

THE SEEING EYE, INC.
(A New Jersey Not-for-Profit Organization)

FINANCIAL STATEMENTS

SEPTEMBER 30, 2010 and 2009

THE SEEING EYE, INC.
(A New Jersey Not-for-Profit Organization)

Contents

	<u>Page</u>
Financial Statements	
Independent Auditors' Report	1
Statements of Financial Position as of September 30, 2010 and 2009	2
Statements of Activities for the Years Ended September 30, 2010 and 2009	3 - 4
Statements of Cash Flows for the Years Ended September 30, 2010 and 2009	5
Notes to Financial Statements	6 - 23
Supplementary Information	
Schedules of Functional Expenses for the Years Ended September 30 2010 and 2009	24 - 25

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
The Seeing Eye, Inc.
(A New Jersey Not-for-Profit Organization)

We have audited the accompanying statement of financial position of The Seeing Eye, Inc. (the "Organization") as of September 30, 2010, and the related statements of activities and cash flows 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 information has been derived from the Organization's 2009 financial statements, which were audited by Amper, Politziner & Mattia, LLP, whose practice was combined with the practice of Eisner LLP to form EisnerAmper LLP as of August 16, 2010, and whose report, dated December 8, 2009, 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, 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 financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of September 30, 2010, and the changes in its net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit of the financial statements as of and for the year ended September 30, 2010 was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary schedule of functional expenses on page 24 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The 2009 financial statements were audited by Amper, Politziner & Mattia, LLP, whose practice was combined with the practice of Eisner LLP to form EisnerAmper LLP as of August 16, 2010, and whose report on supplementary information, dated December 8, 2009, expressed an opinion that it was fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Bridgewater, New Jersey
December 9, 2010

THE SEEING EYE, INC.
(A New Jersey Not-for-Profit Organization)

Statements of Financial Position

	<u>September 30,</u>	
	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and cash equivalents	\$ 1,049,000	\$ 1,190,000
Prepays and other assets	303,000	42,000
Investments	194,556,000	194,450,000
Beneficial interests in perpetual trusts held by others	15,800,000	15,781,000
Beneficial interests in other charitable trusts	534,000	443,000
Restricted cash - NJEDA Bonds	1,920,000	2,941,000
Land, buildings and equipment, net	36,214,000	38,155,000
Deferred financing costs, net	1,208,000	1,348,000
	<u>\$ 251,584,000</u>	<u>\$ 254,350,000</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 3,353,000	\$ 3,431,000
Accrued pension and postretirement benefits	9,713,000	11,944,000
Interest payable	305,000	557,000
Capital lease obligation	2,525,000	2,524,000
Bonds payable, net	18,340,000	29,228,000
	<u>34,236,000</u>	<u>47,684,000</u>
NET ASSETS		
Unrestricted	191,906,000	183,773,000
Temporarily restricted	3,810,000	1,308,000
Permanently restricted	21,632,000	21,585,000
Total net assets	<u>217,348,000</u>	<u>206,666,000</u>
	<u>\$ 251,584,000</u>	<u>\$ 254,350,000</u>

THE SEEING EYE, INC.
(A New Jersey Not-for-Profit Organization)

Statement of Activities
Year Ended September 30, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating revenue, gains and other support:				
Dividend and interest income	\$ 2,145,000	\$ 79,000	\$ 4,000	\$ 2,228,000
Contributions	3,997,000	527,000	19,000	4,543,000
Legacies	6,412,000	2,318,000	288,000	9,018,000
Trust income	850,000	-	-	850,000
Student payments	18,000	-	-	18,000
Other	210,000	-	-	210,000
Net assets released from restrictions	<u>1,219,000</u>	<u>(1,219,000)</u>	<u>-</u>	<u>-</u>
	<u>14,851,000</u>	<u>1,705,000</u>	<u>311,000</u>	<u>16,867,000</u>
Operating expenses:				
Program services	21,770,000	-	-	21,770,000
Management and general	2,333,000	-	-	2,333,000
Fundraising	<u>2,665,000</u>	<u>-</u>	<u>-</u>	<u>2,665,000</u>
	<u>26,768,000</u>	<u>-</u>	<u>-</u>	<u>26,768,000</u>
(Deficiency) excess of operating revenue, gains and other support over operating expenses	<u>(11,917,000)</u>	<u>1,705,000</u>	<u>311,000</u>	<u>(9,901,000)</u>
Other changes:				
Change in value of split-interest agreements	(72,000)	68,000	-	(4,000)
Pension and postretirement - related changes other than net periodic pension and postretirement cost	2,820,000	-	-	2,820,000
Net realized gains	7,163,000	96,000	-	7,259,000
Net unrealized gains (losses)	10,109,000	633,000	(264,000)	10,478,000
Gain on disposal of fixed assets	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>30,000</u>
	<u>20,050,000</u>	<u>797,000</u>	<u>(264,000)</u>	<u>20,583,000</u>
Change in net assets	8,133,000	2,502,000	47,000	10,682,000
Net assets - beginning of year	<u>183,773,000</u>	<u>1,308,000</u>	<u>21,585,000</u>	<u>206,666,000</u>
Net assets - end of year	<u>\$ 191,906,000</u>	<u>\$ 3,810,000</u>	<u>\$ 21,632,000</u>	<u>\$ 217,348,000</u>

THE SEEING EYE, INC.
(A New Jersey Not-for-Profit Organization)

