

SIGHTLIFEtm

Consolidated Financial Statements
For the Year Ended December 31, 2010

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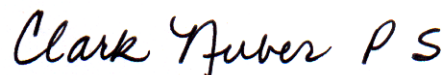
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Independent Auditors' Report***Board of Directors
SightLifetm
Seattle, Washington***Certified Public
Accountants
and Consultants

We have audited the accompanying consolidated statement of financial position of SightLife (the Organization) as of December 31, 2010, 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. The prior year summarized comparative information has been derived from the Organization's December 31, 2009, financial statements, and in our report dated May 5, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of SightLife as of December 31, 2010, 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.

Certified Public Accountants
May 9, 2011

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Consolidated Statement of Financial Position

December 31, 2010

(With Comparative Totals for 2009)

	<i>SightLife</i>	<i>AUDIANT</i>	<i>Northwest Lions Endowment</i>	<i>Eliminations</i>	<i>2010 Total</i>	<i>2009 Total</i>
Assets						
Current Assets:						
Cash and cash equivalents	\$ 839,581	\$ 20,678	\$ 1,574	\$ -	\$ 861,833	\$ 829,645
Accounts receivable	1,626,765	1,800		(48,470)	1,580,095	1,341,213
Pledges receivable (Note 2)	2,400				2,400	134,000
Inventory	112,834				112,834	85,222
Other assets	256,611				256,611	218,174
Total Current Assets	2,838,191	22,478	1,574	(48,470)	2,813,773	2,608,254
Long-term pledges receivable (Note 2)	1,146,529				1,146,529	1,084,808
Deposits	37,029				37,029	33,029
Investments (Note 3)	3,020,893		2,024,897		5,045,790	3,564,277
Property and equipment, net (Note 5)	1,848,591				1,848,591	1,933,822
Perpetual trusts (Note 6)	988,624				988,624	952,941
Total Assets	\$ 9,879,857	\$ 22,478	\$ 2,026,471	\$ (48,470)	\$ 11,880,336	\$ 10,177,131
Liabilities						
Current Liabilities:						
Accounts payable	\$ 638,709	\$ 24,539	\$ 24,096	\$ (48,470)	\$ 638,874	\$ 435,929
Grants and pledges payable (Note 12)	215,185				215,185	378,413
Accrued liabilities	614,067	666			614,733	605,166
Current portion of lease incentive liability	68,168				68,168	68,168
Total Current Liabilities	1,536,129	25,205	24,096	(48,470)	1,536,960	1,487,676
Lease incentive liability	215,882				215,882	284,042
Grants and pledges payable (Note 12)	220,000				220,000	40,000
Total Liabilities	1,972,011	25,205	24,096	(48,470)	1,972,842	1,811,718
Net Assets:						
Unrestricted-						
Undesignated	5,640,204	(2,727)			5,637,477	4,361,844
Board designated (Note 9)			1,033,589		1,033,589	936,574
Total unrestricted	5,640,204	(2,727)	1,033,589		6,671,066	5,298,418
Temporarily restricted (Note 10)	1,279,018		211,753		1,490,771	1,377,021
Permanently restricted (Note 11)	988,624		757,033		1,745,657	1,689,974
Total Net Assets	7,907,846	(2,727)	2,002,375		9,907,494	8,365,413
Total Liabilities and Net Assets	\$ 9,879,857	\$ 22,478	\$ 2,026,471	\$ (48,470)	\$ 11,880,336	\$ 10,177,131

See accompanying notes.

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**Consolidated Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2010
(With Comparative Totals for December 31, 2009)**

