowment investment return			
Interest and dividends	42,140		42,140
Realized and unrealized gains and losses	(308,964)		(308,964)
Total endowment investment return	(266,824)		(266,824)
Contributions		737,033	737,033
Expenses	(16,212)		(16,212)
Appropriation of endowment for expenditure	(41,765)		(41,765)
Endowment Net Assets, December 31, 2008	**$ 804,712**	**$ 737,033**	**$ 1,541,745**

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 was donated to the Organization. There were no such deficiencies as of December 31, 2008.

Return Objectives and Risk Parameters - The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified periods as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested so that the funds preserve their real purchasing power, after accounting for investment returns, spending and inflation. The investment strategy is to emphasize total return; that is the aggregate return from capital appreciation and dividend and interest income. The objective of the fund is to earn, over the long term, an average annual total return of six percent measured over rolling ten year periods. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives - To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Note 9 - Continued

Spending Policy and How the Investment Objectives Relate to Spending Policy - The Organization has a policy of appropriating for distribution, over the long-term, an annual average of five percent of its endowment fund's rolling five year average fair value. In establishing this policy, the Organization considered the long-term expected return on its endowment. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Note 10 - Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following at December 31:

	2008	*2007*
Patient care and Eye Bank automobile purchase	$ 7,686	$ 8,827
Year-end giving pledges		3,404
Long-term pledge	1,800,000	1,900,000
Other pledges	131,413	
	$ 1,939,099	**$ 1,912,231**

Note 11 - Permanently Restricted Net Assets

Permanently restricted net assets consisted of the following at December 31:

	2008	*2007*
Interest in a perpetual trust (Note 6)	$ 787,395	$ 928,308
Endowment	737,033	
	$ 1,524,428	**$ 928,308**

Note 12 - Transfer between Entities

The Board of Directors of the Organization determined that the SightLife investment in Audient, LLC and the intercompany note payable from Audient, LLC should be eliminated and reduced to zero. This transfer between entities has no impact on the total consolidated results of the Organization.

Note 13 - Commitments

In June 2008, the Organization made a commitment to contribute $200,000 to the 2011 Lions Club International Convention. During 2008, $5,000 was paid on the commitment. The balance due at December 31, 2008 totaled $195,000.

In December 2007, the Organization made a commitment to contribute $100,000 to Seattle Parks Foundation for development of Lake Union Park. During 2008, approximately $33,000 was paid on the commitment. The balance due at December 31, 2008 totaled approximately $67,000.

The remaining amounts due are included in grants and pledges payable in the accompanying financial statements.

Note 14 - Subsequent Event

The Organization signed a tissue recovery agreement and a tissue procurement agreement in January 2009 with Kaiser Foundation Hospitals (KFH). Under these agreements, the Organization becomes the primary provider of corneal tissue for corneal surgeons of The Permanente Medical Group (TPMG) and the eye recovery agency for all KPH Northern California Hospitals. The Organization began distributing tissue to TPMG in February 2009 and began recovering tissue from the KPH Northern California Hospitals in March 2009.