

**OREGON LIONS SIGHT & HEARING  
FOUNDATION, INC.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**Year Ended June 30, 2009**



— OREGON LIONS —  
Sight & Hearing Foundation

**OREGON LIONS SIGHT & HEARING FOUNDATION, INC.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**Year Ended June 30, 2009**

**TABLE OF CONTENTS**

	<u>Page</u>
<b>INDEPENDENT AUDITORS' REPORT</b>	1
<b>FINANCIAL STATEMENTS</b>	
Consolidated Statement of Financial Position	2
Consolidated Statement of Activities	3
Consolidated Statement of Functional Expenses	4
Consolidated Statement of Cash Flows	5
Notes to Consolidated Financial Statements	6-15
<b>SUPPLEMENTAL INFORMATION</b>	
Consolidating Schedule of Financial Position	16
Consolidating Schedule of Activities	17

## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Oregon Lions Sight & Hearing Foundation, Inc.  
Portland, Oregon

We have audited the accompanying consolidated statement of financial position of Oregon Lions Sight & Hearing Foundation, Inc. (a not-for-profit corporation) as of June 30, 2009, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from the financial statements of Oregon Lions Sight & Hearing Foundation, Inc. as of June 30, 2008 and, in our report dated February 12, 2009, 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 Oregon Lions Sight & Hearing Foundation, Inc. as of June 30, 2009, 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.

Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

*KORN & THOMPSON, LLC*

Portland, Oregon  
February 9, 2010

**OREGON LIONS SIGHT & HEARING FOUNDATION, INC.**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**June 30, 2009**  
(With Comparative Totals as of June 30, 2008)

**ASSETS**

	<b>2009</b>	<b>2008</b>
Cash and cash equivalents	\$ 1,897,289	\$ 1,038,874
Accounts receivable	763,804	508,674
Pledges receivable	362,469	68,250
Prepaid expenses	55,481	74,188
Investments	3,949,213	4,874,493
	7,028,256	6,564,479
 Property and equipment - net	 4,642,400	 4,346,836
 <b>Total assets</b>	 <b>\$ 11,670,656</b>	 <b>\$ 10,911,315</b>

**LIABILITIES AND NET ASSETS**

Accounts payable	\$ 217,473	\$ 422,730
Accrued expenses	201,886	150,826
Annuity liability	27,347	32,123
Long-term debt	1,459,010	1,483,149
<b>Total liabilities</b>	<b>1,905,716</b>	<b>2,088,828</b>
 Net assets		
Unrestricted		
Invested in property and equipment - net of related debt	3,183,390	2,863,687
Undesignated	1,466,534	482,862
Total unrestricted	4,649,924	3,346,549
 Temporarily restricted	2,070,797	2,431,719
Permanently restricted	3,044,219	3,044,219
<b>Total net assets</b>	<b>9,764,940</b>	<b>8,822,487</b>
 <b>Total liabilities and net assets</b>	 <b>\$ 11,670,656</b>	 <b>\$ 10,911,315</b>

See notes to consolidated financial statements.