	<i>SightLife</i>	<i>AUDIENT</i>	<i>Northwest Lions Endowment</i>	<i>2010 Total</i>	<i>2009 Total</i>
Revenues, Gains, and Other Support:					
Eye Bank revenues	\$12,851,434	\$ -	\$ -	\$12,851,434	\$10,938,503
Lion's Program revenues	100,939			100,939	114,257
Hearing aid revenues		163,026		163,026	761,917
Grants and contributions	701,237		7,301	708,538	377,829
Investment return (Note 3)	239,381		115,454	354,835	421,565
Other	143,039			143,039	5,746
Contributions and grants released from time restrictions	169,361			169,361	439,099
Total Revenue, Gains, and Other Support	14,205,391	163,026	122,755	14,491,172	13,058,916
Expenses:					
Program Services-					
Eye Bank	9,788,298			9,788,298	9,068,586
Global eye bank development	1,045,797			1,045,797	728,044
Lions and AUDIENT programs	433,704	119,314		553,018	1,279,520
Endowment			25,740	25,740	28,851
Total Program Services	11,267,799	119,314	25,740	11,412,853	11,105,001
General and administrative Development	612,995 1,092,676			612,995 1,092,676	434,031 585,452
Total Expenses	12,973,470	119,314	25,740	13,118,524	12,124,484
Change in Unrestricted Net Assets	1,231,921	43,712	97,015	1,372,648	934,432
Temporarily Restricted Net Assets:					
Contributions and grants	183,082			183,082	118,768
Investment income on endowments (Note 3)			100,029	100,029	111,724
Contributions and grants released from time restrictions	(169,361)			(169,361)	(439,099)
Change in Temporarily Restricted Net Assets	13,721		100,029	113,750	(208,607)
Permanently Restricted Net Assets:					
Contributions and grants			20,000	20,000	
Change in value of perpetual trust (Note 6)	35,683			35,683	165,546
Change in Permanently Restricted Net Assets	35,683		20,000	55,683	165,546
Intercompany transfers	(40,049)	40,049			
Total Change in Net Assets	1,241,276	83,761	217,044	1,542,081	891,371
Beginning of year net assets	6,666,570	(86,488)	1,785,331	8,365,413	7,474,042
End of Year Net Assets	\$ 7,907,846	\$ (2,727)	\$ 2,002,375	\$ 9,907,494	\$ 8,365,413

See accompanying notes.

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**Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2010
(With Comparative Totals for December 31, 2009)**

	<i>SightLife</i>				<i>AUDIENT</i>	<i>Northwest Lions Endowment</i>					
	<i>Program Services</i>										
	<i>Global</i>		<i>Lion's</i>		<i>General and</i>		<i>Total</i>	<i>Program</i>	<i>Program</i>		
	<i>Eye Bank</i>	<i>Development</i>	<i>Programs</i>	<i>Total</i>	<i>Administrative</i>	<i>Development</i>	<i>SightLife</i>	<i>Services</i>	<i>Services</i>	<i>2010 Total</i>	<i>2009 Total</i>
Wages and salaries	\$ 3,659,524	\$ 347,266	\$ 109,226	\$ 4,116,016	\$ 263,292	\$ 401,478	\$ 4,780,786	\$ 15,420	\$ 17,542	\$ 4,813,748	\$ 4,092,629
Payroll taxes	308,229	24,129	10,353	342,711	19,918	30,912	393,541	(3,638)	1,348	391,251	362,329
Employee benefits	776,604	64,327	35,483	876,414	71,776	93,397	1,041,587	4,819	3,774	1,050,180	974,447
Total Salaries and Related Benefits	4,744,357	435,722	155,062	5,335,141	354,986	525,787	6,215,914	16,601	22,664	6,255,179	5,429,405
Tissue processing	1,618,401			1,618,401			1,618,401			1,618,401	1,953,083
Supplies, lab	920,875		3,774	924,649			924,649			924,649	724,426
Depreciation	469,161	1,356	4,295	474,812	56,309	389	531,510	11		531,521	464,598
Marketing	203,873	4,040	4,447	212,360	3,402	267,426	483,188			483,188	178,923
Rent	399,907	1,352		401,259	68,008		469,267			469,267	462,880
Contract services and consulting	48,811	180,286	2,900	231,997	7,743	216,757	456,497			456,497	168,106
Travel	169,458	102,141	31,201	302,800	7,761	27,640	338,201			338,201	257,148
Vehicles	269,229	4,668	28,655	302,552	11,227	14,560	328,339	10	412	328,761	304,078
Telephone	247,898	15,651	859	264,408	27,410	8,865	300,683	1,986		302,669	255,001
Professional services	103,134	3,259		106,393	16,074		122,467	773	2,588	125,828	144,695
Dues and subscriptions	101,562	639	456	102,657	2,142	6,886	111,685			111,685	91,116
Hearing aid refurbishing			102,122	102,122			102,122			102,122	121,393
Meetings	49,363	17,028	29	66,420	24,650	10,926	101,996	82		102,078	195,203
Hearing aid cost of goods sold								98,401		98,401	530,901
Office	64,303	1,846	928	67,077	8,113	4,826	80,016		41	80,057	82,467
Repairs and maintenance	71,597			71,597	5,063	21	76,681			76,681	109,333
Insurance	56,558			56,558	11,143		67,701			67,701	66,347
Business and excise tax	53,509			53,509			53,509	1,400		54,909	50,480
Medical director	49,114			49,114			49,114			49,114	28,956
Continuing education	37,677	400		38,077	181	5,206	43,464			43,464	10,841
Miscellaneous	34,761	829	541	36,131	3,015	613	39,759	50	35	39,844	30,991
Seminars and conferences	23,126	2,835	105	26,066	3,101	1,037	30,204			30,204	38,005
Postage and shipping	18,713	642	801	20,156	2,487	1,099	23,742			23,742	12,935
Printing and publications	3,574		36	3,610	180	638	4,428			4,428	3,152
Total Expenses before Grants	9,758,961	772,694	336,211	10,867,866	612,995	1,092,676	12,573,537	119,314	25,740	12,718,591	11,714,463
Patient care grants	4,337		62,691	67,028			67,028			67,028	75,252
Other grants	25,000	273,103	34,802	332,905			332,905			332,905	334,769
Total Grants	29,337	273,103	97,493	399,933			399,933			399,933	410,021
Total Expenses	\$ 9,788,298	\$ 1,045,797	\$ 433,704	\$ 11,267,799	\$ 612,995	\$ 1,092,676	\$ 12,973,470	\$ 119,314	\$ 25,740	\$ 13,118,524	\$ 12,124,484

