SIGHTLIFE ***tm***

Consolidated Financial Statements

For the Year Ended December 31, 2011

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Certified Public
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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, 2011, 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, 2010, financial statements, and in our report dated May 9, 2011, 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, 2011, 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
May 1, 2012

SIGHTLIFE[tm]

Consolidated Statement of Financial Position
December 31, 2011
(With Comparative Totals for 2010)

	SightLife	*AUDIENT*	*Northwest Lions Endowment*	*Eliminations*	*2011 Total*	*2010 Total*
Assets						
Current Assets:						
Cash and cash equivalents	$ 761,310	$ 9,328	$ 1,509	$ -	$ 772,147	$ 861,833
Accounts receivable, net	1,660,695	1,975	300	(28,391)	1,634,579	1,580,095
Pledges receivable (Note 2)	380,810				380,810	2,400
Inventory	129,724				129,724	112,834
Other assets	215,345				215,345	256,611
Total Current Assets	**3,147,884**	**11,303**	**1,809**	**(28,391)**	**3,132,605**	**2,813,773**
Long-term pledges receivable (Note 2)	1,307,808				1,307,808	1,146,529
Deposits	37,029				37,029	37,029
Investments (Note 3)	2,969,971		1,966,563		4,936,534	5,045,790
Property and equipment, net (Note 5)	1,800,660				1,800,660	1,848,591
Perpetual trusts (Note 6)	960,498				960,498	988,624
Total Assets	**$ 10,223,850**	**$ 11,303**	**$ 1,968,372**	**$ (28,391)**	**$ 12,175,134**	**$ 11,880,336**
Liabilities and Net Assets						
Current Liabilities:						
Accounts payable	$ 566,737	$ 114	$ 28,301	$ (28,391)	$ 566,761	$ 638,874
Grants and pledges payable (Note 12)	201,844				201,844	215,185
Accrued liabilities	722,264	20			722,284	614,733
Current portion of capital lease liability	13,523				13,523	
Current portion of lease incentive liability	68,168				68,168	68,168
Total Current Liabilities	**1,572,536**	**134**	**28,301**	**(28,391)**	**1,572,580**	**1,536,960**
Capital lease liability	19,083				19,083	
Lease incentive liability	147,722				147,722	215,882
Grants and pledges payable (Note 12)	160,000				160,000	220,000
Total Liabilities	**1,899,341**	**134**	**28,301**	**(28,391)**	**1,899,385**	**1,972,842**
Net Assets:						
Unrestricted-						
Undesignated	5,780,449	11,169			5,791,618	5,637,477
Board designated (Note 9)			977,109		977,109	1,033,589
Total unrestricted	5,780,449	11,169	977,109		6,768,727	6,671,066
Temporarily restricted (Note 10)	1,583,562		205,929		1,789,491	1,490,771
Permanently restricted (Note 11)	960,498		757,033		1,717,531	1,745,657
Total Net Assets	**8,324,509**	**11,169**	**1,940,071**		**10,275,749**	**9,907,494**
Total Liabilities and Net Assets	**$ 10,223,850**	**$ 11,303**	**$ 1,968,372**	**$ (28,391)**	**$ 12,175,134**	**$ 11,880,336**

See accompanying notes.

SIGHTLIFE[tm]

Consolidated Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2011
(With Comparative Totals for 2010)

	SightLife	*AUDIENT*	*Northwest Lions Endowment*	*2011 Total*	*2010 Total*
Revenues, Gains, and Other Support:					
Eye Bank revenues	$ 14,147,375	$ -	$ -	$ 14,147,375	$ 12,851,434
Lion's Program revenues	94,919			94,919	100,939
Hearing aid revenues		27,575		27,575	163,026
Grants and contributions	666,311		300	666,611	708,538
Investment return (Note 3)	(75,790)		(28,413)	(104,203)	354,835
Other	161,403			161,403	143,039
Contributions and grants released from time restrictions	112,579			112,579	169,361
Total Revenue, Gains, and Other Support	**15,106,797**	**27,575**	**(28,113)**	**15,106,259**	**14,491,172**
Expenses:					
Program services-					
Eye Bank	11,185,789			11,185,789	9,788,298
Global eye bank development	1,589,119			1,589,119	1,045,797
Lions and AUDIENT programs	555,010	318		555,328	553,018
Endowment			28,367	28,367	25,740
Total program services	13,329,918	318	28,367	13,358,603	11,412,853
General and administrative	660,611			660,611	612,995
Development	926,105			926,105	1,092,676
Total Expenses	**14,916,634**	**318**	**28,367**	**14,945,319**	**13,118,524**
Change in Unrestricted Net Assets	**190,163**	**27,257**	**(56,480)**	**160,940**	**1,372,648**
Temporarily Restricted Net Assets:					
Contributions and grants	353,844			353,844	183,082
Investment return on endowments (Note 3)			(5,824)	(5,824)	100,029
Contributions and grants released from time restrictions	(112,579)			(112,579)	(169,361)
Change in Temporarily Restricted Net Assets	**241,265**		**(5,824)**	**235,441**	**113,750**
Permanently Restricted Net Assets:					
Contributions and grants					20,000
Change in value of perpetual trust (Note 6)	(28,126)			(28,126)	35,683
Change in Permanently Restricted Net Assets	**(28,126)**			**(28,126)**	**55,683**
Intercompany transfers	13,361	(13,361)			
Total Change in Net Assets	**416,663**	**13,896**	**(62,304)**	**368,255**	**1,542,081**
Beginning of year net assets	7,907,846	(2,727)	2,002,375	9,907,494	8,365,413
End of Year Net Assets	**$ 8,324,509**	**$ 11,169**	**$ 1,940,071**	**$ 10,275,749**	**$ 9,907,494**