Statement of Activities (continued)
Year Ended September 30, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating revenue, gains and other support:				
Dividend and interest income	\$ 2,366,000	\$ 392,000	\$ 4,000	\$ 2,762,000
Contributions	3,834,000	480,000	12,000	4,326,000
Legacies	7,758,000	-	80,000	7,838,000
Trust income	843,000	-	-	843,000
Student payments	18,000	-	-	18,000
Other	198,000	-	-	198,000
Net assets released from restrictions	<u>1,123,000</u>	<u>(1,097,000)</u>	<u>(26,000)</u>	<u>-</u>
	<u>16,140,000</u>	<u>(225,000)</u>	<u>70,000</u>	<u>15,985,000</u>
Operating expenses:				
Program services	22,246,000	-	-	22,246,000
Management and general	2,386,000	-	-	2,386,000
Fundraising	<u>2,585,000</u>	<u>-</u>	<u>-</u>	<u>2,585,000</u>
	<u>27,217,000</u>	<u>-</u>	<u>-</u>	<u>27,217,000</u>
(Deficiency) excess of operating revenue, gains and other support over operating expenses	<u>(11,077,000)</u>	<u>(225,000)</u>	<u>70,000</u>	<u>(11,232,000)</u>
Other changes:				
Change in value of split-interest agreements	(96,000)	138,000	-	42,000
Pension and postretirement - related changes other than net periodic pension and postretirement cost	(5,643,000)	-	-	(5,643,000)
Net realized losses	(14,719,000)	-	-	(14,719,000)
Net unrealized gains	4,991,000	296,000	600,000	5,887,000
Gain on disposal of fixed assets	<u>142,000</u>	<u>-</u>	<u>-</u>	<u>142,000</u>
	<u>(15,325,000)</u>	<u>434,000</u>	<u>600,000</u>	<u>(14,291,000)</u>
Change in net assets	<u>(26,402,000)</u>	<u>209,000</u>	<u>670,000</u>	<u>(25,523,000)</u>
Net assets - beginning of year	<u>210,175,000</u>	<u>1,099,000</u>	<u>20,915,000</u>	<u>232,189,000</u>
Net assets - end of year	<u>\$ 183,773,000</u>	<u>\$ 1,308,000</u>	<u>\$ 21,585,000</u>	<u>\$ 206,666,000</u>

THE SEEING EYE, INC.
(A New Jersey Not-for-Profit Organization)

Statements of Cash Flows

	Years Ended September 30,	
	2010	2009
Cash flows from operating activities:		
Change in net assets	\$ 10,682,000	\$ (25,523,000)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	2,947,000	2,931,000
Gain on disposal of fixed assets	(30,000)	(142,000)
Change in value of split-interest agreements	(68,000)	(138,000)
Net realized and unrealized (gains) losses on investments	(18,001,000)	9,432,000
Change in beneficial interests in perpetual trusts held by others	(19,000)	(564,000)
Temporarily restricted contributions and legacies	(2,845,000)	(480,000)
Permanently restricted contributions and legacies	(307,000)	(92,000)
Change in assets and liabilities		
(Increase) decrease in prepaids and other assets	(260,000)	60,000
(Decrease) increase in accounts payable and accrued expenses	(78,000)	86,000
(Decrease) increase in accrued pension and postretirement benefits	(2,231,000)	2,157,000
(Decrease) increase in interest payable	(252,000)	13,000
	(21,144,000)	13,263,000
Net cash used in operating activities	(10,462,000)	(12,260,000)
Cash flows from investing activities:		
Purchases of land, buildings and equipment	(859,000)	(1,180,000)
Proceeds from sale of investments	78,226,000	164,018,000
Purchase of investments	(60,331,000)	(152,151,000)
Proceeds from sale of fixed assets	30,000	781,000
Decrease in restricted cash	1,021,000	614,000
Net cash provided by investing activities	18,087,000	12,082,000
Cash flows from financing activities:		
Increase (decrease) in capital lease obligation	1,000	(12,000)
Payment of Bonds Payable	(10,895,000)	-
Temporarily restricted contributions received	2,821,000	480,000
Permanently restricted contributions and legacies received	307,000	92,000
Net cash (used in) provided by financing activities	(7,766,000)	560,000
Net (decrease) increase in cash and cash equivalents	(141,000)	382,000
Cash and cash equivalents - beginning of year	1,190,000	808,000
Cash and cash equivalents - end of year	\$ 1,049,000	\$ 1,190,000
Supplemental disclosure of cash paid:		
Cash paid for:		
Interest	\$ 1,601,000	\$ 1,518,000
Supplemental disclosure of non-cash investing and financing activities:		
Fixed assets purchased under capital lease	\$ -	\$ 35,000

See notes to financial statements

THE SEEING EYE, INC.
(A New Jersey Not-for-Profit Organization)

Notes to Financial Statements
September 30, 2010 and 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[1] Organization:

The Seeing Eye, Inc. (the "Organization") is a New Jersey not-for-profit educational organization, whose purpose is to help blind persons achieve independence and mobility through the use of properly trained dog guides. In pursuit of this aim, it teaches dogs to guide blind persons, breeds and raises dogs or obtains them by purchase, teaches instructors the science and technique of training dogs as guides for blind persons, instructs blind persons in the proper use and handling of the dogs, and informs the public about the role of dog guides and the capabilities of blind persons to live independently.

[2] Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

[3] Operating indicator:

The operating activities of the Organization include all income and expenses related to carrying out its mission. Items not included in the Organization's operating measure are predominantly net gains (losses) on investment activities and pension and postretirement-related changes other than periodic pension and postretirement cost.

[4] Cash equivalents:

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, and are so near their maturity (three months or less) that they present insignificant risk of changes in value because of changes in interest rates.

[5] Investments:

Investments in equity securities with readily determinable fair values and all investments in debt securities are stated at their fair value. Unrealized gains and losses are included in change in net assets in the accompanying statements of activities. Investments received by gift are recorded at fair value at the date of receipt. Fair value for stocks, bonds and U.S. government securities are based on quoted market prices. Investments in limited partnerships (the "partnerships") are stated at fair value or at management's estimated fair value based on amounts provided by the management of the partnerships. The assets of certain of these partnerships are exchange traded. Other partnerships' assets are non-marketable and the partnerships' management values the assets based upon available information. The fair values assigned to these assets do not necessarily represent amounts that might ultimately be realized and the differences may be material.

Gains and losses on sales of investments are determined using the average cost method. Dividend and interest income on investments are reported, net of investment advisory fees of \$368,000 and \$312,000 for the years ended September 30, 2010 and 2009, respectively.

Users of these financial statements should be aware that the financial markets' volatility may significantly impact the subsequent valuation of the Organization's investments. Accordingly, the valuation of investments may not necessarily be indicative of amounts that could be realized in a current market exchange.

THE SEEING EYE, INC.
(A New Jersey Not-for-Profit Organization)

Notes to Financial Statements
September 30, 2010 and 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[6] Property and equipment:

Property and equipment is stated at cost. Donated assets are recorded at their approximate fair value at the date of the gift. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which range from four to forty years. It is the Organization's policy to capitalize property and equipment over \$2,000. Lesser amounts are expensed.

[7] Revenue recognition:

The Organization receives its primary support from legacies, trusts, contributions and investment income. Contributions and other income are recognized as revenue when the contributions are made.

