

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

For the Years Ended September 30, 2008 and 2007

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Independent Auditors' Report

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

We have audited the accompanying statements of financial position of The Seeing Eye, Inc. (the "Organization") as of September 30, 2008 and 2007, and the related statements of activities and cash flows for the years 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. 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 audits provide 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, 2008 and 2007, and the changes in its net assets and cash flows for the years 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 financial statements taken as a whole. The schedule of functional expenses on pages 16 and 17 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information for the years ended September 30, 2008 and 2007 has been subjected to the auditing procedures applied in the audits 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.

Amper, Politziner & Mattia,
LLP

December 11, 2008
Bridgewater, New Jersey

THE SEEING EYE, INC.
(A New Jersey Not-for-Profit Organization)
Statements of Financial Position
September 30,

	2008	2007
Assets		
Cash and cash equivalents	\$ 808,000	\$ 719,000
Receivables, prepaids and other assets	102,000	86,000
Investments	215,749,000	254,755,000
Beneficial interests in perpetual trusts held by others	15,217,000	13,975,000
Beneficial interests in other charitable trusts	305,000	280,000
Restricted cash - NJEDA Bonds	3,555,000	3,450,000
Land, buildings and equipment, net	40,379,000	40,768,000
Deferred financing costs	1,472,000	1,596,000
	\$ 277,587,000	\$ 315,629,000
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 3,345,000	\$ 2,606,000
Accrued pension and postretirement benefits	9,787,000	9,613,000
Interest payable	544,000	544,000
Capital lease obligation	2,501,000	2,501,000
Bonds payable, net	29,221,000	29,215,000
	45,398,000	44,479,000
Net assets		
Unrestricted	210,175,000	249,527,000
Temporarily restricted	1,099,000	2,071,000
Permanently restricted	20,915,000	19,552,000
	232,189,000	271,150,000
	\$ 277,587,000	\$ 315,629,000

See accompanying notes to financial statements.

THE SEEING EYE, INC.
(A New Jersey Not-for-Profit Organization)
Statement of Activities
For the Year Ended September 30, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating revenue, gains and other support				
Dividend and interest income	\$ 4,405,000	\$ 142,000	\$ -	\$ 4,547,000
Contributions	4,135,000	1,537,000	61,000	5,733,000
Legacies	10,329,000	-	60,000	10,389,000
Trust income	986,000	-	-	986,000
Student payments	20,000	-	-	20,000
Other	211,000	-	-	211,000
Net assets released from restrictions	<u>2,676,000</u>	<u>(2,676,000)</u>	<u>-</u>	<u>-</u>
	<u>22,762,000</u>	<u>(997,000)</u>	<u>121,000</u>	<u>21,886,000</u>
Operating expenses				
Program services	20,421,000	-	-	20,421,000
Management and general	3,602,000	-	-	3,602,000
Fund raising	<u>2,174,000</u>	<u>-</u>	<u>-</u>	<u>2,174,000</u>
	<u>26,197,000</u>	<u>-</u>	<u>-</u>	<u>26,197,000</u>
(Deficiency) excess of operating revenue, gains and other support over operating expenses	<u>(3,435,000)</u>	<u>(997,000)</u>	<u>121,000</u>	<u>(4,311,000)</u>
Other changes				
Change in value of split-interest agreements	(99,000)	25,000	-	(74,000)
Pension and postretirement - related changes other than net periodic pension and postretirement cost	(1,155,000)	-	-	(1,155,000)
Net realized gains	2,745,000	-	-	2,745,000
Net unrealized (losses) gains	(37,345,000)	-	1,242,000	(36,103,000)
Loss on disposal of fixed assets	<u>(63,000)</u>	<u>-</u>	<u>-</u>	<u>(63,000)</u>
	<u>(35,917,000)</u>	<u>25,000</u>	<u>1,242,000</u>	<u>(34,650,000)</u>
Change in net assets	(39,352,000)	(972,000)	1,363,000	(38,961,000)
Net assets - beginning of year	<u>249,527,000</u>	<u>2,071,000</u>	<u>19,552,000</u>	<u>271,150,000</u>
Net assets - end of year	<u>\$ 210,175,000</u>	<u>\$ 1,099,000</u>	<u>\$ 20,915,000</u>	<u>\$ 232,189,000</u>

See accompanying notes to financial statements.