See accompanying notes.

***SIGHTLIFE*™**

Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2011
(With Comparative Totals for 2010)

	SightLife							AUDIENT	Northwest Lions Endowment		
	Program Services										
	Eye Bank	*Global Eye Bank Development*	*Lion's Programs*	*Total*	*General and Administrative*	*Development*	*Total SightLife*	*Program Services*	*Program Services*	*2011 Total*	*2010 Total*
Wages and salaries	$ 4,241,972	$ 551,282	$ 103,488	$ 4,896,742	$ 302,490	$ 445,070	$ 5,644,302	$ -	$ 18,053	$ 5,662,355	$ 4,813,748
Payroll Taxes	376,912	39,619	9,187	425,718	24,259	33,868	483,845		1,353	485,198	391,251
Employee benefits	1,029,591	112,601	33,083	1,175,275	79,007	92,550	1,346,832	910	4,078	1,351,820	1,050,180
Total Salaries and Related Benefits	**5,648,475**	**703,502**	**145,758**	**6,497,735**	**405,756**	**571,488**	**7,474,979**	**910**	**23,484**	**7,499,373**	**6,255,179**
Tissue processing	1,626,385			1,626,385			1,626,385			1,626,385	1,618,401
Supplies, lab	1,122,144		2,769	1,124,913			1,124,913			1,124,913	924,649
Depreciation	481,949	6,255	24,067	512,271	34,825	18,233	565,329			565,329	531,521
Rent	438,225	2,288		440,513	58,996	8,947	508,456			508,456	469,267
Marketing	174,099	57,395	7,364	238,858	2,826	210,821	452,505			452,505	483,188
Telephone	335,034	18,878	1,178	355,090	36,388	19,495	410,973	342		411,315	302,669
Travel	195,018	149,331	38,300	382,649	5,810	18,476	406,935			406,935	338,201
Vehicles	293,726	9,298	42,406	345,430	12,190	14,717	372,337		477	372,814	328,761
Contract services and consulting	115,920	208,382	500	324,802	11,733	10,504	347,039			347,039	456,497
Meetings	87,535	47,067	8,129	142,731	29,039	10,187	181,957			181,957	102,078
Professional services	95,278	17,500	684	113,462	10,617	5,308	129,387	11	4,151	133,549	125,828
Dues and subscriptions	106,916	12,005	202	119,123	2,094	5,048	126,265			126,265	111,685
Office	96,146	3,016	1,239	100,401	9,916	5,569	115,886			115,886	80,057
Repairs and maintenance	98,117		828	98,945	5,685	2,843	107,473			107,473	76,681
Hearing aid refurbishing			88,390	88,390			88,390			88,390	102,122
Business and excise tax	60,528			60,528			60,528	5		60,533	54,909
Miscellaneous	50,893	1,277	217	52,387	25,465	2,017	79,869	250	255	80,374	39,844
Insurance	39,476			39,476	4,650	2,325	46,451			46,451	67,701
Seminars and conferences	32,367	9,499	105	41,971	1,429	2,497	45,897			45,897	30,204
Medical director	39,915			39,915			39,915			39,915	49,114
Postage and shipping	21,572	673	344	22,589	2,205	1,261	26,055			26,055	23,742
Printing and publications	12,532	87		12,619	660	11,002	24,281			24,281	4,428
Continuing education	10,305			10,305	327	1,061	11,693			11,693	43,464
Interest expense and loan fees	234			234			234			234	
Hearing aid cost of goods sold								(1,200)		(1,200)	98,401
Total Expenses before Grants	**11,182,789**	**1,246,453**	**362,480**	**12,791,722**	**660,611**	**921,799**	**14,374,132**	**318**	**28,367**	**14,402,817**	**12,718,591**
Patient care grants			59,895	59,895			59,895			59,895	67,028
Other grants	3,000	342,666	132,635	478,301		4,306	482,607			482,607	332,905
Total Grants	**3,000**	**342,666**	**192,530**	**538,196**		**4,306**	**542,502**			**542,502**	**399,933**
Total Expenses	**$ 11,185,789**	**$ 1,589,119**	**$ 555,010**	**$ 13,329,918**	**$ 660,611**	**$ 926,105**	**$ 14,916,634**	**$ 318**	**$ 28,367**	**$ 14,945,319**	**$ 13,118,524**