**OREGON LIONS SIGHT & HEARING FOUNDATION, INC.**

**CONSOLIDATED STATEMENT OF ACTIVITIES**

**Year Ended June 30, 2009**

(With Comparative Totals for the Year Ended June 30, 2008)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	
				<u>2009</u>	<u>2008</u>
<b>Revenues, gains and other support</b>					
Processing fees	\$ 4,742,593	\$ -	\$ -	\$ 4,742,593	\$ 3,707,193
Contributions	359,730	-	-	359,730	479,249
Bequests	266,862	324,969	-	591,831	107,465
Grants	277,480	37,500	-	314,980	229,597
Sales	6,941	-	-	6,941	252,557
Interest and dividends, net of expenses	-	138,527	-	138,527	186,235
Other	464,078	-	-	464,078	113,883
	<u>6,117,684</u>	<u>500,996</u>	<u>-</u>	<u>6,618,680</u>	<u>5,076,179</u>
Released from restriction for purpose	169,735	(169,735)	-	-	-
<b>Total revenue, gains and other support</b>	<b><u>6,287,419</u></b>	<b><u>331,261</u></b>	<b><u>-</u></b>	<b><u>6,618,680</u></b>	<b><u>5,076,179</u></b>
<b>Expenses</b>					
Program services					
Eye Bank	3,769,232	-	-	3,769,232	2,741,279
Research	67,208	-	-	67,208	79,591
Patient and program services	512,872	-	-	512,872	398,097
Youth outreach	57,991	-	-	57,991	41,594
Mobile screening	242,929	-	-	242,929	234,026
Total program	<u>4,650,232</u>	<u>-</u>	<u>-</u>	<u>4,650,232</u>	<u>3,494,587</u>
Supporting services					
Administration	239,302	-	-	239,302	196,441
Fund-raising	94,510	-	-	94,510	148,477
<b>Total expenses</b>	<b><u>4,984,044</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>4,984,044</u></b>	<b><u>3,839,505</u></b>
<b>Increase (decrease) in net assets before appreciation (depreciation) of investments</b>	<b>1,303,375</b>	<b>331,261</b>	<b>-</b>	<b>1,634,636</b>	<b>1,236,674</b>
Net realized gain (loss) on sale of investments	-	(309,712)	-	(309,712)	143,321
Net unrealized gain (loss) on investments	-	(382,471)	-	(382,471)	(443,112)
<b>Change in net assets</b>	<b><u>1,303,375</u></b>	<b><u>(360,922)</u></b>	<b><u>-</u></b>	<b><u>942,453</u></b>	<b><u>936,883</u></b>
Net assets, beginning of year	5,283,430	269,282	3,269,775	8,822,487	7,885,604
Reclassifications (NOTE K)	(1,936,881)	2,162,437	(225,556)	-	-
<b>Adjusted net assets, beginning of year</b>	<b><u>3,346,549</u></b>	<b><u>2,431,719</u></b>	<b><u>3,044,219</u></b>	<b><u>8,822,487</u></b>	<b><u>7,885,604</u></b>
<b>Net assets, end of year</b>	<b><u>\$ 4,649,924</u></b>	<b><u>\$ 2,070,797</u></b>	<b><u>\$ 3,044,219</u></b>	<b><u>\$ 9,764,940</u></b>	<b><u>\$ 8,822,487</u></b>

See notes to consolidated financial statements.

**OREGON LIONS SIGHT & HEARING FOUNDATION, INC.**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

Year Ended June 30, 2009  
 (With Comparative Totals for the Year Ended June 30, 2008)

	PROGRAM SERVICES						SUPPORTING SERVICES			Total
	Eye Bank	Research	Patient and Program Services	Youth Outreach	Mobile Screening	Total Program	Adminis-tration	Fund-Raising	2009	
Salaries, taxes and benefits	\$ 1,677,793	\$ 46,384	\$ 121,295	\$ 18,526	\$ 99,143	\$ 1,963,141	\$ 139,518	\$ 24,434	\$ 2,127,093	\$ 1,779,540
Cornea fees	366,822	-	-	-	-	366,822	-	-	366,822	295,400
Patient services	-	-	330,948	-	-	330,948	-	-	330,948	341,816
Professional fees and services	407,506	5,040	13,645	63	1,597	427,851	17,870	28,730	474,451	265,338
Supplies and materials	518,293	1,374	7,159	15,850	4,369	547,045	6,362	15,114	568,521	407,082
Accounting and legal	58,848	-	-	-	-	58,848	15,124	-	73,972	43,404
Marketing	13,057	-	100	-	-	13,157	1,046	7,198	21,401	22,521
Conferences and meetings	18,048	1,594	8,566	7,474	6,537	42,219	2,850	1,863	46,932	40,475
Dues and subscriptions	50,857	695	-	-	-	51,552	130	246	51,928	50,221
Maintenance and repairs	19,245	288	4,599	301	25,158	49,591	7,675	1,814	59,080	73,558
Fees, licences and permits	4,997	-	-	-	338	5,335	7,457	941	13,733	19,058
Scholarships	8,003	-	5,196	9,611	-	22,810	-	-	22,810	16,196
Insurance	48,217	1,456	321	160	16,831	66,985	5,921	643	73,549	68,619
Occupancy	50,537	-	319	96	287	51,239	479	733	52,451	44,416
Postage and shipping	141,354	139	1,714	337	711	144,255	564	5,245	150,064	111,084
Printing and publications	11,360	1,530	3,667	555	5,183	22,295	3,141	1,045	26,481	17,056
Telephone	24,905	48	1,942	85	1,267	28,247	1,414	417	30,078	22,123
Travel	58,972	3,841	718	2,819	30,020	96,370	2,102	3,288	101,760	111,706
Depreciation	164,882	4,709	12,683	2,114	51,488	235,876	14,797	2,114	252,787	87,649
Interest expense	92,859	-	-	-	-	92,859	-	-	92,859	-
Other	32,677	110	-	-	-	32,787	12,852	685	46,324	22,244
	<b>\$ 3,769,232</b>	<b>\$ 67,208</b>	<b>\$ 512,872</b>	<b>\$ 57,991</b>	<b>\$ 242,929</b>	<b>\$ 4,650,232</b>	<b>\$ 239,302</b>	<b>\$ 94,510</b>	<b>\$ 4,984,044</b>	<b>\$ 3,839,506</b>