THE SEEING EYE, INC.
(A New Jersey Not-for-Profit Organization)
Statement of Activities (continued)
For the Year Ended September 30, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating revenue, gains and other support				
Dividend and interest income	\$ 5,643,000	\$ 9,000	\$ 138,000	\$ 5,790,000
Contributions	3,032,000	958,000	-	3,990,000
Legacies	10,704,000	-	-	10,704,000
Trust income	788,000	-	-	788,000
Student payments	20,000	-	-	20,000
Other	207,000	-	-	207,000
Net assets released from restrictions	<u>814,000</u>	<u>(814,000)</u>	<u>-</u>	<u>-</u>
	<u>21,208,000</u>	<u>153,000</u>	<u>138,000</u>	<u>21,499,000</u>
Operating expenses				
Program services	19,343,000	-	-	19,343,000
Management and general	3,458,000	-	-	3,458,000
Fund raising	<u>1,769,000</u>	<u>-</u>	<u>-</u>	<u>1,769,000</u>
	<u>24,570,000</u>	<u>-</u>	<u>-</u>	<u>24,570,000</u>
(Deficiency) excess of operating revenue, gains and other support over operating expenses	<u>(3,362,000)</u>	<u>153,000</u>	<u>138,000</u>	<u>(3,071,000)</u>
Other changes				
Change in value of split-interest agreements	(211,000)	-	-	(211,000)
Pension and postretirement - related changes other than net periodic pension and postretirement cost	(2,050,000)	-	-	(2,050,000)
Net realized gains	18,181,000	-	-	18,181,000
Net unrealized gains	<u>11,053,000</u>	<u>-</u>	<u>3,463,000</u>	<u>14,516,000</u>
	<u>26,973,000</u>	<u>-</u>	<u>3,463,000</u>	<u>30,436,000</u>
Change in net assets	23,611,000	153,000	3,601,000	27,365,000
Net assets - beginning of year	<u>225,916,000</u>	<u>1,918,000</u>	<u>15,951,000</u>	<u>243,785,000</u>
Net assets - end of year	<u>\$ 249,527,000</u>	<u>\$ 2,071,000</u>	<u>\$ 19,552,000</u>	<u>\$ 271,150,000</u>

See accompanying notes to financial statements.

THE SEEING EYE, INC.
(A New Jersey Not-for-Profit Organization)
Statements of Cash Flows
For the Years Ended September 30,

	2008	2007
Cash flows from operating activities		
Change in net assets	\$ (38,961,000)	\$ 27,365,000
Adjustments to reconcile change in net assets to cash provided by operating activities		
Depreciation and amortization	2,681,000	2,620,000
Loss on disposal of fixed assets	63,000	-
Change in value of split-interest agreements	(25,000)	15,000
Net realized and unrealized losses (gains) on investments	34,599,000	(29,234,000)
Gift of closely held stock	(365,000)	-
Change in beneficial interests in perpetual trusts held by others	(1,242,000)	(3,360,000)
Contributions restricted for long-term purposes	(1,537,000)	(958,000)
Permanently restricted contributions	(121,000)	-
Change in assets and liabilities		
Increase in receivables, prepaids and other assets	(16,000)	(18,000)
Increase in accounts payable and accrued expenses	739,000	79,000
Increase in accrued pension and postretirement benefits	174,000	2,903,000
	34,950,000	(27,953,000)
	(4,011,000)	(588,000)
Cash flows from investing activities		
Purchases of land, buildings and equipment	(2,241,000)	(3,693,000)
Proceeds from sale of investments	140,883,000	247,243,000
	(136,111,000)	(244,229,000)
Purchase of investments))
Proceeds from sale of fixed assets	16,000	-
Increase in restricted cash	(105,000)	(168,000)
	2,442,000	(847,000)
Cash flows from financing activities		
Contributions restricted for long-term purposes	1,537,000	958,000
Permanently restricted contributions received	121,000	-
	1,658,000	958,000
Net change in cash and cash equivalents	89,000	(477,000)
Cash and cash equivalents - beginning of year	719,000	1,196,000
Cash and cash equivalents - end of year	\$ 808,000	\$ 719,000
Supplemental disclosure of cash paid		
Interest	\$ 1,394,000	\$ 1,394,000
Supplemental disclosure of non-cash investing and financing activities		
Fixed assets purchased under capital lease	\$ -	\$ 2,501,000