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**Consolidated Statement of Cash Flows
For the Year Ended December 31, 2010
(With Comparative Totals for December 31, 2009)**

	<i>SightLife</i>	<i>AUDIENT</i>	<i>Northwest Lions Endowment</i>	<i>2010 Total</i>	<i>2009 Total</i>
Cash Flows from Operating Activities:					
Change in net assets	\$ 1,241,276	\$ 83,761	\$ 217,044	\$ 1,542,081	\$ 891,371
Adjustments to reconcile change in net assets to cash provided by operating activities-					
Depreciation	531,521			531,521	464,598
Gain on investments	(192,036)		(169,099)	(361,135)	(461,715)
Gain on disposal of property and equipment	(9,115)			(9,115)	(3,600)
Gain on perpetual trust	(35,683)			(35,683)	(165,546)
Cash received for investment in long-term assets	(252,961)			(252,961)	
Cash received restricted for endowment	(20,000)			(20,000)	
Change in operating accounts-					
(Increase) decrease in accounts receivable	(247,624)	25,909	(17,167)	(238,882)	(360,619)
Decrease in pledges receivable	69,879			69,879	379,133
(Increase) decrease in inventory	(27,612)			(27,612)	1,539
Increase in deposits	(4,000)			(4,000)	
(Increase) decrease in other assets	(69,041)	30,604		(38,437)	(69,714)
(Decrease) increase in accounts payable	230,465	(21,259)	(6,261)	202,945	(28,106)
Increase in grants and pledges payable	16,772			16,772	92,948
Increase (decrease) in accrued liabilities	135,835	(126,268)		9,567	102,456
Decrease in lease incentive liability	(68,160)			(68,160)	(68,160)
Net Cash Provided (Used) by Operating Activities	1,299,516	(7,253)	24,517	1,316,780	774,585
Cash Flows from Investing Activities:					
Purchase of investments	(1,473,042)		(360,411)	(1,833,453)	(1,664,232)
Proceeds from sale of investments	375,825		337,250	713,075	1,596,803
Purchase of property and equipment	(446,093)			(446,093)	(304,951)
Proceeds from sale of property and equipment	8,918			8,918	
Net Cash Used by Investing Activities	(1,534,392)		(23,161)	(1,557,553)	(372,380)
Cash Flows from Financing Activities:					
Cash received for investment in long-term assets	252,961			252,961	
Cash received restricted for endowment	20,000			20,000	
Net Cash Provided by Financing Activities	272,961			272,961	
Net Increase (Decrease) in Cash and Cash Equivalents	38,085	(7,253)	1,356	32,188	402,205
Cash and cash equivalents beginning of year	801,496	27,931	218	829,645	427,440
Cash and Cash Equivalents End of Year	\$ 839,581	\$ 20,678	\$ 1,574	\$ 861,833	\$ 829,645

See accompanying notes.

