SIGHTLIFE™

Consolidated Financial Statements

For the Year Ended December 31, 2012

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Certified Public
Accountants
and Consultants

Independent Auditors' Report

Board of Directors
SightLife[tm]
Seattle, Washington

We have audited the accompanying consolidated financial statements of SightLife (the Organization), which comprise the consolidated statement of financial position as of December 31, 2012**,** and the related consolidated statements of activities and changes in net assets, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

CLARK NUBER

Certified Public
Accountants
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Organization’s 2011 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 1, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Consolidating Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The consolidating information on pages 3 to 6 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in compliance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Clark Nuber P S

Certified Public Accountants
April 19, 2013

CONSOLIDATED FINANCIAL STATEMENTS

SIGHTLIFEtm

Consolidated Statement of Financial Position
December 31, 2012
(With Comparative Totals for 2011)

	SightLife	Northwest Lions Endowment	Eliminations	2012 Total	2011 Total
Assets					
Current Assets:					
Cash and cash equivalents	$ 776,879	$ 1,744	$ -	$ 778,623	$ 772,147
Accounts receivable, net	2,602,887		(4,052)	2,598,835	1,634,579
Pledges receivable (Note 2)	481,821			481,821	380,810
Inventory	189,165			189,165	129,724
Other assets	227,485			227,485	215,345
Total Current Assets	**4,278,237**	**1,744**	**(4,052)**	**4,275,929**	**3,132,605**
Long-term pledges receivable (Note 2)	1,388,855			1,388,855	1,307,808
Deposits	37,029			37,029	37,029
Investments (Note 3)	3,399,699	2,152,053		5,551,752	4,936,534
Property and equipment, net (Note 5)	1,741,764			1,741,764	1,800,660
Perpetual trusts (Note 6)	978,683			978,683	960,498
Total Assets	**$ 11,824,267**	**$ 2,153,797**	**$ (4,052)**	**$ 13,974,012**	**$ 12,175,134**
Liabilities and Net Assets					
Current Liabilities:					
Accounts payable	$ 1,054,033	$ 3,962	$ (4,052)	$ 1,053,943	$ 566,761
Grants and pledges payable (Note 12)	271,970			271,970	201,844
Accrued liabilities	804,752			804,752	722,284
Current portion of capital lease liability	13,523			13,523	13,523
Current portion of lease incentive liability	68,168			68,168	68,168
Total Current Liabilities	**2,212,446**	**3,962**	**(4,052)**	**2,212,356**	**1,572,580**
Capital lease liability	5,560			5,560	19,083
Lease incentive liability	79,562			79,562	147,722
Grants and pledges payable (Note 12)	113,064			113,064	160,000
Total Liabilities	**2,410,632**	**3,962**	**(4,052)**	**2,410,542**	**1,899,385**
Net Assets:					
Unrestricted-					
Undesignated	6,501,203			6,501,203	5,791,618
Board designated (Note 9)		1,090,377		1,090,377	977,109
Total unrestricted	6,501,203	1,090,377		7,591,580	6,768,727
Temporarily restricted (Note 10)	1,933,749	302,425		2,236,174	1,789,491
Permanently restricted (Note 11)	978,683	757,033		1,735,716	1,717,531
Total Net Assets	**9,413,635**	**2,149,835**		**11,563,470**	**10,275,749**
Total Liabilities and Net Assets	**$ 11,824,267**	**$ 2,153,797**	**$ (4,052)**	**$ 13,974,012**	**$ 12,175,134**

See accompanying notes.