[8] Restricted and unrestricted revenue:

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other 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 and reported in the statements of activities as net assets released from restrictions.

[9] Permanently restricted net assets:

Permanently restricted net assets are to be used to generate income to provide for general operations.

[10] Restricted Cash - NJEDA bonds:

The Organization has received proceeds from the issuance of New Jersey Economic Development Authority ("NJEDA") bonds. As part of the bond issuances, the NJEDA required that the Organization deposit certain funds in separate bank accounts managed by a trustee. See Note F for more details.

[11] Income taxes:

The Internal Revenue Service (the "IRS") has recognized the Organization as tax exempt under Section 501(c)(3) of the Internal Revenue Code.

[12] New accounting pronouncements:

In February 2008, the Financial Accounting Standards Board ("FASB") issued the *Fair Value Measurements and Disclosures* provision regarding nonfinancial liabilities. The provision delayed the effective date of fair value measurement for all nonfinancial assets and nonfinancial liabilities, except for those items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually) until the beginning of the Organization's fiscal year beginning October 1, 2009. The Organization adopted the provisions of the pronouncement, and the adoption did not impact the amounts reported in the Organization's financial statements.

THE SEEING EYE, INC.
(A New Jersey Not-for-Profit Organization)

Notes to Financial Statements
September 30, 2010 and 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[12] New accounting pronouncements (continued):

The FASB issued an interpretation regarding *Accounting for Uncertainty in Income Taxes*. This interpretation clarifies the accounting of uncertainty in income taxes recognized in an enterprise's financial statements in accordance with *Accounting for Income Taxes*, and is effective for fiscal years beginning after December 15, 2008. The Organization adopted the provisions of the pronouncement, and the adoption did not impact the amounts reported in the Organization's financial statements. The Organization recognizes accrued interest and penalties associated with uncertain tax provisions, if any. There was no income tax related interest and penalties recorded for the years ended September 30, 2010 and 2009. The income tax returns of the Organization for September 30, 2009, 2008, and 2007 are subject to examination by the IRS and other various taxing authorities, generally for three years after they were filed.

[13] Deferred financing costs:

Deferred financing costs represent costs of bond issuance that are being amortized on a straight-line basis over the life of the bonds. In connection with the issuance of the NJEDA bonds, the Organization incurred \$2,462,000 of deferred financing and interest costs. Amortization expense was \$147,000 and \$131,000 for the years ended September 30, 2010 and 2009, respectively. Amortization expense of financing costs in each of the next five years will be \$83,000.

[14] Subsequent event:

The Organization evaluated subsequent events through December 9, 2010, the date the financial statements were available to be issued.

NOTE B - INVESTMENTS

A summary of investments held as of September 30, 2010 and 2009 is as follows:

	2010		2009	
	Cost	Market	Cost	Market
Stocks	\$ 61,418,000	\$ 64,448,000	\$ 62,045,000	\$ 60,816,000
Equity mutual funds	8,960,000	8,407,000	9,602,000	7,663,000
Bond mutual funds	29,352,000	33,140,000	24,907,000	27,013,000
U.S. government securities	1,284,000	1,363,000	2,446,000	7,081,000
Short-term investments	12,589,000	12,589,000	19,084,000	19,084,000
Commodity ETF	10,000,000	11,218,000	10,000,000	11,653,000
Limited partnerships	51,669,000	63,391,000	57,921,000	61,140,000
	\$ 175,272,000	\$ 194,556,000	\$ 186,005,000	\$ 194,450,000

THE SEEING EYE, INC.
(A New Jersey Not-for-Profit Organization)

Notes to Financial Statements
September 30, 2010 and 2009

NOTE B – INVESTMENTS (CONTINUED)

Total return, net of investment advisory fees and expenses, on investments for the years ended September 30, 2010 and 2009, is summarized as follows:

	<u>2010</u>	<u>2009</u>
Dividends and interest	\$ 2,228,000	\$ 2,762,000
Trust income	850,000	843,000
Net realized gains (losses)	7,259,000	(14,719,000)
Net unrealized gains	<u>10,742,000</u>	<u>5,287,000</u>
	<u>\$ 21,079,000</u>	<u>\$ (5,827,000)</u>

Included in investments are assets held under gift annuity agreements, which total \$3,220,000 and \$3,192,000 at September 30, 2010 and 2009, respectively, and which are in excess of legally mandated reserves.

Investments in multi-strategy hedge funds were approximately 17% and 15%, respectively, of the fair value of total assets at September 30, 2010 and 2009.

NOTE C - FAIR VALUE MEASUREMENTS

Fair Value Measurements and Disclosure establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. *Fair Value Measurements and Disclosure* defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants.

In determining fair value, the Organization uses various valuation approaches, including market, income and/or cost approaches. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements), and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under *Fair Value Measurements and Disclosure* and the Organization's related types are described below:

Level 1 – Values are based on unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – Values are based on quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in inactive markets; or inputs that are derived principally from or corroborated by observable market data.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurements.

THE SEEING EYE, INC.
(A New Jersey Not-for-Profit Organization)

Notes to Financial Statements
September 30, 2010 and 2009

NOTE C - FAIR VALUE MEASUREMENTS (CONTINUED)

The following tables summarize the valuation of the Organization's assets within the aforementioned valuation hierarchy as of September 30, 2010 and 2009:

	Assets at Fair Value as of September 30, 2010			
	Level 1	Level 2	Level 3	Total
Investments:				
Stocks	\$ 64,448,000	\$ -	\$ -	\$ 64,448,000
Equity mutual funds	8,407,000	-	-	8,407,000
Bond mutual funds	33,140,000	-	-	33,140,000
U.S. government securities	-	1,363,000	-	1,363,000
Short-term investments	12,467,000	122,000	-	12,589,000
Commodity ETF	11,218,000	-	-	11,218,000
Limited partnerships	-	-	63,391,000	63,391,000
	<u>129,680,000</u>	<u>1,485,000</u>	<u>63,391,000</u>	<u>194,556,000</u>
Beneficial interests in trusts held by others:				
Perpetual trusts	-	-	15,800,000	15,800,000
Other trusts	-	-	534,000	534,000
	<u>-</u>	<u>-</u>	<u>16,334,000</u>	<u>16,334,000</u>
Totals	<u>\$ 129,680,000</u>	<u>\$ 1,485,000</u>	<u>\$ 79,725,000</u>	<u>\$ 210,890,000</u>