Notes to Consolidated Financial Statements

Note 1 - Mission Statement and Summary of Significant Accounting Policies

Mission Statement - SightLife (the Organization), a not-for-profit corporation, serves as a global leader and partner to eliminate cornea blindness. 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 trustees continues to support the Lions programs within SightLife.

AUDIENT, LLC (AUDIENT), 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.

SightLife Canada, a British Columbia Society, was formed in 2009. Its mission is identical to SightLife except that it will be carried out in Canada. There was no activity in SightLife Canada for the years ended December 31, 2010 and 2009.

Principles of Consolidation - The consolidated financial statements include the accounts of the Organization, AUDIENT, Northwest Lions Endowment and SightLife Canada. 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 nearly 50,000 sight-restoring transplants (unaudited) and has become prominent as a leader and partner within 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.

Global Eye Bank Development - The Organization established in 2009 a Global Eye Bank Development Initiative. This initiative is focused on leveraging the Organization's expertise and resources to address worldwide cornea blindness by promoting the growth of professional eye banks that are scalable, sustainable, and of high quality.

Lions Programs - The Northwest Lions Foundation (NLF) is an operating unit of SightLife. NLF oversees the Lions community service programs. These Lions Programs include:

The Lions Health Screening Unit which provides free screening for vision, hearing, glaucoma, diabetes and blood pressure to more than 30,000 people annually.

The Lions Hearing Aid Bank which refurbishes donated hearing aids and provides them at no cost to individuals otherwise unable to afford them.

Notes to Consolidated Financial Statements

Note 1 - Continued

Project Support and Patient Care Grants to Lions sponsored projects and other non-profit organizations for special vision and hearing related projects.

Lions Fundraising Events to support Lions Programs including White Cane Days and Year End Giving.

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.

In 2010, AUDIENT entered into a co-marketing agreement with EPIC, a third party organization, to manage, organize, and administer the AUDIENT program. Under this agreement, EPIC is responsible for operating, managing, and overseeing all aspects of the program. The agreement includes a monthly licensing fee to AUDIENT. The agreement was effective January 1, 2010, and will remain in effect for a period of five years. Thereafter, it will be automatically renewed for successive five year renewal terms unless terminated by either party.

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 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 "contributions and grants 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 (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Notes to Consolidated Financial Statements

Note 1 - Continued

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.

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 accounts receivable at December 31, 2010 and 2009, are due in less than one year.

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

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 the estimated fair value at the date of the 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.

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 historically has recognized 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. During 2010, AUDIENT entered into a co-marketing agreement with EPIC, a third party organization, to manage, organize and administer the AUDIENT program. Subsequently, AUDIENT's revenue is recorded in the form of a monthly licensing fee which is received from EPIC with amounts based on the volume of EPIC's completed sales of hearing aids.

Federal Income Taxes - The Internal Revenue Service (IRS) 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. SightLife Canada has not yet applied for tax-exempt status.

The Organization files income tax returns with the U.S. and various state and local governments. The Organization is subject to income tax examinations by the tax authorities of these governments for the current year and certain prior years based on the applicable laws and regulations of each jurisdiction.

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Notes to Consolidated Financial Statements

Note 1 - Continued

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 GAAP. During the year ended December 31, 2010, the Organization received in-kind donations of \$5,159 for various services. During the year ended December 31, 2009, there were no in-kind donations.

Functional Allocation of Expenses - The costs of providing the various programs and other activities have 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.

Subsequent Events - The Organization has evaluated subsequent events through May 9, 2011, the date on which the financial statements were available to be used.