See accompanying notes.

SIGHTLIFE™

Consolidated Statement of Cash Flows
For the Year Ended December 31, 2011
(With Comparative Totals for 2010)

	SightLife	*AUDIENT*	*Northwest Lions Endowment*	*2011 Total*	*2010 Total*
Cash Flows from Operating Activities:					
Change in net assets	$ 416,663	$ 13,896	$ (62,304)	$ 368,255	$ 1,542,081
Adjustments to reconcile change in net assets to cash provided by operating activities-					
Depreciation	565,330			565,330	531,521
Loss (gain) on investments	149,056		50,691	199,747	(361,135)
Loss (gain) on disposal of property and equipment	21,792			21,792	(9,115)
Loss (gain) on perpetual trust	28,126			28,126	(35,683)
Cash received for investment in long-term assets					(252,961)
Cash received restricted for endowment					(20,000)
Change in operating accounts:					
(Increase) decrease in accounts receivable	(33,930)	(175)	(20,379)	(54,484)	(238,882)
(Increase) decrease in pledges receivable	(539,689)			(539,689)	69,879
(Increase) decrease in inventory	(16,890)			(16,890)	(27,612)
(Increase) decrease in deposits					(4,000)
(Increase) decrease in other assets	41,266			41,266	(38,437)
(Decrease) increase in accounts payable	(71,972)	(24,425)	24,284	(72,113)	202,945
(Decrease) increase in grants and pledges payable	(73,341)			(73,341)	16,772
(Decrease) increase in accrued liabilities	108,197	(646)		107,551	9,567
(Decrease) increase in lease incentive liability	(68,160)			(68,160)	(68,160)
Net Cash Provided (Used) by Operating Activities	**526,448**	**(11,350)**	**(7,708)**	**507,390**	**1,316,780**
Cash Flows from Investing Activities:					
Purchase of investments	(877,570)		(332,880)	(1,210,450)	(1,833,453)
Proceeds from sale of investments	779,436		340,523	1,119,959	713,075
Purchase of property and equipment	(498,696)			(498,696)	(446,093)
Proceeds from sale of property and equipment					8,918
Net Cash Provided (Used) by Investing Activities	**(596,830)**		**7,643**	**(589,187)**	**(1,557,553)**
Cash Flows from Financing Activities:					
Cash received for investment in long-term assets					252,961
Cash received restricted for endowment					20,000
Payments on capital leases	(7,889)			**(7,889)**	
Net Cash Provided (Used) by Financing Activities	**(7,889)**			**(7,889)**	**272,961**
Net Increase (Decrease) in Cash and Cash Equivalents	**(78,271)**	**(11,350)**	**(65)**	**(89,686)**	**32,188**
Cash and cash equivalents, beginning of year	839,581	20,678	1,574	861,833	829,645
Cash and Cash Equivalents, End of Year	**$ 761,310**	**$ 9,328**	**$ 1,509**	**$ 772,147**	**$ 861,833**

See accompanying notes.

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), 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 or support activities exclusively to carry out the charitable or educational purposes and Lions activities 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 has not been any activity in SightLife Canada since formation.

SightLife India was incorporated on December 22, 2011, as a Section 25 non-profit organization. A Certificate of Incorporation was issued under Section 25 of the Companies Act of 1956 by the Registrar of Companies, National Capital Territory of Delhi and Haryana. There was no activity for SightLife India for the year ended December 31, 2011. SightLife India's first Board meeting was held January 19, 2012.

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

Program Services - Programs and their descriptions are as follows:

SightLife Eye Bank - 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 55,000 sight-restoring transplants 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 around the world that are scalable, sustainable, and of high quality. As of December 31, 2011, SightLife has entered into eleven global eye bank partnerships. Within 2011, these partnerships collectively provided corneal tissue for over 5,600 sight-restoring transplants.