See notes to consolidated financial statements.

**OREGON LIONS SIGHT & HEARING FOUNDATION, INC.**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

**Year Ended June 30, 2009**

(With Comparative Totals for the Year Ended June 30, 2008)

	<b>2009</b>	<b>2008</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 942,453	\$ 936,883
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	252,786	87,649
Net unrealized (gain) loss on investments	382,471	443,112
Realized (gain) loss on sale of investments	309,712	(143,321)
Permanently restricted contributions	-	(2,000)
Changes in assets and liabilities:		
Accounts receivable	(255,130)	(50,636)
Pledges receivable	(294,219)	(66,500)
Prepaid expenses	18,707	(16,598)
Accounts payable	(205,257)	350,047
Accrued expenses	51,060	(33,425)
<b>Net cash provided by (used in) operating activities</b>	<b>1,202,583</b>	<b>1,505,211</b>
<b>Cash flows from investing activities:</b>		
Proceeds from sale of investments	2,489,640	4,231,835
Purchase of investments	(2,256,543)	(3,337,127)
Permanently restricted contributions	-	2,000
Purchase of property and equipment	(548,350)	(226,186)
Purchase of real property	-	(1,713,613)
<b>Net cash provided by (used in) investing activities</b>	<b>(315,253)</b>	<b>(1,043,091)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from (payments on) gift annuities	(4,776)	(4,776)
Payments on long-term debt	(24,139)	(16,851)
<b>Net cash provided by (used in) financing activities</b>	<b>(28,915)</b>	<b>(21,627)</b>
<b>Net increase in cash and cash equivalents</b>	<b>858,415</b>	<b>440,493</b>
Cash and cash equivalents		
Beginning of year	1,038,874	598,381
<b>End of year</b>	<b>\$ 1,897,289</b>	<b>\$ 1,038,874</b>

See notes to consolidated financial statements.

**OREGON LIONS SIGHT & HEARING FOUNDATION, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**June 30, 2009**

**NOTE A – DESCRIPTION OF ORGANIZATION**

Oregon Lions Sight & Hearing Foundation, Inc. (Lions Foundation) is a not-for-profit corporation organized in 1959. The Lions Foundation mission is to provide programs that positively impact quality of life in our communities, with an emphasis on sight and hearing. Effective April 1, 2009, the Lions Eye Bank of Oregon (the Eye Bank) was established as an Oregon public benefit subsidiary corporation with Lions Foundation as the sole member. The Eye Bank collects donated cornea and eye tissues to be used for transplants to patients primarily in Oregon and for continuing research of eye diseases.

**Basis of Consolidation**

The consolidated financial statements include those of Lions Foundation and the Eye Bank (collectively, the Lions Foundation). In addition to being the sole member, Lions Foundation holds an economic interest because any assets remaining in the event of dissolution of the Eye Bank are to be distributed to Lions Foundation. In accordance with generally accepted accounting principles, consolidation is required. All significant inter-organizational transactions have been eliminated.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Financial Statement Presentation**

The Lions Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. Accordingly, the net assets of the Foundation and changes therein are classified and reported as follows:

- **Unrestricted Net Assets** - Net assets are not subject to donor-imposed stipulations. The Board of Directors may designate unrestricted net assets for specific purposes.
- **Temporarily Restricted Net Assets** - Net assets subject to donor-imposed stipulations that will be met either by actions of the Foundation and/or the passage of time.
- **Permanently Restricted Net Assets** - Net assets subject to donor-imposed stipulations that they be permanently maintained.