Note 2 - Pledges Receivable

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

	<u>2010</u>	<u>2009</u>
Less than one year	\$ 2,400	\$ 134,000
One to five years	675,000	1,050,000
Thereafter	<u>825,000</u>	<u>325,000</u>
	1,502,400	1,509,000
Less present value discount (5%)	<u>(353,471)</u>	<u>(290,192)</u>
	<u>\$ 1,148,929</u>	<u>\$ 1,218,808</u>

At both December 31, 2010 and 2009, 99% of total pledges receivable were from one donor.

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Notes to Consolidated Financial Statements

Note 3 - Investments

Investments consist of the following at December 31:

	<u>2010</u>	<u>2009</u>
Money market funds	\$ 699,839	\$ 332,556
Managed funds	<u>4,345,951</u>	<u>3,231,721</u>
	<u>\$ 5,045,790</u>	<u>\$ 3,564,277</u>

Investment return for the years ended December 31 consisted of:

	<u>2010</u>	<u>2009</u>
Interest and dividends on investments	\$ 127,373	\$ 101,176
Realized and unrealized gains on investments	361,135	461,715
Fees	<u>(33,644)</u>	<u>(29,602)</u>
	<u>\$ 454,864</u>	<u>\$ 533,289</u>

Investment return is reported in the statement of activities and changes in net assets at December 31 as follows:

	<u>2010</u>	<u>2009</u>
Unrestricted investment return	\$ 354,835	\$ 421,565
Temporarily restricted investment income on endowments	<u>100,029</u>	<u>111,724</u>
	<u>\$ 454,864</u>	<u>\$ 533,289</u>

Note 4 - Fair Value Measurements

The framework for measuring fair value is based on the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. The framework uses a three-level valuation hierarchy based on observable and non-observable inputs. Observable inputs consist of data obtained from independent sources. Non-observable inputs reflect market assumptions. These two types of inputs are used to create the fair value hierarchy, giving preference to observable inputs.

Financial assets and liabilities classified as Level 1 have fair values based on unadjusted quoted market prices for identical instruments in active markets. Financial assets and liabilities classified as Level 2 have fair values based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in inactive markets, and model-derived valuations whose inputs are observable. Financial assets and liabilities classified as Level 3 have fair values based on value drivers that are unobservable.

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Notes to Consolidated Financial Statements

Note 4 - Continued

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2010 and 2009:

Money Market Funds - Valued at cost plus accrued interest, which approximates fair value.

Managed Funds - Valued using the NAV provided by the fund's manager. The NAV is based on the fair value of the underlying assets owned by the fund. These underlying assets are traded in active public markets with observable market data.

Perpetual Trust - Valued based on third party statement of the total trust.

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

	<i>Fair Value Measurements at December 31, 2010</i>			<i>Total</i>
	<i>Quoted Prices in Active Markets for Identical Assets (Level 1)</i>	<i>Significant Other Observable Inputs (Level 2)</i>	<i>Significant Unobservable Inputs (Level 3)</i>	
Money market funds	\$ 699,839	\$ -	\$ -	\$ 699,839
Managed funds:				
Large cap growth		342,608		342,608
Large cap value		484,403		484,403
Large cap US		189,136		189,136
Mid cap value		37,494		37,494
Small cap core		31,628		31,628
Small cap US		89,115		89,115
All cap core		422,838		422,838
All cap growth		198,409		198,409
Emerging markets		205,152		205,152
Core international		411,305		411,305
Core fixed income		262,363		262,363
International		127,668		127,668
Mortgaged backed securities		121,011		121,011
Fixed income international		185,736		185,736
Fixed income total return core		767,780		767,780
Fixed income government		130,952		130,952
Fixed income corporations		102,184		102,184
Commodities		236,169		236,169
Perpetual trust			988,624	988,624
	\$ 699,839	\$ 4,345,951	\$ 988,624	\$ 6,034,414

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Notes to Consolidated Financial Statements

Note 4 - Continued

	<u>Fair Value Measurements at December 31, 2009</u>			
	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	<u>Total</u>
Money market funds	\$ 927,648	\$ -	\$ -	\$ 927,648
Managed funds:				
Large cap growth		234,405		234,405
Large cap value		371,024		371,024
Large cap US		262,103		262,103
Mid cap value		45,489		45,489
Small cap US		32,887		32,887
All cap growth		170,676		170,676
Emerging markets		10,746		10,746
Core international		269,968		269,968
Core fixed income		794,380		794,380
International		115,549		115,549
Fixed income corporations		310,420		310,420
Commodities		18,982		18,982
Perpetual trust			952,941	952,941
	<u>\$ 927,648</u>	<u>\$ 2,636,629</u>	<u>\$ 952,941</u>	<u>\$ 4,517,218</u>