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.

Note 1 - Continued

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

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.

AUDIENT, LLC - 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.

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 and subject to its investment policy. 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. At December 31, 2011 and 2010, the Organization had an allowance of $16,810 and $0, respectively. All reported accounts receivable at December 31, 2011 and 2010, 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.

Eye Bank Revenue Recognition - The Organization generally recognizes SightLife eye bank revenue when the tissue is delivered and accepted by the transplant surgery center. Returned tissue is not recorded as revenue. In certain situations, the Organization provides corneal tissue 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. The Organization also provides donor referral services to other agencies. These revenues are recorded once the referral services have been provided.

Other Revenue Recognition - AUDIENT's revenue is recorded in the form of a monthly licensing fee which is received from EPIC, a third party organization. The amount received is based on the volume of EPIC's completed sales of hearing aids to individuals who qualify under certain low income guidelines. The Organization also receives contribution revenue. Contributions are recognized in the period received, including unconditional promises to give.

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. SightLife India is a Section 25 non-profit organization.

Note 1 - Continued

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.

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 years ended December 31, 2011 and 2010, the Organization received in-kind donations of $69,507 and $5,159, respectively, for various goods and services.

Functional Allocation of Expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated 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 1, 2012, the date on which the financial statements were available to be issued.

Note 2 - Pledges Receivable

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

	2011	*2010*
Less than one year	$ 380,810	$ 2,400
One to five years	1,273,000	675,000
Thereafter	325,000	825,000
	1,978,810	1,502,400
Less present value discount (0% - 5%)	(290,192)	(353,471)
	$ 1,688,618	**$ 1,148,929**

At December 31, 2011 and 2010, 81% and 99%, respectively, of total pledges receivable were from one donor.

Note 3 - Investments

Investments consisted of the following at December 31:

	2011	2010
Money market funds	$ 647,668	$ 699,839
Managed funds	4,288,866	4,345,951
	$ 4,936,534	**$ 5,045,790**

Investment return for the years ended December 31 consisted of:

	2011	2010
Interest and dividends on investments	$ 123,810	$ 127,373
Realized and unrealized (loss) gain on investments	(195,608)	361,135
Fees	(38,229)	(33,644)
	$ (110,027)	**$ 454,864**

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

	2011	2010
Unrestricted investment (loss) gain	$ (104,203)	$ 354,835
Temporarily restricted investment (loss) income on endowments	(5,824)	100,029
	$ (110,027)	**$ 454,864**

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.

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, 2011 and 2010:

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:

	Fair Value Measurements at December 31, 2011			
	Level 1	*Level 2*	*Level 3*	*Total*
Money market funds	$ 647,668	$ -	$ -	$ 647,668
Managed funds-				
Large cap growth		327,675		327,675
Large cap value		460,117		460,117
Large cap US		221,406		221,406
Mid cap value		36,243		36,243
Small cap core		30,894		30,894
Small cap US		119,713		119,713
All cap core		424,622		424,622
All cap growth		196,689		196,689
Emerging markets		171,813		171,813
Core international		363,144		363,144
Core fixed income		271,371		271,371
International		133,892		133,892
Mortgage backed securities		118,430		118,430
Fixed income international		216,135		216,135
Fixed income total return core		804,089		804,089
Fixed income government		82,257		82,257
Fixed income corporations		100,891		100,891
Commodities		173,356		173,356
Other		36,129		36,129
Perpetual trust			960,498	960,498
	$ 647,668	**$ 4,288,866**	**$ 960,498**	**$ 5,897,032**

Note 4 - Continued

	Fair Value Measurements at December 31, 2010			
	Level 1	*Level 2*	*Level 3*	*Total*
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
Mortgage 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**

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:

	2011	*2010*
Beginning of year	$ 988,624	$ 952,941
Return on investment	(28,126)	35,683
End of Year	**$ 960,498**	**$ 988,624**

Note 5 - Property and Equipment

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

	2011	*2010*
Furniture and fixtures	$ 541,908	$ 512,712
Office equipment	860,920	663,021
Vehicles	251,432	254,370
Medical equipment	688,624	606,353
Health screening unit	479,930	183,645
Tenant improvements	1,425,062	1,351,501
Assets in process		178,875
	4,247,876	3,750,477
Less accumulated depreciation	(2,447,216)	(1,901,886)
Total Property and Equipment, Net	**$ 1,800,660**	**$ 1,848,591**

The assets in process at December 31, 2010, include a replacement health screening unit which was placed into service during the year ended December 31, 2011.