Expenses are reported as a decrease in unrestricted net assets. Gains and losses are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expiration 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 net assets released from restrictions.

**Cash and Cash Equivalents**

The Lions Foundation classifies as cash and cash equivalents all checking, savings, and money market accounts and all investments maturing within 90 days of date acquired.



**OREGON LIONS SIGHT & HEARING FOUNDATION, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2009

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Accounts Receivable**

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Lions Foundation provides for losses on accounts receivable using the allowance method. The allowance is based on experience and other circumstances which may affect the ability of patients to meet their obligations. The accounts receivable balance is shown net of an allowance of \$10,000. It is the Lions Foundation's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. Bad debt expense was immaterial for the year ended June 30, 2009. Accounts receivable for processing fees past due ninety days were insignificant.

**Investments and Fair Value Measurements**

Investments are the only assets measured at fair value on a recurring basis. Valuation techniques used to measure fair value are prioritized into the following hierarchy:

**Level 1** – Quoted prices in active markets for identical assets.

**Level 2** – Quoted prices for similar assets in active or inactive markets, or inputs derived from observable market data by correlation such as appraisals or other means such as calculations based on contractual rates and published tables.

**Level 3** – Unobservable inputs that reflect management's assumptions and best estimates based on available data.

Investments in bonds, equities, and mutual funds are carried at fair value based on quoted prices in active markets (all Level 1 measurements) in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities. No assets were valued under Level 2 or Level 3.

**Assets Held in Charitable Gift Annuities**

The Lions Foundation occasionally receives contributions for which the donor or donor-designated beneficiary may retain a life interest. The assets are invested and administered by the Lions Foundation and distributions are made to the beneficiaries under the terms of the agreement. These funds are generally invested in equity and fixed income mutual funds, and the Lions Foundation records its interest at fair value based on estimated future cash receipts. Initial recognition and subsequent adjustments to the assets' carrying values have not been material and are included in other revenues in the accompanying consolidated financial statements.

Liabilities for charitable gift annuities are recorded when incurred at the present value of the distributions to be made to the donor-designated beneficiaries. Distributions are paid over the lives of the beneficiaries. Present values are determined using discount rates determined by the Internal Revenue Service and actuarially determined life expectancies. The liabilities for charitable gift annuities are revalued annually and the net change, together with any remaining recorded obligations after all trust or gift obligations under terminated agreements have been satisfied, are offset with other revenues.

**OREGON LIONS SIGHT & HEARING FOUNDATION, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2009**

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Contributions**

Contributions are recognized when the donor makes a promise to give to the Lions Foundation that is, in substance, unconditional. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

**Contributed Services**

The value of the contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. Nevertheless, a number of volunteers have donated a significant number of hours to the Lions Foundation. These services do not meet the criteria for recognition under generally accepted accounting principles.

**Advertising**

The Lions Foundation expenses all advertising costs as incurred.

**Property and Equipment**

Property and equipment of \$1,000 or more is recorded at cost. Donations of equipment and furniture are recorded as revenues at their estimated fair market values on the date of receipt. Such donations are reported as unrestricted revenues unless the donor has restricted the donated asset to a specific purpose. Depreciation on the equipment is computed using the straight-line method over the estimated useful lives of the assets that range from three to five years. Real property is depreciated with an estimated useful life of 40 years. Maintenance and repairs are expensed when incurred.

**Classification of Endowment Net Assets**

The Lions Foundation has interpreted Oregon's adoption of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the Lions Foundation to adopt investment and spending policies that preserve the fair value of the original endowed gift as of the date of the gift, absent explicit donor restrictions to the contrary. Although the Lions Foundation has a long-term fiduciary duty to the donor (and others) for a fund of perpetual duration, the preservation of an endowment's purchasing power is only one of several factors that are considered in managing and investing these funds. Furthermore, in accordance with UPMIFA, a portion of an endowment's historic dollar value may be appropriated for expenditure in support of the designated purposes of the endowment if this is consistent with a spending policy that otherwise satisfies the requisite standard of prudence under UPMIFA.