See accompanying notes to financial statements.

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

See accompanying notes to financial statements.

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

Note 1 - Summary of Significant Accounting Policies

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 or gift, 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.

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.

Operating Indicator

The operating activities of the Organization include all income and expenses related to carrying out its mission. Not included in the Organization's operating measure are net gains (losses) on investment activities, which have been board-designated for long-term investment purposes.

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.

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 market value at the date of receipt. Market values for stocks, bonds and U.S. government securities are based on quoted market prices. Investments in investment funds and limited partnerships are carried at fair value. A significant portion of the limited partnerships is invested in non-marketable securities for which there are no readily obtainable market values. Management is responsible for making the fair value measurement for these investments, which are generally subject to certain withdrawal restrictions, and in part, are in accordance with the stated valuation policies for determining net asset value by the general partner or fund manager.

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

Note 1 - Summary of Significant Accounting Policies (continued)

Investments (continued)

Because of the inherent uncertainty of valuation for the Organization's investments in investment partnerships, and for certain of the underlying investments held by the investment partnerships, values for those investments may differ significantly from values that would have been used had a ready market for the investments existed. 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 \$704,000 and \$613,000 for the years ended September 30, 2008 and 2007, respectively.

Users of these financial statements should be aware that the financial markets' volatility in 2008 may significantly impact the subsequent valuation of the Organization's investments. Accordingly, the valuation of investments at September 30, 2008 may not necessarily be indicative of amounts that could be realized in a current market exchange.

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.

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 given.

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.

Permanently Restricted Net Assets

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

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

Note 1 - Summary of Significant Accounting Policies (continued)

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 4 for more details.

Income Taxes

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

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 of the estimated future cash flows to be received from the trusts. The trusts are recorded as permanently restricted net assets.

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 receives the trust assets upon the termination of the trust. The fair value of the trusts is computed at the present value of the estimated future cash flows to be received from the trusts. The trusts are recorded as temporarily restricted net assets.

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 market value of the asset and the liability is recorded as a contribution. Annually, the net assets and the liability of the present value of the future cash flows are adjusted.

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 \$130,000 and \$125,000 for the years ended September 30, 2008 and 2007, respectively.

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

Note 2 - Investments

A summary of investments held as of September 30, 2008 and 2007 is as follows:

	<u>2008</u>		<u>2007</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Stocks	\$ 100,874,000	\$ 91,754,000	\$ 95,411,000	\$ 120,680,000
Corporate bonds	8,278,000	7,232,000	6,612,000	8,396,000
U.S. Government securities	9,959,000	16,888,000	9,157,000	13,465,000
Short-term investments	43,316,000	43,316,000	60,649,000	61,364,000
Limited partnerships	51,059,000	56,559,000	39,669,000	50,850,000
	<u>\$ 213,486,000</u>	<u>\$ 215,749,000</u>	<u>\$ 211,498,000</u>	<u>\$ 254,755,000</u>

Under the terms and conditions of the Organization's subscriptions with various limited partnerships as of September 30, 2008, the Organization has committed to place an additional \$19,875,000 in capital contributions with the partnerships over approximately the next ten years.