	Assets at Fair Value as of September 30, 2009			
	Level 1	Level 2	Level 3	Total
Investments:				
Stocks	\$ 60,816,000	\$ -	\$ -	\$ 60,816,000
Equity mutual funds	7,663,000	-	-	7,663,000
Bond mutual funds	27,013,000	-	-	27,013,000
U.S. government securities	-	7,081,000	-	7,081,000
Short-term investments	18,962,000	122,000	-	19,084,000
Commodity ETF	11,653,000	-	-	11,653,000
Limited partnerships	-	-	61,140,000	61,140,000
	<u>126,107,000</u>	<u>7,203,000</u>	<u>61,140,000</u>	<u>194,450,000</u>
Beneficial interests in trusts held by others:				
Perpetual trusts	-	-	15,781,000	15,781,000
Other trusts	-	-	443,000	443,000
	<u>-</u>	<u>-</u>	<u>16,224,000</u>	<u>16,224,000</u>
Totals	<u>\$ 126,107,000</u>	<u>\$ 23,427,000</u>	<u>\$ 77,364,000</u>	<u>\$ 210,674,000</u>

THE SEEING EYE, INC.
(A New Jersey Not-for-Profit Organization)

Notes to Financial Statements
September 30, 2010 and 2009

NOTE C - FAIR VALUE MEASUREMENTS (CONTINUED)

Information regarding the nature and risk of certain Level 3 investments as of September 20, 2010 is as follows:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if Currently Eligible)</u>	<u>Redemption Notice Period</u>
			Quarterly, Semi-Annual, and Annual	
Multi-Strategy hedge fund (a)	\$ 42,659,000	\$ -		45 - 120 days
Private equity funds (b)	15,504,000	8,000,000	-	-
Private credit fund (c)	4,835,000	-	-	-
Private real estate fund (d)	<u>393,000</u>	<u>9,255,000</u>	-	-
	<u>\$ 63,391,000</u>	<u>\$ 17,525,000</u>		

- a) This category includes hedge funds that pursue multiple strategies to diversify risk. One of these funds is a fund of hedge funds.
- b) This category includes private equity fund-of-funds, which invest primarily in a variety of private equity funds managed by others.
- c) This category includes a fund, which invests in securities eligible to serve as collateral under the Term Asset-Backed Securities Loan Facility offered by the Federal Reserve Bank of New York.
- d) This category includes a fund which invests in a variety of real estate transactions on a global basis.

THE SEEING EYE, INC.
(A New Jersey Not-for-Profit Organization)

Notes to Financial Statements
September 30, 2010 and 2009

NOTE C - FAIR VALUE MEASUREMENTS (CONTINUED)

The tables below set forth a summary of changes in the fair value of the Organization's Level 3 assets for the years ended September 30, 2010 and 2009:

	Level 3 Assets					Total
	Year Ended September 30, 2010					
	Limited Partnerships				Beneficial	
	Multi-Strategy Hedge Fund	Private Equity Funds	Private Credit Fund	Private Real Estate Fund	Interests in Trusts	
Balance, beginning of year	\$37,645,000	\$15,450,000	\$7,912,000	\$133,000	\$16,224,000	\$77,364,000
Total gains or losses (realized/unrealized) included in earnings	5,014,000	2,764,000	928,000	(53,000)	(264,000)	8,389,000
Purchases, sales, issuances and settlements, net	-	(2,710,000)	(4,005,000)	313,000	306,000	6,096,000
Change in value of split-interest agreements	-	-	-	-	68,000	68,000
Balance, end of year	<u>\$42,659,000</u>	<u>\$15,504,000</u>	<u>\$4,835,000</u>	<u>\$393,000</u>	<u>\$16,334,000</u>	<u>\$79,725,000</u>

	Level 3 Assets					Total
	Year Ended September 30, 2009					
	Limited Partnerships				Beneficial	
	Multi-Strategy Hedge Fund	Private Equity Funds	Private Credit Fund	Private Real Estate Fund	Interests in Trusts	
Balance, beginning of year	\$36,574,000	\$19,620,000	\$ -	\$ -	\$15,522,000	\$71,716,000
Total gains or losses (realized/unrealized) included in earnings	1,071,000	(3,965,000)	412,000	(299,000)	600,000	(2,181,000)
Purchases, sales, issuances and settlements, net	-	(205,000)	7,500,000	432,000	(36,000)	7,691,000
Change in value of split-interest agreements	-	-	-	-	138,000	138,000
Balance, end of year	<u>\$ 37,645,000</u>	<u>\$15,450,000</u>	<u>\$7,912,000</u>	<u>\$ 133,000</u>	<u>\$16,224,000</u>	<u>\$77,364,000</u>

THE SEEING EYE, INC.
(A New Jersey Not-for-Profit Organization)

Notes to Financial Statements
September 30, 2010 and 2009

NOTE D - LAND, BUILDINGS AND EQUIPMENT

	<u>2010</u>	<u>2009</u>
Land and land improvements	\$ 5,661,000	\$ 5,661,000
Buildings	44,182,000	43,831,000
Furniture and other equipment	9,338,000	9,489,000
Capitalized leased office and garage space	2,536,000	2,536,000
Leasehold improvements	2,872,000	2,872,000
Plant improvements in progress	62,000	17,000
	<u>64,651,000</u>	<u>64,406,000</u>
Less accumulated depreciation and amortization	<u>28,437,000</u>	<u>26,251,000</u>
Net land, buildings and equipment	<u>\$ 36,214,000</u>	<u>\$ 38,155,000</u>

Depreciation expense was \$2,800,000 and \$2,800,000 for the years ended September 30, 2010 and 2009, respectively.

NOTE E - SPLIT-INTEREST AGREEMENTS

The Organization recognizes contribution revenue and related asset and liability when an irrevocable split-interest agreement naming them as trustee or fiscal agent is executed. When an unrelated third party acts as trustee or fiscal agent, the Organization recognizes contribution income when it is notified of the agreement's existence and all relevant information is made known to them. The Organization's split-interest agreements are managed by third-party trustees and in accordance with stipulations of the donors who established them.