**OREGON LIONS SIGHT & HEARING FOUNDATION, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2009

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Classification of Endowment Net Assets (Continued)**

As a result of this interpretation, the Lions Foundation classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) subsequent gifts to the endowment, and (3) accumulations made pursuant to the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In general, investment returns on the Lions Foundation's permanent endowment are available for retention or appropriation based on the same prudent standards and policies established by the Board of Directors and, therefore, are classified as temporarily restricted net assets until the returns are appropriated for expenditure by the Board of Directors and, if the use of the investment return is restricted by the donor, until the restriction has also been satisfied. Any investment return classified as permanently restricted net assets represents only those amounts required to be retained permanently as a result of explicit donor stipulations.

Additionally, the Lions Foundation has designated a portion of its unrestricted net assets as endowment. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed stipulations. Accordingly, investment returns on designated endowment funds remain designated until appropriated for expenditure by the Board of Directors.

**Endowment Investment and Spending Policies**

The goal of the Lions Foundation's investment program for funds held as permanent endowment is to simultaneously minimize investment risk and to achieve a total rate of return that will allow the Lions Foundation to respond to today's needs and the long-term growth necessary to respond to future needs. The investment objective for endowed funds is to retain (at a minimum) when possible an increase in the purchasing power of the funds, while at the same time producing a reasonable return for distribution to meet current needs. To meet this investment objective, the Lions Foundation follows a strategy in which investment decisions are made with the intent of maximizing the safety and security and the long-term total return of the portfolio, combining market-value changes (realized and unrealized) and current yield (interest and dividends). Endowment assets are invested in a mixture of equities, fixed-income instruments, private instruments, and cash.

The Lions Foundation has adopted a spending policy to determine the annual amount available for distributions from funds restricted or designated for endowment. Currently, the annual amount available for expenditure is 5% of the average market value for the three previous years.

**Income Tax Status**

The Lions Foundation is a voluntary non-profit health organization which has been determined by the Internal Revenue Service to be exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Lions Foundation has been classified as a publicly supported organization that is not a private foundation.

**OREGON LIONS SIGHT & HEARING FOUNDATION, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2009**

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Concentrations of Credit Risk**

Financial instruments that potentially subject the Lions Foundation to credit risk include cash, investments in marketable securities, and accounts receivable. Cash deposited with financial institutions regularly exceeds the related federal deposit insurance limits. Management periodically evaluates the relative credit standings of these financial institutions. Management also periodically evaluates the quality of the investments in marketable securities with other institutions, which are partially covered by federal insurance. Future changes in market prices may make such investments less valuable.

**Allocation of Functional Expenses**

The costs of providing the various programs and other activities have been summarized in the Statement of Activities. Certain costs, including salaries and benefits, rent and utilities, have been allocated among the programs and supporting services benefited.

**Prior Year Summarized Financial Information**

The financial statements include certain prior-year summarized comparative information in total but not by asset class or natural expense classification by function. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Lions Foundation's financial statements for the year ended June 30, 2008, from which the summarized information was derived.

Additionally, certain reclassifications have been made to the prior year summarized information to conform to the current year presentation.

**NOTE C – PLEDGES RECEIVABLE**

The pledges receivable include approximately \$324,000 estimated to be collected from decedent bequests occurring prior to June 30, 2009. All other pledges receivable are to be received in one year and totaled approximately \$38,000 as of June 30, 2009.

**OREGON LIONS SIGHT & HEARING FOUNDATION, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2009**

**NOTE D – INVESTMENTS**

Securities purchased by the Lions Foundation or received as contributions are reported at fair market value. Investments held by the Lions Foundation at June 30, 2009 (all Level 1 measurements) are summarized as follows:

U.S. Government bonds	\$ 430,252
Agency bonds	369,254
Corporate bonds	911,064
Common stocks	<u>2,238,643</u>
	<u>\$ 3,949,213</u>

Investment expenses of \$28,588 are netted against interest and dividend income for the year ended June 30, 2009.