A reconciliation of the beginning and ending balances for fair value measurements made using significant unobservable inputs (Level 3) at December 31 is as follows:

	<u>2010</u>	<u>2009</u>
Beginning of year	\$ 952,941	\$ 787,395
Return on investment	<u>35,683</u>	<u>165,546</u>
End of Year	<u>\$ 988,624</u>	<u>\$ 952,941</u>

Notes to Consolidated Financial Statements

Note 5 - Property and Equipment

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

	<u>2010</u>	<u>2009</u>
Furniture and fixtures	\$ 512,712	\$ 503,459
Office equipment	663,021	615,350
Vehicles	254,370	175,394
Medical equipment	606,353	587,992
Health screening unit	183,645	183,645
Tenant improvements	1,351,501	1,331,859
Assets in process	<u>178,875</u>	<u>22,217</u>
	3,750,477	3,419,916
Less accumulated depreciation	<u>(1,901,886)</u>	<u>(1,486,094)</u>
Total Property and Equipment, Net	<u>\$ 1,848,591</u>	<u>\$ 1,933,822</u>

The assets in process at December 31, 2010, include a replacement health screening unit that had not yet been completed as of that date.

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 \$13,931 and \$19,584 in earnings distributions from the trust during the years ended December 31, 2010 and 2009, respectively. The earnings are available for general operating purposes. The Organization's interest in net gains of \$35,683 and \$165,546 in the trust value for the years ended December 31, 2010 and 2009, respectively, are recognized in the statement of activities and changes in net assets 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 does not have a defined percentage interest in the perpetual trust. The Organization received distributions of \$28,000 and \$15,000 for the years ended December 31, 2010 and 2009, respectively.

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Notes to Consolidated Financial Statements

Note 7 - Operating Leases

The Organization leases a 14,000 square foot office in Seattle for its corporate headquarters under an operating lease expiring February 2015. The lease agreement provides for certain leasehold improvements to be paid for by the lessor. In accordance with GAAP, these improvements were accounted for as a lease incentive and are amortized against rent expense over the term of the lease. The unamortized lease incentive liability totaled \$284,050 and \$352,210 at December 31, 2010 and 2009, respectively.

During 2010, the Organization opened a 2,400 square foot satellite office in California with an operating lease expiring March 2015. The Organization also leases three copiers under leases expiring November 2011, November 2012 and May 2013, respectively. Total rental expense under operating leases was \$469,267 and \$462,880 for the years ended December 31, 2010 and 2009, respectively.

The future minimum lease payments under these leases at December 31, 2010, are as follows:

2011	\$	403,970
2012		424,366
2013		431,680
2014		443,927
2015		<u>76,256</u>
	\$	<u>1,780,199</u>

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 \$274,164 and \$235,591 for the years ended December 31, 2010 and 2009, respectively.

Note 9 - Northwest Lions Endowment (NLE)

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 State 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 Organization 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.

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Notes to Consolidated Financial Statements

Note 9 - Continued

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 Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of the Organization and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investment;
- Other resources of the Organization; and
- The investment policies of the Organization.

At December 31, endowment net assets consisted of the following:

	<u>December 31, 2010</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ -	\$ 211,753	\$ 757,033	\$ 968,786
Board designated quasi-endowment funds	<u>1,033,589</u>			<u>1,033,589</u>
Endowment Net Assets	<u>\$ 1,033,589</u>	<u>\$ 211,753</u>	<u>\$ 757,033</u>	<u>\$ 2,002,375</u>

	<u>December 31, 2009</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ -	\$ 111,724	\$ 737,033	\$ 848,757
Board designated quasi-endowment funds	<u>936,574</u>			<u>936,574</u>
Endowment Net Assets	<u>\$ 936,574</u>	<u>\$ 111,724</u>	<u>\$ 737,033</u>	<u>\$ 1,785,331</u>