[1] Beneficial interests in perpetual trusts held by others:

A perpetual trust held by a third party is an arrangement in which the donor establishes and funds a trust that is administered by an outside third party. Under the terms of the trust, the Organization has the right to receive the income earned on the trust assets in perpetuity, but never receives the assets held in trust. The fair value of the trusts is computed at the present value (5% discount rate at September 30, 2010 and 2009) of the estimated future cash flows to be received from the trusts. The trusts are recorded as permanently restricted net assets and the changes in value of the trusts have been reported in the statements of activities.

[2] Beneficial interests in other charitable trusts:

Beneficial interests in other charitable trusts are arrangements in which the donor establishes and funds a trust that is administered by an outside third party. Under the terms of the trust, the Organization has the right to receive the income earned on the trust assets for a finite period of time and, in certain instances, the Organization is entitled to receive the trust assets upon the termination of the trust. The fair value of the trusts is computed at the present value (discount rates ranging from 4.5% to 5% at September 30, 2010 and 5% discount rate at 2009, respectively) of the estimated future cash flows to be received from the trusts. The trusts are recorded as temporarily restricted net assets and the changes in the value of the trusts have been reported in the statements of activities.

THE SEEING EYE, INC.
(A New Jersey Not-for-Profit Organization)

Notes to Financial Statements
September 30, 2010 and 2009

NOTE E - SPLIT-INTEREST AGREEMENTS (CONTINUED)

[3] Gift annuities:

Upon the receipt of gift annuities, the present value of the determined annuity payable is recognized as a liability, and the difference between the fair value of the asset and the liability is recorded as a contribution. Annually, the Organization revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The annuities payable approximated \$1,640,000 and \$1,849,000 at September 30, 2010 and 2009, respectively, and is included in accounts payable and accrued expenses in the statements of financial position.

NOTE F- BONDS PAYABLE

Bonds payable at September 30, 2010 and 2009 consist of the following:

	<u>2010</u>	<u>2009</u>
New Jersey Economic Development Authority bonds - 2005, due December 1, 2024 with interest at a rate of 5.0%.	\$ 18,340,000	\$ 18,340,000
New Jersey Economic Development Authority bonds - 2001, due April 1, 2011 with interest at a rate of 4.375%. The bonds were repaid early on April 30, 2010.	<u>-</u>	<u>10,895,000</u>
	18,340,000	29,235,000
Less unamortized bond discount	<u>-</u>	<u>7,000</u>
Bonds payable, net	<u>\$ 18,340,000</u>	<u>\$ 29,228,000</u>

On April 15, 2005, the NJEDA issued an \$18,340,000 (principal amount) Economic Bonds for The Seeing Eye, Inc. 2005 Project (the "2005 Bonds"). The proceeds of the 2005 Bonds were utilized for the advance refunding of the 1999 Bonds, to make a deposit to a debt service reserve fund, which is collateral for the 2005 Bonds, and to pay certain costs of issuance of the 2005 Bonds.

The 2005 Bonds are subject to optional redemption by the NJEDA, at the written direction of the Organization, in whole at any time, or in part on or after June 1, 2015, at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest thereon. Semiannual interest payments are payable on December 1 and June 1.

On July 1, 2001, the NJEDA issued a \$10,895,000 (principal amount) Economic Bonds for The Seeing Eye, Inc. 2001 Project (the "2001 Bonds"). The proceeds of the 2001 Bonds (net of an original issue discount of \$65,000) were utilized to defease the 1991 Bonds, to make a deposit to a debt service reserve fund, which is collateral for the 2001 Bonds, and to pay certain costs of issuance of the 2001 Bonds.

The 2001 Bonds were subject to optional redemption by the NJEDA, at the written direction of the Organization, in whole at any time, or in part on or after April 1, 2006, at redemption prices varying from 101% to 100% of the principal amount to be redeemed, plus accrued interest thereon. Semiannual interest payments were payable on April 1 and October 1. All of the 2001 Bonds were redeemed on April 30, 2010.

THE SEEING EYE, INC.
(A New Jersey Not-for-Profit Organization)

Notes to Financial Statements
September 30, 2010 and 2009

NOTE F- BONDS PAYABLE (CONTINUED)

The redemption price of principal and interest on the 2005 Bonds is payable solely from payments to be made by the Organization under a loan agreement by, and between, the NJEDA and the Organization. In addition, the 2005 Bonds are collateralized by all contributions, donations, legacies, gifts, grants, bequests and pledges received, whether in the form of cash, securities or other personal property, in an amount up to the annual debt service requirements, plus the greater of \$50,000 or fees and expenses of the trustee and the NJEDA for the prior bond year.

The fair value of the bonds payable is \$18,340,000 and \$29,555,000 at September 30, 2010 and 2009, respectively.

The Master Trust Indenture governing the 2005 and 2001 Bonds requires that certain funds shall be established and controlled by a trustee for as long as any of the bonds remain outstanding. These funds, including interest income from their temporary investment, are held by a bank trustee who manages disbursements and maintains reserves required under the Bond Indentures. The balance in each of these funds at September 30, 2010 and 2009 is as follows:

	<u>2010</u>	<u>2009</u>
Debt Service Reserve Fund – 2005	\$ 1,920,000	\$ 1,834,000
Debt Service Reserve Fund – 2001	-	1,090,000
Bond Interest Fund - 2005 Bonds	-	<u>17,000</u>
	<u>\$ 1,920,000</u>	<u>\$ 2,941,000</u>

Interest expense incurred on the bonds payable for the years ended September 30, 2010 and 2009 amounted to \$1,194,000 and \$1,394,000, respectively.

NOTE G - RETIREMENT PLANS

The Organization has a defined benefit pension plan (the "Plan") covering substantially all of its employees who have attained the age of 21 years and completed one year of service. All pension assets held by the Plan are deposited into a fund that invests principally in equity securities, government and corporate bonds, and short-term investments. Annual contributions made to the Plan are based upon funding requirements under the Employee Retirement Income Security Act of 1974.

As of September 30, 2010 and 2009, the pension fund assets are invested 40% and 40% in equity securities, 59% and 57% in debt securities and 1% and 3% in cash equivalents, respectively. The Organization's investment strategy is established by the Organization's Finance and Investment Committee to provide for growth of capital with a moderate level of volatility by investing assets per the target allocations. The investment policy is reviewed on a regular basis under the advisement of a certified investment advisor, to determine if the policy should be changed.