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 $17,895 and $13,931 in earnings distributions from the trust during the years ended December 31, 2011 and 2010, respectively. The earnings are available for general operating purposes. The Organization's interest in net (losses) gains of $(28,126) and $35,683 in the trust value for the years ended December 31, 2011 and 2010, 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 $20,000 and $28,000 for the years ended December 31, 2011 and 2010, respectively.

Note 7 - 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 $215,890 and $284,050 at December 31, 2011 and 2010, 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 five copiers under leases expiring through June 2016. Total rental expense under operating leases was $508,455 and $469,267 for the years ended December 31, 2011 and 2010, respectively. During 2011, the Organization entered into a lease agreement for server equipment, which was recorded as a capital lease. The current and long-term portion of the capital lease liability are $13,523 and $19,083, respectively, at December 31, 2011.

The future minimum lease payments under these leases are as follows:

For the Year Ending December 31,

2012	$ 445,498
2013	452,812
2014	461,959
2015	93,668
2016	7,344
	$ 1,461,281

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 $318,373 and $274,164 for the years ended December 31, 2011 and 2010, 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.

Note 9 - Continued

Interpretation of Relevant Law - The Board of Directors of the Organization has interpreted the Washington State Prudent Management of Institutional Funds Act (PMIFA) 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.

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 PMIFA.

In accordance with PMIFA, 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:

	December 31, 2011			
	Unrestricted	*Temporarily Restricted*	*Permanently Restricted*	*Total*
Donor restricted endowment funds	$ -	$ 205,929	$ 757,033	$ 962,962
Board designated quasi-endowment funds	977,109			977,109
Endowment Net Assets	**$ 977,109**	**$ 205,929**	**$ 757,033**	**$ 1,940,071**

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

Note 9 - Continued

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

	Unrestricted	*Temporarily Restricted*	*Permanently Restricted*	*Total*
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	83,801	67,887		151,688
Total endowment investment return	115,454	100,029		215,483
Contributions	7,301		20,000	27,301
Expenses	(25,740)			(25,740)
Endowment Net Assets, December 31, 2010	**1,033,589**	**211,753**	**757,033**	**2,002,375**
Endowment investment return-				
Interest and dividends	29,956	29,578		59,534
Realized and unrealized losses	(58,369)	(35,402)		(93,771)
Total endowment investment return	(28,413)	(5,824)		(34,237)
Contributions	300			300
Expenses	(28,367)			(28,367)
Endowment Net Assets December 31, 2011	**$ 977,109**	**$ 205,929**	**$ 757,033**	**$ 1,940,071**

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, 2011 or 2010.

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, 2011 or 2010.

Note 10 - Temporarily Restricted Net Assets

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

	2011	*2010*
Long-term pledge	$ 1,209,808	$ 1,146,529
Eye bank development in India	350,000	
Unappropriated earnings on endowments	206,027	211,753
Capital replacement campaign	20,004	130,089
Other	3,750	2,400
	$ 1,789,589	**$ 1,490,771**

Note 11 - Permanently Restricted Net Assets

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

	2011	*2010*
Interest in a perpetual trust (Note 6)	$ 960,498	$ 988,624
Endowment	757,033	757,033
	$ 1,717,531	**$ 1,745,657**

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 2011 and 2010. The remaining balance due at December 31, 2011 and 2010, respectively, related to these program commitments was approximately $322,000 and $247,000, respectively.

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, 2011 and 2010, was $40,000 and $50,000, respectively.

In June 2008, the Organization made a commitment to contribute $200,000 to the 2011 Lions Club International (LCI) Convention. During 2011 and 2010, respectively, $24,000 and $50,000 was paid on the commitment. Since the original commitment in 2008, $89,000 was distributed, representing the total amount ultimately required for the 2011 LCI Convention. The remaining $111,000 of the original commitment was subsequently recorded in 2011 as Other Income within Revenue, Gains and Other Support. The balance due at December 31, 2011 and 2010, totaled $0 and $135,000, 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 March 31, 2012, the Organization entered into a membership withdrawal agreement with Vision Share. Previously, Vision Share membership enabled the Organization to source and place cornea tissue through the Vision Share distribution system. Under this agreement, the Organization will retain access to Vision Share distribution through October 31, 2012. Concurrently, the Organization will establish new cornea placement opportunities as well as enhance existing distribution channels. Although the Organization will no longer be a Vision Share member, both organizations remain committed to advancing the mission of maximizing the availability of quality eye tissue for transplant and research, both domestically and internationally, and anticipate that they will be working together on occasion in the pursuit of that mission. As of December 31, 2011, receivables from Vision Share represented approximately 34% of net accounts receivable and management considers these to be fully collectible.