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Notes to Consolidated Financial Statements

Note 9 - Continued

Changes to endowment net assets for the years ended December 31 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, December 31, 2008	\$ 804,712	\$ -	\$ 737,033	\$ 1,541,745
Endowment investment return:				
Interest and dividends	36,856	14,320		51,176
Realized and unrealized gains and losses	<u>119,857</u>	<u>97,404</u>		<u>217,261</u>
Total endowment investment return	156,713	111,724		268,437
Contributions	4,000			4,000
Expenses	<u>(28,851)</u>			<u>(28,851)</u>
Endowment Net Assets, December 31, 2009	936,574	111,724	737,033	1,785,331
Endowment investment return:				
Interest and dividends	31,653	32,142		63,795
Realized and unrealized gains and losses	<u>75,090</u>	<u>67,887</u>		<u>142,977</u>
Total endowment investment return	106,743	100,029		206,772
Contributions	16,012		20,000	36,012
Expenses	<u>(25,740)</u>			<u>(25,740)</u>
Endowment Net Assets, December 31, 2010	<u>\$ 1,033,589</u>	<u>\$ 211,753</u>	<u>\$ 757,033</u>	<u>\$ 2,002,375</u>

Funds with Deficiencies - From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that was donated to the Organization. There were no such deficiencies as of December 31, 2010 or 2009.

Notes to Consolidated Financial Statements

Note 9 - Continued

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 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.

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. The Organization decided not to appropriate any distribution from the endowment during the years ended December 31, 2010 or 2009.

Note 10 - Temporarily Restricted Net Assets

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

	<u>2010</u>	<u>2009</u>
Long-term pledge	\$ 1,146,529	\$ 1,209,808
Unappropriated earnings on endowments	211,753	111,724
Capital replacement campaign	130,089	55,489
Other	<u>2,400</u>	<u></u>
	<u>\$ 1,490,771</u>	<u>\$ 1,377,021</u>

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Notes to Consolidated Financial Statements

Note 11 - Permanently Restricted Net Assets

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

	<u>2010</u>	<u>2009</u>
Interest in a perpetual trust (Note 6)	\$ 988,624	\$ 952,941
Endowment	<u>757,033</u>	<u>737,033</u>
	<u>\$ 1,745,657</u>	<u>\$ 1,689,974</u>

Note 12 - Commitments and Contingencies

Commitments - As part of the Organization's Global Eye Bank Development Initiative, certain grants were provided to eye bank projects in developing countries throughout 2010. The remaining balance due at December 31, 2010, related to these program commitments was approximately \$247,000.

In August 2009, the Organization made a commitment to contribute \$50,000 to the Department of Ophthalmology and Visual Sciences of Case Western Reserve University. The pledge is in support of research related to cornea preservation and is expected to be paid over the next five years. The balance due at December 31, 2010 and 2009 was \$50,000.

In June 2008, the Organization made a commitment to contribute \$200,000 to the 2011 Lions Club International Convention. During 2010 and 2009 respectively, \$50,000 and \$10,000 was paid on the commitment. The balance due at December 31, 2010 and 2009, totaled \$135,000 and \$185,000, respectively.

In December 2007, the Organization made a commitment to contribute \$100,000 to Seattle Parks Foundation for development of Lake Union Park. During 2010 and 2009, approximately \$33,000 and \$34,000, respectively, was paid on the commitment. The balance due at December 31, 2010 and 2009, totaled approximately \$0 and \$33,000, respectively.

The amounts due as listed above are included in grants and pledges payable in the consolidated statement of financial position.

Litigation - The Organization is involved in litigation in the normal course of business. After consultation with legal counsel and the Organization's insurance agent, management estimates that these matters will be resolved without a material adverse effect to the Organization's future financial position or results from operations.

Note 13 - Subsequent Events

Effective April 1, 2011, the Organization entered into an agreement with LifeCenter Northwest, a Washington nonprofit corporation which recovers donated human organs and tissue. Under this agreement, the Organization will provide referral coordination, donor suitability determination and requisite donation consent on behalf of LifeCenter Northwest. The Organization will receive compensation in return for these services. The agreement will be automatically renewed annually unless terminated by either party with at least 120 days prior notice.