The expected long-term rate of return for the pension benefit plan is 6.5% and 8% as of September 30, 2010 and 2009, respectively. This rate was developed by estimating the expected long-term real return for each asset class within the portfolio, computing an average weighted real rate of return for the portfolio as a whole, reflecting both the Plan's expected asset class allocation and the correlations between the various asset classes and adding that expected real rate of return to the expected long-term rate of inflation. The expected long-term rate of return reflects an expected real rate of return and an underlying inflation component per year.

THE SEEING EYE, INC.
(A New Jersey Not-for-Profit Organization)

Notes to Financial Statements
September 30, 2010 and 2009

NOTE G - RETIREMENT PLANS (CONTINUED)

The following tables set forth the Plan's funded status and amounts recognized in the Organization's statements of financial position as of September 30, 2010 and 2009:

	<u>Pension Benefits</u>		<u>Other Postretirement Benefits</u>	
	<u>September 30, 2010</u>	<u>September 30, 2009</u>	<u>September 30, 2010</u>	<u>September 30, 2009</u>
Projected benefit obligation	\$ 18,163,000	\$ 19,484,000	\$ 5,576,000	\$ 5,889,000
Plan assets at fair value	<u>14,026,000</u>	<u>13,429,000</u>	<u>-</u>	<u>-</u>
Funded status	<u>\$ (4,137,000)</u>	<u>\$ (6,055,000)</u>	<u>\$ (5,576,000)</u>	<u>\$ (5,889,000)</u>
Items not yet recognized as a component of net periodic pension cost:				
Transition obligation	\$ -	\$ -	\$ 31,000	\$ 61,000
Prior service (credit) cost	(149,000)	(152,000)	117,000	424,000
Net loss (gain)	<u>6,519,000</u>	<u>8,508,000</u>	<u>(490,000)</u>	<u>7,000</u>
	<u>\$ 6,370,000</u>	<u>\$ 8,356,000</u>	<u>\$ (342,000)</u>	<u>\$ 492,000</u>

	<u>Pension Benefits</u>		<u>Other Postretirement Benefits</u>	
	<u>September 30, 2010</u>	<u>September 30, 2009</u>	<u>September 30, 2010</u>	<u>September 30, 2009</u>
Components of net periodic pension cost for fiscal years 2010 and 2009:				
Service cost	\$ 799,000	\$ 873,000	\$ 337,000	\$ 277,000
Interest cost	933,000	922,000	346,000	337,000
Expected return on plan assets	(1,037,000)	(981,000)	-	-
Amortization of prior service cost	(74,000)	(51,000)	26,000	45,000
Amortization of net loss	555,000	128,000	-	-
Amortization of transition obligation	-	-	31,000	31,000
Net periodic pension cost	<u>\$ 1,176,000</u>	<u>\$ 891,000</u>	<u>\$ 740,000</u>	<u>\$ 690,000</u>

THE SEEING EYE, INC.
(A New Jersey Not-for-Profit Organization)

Notes to Financial Statements
September 30, 2010 and 2009

NOTE G - RETIREMENT PLANS (CONTINUED)

	<u>Pension Benefits</u>		<u>Other Postretirement Benefits</u>	
	<u>September 30, 2010</u>	<u>September 30, 2009</u>	<u>September 30, 2010</u>	<u>September 30, 2009</u>
Employer contributions	\$ 1,108,000	\$ 4,934,000	\$ 218,000	\$ 112,000
Plan participant contributions	-	-	34,000	20,000
Benefits paid	2,043,000	2,362,000	252,000	132,000

Weighted average assumptions as of September 30, 2010 and 2009 are as follows:

Discount rate	5.10%	5.10%	5.08%	5.65%
Expected return on plan assets	6.50%	8.00%	-%	-%
Rate of compensation increase	4.50%	5.00%	-%	-%

Expected contributions for the pension benefit plan and other postretirement benefit plan for fiscal year ending September 30, 2010 are as follows:

	<u>Pension Benefits</u>	<u>Other Postretirement Benefits</u>
Expected employer contributions	\$1,013,000	\$ 215,000
Expected employee contributions	-	41,000

Estimated future benefits reflecting expected future service for the pension benefit plan and other postretirement benefit plan for the fiscal years ending September 30 are as follows:

	<u>Pension Benefits</u>	<u>Other Postretirement Benefits</u>
2011	\$ 599,000	\$ 215,000
2012	599,000	218,000
2013	603,000	216,000
2014	648,000	210,000
2015	655,000	213,000
2016 - 2020	5,512,000	1,243,000

The expected cost of retiree health and life insurance benefits is charged to expense during the years that the employees render service. The assumed health care cost trend rate used to project the expected cost of benefits covered by the postretirement benefit plan for the year ended September 30, 2011 is 8%. Thereafter, the trend rate is assumed to decrease at 0.5% annually until it reaches an ultimate rate of 5% in 2017.

THE SEEING EYE, INC.
(A New Jersey Not-for-Profit Organization)

Notes to Financial Statements
September 30, 2010 and 2009

NOTE H - CAPITAL LEASE OBLIGATION

The Organization has entered into a capital lease for office and garage space with a minimum lease term of 30 years which commenced January 1, 2009.

The following is a schedule, by year, of future minimum lease payments under capital lease obligations, together with the present value of the net minimum lease payments as of September 30, 2010:

<u>Years Ending</u> <u>September 30,</u>	
2011	\$ 143,000
2012	163,000
2013	165,000
2014	165,000
2015	173,000
Thereafter	<u>4,961,000</u>
Total minimum lease payments	5,770,000
Less amount representing interest	<u>3,245,000</u>
Present value of minimum lease payments	<u>\$ 2,525,000</u>

The present value of minimum future obligations shown above is calculated based on an interest rate of 6.16%.