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Consolidated Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2012
(With Comparative Totals for 2011)

	SightLife	*Northwest Lions Endowment*	*2012 Total*	*2011 Total*
Revenues, Gains, and Other Support:				
Eye Bank revenues	$ 17,500,595	$ -	$ 17,500,595	$ 14,147,375
Lions Program revenues	106,637		106,637	94,919
Hearing aid revenues	32,670		32,670	27,575
Grants and contributions	794,143		794,143	666,611
Investment return (Note 3)	275,630	142,924	418,554	(104,203)
Other	69,822		69,822	161,403
Contributions and grants released from time restrictions	90,750		90,750	112,579
Total Revenue, Gains, and Other Support	**18,870,247**	**142,924**	**19,013,171**	**15,106,259**
Expenses:				
Program services-				
Eye Bank	14,051,958		14,051,958	11,185,789
Global eye bank development	1,703,107		1,703,107	1,589,119
Lions and AUDIENT programs	509,003		509,003	555,328
Total program services	16,264,068		16,264,068	13,330,236
General and administrative	721,369	29,839	751,208	688,978
Fundraising	1,175,225		1,175,225	926,105
Total Expenses	**18,160,662**	**29,839**	**18,190,501**	**14,945,319**
Change in Unrestricted Net Assets	**709,585**	**113,085**	**822,670**	**160,940**
Temporarily Restricted Net Assets:				
Contributions and grants	440,937		440,937	353,844
Investment return on endowments (Note 3)		96,679	96,679	(5,824)
Contributions and grants released from time restrictions	(90,750)		(90,750)	(112,579)
Change in Temporarily Restricted Net Assets	**350,187**	**96,679**	**446,866**	**235,441**
Permanently Restricted Net Assets:				
Change in value of perpetual trust (Note 6)	18,185		18,185	(28,126)
Change in Permanently Restricted Net Assets	**18,185**		**18,185**	**(28,126)**
Total Change in Net Assets	**1,077,957**	**209,764**	**1,287,721**	**368,255**
Beginning of year net assets	8,335,678	1,940,071	10,275,749	9,907,494
End of Year Net Assets	**$ 9,413,635**	**$ 2,149,835**	**$ 11,563,470**	**$ 10,275,749**

See accompanying notes.

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Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2012
(With Comparative Totals for 2011)