Total return, net of investment advisory fees, on investments for the years ended September 30, 2008 and 2007 are summarized as follows:

	<u>2008</u>	<u>2007</u>
Dividends and interest	\$ 4,547,000	\$ 5,790,000
Trust income	986,000	788,000
Net realized gains	2,745,000	18,181,000
Net unrealized (losses) gains	(37,345,000)	11,053,000
	<u>\$ (29,067,000)</u>	<u>\$ 35,812,000</u>

Note 3 - Land, Buildings and Equipment

	<u>2008</u>	<u>2007</u>
Land and land improvements	\$ 5,744,000	\$ 5,686,000
Buildings	45,444,000	45,176,000
Furniture and other equipment	8,925,000	8,146,000
Plant improvements in progress	2,403,000	1,936,000
Leased office space	2,501,000	2,501,000
	<u>65,017,000</u>	<u>63,445,000</u>
Less accumulated depreciation and amortization	<u>24,638,000</u>	<u>22,677,000</u>
Net land, buildings and equipment	<u>\$ 40,379,000</u>	<u>\$ 40,768,000</u>

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

Note 3 - Land, Buildings and Equipment (continued)

Depreciation expense was \$2,551,000 and \$2,495,000 for the years ended September 30, 2008 and 2007, respectively.

Included in land and buildings is a property which has been used by the Organization as office and garage space. The Organization has entered into an agreement to sell the property for \$800,000, with an anticipated closing date of February 1, 2009.

Note 4 - Bonds Payable

Bonds payable at September 30, 2008 and 2007 consist of the following:

	2008	2007
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%	10,895,000	10,895,000
	29,235,000	29,235,000
Less unamortized bond discount	14,000	20,000
Bonds payable, net	<u>\$ 29,221,000</u>	<u>\$ 29,215,000</u>

On April 15, 2005, the NJEDA issued an \$18,340,000 (principal amount) Economic Bond 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 due December 1 and June 1.

On July 1, 2001, the NJEDA issued a \$10,895,000 (principal amount) Economic Bond 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 SEEING EYE, INC.
(A New Jersey Not-for-Profit Organization)
Notes to Financial Statements

Note 4 - Bonds Payable (continued)

The 2001 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 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 are due April 1 and October 1.

The redemption price of principal and interest on the 2005 and 2001 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 and 2001 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 \$28,730,000 and \$29,973,000 at September 30, 2008 and 2007, respectively.

The Master Trust Indentures governing the 2005 and 2001 Bonds require 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, 2008 and 2007 is as follows:

	2008	2007
Debt Service Reserve Fund - 2005	\$ 2,194,000	\$ 2,126,000
Debt Service Reserve Fund - 2001	1,259,000	1,220,000
Project Fund - 2005 Bonds	102,000	104,000
	\$ 3,555,000	\$ 3,450,000

Interest expense incurred on the bonds payable for the years ended September 30, 2008 and 2007 amounted to approximately \$1,394,000.

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

Note 5 - 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, 2008 and 2007, the pension fund assets are invested 60% and 66% in equity securities and 40% and 34% in debt securities, 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 8.0% as of September 30, 2008 and 2007. 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 following tables set forth the Plan's funded status and amounts recognized in the Organization's statement of financial position as of September 30, 2008 and 2007:

	<u>Pension Benefits</u>		<u>Other Postretirement Benefits</u>	
	<u>September 30, 2008</u>	<u>September 30, 2007</u>	<u>September 30, 2008</u>	<u>September 30, 2007</u>
Projected benefit obligation	\$ 15,679,000	\$ 17,005,000	\$ 5,086,000	\$ 5,268,000
Plan assets at fair value	<u>10,978,000</u>	<u>12,660,000</u>	<u>-</u>	<u>-</u>
Funded status	<u>\$ (4,701,000)</u>	<u>\$ (4,345,000)</u>	<u>\$ (5,086,000)</u>	<u>\$ (5,268,000)</u>
Items not yet recognized as a component of net periodic pension cost:				
Transition obligation	-	-	93,000	125,000
Prior service cost (credit)	(203,000)	(254,000)	469,000	514,000
Net loss (gain)	<u>3,160,000</u>	<u>1,491,000</u>	<u>(314,000)</u>	<u>174,000</u>
	<u>\$ 2,957,000</u>	<u>\$ 1,237,000</u>	<u>\$248,000</u>	<u>\$813,000</u>