NOTE I - RESTRICTED NET ASSETS

Permanently restricted net assets at September 30, 2010 and 2009 are restricted to:

	<u>2010</u>	<u>2009</u>
Investments to be held in perpetuity, the income from which is primarily restricted for program support services and facilities maintenance	\$ 5,832,000	\$ 5,804,000
Beneficial interest in perpetual trusts, the income from which is unrestricted	<u>15,800,000</u>	<u>15,781,000</u>
	<u>\$ 21,632,000</u>	<u>\$ 21,585,000</u>

THE SEEING EYE, INC.
(A New Jersey Not-for-Profit Organization)

Notes to Financial Statements
September 30, 2010 and 2009

NOTE I - RESTRICTED NET ASSETS (CONTINUED)

Temporarily restricted net assets at September 30, 2010 and 2009 consist of:

	<u>2010</u>	<u>2009</u>
Beneficial interest in other trusts, the income from which is unrestricted	\$ 534,000	\$ 443,000
Program support services	3,173,000	626,000
Facility maintenance	<u>103,000</u>	<u>239,000</u>
	<u>\$ 3,810,000</u>	<u>\$ 1,308,000</u>

During the years ended September 30, 2010 and 2009, net assets were released from donor restrictions as a result of satisfying the restricted purposes or by occurrence of other events specified by donors, as follows:

	<u>2010</u>	<u>2009</u>
Purpose for which restrictions were accomplished		
Program services	<u>\$ 1,219,000</u>	<u>\$ 1,123,000</u>

NOTE J - ENDOWMENT AND BOARD-DESIGNATED FUNDS

Endowment funds are comprised of: (a) donor-restricted endowment funds, (b) funds designated by the Board of Trustees to function as endowments, and (c) beneficial interests in perpetual and other trusts held by third-party trustees. As required by accounting principles generally accepted in the United States of America ("GAAP"), net assets associated with endowment funds, including Board-designated funds, are classified and reported based upon the existence or absence of donor-imposed restrictions.

The Organization has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date to 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 and decrements to the permanent endowment made in accordance with the direction of the applicable donor gift instrument.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets, until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

THE SEEING EYE, INC.
(A New Jersey Not-for-Profit Organization)

Notes to Financial Statements
September 30, 2010 and 2009

NOTE J - ENDOWMENT AND BOARD-DESIGNATED FUNDS (CONTINUED)

- (1) the duration and preservation of the fund;
- (2) the purposes of the Organization and the donor-restricted endowment fund;
- (3) general economic conditions;
- (4) the possible effect of inflation and deflation;
- (5) the expected total return from income and appreciation of investments;
- (6) other resources of the Organization; and
- (7) the investment policies of the Organization.

Endowment and Board-designated net assets composition by type as of September 30, 2010 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Investments:				
Donor-restricted endowment funds	\$ -	\$ 954,000	\$ 5,832,000	\$ 6,786,000
Board-designated funds:				
Long-term investment fund	184,450,000	-	-	184,450,000
Charitable gift annuity fund	3,220,000	-	-	3,220,000
	<u>187,770,000</u>	<u>954,000</u>	<u>5,832,000</u>	<u>194,556,000</u>
Beneficial interests in:				
Donor-restricted				
Perpetual trusts held by others	-	-	15,800,000	15,800,000
Other charitable trusts	-	534,000	-	534,000
	<u>187,770,000</u>	<u>1,488,000</u>	<u>21,632,000</u>	<u>210,890,000</u>

Endowment and Board-designated net assets composition by type as of September 30, 2009 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Investments:				
Donor-restricted endowment funds	\$ -	\$ 802,000	\$ 5,804,000	\$ 6,606,000
Board-designated funds:				
Long-term investment fund	184,652,000	-	-	184,652,000
Charitable gift annuity fund	3,192,000	-	-	3,192,000
	<u>187,844,000</u>	<u>802,000</u>	<u>5,804,000</u>	<u>194,450,000</u>
Beneficial interests in:				
Donor-restricted				
Perpetual trusts held by others	-	-	15,781,000	15,781,000
Other charitable trusts	-	443,000	-	443,000
	<u>187,844,000</u>	<u>1,245,000</u>	<u>21,585,000</u>	<u>210,674,000</u>

THE SEEING EYE, INC.
(A New Jersey Not-for-Profit Organization)

Notes to Financial Statements
September 30, 2010 and 2009

NOTE J - ENDOWMENT AND BOARD-DESIGNATED FUNDS (CONTINUED)

Changes in endowment net assets for the year ended September 30, 2010 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment funds, beginning of year	<u>\$187,844,000</u>	<u>\$ 1,245,000</u>	<u>\$ 21,585,000</u>	<u>\$210,674,000</u>
Donor contributions and legacies	<u>20,000</u>	<u>19,000</u>	<u>307,000</u>	<u>346,000</u>
Investment return:				
Dividends and interest	2,147,000	79,000	4,000	2,226,000
Net appreciation (depreciation) (realized and unrealized)	17,267,000	729,000	(264,000)	17,736,000
Change in value of split- interest agreements	-	68,000	-	68,000
	<u>19,414,000</u>	<u>876,000</u>	<u>(260,000)</u>	<u>20,030,000</u>
Appropriation of endowment assets for expenditure	<u>(19,508,000)</u>	<u>(652,000)</u>	<u>-</u>	<u>(20,160,000)</u>
Endowment funds, end of year	<u><u>\$187,770,000</u></u>	<u><u>\$ 1,488,000</u></u>	<u><u>\$21,632,000</u></u>	<u><u>\$210,890,000</u></u>

Changes in endowment net assets for the year ended September 30, 2009 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment funds, beginning of year	<u>\$209,373,000</u>	<u>\$ 983,000</u>	<u>\$ 20,915,000</u>	<u>\$231,271,000</u>
Donor contributions and legacies	<u>365,000</u>	<u>-</u>	<u>92,000</u>	<u>457,000</u>
Investment return:				
Dividends and interest	2,347,000	392,000	4,000	2,743,000
Net appreciation (depreciation) (realized and unrealized)	(9,766,000)	296,000	600,000	(8,870,000)
Change in value of split-interest agreements	-	138,000	-	138,000
	<u>(7,419,000)</u>	<u>826,000</u>	<u>604,000</u>	<u>(5,989,000)</u>
Funds released from restriction	<u>-</u>	<u>-</u>	<u>(26,000)</u>	<u>(26,000)</u>
Appropriation of endowment assets for expenditure	<u>(14,475,000)</u>	<u>(564,000)</u>	<u>-</u>	<u>(15,039,000)</u>
Endowment funds, end of year	<u><u>\$187,844,000</u></u>	<u><u>\$1,245,000</u></u>	<u><u>\$21,585,000</u></u>	<u><u>\$210,674,000</u></u>

THE SEEING EYE, INC.
(A New Jersey Not-for-Profit Organization)

Notes to Financial Statements
September 30, 2010 and 2009

NOTE J - ENDOWMENT AND BOARD-DESIGNATED FUNDS (CONTINUED)