	SightLife									
	Program Services									
	Eye Bank	Global Eye Bank Development	Lions and AUDIENT Programs	Total	General and Administrative	Fundraising	Total SightLife	Northwest Lions Endowment	2012 Total	2011 Total
Wages and salaries	$ 4,958,162	$ 709,225	$ 114,065	$ 5,781,452	$ 396,102	$ 519,895	$ 6,697,449	$ 19,512	$ 6,716,961	$ 5,662,355
Payroll taxes	429,838	50,050	10,423	490,311	29,926	36,044	556,281	1,280	557,561	485,198
Employee benefits	1,208,949	162,062	32,171	1,403,182	97,479	100,753	1,601,414	3,971	1,605,385	1,351,820
Total Salaries and Related Benefits	**6,596,949**	**921,337**	**156,659**	**7,674,945**	**523,507**	**656,692**	**8,855,144**	**24,763**	**8,879,907**	**7,499,373**
Tissue processing	2,773,252	5,270	317	2,778,839			2,778,839		2,778,839	1,626,385
Supplies, lab	1,243,336		2,978	1,246,314			1,246,314		1,246,314	1,124,913
Depreciation	484,422	28,858	35,114	548,394	19,409	18,181	585,984		585,984	565,329
Rent	429,393	25,208		454,601	50,667	7,707	512,975		512,975	508,456
Marketing	496,692	3,007	3,392	503,091	1,426	208,738	713,255		713,255	452,505
Telephone	397,991	39,817	1,190	438,998	8,206	167,206	614,410		614,410	411,315
Travel	325,398	147,588	43,398	516,384	24,091	38,896	579,371		579,371	406,935
Vehicles	322,756	14,759	37,478	374,993	15,489	19,408	409,890	478	410,368	372,814
Contract services and consulting	112,071	146,928		258,999	3,057	7,451	269,507		269,507	347,039
Meetings	90,033	53,951	49	144,033	48,552	9,203	201,788	55	201,843	181,957
Professional services	104,730	13,549		118,279	6,077	8,571	132,927	4,378	137,305	133,549
Dues and subscriptions	119,374	1,911	110	121,395	2,904	5,609	129,908		129,908	126,265
Office	68,658	9,390	2,665	80,713	3,412	3,964	88,089		88,089	115,886
Repairs and maintenance	94,136	2,512	868	97,516	2,512	2,512	102,540		102,540	107,473
Hearing aid refurbishing			96,912	96,912			96,912		96,912	88,390
Business and excise tax	68,360	6		68,366	6	6	68,378		68,378	60,533
Miscellaneous	59,365	3,923	205	63,493	1,413	2,471	67,377	165	67,542	80,374
Insurance	47,417	2,789		50,206	2,789	2,789	55,784		55,784	46,451
Seminars and conferences	41,569	11,274	108	52,951	2,930	1,896	57,777		57,777	45,897
Medical director	42,499			42,499			42,499		42,499	39,915
Postage and shipping	29,037	2,062	628	31,727	1,503	1,605	34,835		34,835	26,055
Printing and publications	32,395	2,645		35,040	1,597	10,805	47,442		47,442	24,281
Continuing education	72,125	3,551		75,676	1,417	1,515	78,608		78,608	11,693
Interest expense and loan fees					405		405		405	234
Hearing aid cost of goods sold			(30)	(30)			(30)		(30)	(1,200)
Total Expenses before Grants	**14,051,958**	**1,440,335**	**382,041**	**15,874,334**	**721,369**	**1,175,225**	**17,770,928**	**29,839**	**17,800,767**	**14,402,817**
Other grants		262,772		262,772			262,772		262,772	482,607
Patient care grants			62,912	62,912			62,912		62,912	59,895
Vision grants			48,270	48,270			48,270		48,270	
Hearing grants			15,780	15,780			15,780		15,780	
Total Grants		**262,772**	**126,962**	**389,734**			**389,734**		**389,734**	**542,502**
Total Expenses	**$ 14,051,958**	**$ 1,703,107**	**$ 509,003**	**$ 16,264,068**	**$ 721,369**	**$ 1,175,225**	**$ 18,160,662**	**$ 29,839**	**$ 18,190,501**	**$ 14,945,319**

See accompanying notes.

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Consolidated Statement of Cash Flows
For the Year Ended December 31, 2012
(With Comparative Totals for 2011)

	SightLife	*Northwest Lions Endowment*	*2012 Total*	*2011 Total*
Cash Flows from Operating Activities:				
Change in net assets	$ 1,077,957	$ 209,764	$ 1,287,721	$ 368,255
Adjustments to reconcile change in net assets to cash provided (used) by operating activities-				
Depreciation	585,984		585,984	565,330
Donated fixed assets received	(98,880)		(98,880)	
Loss (gain) on investments	(223,667)	(199,654)	(423,321)	199,747
Loss (gain) on disposal of property and equipment	(2,646)		(2,646)	21,792
Loss (gain) on perpetual trust	(18,185)		(18,185)	28,126
Change in operating accounts:				
(Increase) decrease in accounts receivable	(940,217)	(24,039)	(964,256)	(54,484)
(Increase) decrease in pledges receivable	(182,058)		(182,058)	(539,689)
(Increase) decrease in inventory	(59,441)		(59,441)	(16,890)
(Increase) decrease in other assets	(12,140)		(12,140)	41,266
(Decrease) increase in accounts payable	434,143		434,143	(72,113)
(Decrease) increase in grants and pledges payable	23,190		23,190	(73,341)
(Decrease) increase in accrued liabilities	82,468		82,468	107,551
(Decrease) increase in lease incentive liability	(68,160)		(68,160)	(68,160)
Net Cash Provided (Used) by Operating Activities	**598,348**	**(13,929)**	**584,419**	**507,390**
Cash Flows from Investing Activities:				
Purchase of investments	(1,666,172)	(455,947)	(2,122,119)	(1,210,450)
Proceeds from sale of investments	1,460,111	470,111	1,930,222	1,119,959
Purchase of property and equipment	(375,169)		(375,169)	(498,696)
Proceeds from sale of property and equipment	2,646		2,646	
Net Cash Provided (Used) by Investing Activities	**(578,584)**	**14,164**	**(564,420)**	**(589,187)**
Cash Flows from Financing Activities:				
Payments on capital leases	(13,523)		**(13,523)**	**(7,889)**
Net Cash Provided (Used) by Financing Activities	**(13,523)**		**(13,523)**	**(7,889)**
Net Increase (Decrease) in Cash and Cash Equivalents	**6,241**	**235**	**6,476**	**(89,686)**
Cash and cash equivalents, beginning of year	770,638	1,509	772,147	861,833
Cash and Cash Equivalents, End of Year	**$ 776,879**	**$ 1,744**	**$ 778,623**	**$ 772,147**
Noncash Investing and Financing Activities:				
Noncash acquisition of fixed assets	$ 151,919	$ -	$ 151,919	$ -