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

Note 5 - Retirement Plans (continued)

	<u>Pension Benefits</u>		<u>Other Postretirement Benefits</u>	
	<u>September 30, 2008</u>	<u>September 30, 2007</u>	<u>September 30, 2008</u>	<u>September 30, 2007</u>
Components of net periodic pension cost for fiscal year 2008 and 2007:				
Service cost	\$ 924,000	\$ 914,000	\$ 261,000	\$ 287,000
Interest cost	1,015,000	1,104,000	326,000	304,000
Expected return on plan assets	(1,069,000)	(887,000)	-	-
Amortization of prior service cost	(51,000)	(51,000)	45,000	45,000
Amortization of net gain	-	102,000	-	-
Amortization of transition obligation	-	-	31,000	31,000
Net periodic pension cost	<u>\$ 819,000</u>	<u>\$ 1,182,000</u>	<u>\$ 663,000</u>	<u>\$ 667,000</u>
Employer contributions	\$ 2,183,000	\$ 727,000	\$ 281,000	\$ 158,000
Plan participant contributions	-	-	13,000	7,000
Benefits paid	2,190,000	260,000	294,000	183,000

Weighted average assumptions as of September 30, 2008 and 2007 are as follows:

Discount rate	6.03%	5.90%	6.03%	5.90%
Expected return on plan assets	8.00%	8.00%	-	-
Rate of compensation increase	5.00%	5.00%	5.00%	5.00%

Expected contributions for the pension benefit plan and other postretirement benefit plan for fiscal year ending September 30, 2009 are as follows:

	<u>Pension Benefits</u>	<u>Other Postretirement Benefits</u>
Expected employer contributions	\$ 548,000	\$ 294,000
Expected employee contributions	-	16,000

Estimated future benefit 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>
2009	\$ 482,000	\$ 294,000
2010	567,000	293,000
2011	693,000	300,000
2012	697,000	300,000
2013	703,000	296,000
2014-2018	4,680,000	1,482,000

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, 2008 is 6.5%. A general direction and pattern of the health care cost trend rate assumed for the fiscal years ending September 30 are as follows:

2009	6.00%
2010	5.50%
2011 and thereafter	5.00%

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Note 6 - Capital Lease Obligation

The Organization has entered into a capital lease for office and garage space with a minimum lease term of thirty years commencing on the date of occupancy, which is projected to be on or about December 1, 2008.

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, 2008:

For the Years Ending <u>September 30,</u>	
2009	\$ 129,000
2010	155,000
2011	155,000
2012	162,000
2013	164,000
Thereafter	<u>5,219,000</u>
Total minimum lease payments	5,984,000
Less amount representing interest	<u>3,483,000</u>
Present value of minimum lease payments	<u>\$2,501,000</u>

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

Under the terms of the capital lease obligation, as of September 30, 2008, the Organization has remaining commitments of approximately \$187,000 for the construction of leasehold improvements to the garage space.