Description of Amounts Classified as Permanently Restricted Net Assets and Temporarily Restricted Net Assets (Endowment Only)

	<u>2010</u>	<u>2009</u>
<u>Permanently Restricted Net Assets</u>		
The portion of endowment funds that are permanently restricted by explicit donor stipulation	<u>\$ 21,632,000</u>	<u>\$ 21,585,000</u>
	<u>2010</u>	<u>2009</u>
<u>Temporarily Restricted Net Assets</u>		
Term endowment funds:		
The portion of endowment funds subject to restriction under UPMIFA:		
With purpose restrictions	\$ 784,000	\$ 676,000
Without purpose restrictions	<u>704,000</u>	<u>569,000</u>
Total endowment funds classified as temporarily restricted net assets	<u>\$ 1,488,000</u>	<u>\$ 1,245,000</u>

The Organization's return objectives, risk parameters and strategies employed for achieving the objectives of its various endowments are:

[1] Donor-restricted endowments:

Certain donor-restricted endowments are invested in U.S. government securities pursuant to stipulations of the donor. The Organization has adopted investment and spending practices for its remaining donor-restricted endowment assets that attempt to provide a predictable stream of funding to programs supported by the endowment, while seeking to preserve the original value of the gift.

[2] Board-designated funds:

The Board-designated funds consist of (a) investments that have been Board-designated for long-term investment purposes, and (b) investments segregated for use in meeting the Organization's obligations under charitable gift annuity contracts.

THE SEEING EYE, INC.
(A New Jersey Not-for-Profit Organization)

Notes to Financial Statements
September 30, 2010 and 2009

NOTE J - ENDOWMENT AND BOARD-DESIGNATED FUNDS (CONTINUED)

[2] Board-designated funds (continued):

The Board of Trustees has adopted investment objectives and policies for the Board-designated long-term endowment fund, and has delegated oversight authority over this fund to the Trustee's Finance and Investment Committee (the "Committee"). The overall objective of this fund is to provide a reliable, recurring level of financial support of the Organization's programs, consistent with maintaining the fund's purchasing power over time and sufficient to ensure the Organization's prudent ability to plan strategically for the long-term continued success of its mission. The primary objective of the Committee is to seek stable total real returns over the long-term, while ensuring adequate current liquidity and cash flow to meet operating needs and with an emphasis on preservation of the fund's principal. The Committee has the discretion to determine the portfolio composition and asset allocation of the fund, both by asset class and within each class. As of September 30, 2010, the assets of this fund were invested as follows: stocks and stock mutual funds (37%), fixed income and short-term investments (24%), limited partnerships (33%) and commodities (6%).

The Board of Trustees has authorized the establishment of a segregated fund to meet the Organization's obligations under charitable gift annuity contracts, and adopted an investment policy for such funds designed to provide for long-term growth of capital. To achieve this objective, the policy targets a diversified asset allocation that places a greater emphasis on equity-based investments. As of September 30, 2010, the assets of this fund were invested 62% in stock mutual funds and 38% in bond mutual funds.

NOTE K - SIGNIFICANT RISKS AND UNCERTAINTIES

[1] Concentration of cash balances:

The Organization maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE L - TRANSACTIONS WITH RELATED PARTY

One of the managing directors of Morgan Stanley is a trustee of the Organization. Management fees paid to Morgan Stanley for the years ended September 30, 2010 and 2009 were approximately \$139,000 and \$124,000, respectively.

NOTE M - RECLASSIFICATION

Certain 2009 amounts have been reclassified to conform to the 2010 financial statement presentation.

THE SEEING EYE, INC.
(A New Jersey Not-for-Profit Organization)

Schedule of Functional Expenses
Year Ended September 30, 2010

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund- Raising</u>	<u>Total</u>
Expenses, excluding endowment management fee				
Salaries and wages	\$ 8,037,000	\$ 778,000	\$ 844,000	\$ 9,659,000
Employee benefits and payroll taxes	4,418,000	426,000	464,000	5,308,000
Occupancy	1,369,000	133,000	22,000	1,524,000
Professional fees	391,000	392,000	225,000	1,008,000
Contracted services	608,000	38,000	9,000	655,000
Financing costs and bank fees	1,499,000	4,000	16,000	1,519,000
External communications	236,000	1,000	16,000	253,000
Canine support	1,408,000	-	-	1,408,000
Canine research	85,000	-	-	85,000
Student support	396,000	-	-	396,000
Telephone and postage	137,000	25,000	20,000	182,000
Office	79,000	57,000	41,000	177,000
Orientation and mobility seminars	70,000	-	-	70,000
Travel and auto	498,000	46,000	18,000	562,000
Fundraising campaigns and events	-	-	835,000	835,000
Other	116,000	106,000	105,000	327,000
Depreciation	2,423,000	327,000	50,000	2,800,000
	<u>\$ 21,770,000</u>	<u>\$ 2,333,000</u>	<u>\$ 2,665,000</u>	<u>\$ 26,768,000</u>

THE SEEING EYE, INC.
(A New Jersey Not-for-Profit Organization)

Schedule of Functional Expenses (continued)
Year Ended September 30, 2009

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund- Raising</u>	<u>Total</u>
Expenses, excluding endowment management fee				
Salaries and wages	\$ 8,287,000	\$ 752,000	\$ 906,000	\$ 9,945,000
Employee benefits and payroll taxes	4,264,000	375,000	454,000	5,093,000
Occupancy	1,447,000	128,000	30,000	1,605,000
Professional fees	344,000	487,000	105,000	936,000
Contracted services	481,000	68,000	10,000	559,000
Financing costs and bank fees	1,649,000	24,000	4,000	1,677,000
External communications	301,000	1,000	15,000	317,000
Canine support	1,528,000	-	-	1,528,000
Canine research	171,000	-	-	171,000
Student support	468,000	-	-	468,000
Telephone and postage	145,000	34,000	20,000	199,000
Office	65,000	61,000	38,000	164,000
Orientation and mobility seminars	82,000	-	-	82,000
Travel and auto	468,000	30,000	16,000	514,000
Fundraising campaigns and events	-	-	805,000	805,000
Other	96,000	149,000	109,000	354,000
Depreciation	2,450,000	277,000	73,000	2,800,000
	<u>\$ 22,246,000</u>	<u>\$ 2,386,000</u>	<u>\$ 2,585,000</u>	<u>\$ 27,217,000</u>