See accompanying notes.

Note 1 - Mission Statement, Program Services and Summary of Significant Accounting Policies

Mission Statement - SightLife (the Organization), a 501(c)(3) not-for-profit corporation, serves as a global leader and partner to eliminate corneal blindness. Founded in 1969, SightLife is the only not-for-profit global health organization focused on eliminating corneal blindness in the U.S. and around the world. Driven by an entrepreneurial spirit, the Organization leverages innovative technologies and best business practices to transform lives and unlock life's possibilities for the corneal blind. SightLife works in partnership with surgeons and health organizations in approximately 30 countries.

- 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 in 2011 as a Section 25 nonprofit 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. In 2012, SightLife India conducted its initial Board meeting and established an office in New Delhi. Many of SightLife's global eye bank partners are located in India as part of SightLife's Global Eye Bank Development initiative (see below).

- Northwest Lions Endowment (NLE), a 501(c)(3) 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. The Organization is the sole member of NLE and has the power to appoint the trustees. Thus, NLE is included in the consolidated financial statements of 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.

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

Program Services - Programs and their descriptions are as follows:

<u>SightLife Eye Bank</u> - Founded in 1969, the SightLife Eye Bank is the Organization's most recognized program. To date, SightLife Eye Bank has provided corneal tissue for over 60,000 (unaudited) 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.

Note 1 – Continued

Global Eye Bank Development - The Organization established in 2009 the 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, 2012, SightLife has entered into fifteen global eye bank partnerships: twelve in India and one each in Paraguay, Nepal, and Ethiopia. Within 2012, these partnerships collectively provided corneal tissue for over 8,100 (unaudited) 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 (unaudited) 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.

Project Support and Patient Care Grants to Lions sponsored projects and other nonprofit 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.

AUDIENT coordinates its efforts under a co-marketing agreement with EPIC, a third party organization. Under this agreement, EPIC is responsible for operating, managing, and overseeing all aspects of the program and provides a monthly licensing fee to AUDIENT. This five year agreement was initiated on January 1, 2010, and 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.

Note 1 - Continued

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 in the United States of America (U.S. GAAP) 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 and subject to its investment policy. Virtually all cash and cash equivalents are on deposit with local banks. These amounts may at times exceed federally insured limits.

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 risk assessment and the history of past write offs and collections and current credit collections. At December 31, 2012 and 2011, the Organization had an allowance of $41,575 and $16,810, respectively. All reported accounts receivable at December 31, 2012 and 2011, are due in less than one year.

Credit Concentrations - One customer comprised approximately 25% of net accounts receivable at December 31, 2012. A different customer comprised approximately 34% of net accounts receivable at December 31, 2011.

Inventory - Inventory is stated at the lower of cost or market. Inventory consists primarily of cornea recovery and laboratory 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.

Note 1 - Continued

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 consolidated 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. The Organization also recognizes revenue from grants and contributions which are recorded in the period the Organization either receives the contribution or receives a documented unconditional promise 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 nonprofit organization.