Note 7 - Restricted Net Assets

Permanently restricted net assets at September 30, 2008 and 2007 are restricted to:

	<u>2008</u>	<u>2007</u>
Investments to be held in perpetuity, the income from which is primarily restricted for program support services and facilities maintenance	\$ 5,698,000	\$ 5,341,000
Beneficial interest in perpetual trusts, the income from which is unrestricted	<u>15,217,000</u>	<u>14,211,000</u>
	<u>\$ 20,915,000</u>	<u>\$ 19,552,000</u>

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Note 7 - Restricted Net Assets (continued)

Temporarily restricted net assets at September 30, 2008 and 2007 consist of:

	2008	2007
Beneficial interest in other trusts, the income from which is unrestricted	\$ 304,000	\$ 278,000
Program support services	527,000	1,596,000
Facility maintenance	268,000	197,000
	\$ 1,099,000	\$ 2,071,000

During the years ended September 30, 2008 and 2007, net assets were released from donor restrictions as a result of expenses being incurred which satisfied the restricted purposes or by occurrence of other events specified by donors, as follows:

	2008	2007
Purpose for which restrictions were accomplished		
Program services	\$ 2,676,000	\$ 814,000

Note 8 - Significant Risks and Uncertainties
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. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

Note 9 - 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, 2008 and 2007 were approximately \$136,000 and \$130,000, respectively.

Note 10 - Reclassification

Certain 2007 amounts have been reclassified to conform to the 2008 financial statement presentation.

THE SEEING EYE, INC.
(A New Jersey Not-for-Profit Organization)
Schedule of Functional Expenses
For the Year Ended September 30, 2008

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Expenses, excluding endowment management fee				
Salaries and wages	\$ 7,083,000	\$ 1,457,000	\$ 717,000	\$ 9,257,000
Employee benefits and payroll taxes	3,485,000	658,000	350,000	4,493,000
Occupancy	1,515,000	139,000	37,000	1,691,000
Professional fees	349,000	530,000	87,000	966,000
Contracted services	506,000	44,000	12,000	562,000
Financing costs and bank fees	1,524,000	21,000	2,000	1,547,000
External communications	245,000	11,000	26,000	282,000
Canine support	1,654,000	8,000	-	1,662,000
Canine research	148,000	-	-	148,000
Student support	588,000	4,000	-	592,000
Telephone and postage	147,000	24,000	25,000	196,000
Office	77,000	68,000	46,000	191,000
Orientation and mobility seminars	142,000	-	-	142,000
Travel and auto	627,000	48,000	23,000	698,000
Fundraising	2,000	-	659,000	661,000
Other	130,000	311,000	117,000	558,000
Depreciation	<u>2,199,000</u>	<u>279,000</u>	<u>73,000</u>	<u>2,551,000</u>
	<u>\$ 20,421,000</u>	<u>\$ 3,602,000</u>	<u>\$ 2,174,000</u>	<u>\$26,197,000</u>

See accompanying independent auditors' report.

THE SEEING EYE, INC.
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Schedule of Functional Expenses (continued)
For the Year Ended September 30, 2007

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Expenses, excluding endowment management fee				
Salaries and wages	\$ 6,728,000	\$1,375,000	\$ 601,000	\$ 8,704,000
Employee benefits and payroll taxes	3,680,000	735,000	326,000	4,741,000
Occupancy	1,298,000	132,000	31,000	1,461,000
Professional fees	330,000	377,000	84,000	791,000
Contracted services	423,000	38,000	10,000	471,000
Financing costs and bank fees	1,519,000	26,000	1,000	1,546,000
External communications	286,000	1,000	19,000	306,000
Canine support	1,522,000	6,000	-	1,528,000
Canine research	104,000	-	-	104,000
Student support	312,000	4,000	-	316,000
Telephone and postage	141,000	22,000	25,000	188,000
Office	66,000	61,000	20,000	147,000
Orientation and mobility seminars	206,000	-	-	206,000
Travel and auto	616,000	37,000	19,000	672,000
Fundraising	3,000	1,000	443,000	447,000
Other	116,000	182,000	149,000	447,000
Depreciation	<u>1,993,000</u>	<u>461,000</u>	<u>41,000</u>	<u>2,495,000</u>
	<u>\$ 19,343,000</u>	<u>\$ 3,458,000</u>	<u>\$ 1,769,000</u>	<u>\$ 24,570,000</u>

See accompanying independent auditors' report.