**NOTE E – PROPERTY AND EQUIPMENT**

Land and building	\$ 4,180,266
Vehicles and mobile screening units	488,584
Furniture and equipment	810,967
	<u>5,479,817</u>
Less accumulated depreciation and amortization	<u>(837,417)</u>
	<u>\$ 4,642,400</u>

**NOTE F – LONG-TERM DEBT**

Long-term debt consisted of the following at June 30, 2009:

Note payable to National Mortgage Company, due in monthly installments of \$7,770 including interest at 6.625% through July 2027 with a balloon payment due of approximately \$398,000 at maturity, secured by real estate.

\$ 1,101,065

Note payable to National Mortgage Company, due in monthly installments of \$2,609 including interest at 7.0% through July 2027 with a balloon payment due of approximately \$132,000 at maturity, secured by real estate.

357,945

\$ 1,459,010

**OREGON LIONS SIGHT & HEARING FOUNDATION, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2009**

**NOTE F – LONG-TERM DEBT (CONTINUED)**

Future maturities of long-term debt are as follows:

Year Ending June 30,	
2010	27,378
2011	29,274
2012	31,302
2013	33,469
2014	35,786
2015 and thereafter	1,301,801
	\$ 1,459,010

**NOTE G – RETIREMENT PLAN**

The Lions Foundation sponsors a defined contribution retirement plan qualified under Section 401(k) of the Internal Revenue Code for all eligible employees. Employees may make contributions to the plan up to the maximum amount allowed by law. The Lions Foundation also contributes 4% of each eligible employee's salary to the plan. Total Lions Foundation contributions for the year ended June 30, 2009 were \$51,803.

**NOTE H – TEMPORARILY RESTRICTED NET ASSETS**

As of June 30, 2009, the following amounts are temporarily restricted by donors:

	Lions Foundation	Eye Bank	Total
Restricted for purpose	\$ 99,547	\$ -	\$ 99,547
Restricted for timing:			
Pledges receivable	362,469	-	362,469
Unappropriated from permanent endowment	1,446,582	162,199	1,608,781
	\$ 1,908,598	\$ 162,199	\$ 2,070,797

**OREGON LIONS SIGHT & HEARING FOUNDATION, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2009**

**NOTE J – PERMANENTLY RESTRICTED NET ASSETS**

As of June 30, 2009, the following principal amounts are permanently restricted by the donors or by public policy:

	Lions Foundation	Eye Bank	Total
Irrigon Trust	\$ 28,587	\$ -	\$ 28,587
Tyler Trust	75,926	-	75,926
General endowment	1,973,203	-	1,973,203
Eye Bank research endowment	-	219,550	219,550
Anderson Endowments	132,363	-	132,363
Betty Ross Make a Miracle Fund	42,515	-	42,515
Owens Endowment	-	572,075	572,075
	\$ 2,252,594	\$ 791,625	\$ 3,044,219

**NOTE K – ENDOWMENT NET ASSETS**

In August 2008, the Financial Accounting Standards Board (FASB) issued FASB Staff Position No. FAS 117-1, "Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds" (FSP 117-1). FSP 117-1 provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). FSP 117-1 also requires additional disclosures about an organization's endowment funds (both donor restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

The State of Oregon enacted its version of UPMIFA effective January 1, 2008, the provisions of which apply to endowment funds existing on or established after that date. Lions The Foundation has adopted FSP 117-1 for the year ending June 30, 2009. As more fully described in NOTE B, the Board of Directors has determined that the Lions Foundation's permanently restricted net assets meet the definition of donor-restricted endowment funds under UPMIFA. Based on the Lions Foundation's interpretation of UPMIFA, the Lions Foundation has reviewed all of its endowment funds and has reclassified approximately \$2,200,000 from unrestricted net assets to temporarily restricted net assets as of June 30, 2008. Additionally, a bequest for approximately \$255,000 has been reclassified from permanently restricted net assets and allocated between unrestricted and temporarily restricted net assets as of June 30, 2008.