The Organization and NLE file income tax returns with the U.S. and various state and local governments. The Organization and NLE are 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 U.S. GAAP. During the years ended December 31, the Organization received in-kind donations as follows:

	2012	*2011*
Goods	$ 115,603	$ 69,507
Services	2,537	
	$ 118,140	**$ 69,507**

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 and changes in net assets, and in the consolidated statement of functional expenses. 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

Subsequent Events - The Organization has evaluated subsequent events through April 19, 2013, 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:

	2012	*2011*
Less than one year	$ 481,821	$ 380,810
One to five years	1,292,664	1,273,000
Thereafter	325,000	325,000
	2,099,485	1,978,810
Less present value discount (0% - 5%)	(228,809)	(290,192)
	$ 1,870,676	**$ 1,688,618**

At December 31, 2012 and 2011, 71% and 81%, respectively, of total pledges receivable were from one donor.

Note 3 - Investments

Investments consisted of the following at December 31:

	2012	*2011*
Money market funds	$ 645,097	$ 647,668
Managed funds	4,906,655	4,288,866
	$ 5,551,752	**$ 4,936,534**

Note 3 - Continued

Investment return for the years ended December 31 consisted of:

	2012	2011
Interest and dividends on investments	$ 131,239	$ 123,810
Realized and unrealized gain (loss) on investments	423,321	(195,608)
Investment fees	(39,327)	(38,229)
	$ 515,233	**$ (110,027)**

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

	2012	2011
Unrestricted investment gain (loss)	$ 418,554	$ (104,203)
Temporarily restricted investment gain (loss) on endowments	96,679	(5,824)
	$ 515,233	**$ (110,027)**

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 nonobservable inputs. Observable inputs consist of data obtained from independent sources. Nonobservable 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.

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, 2012 and 2011:

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

Managed Funds - Valued using the net asset value (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, multiplied by the percentage pertaining to the Organization.

Note 4 - Continued

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, 2012			
	Level 1	*Level 2*	*Level 3*	*Total*
Money market funds	$ 645,097	$ -	$ -	$ 645,097
Managed funds-				
Large cap growth		395,915		395,915
Large cap value		552,432		552,432
Large cap US		279,478		279,478
Mid cap value		77,019		77,019
Small cap core		36,377		36,377
Small cap US		38,401		38,401
All cap core		540,086		540,086
All cap growth		238,223		238,223
Emerging markets		208,048		208,048
Core international		479,121		479,121
Core fixed income		291,294		291,294
International		193,963		193,963
Fixed income international		217,094		217,094
Fixed income total return core		799,482		799,482
Fixed income government		126,150		126,150
Fixed income corporations		193,711		193,711
Commodities		185,423		185,423
Other		54,438		54,438
Perpetual trust			978,683	978,683
	$ 645,097	**$ 4,906,655**	**$ 978,683**	**$ 6,530,435**

Note 4 - Continued

	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		254,873		254,873
Mid cap value		66,529		66,529
Small cap core		30,894		30,894
Small cap US		36,388		36,388
All cap core		424,622		424,622
All cap growth		196,689		196,689
Emerging markets		172,879		172,879
Core international		363,144		363,144
Core fixed income		271,371		271,371
International		165,807		165,807
Fixed income international		202,044		202,044
Fixed income total return core		804,089		804,089
Fixed income government		123,257		123,257
Fixed income corporations		177,528		177,528
Commodities		173,356		173,356
Other		37,604		37,604
Perpetual trust			960,498	960,498
	$ 647,668	**$ 4,288,866**	**$ 960,498**	**$ 5,897,032**

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:

	2012	*2011*
Beginning of year	$ 960,498	$ 988,624
Net gain (loss)	18,185	(28,126)
End of Year	**$ 978,683**	**$ 960,498**

Note 5 - Property and Equipment

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

	2012	*2011*
Furniture and fixtures	$ 545,454	$ 541,908
Office equipment	884,339	860,920
Vehicles	258,826	251,432
Medical equipment	929,001	688,624
Health screening unit	419,384	479,930
Tenant improvements	1,427,627	1,425,062
Assets in process	140,236	
	4,604,867	4,247,876
Less accumulated depreciation	(2,863,103)	(2,447,216)
Total Property and Equipment, Net	**$ 1,741,764**	**$ 1,800,660**

The assets in process at December 31, 2012 include a software system and lab equipment that are intended to be used by SightLife India when they are completed and placed into service.

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 nonprofit 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 $18,052 and $17,895 in earnings distributions from the trust during the years ended December 31, 2012 and 2011, respectively. The earnings are available for general operating purposes. The Organization's interest in net gains (losses) of $18,185 and $(28,126) in the trust value for the years ended December 31, 2012 and 2011, 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 $30,000 and $20,000 for the years ended December 31, 2012 and 2011, respectively.

Note 7 - Leases

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 U.S. 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 $147,730 and $215,890 at December 31, 2012 and 2011, respectively.

During 2010, the Organization opened a 2,400 square foot satellite office in California with an operating lease expiring March 2015. During 2012, the Organization opened an office in New Delhi, India, for its SightLife India operations with an operating lease expiring April 2015. The Organization also leases six copiers under leases expiring through October 2017. Total rental expense under operating leases was $512,975 and $508,455 for the years ended December 31, 2012 and 2011, respectively.

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

For the Year Ending December 31,

2013	$ 487,502
2014	476,174
2015	103,510
2016	19,224
2017	9,900
	$ 1,096,310

Capital Lease - During 2011, the Organization entered into a lease agreement for server equipment, which was recorded as a capital lease. The current and long-term portions of the capital lease liability are $13,523 and $5,560, respectively, at December 31, 2012. The gross capitalized asset value is $125,973, with accumulated depreciation of $47,888 and $4,715 at December 31, 2012 and 2011, respectively.

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 $371,507 and $318,373 for the years ended December 31, 2012 and 2011, 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 U.S. 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 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.

Note 9 - Continued

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

	December 31, 2012			
	Unrestricted	*Temporarily Restricted*	*Permanently Restricted*	*Total*
Donor restricted endowment funds	$ -	$ 302,425	$ 757,033	$ 1,059,458
Board designated quasi-endowment funds	1,090,377			1,090,377
Endowment Net Assets	**$ 1,090,377**	**$ 302,425**	**$ 757,033**	**$ 2,149,835**

	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**

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, 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**
Endowment investment return-				
Interest and dividends	30,977	20,771		51,748
Realized and unrealized gains	112,130	75,725		187,855
Total endowment investment return	143,107	96,496		239,603
Expenses	(29,839)			(29,839)
Endowment Net Assets December 31, 2012	**$ 1,090,377**	**$ 302,425**	**$ 757,033**	**$ 2,149,835**

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, 2012 or 2011.

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 distributions from the endowment during the years ended December 31, 2012 or 2011.

Note 10 - Temporarily Restricted Net Assets

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

	2012	*2011*
Pledges for global eye bank development	$ 1,884,191	$ 1,559,808
Unappropriated earnings on endowments	302,425	205,929
Support of health screening programs	24,498	20,004
Other	25,060	3,750
	$ 2,236,174	**$ 1,789,491**

Note 11 - Permanently Restricted Net Assets

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

	2012	*2011*
Beneficial interest in a perpetual trust (Note 6)	$ 978,683	$ 960,498
Endowments	757,033	757,033
	$ 1,735,716	**$ 1,717,531**

Note 12 - Commitments and Contingencies

Commitments - As part of the Organization's Global Eye Bank Development Initiative, certain grants are provided to eye bank projects in developing countries. The remaining balance of grants due at December 31, 2012 and 2011, respectively, related to these program commitments was approximately $356,000 and $322,000, 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, 2012 and 2011, was $30,000 and $40,000, 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.