**OREGON LIONS SIGHT & HEARING FOUNDATION, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2009

**NOTE K – ENDOWMENT NET ASSETS (CONTINUED)**

Endowment net asset composition by type of fund as of June 30, 2009 was as follows:

**Lions Foundation**

<u>Changes in Endowment Net Assets for the Year Ended June 30, 2009</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Endowment net assets, July 1, 2008</b>	<b>\$ 2,046,492</b>	<b>\$ -</b>	<b>\$ 2,365,372</b>	<b>\$ 4,411,864</b>
Reclassification of unrestricted bequest	112,778	-	(112,778)	-
Net assets reclassification based on change in the law (See Note B)	<u>(2,046,492)</u>	<u>2,046,492</u>	<u>-</u>	<u>-</u>
Endowment net assets after reclassification	<u>112,778</u>	<u>2,046,492</u>	<u>2,252,594</u>	<u>4,411,864</u>
Contributions	-	-	-	-
Appropriation of endowment assets for expenditure in FYE June, 2009	-	-	-	-
Investment return:				
Investment income	-	(176,168)	-	(176,168)
Net appreciation (depreciation)	-	<u>(423,742)</u>	<u>-</u>	<u>(423,742)</u>
Total investment return	<u>-</u>	<u>(599,910)</u>	<u>-</u>	<u>(599,910)</u>
<b>Endowment net assets as of June 30, 2009</b>	<b>\$ <u>112,778</u></b>	<b>\$ <u>1,446,582</u></b>	<b>\$ <u>2,252,594</u></b>	<b>\$ <u>3,811,954</u></b>

**Eye Bank**

<u>Changes in Endowment Net Assets for the Year Ended June 30, 2009</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Endowment net assets, July 1, 2008</b>	<b>\$ 115,945</b>	<b>\$ -</b>	<b>\$ 904,403</b>	<b>\$ 1,020,348</b>
Reclassification of unrestricted bequest	112,778	-	(112,778)	-
Net assets reclassification based on change in the law (See Note B)	<u>(115,945)</u>	<u>115,945</u>	<u>-</u>	<u>-</u>
Endowment net assets after reclassification	<u>112,778</u>	<u>115,945</u>	<u>791,625</u>	<u>1,020,348</u>
Contributions	-	-	-	-
Appropriation of endowment assets for expenditure in FYE June, 2009	-	-	-	-
Investment return:				
Investment income	-	4,983	-	4,983
Net appreciation (depreciation)	-	<u>41,271</u>	<u>-</u>	<u>41,271</u>
Total investment return	<u>-</u>	<u>46,254</u>	<u>-</u>	<u>46,254</u>
<b>Endowment net assets as of June 30, 2009</b>	<b>\$ <u>112,778</u></b>	<b>\$ <u>162,199</u></b>	<b>\$ <u>791,625</u></b>	<b>\$ <u>1,066,602</u></b>
<b>Consolidated</b>	<b>\$ <u>225,556</u></b>	<b>\$ <u>1,608,781</u></b>	<b>\$ <u>3,044,219</u></b>	<b>\$ <u>4,878,556</u></b>



**OREGON LIONS SIGHT & HEARING FOUNDATION, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2009**

**NOTE L – SUBSEQUENT EVENTS**

Subsequent events have been evaluated through February 9, 2010 which is the date financial statements were available to be issued.

**SUPPLEMENTAL INFORMATION**

OREGON LIONS SIGHT & HEARING FOUNDATION, INC.

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

June 30, 2009

ASSETS

	Lions Foundation	Eye Bank	Eliminations	Consolidated
Cash and cash equivalents	\$ 1,112,066	\$ 785,223	\$ -	\$ 1,897,289
Accounts receivable	43,369	720,435	-	763,804
Pledges receivable	362,469	-	-	362,469
Inter-entity receivable	-	425,399	(425,399)	-
Prepaid expenses	26,272	29,209	-	55,481
Investments	3,222,049	727,164	-	3,949,213
	<u>4,766,225</u>	<u>2,687,430</u>	<u>(425,399)</u>	<u>7,028,256</u>
Property and equipment - net	258,348	4,384,052	-	4,642,400
<b>Total assets</b>	<b>\$ <u>5,024,573</u></b>	<b>\$ <u>7,071,482</u></b>	<b>\$ <u>(425,399)</u></b>	<b>\$ <u>11,670,656</u></b>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 40,536	\$ 176,937	\$ -	\$ 217,473
Accrued expenses	64,154	137,732	-	201,886
Annuity liability	27,347	-	-	27,347
Inter-entity payable	425,399	-	(425,399)	-
Long-term debt	-	1,459,010	-	1,459,010
<b>Total liabilities</b>	<b><u>557,436</u></b>	<b><u>1,773,679</u></b>	<b><u>(425,399)</u></b>	<b><u>1,905,716</u></b>
Net assets				
Unrestricted				
Invested in property and equipment - net of related debt	258,348	2,925,042	-	3,183,390
Undesignated	47,597	1,418,937	-	1,466,534
Total unrestricted	<u>305,945</u>	<u>4,343,979</u>	-	<u>4,649,924</u>
Temporarily restricted	1,908,598	162,199	-	2,070,797
Permanently restricted	2,252,594	791,625	-	3,044,219
<b>Total net assets</b>	<b><u>4,467,137</u></b>	<b><u>5,297,803</u></b>	<b><u>-</u></b>	<b><u>9,764,940</u></b>
<b>Total liabilities and net assets</b>	<b>\$ <u>5,024,573</u></b>	<b>\$ <u>7,071,482</u></b>	<b>\$ <u>(425,399)</u></b>	<b>\$ <u>11,670,656</u></b>

The accompanying notes and independent auditor's report should be read with the supplemental schedules.

OREGON LIONS SIGHT & HEARING FOUNDATION, INC.

CONSOLIDATING SCHEDULE OF ACTIVITIES

Annualized Year Ended June 30, 2009

	<u>Lions Foundation (1)</u>	<u>Eye Bank (2)</u>	<u>Eliminations</u>	<u>Consolidated</u>
<b>Revenues, gains and other support</b>				
Processing fees	\$ -	\$ 4,742,593	\$ -	\$ 4,742,593
Contributions	344,548	15,182	-	359,730
Bequests	558,853	32,978	-	591,831
Grants	310,087	4,893	-	314,980
Sales	6,941	-	-	6,941
Interest and dividends, net of expenses	104,672	33,855	-	138,527
Other	6,348	457,730	-	464,078
	<u>1,331,449</u>	<u>5,287,231</u>	<u>-</u>	<u>6,618,680</u>
Released from restriction for purpose	-	-	-	-
<b>Total revenue, gains and other support</b>	<b><u>1,331,449</u></b>	<b><u>5,287,231</u></b>	<b><u>-</u></b>	<b><u>6,618,680</u></b>
<b>Expenses</b>				
Program services				
Eye Bank	-	3,769,232	-	3,769,232
Research	-	67,208	-	67,208
Patient and program services	512,872	-	-	512,872
Youth outreach	57,991	-	-	57,991
Mobile screening	242,929	-	-	242,929
Total program	<u>813,792</u>	<u>3,836,440</u>	<u>-</u>	<u>4,650,232</u>
Supporting services				
Administration	47,860	191,442	-	239,302
Fund-raising and public relations	94,510	-	-	94,510
<b>Total expenses</b>	<b><u>956,162</u></b>	<b><u>4,027,882</u></b>	<b><u>-</u></b>	<b><u>4,984,044</u></b>
<b>Increase (decrease) in net assets before appreciation (depreciation) of investments</b>				
	<b>375,287</b>	<b>1,259,349</b>	<b>-</b>	<b>1,634,636</b>
Net realized gain (loss) on sale of investments	(240,067)	(69,645)	-	(309,712)
Net unrealized gain (loss) on investments	<u>(320,514)</u>	<u>(61,957)</u>	<u>-</u>	<u>(382,471)</u>
<b>Change in net assets</b>	<b><u>(185,294)</u></b>	<b><u>1,127,747</u></b>	<b><u>-</u></b>	<b><u>942,453</u></b>
Net assets, beginning of year	<u>4,652,431</u>	<u>4,170,056</u>	<u>-</u>	<u>8,822,487</u>
<b>Net assets, end of year</b>	<b><u>\$ 4,467,137</u></b>	<b><u>\$ 5,297,803</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 9,764,940</u></b>

(1) Excludes Eye Bank Activity

(2) Reflects only Eye Bank from July 1, 2008 to June 30, 2009 as if the separation from the Lions Foundation occurred at the beginning of the year.

The accompanying notes and independent auditor's report should be read with the supplemental schedules.