

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

For the Years Ended September 30, 2007 and 2006

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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, 2007 and 2006, 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, 2007 and 2006, 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 20 and 21 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, 2007 and 2006 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,

P.C.

AMPER, POLITZINER & MATTIA, P.C.

January 14, 2008
Bridgewater, New Jersey

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

	2007	2006
Assets		
Cash and cash equivalents	\$ 719,000	\$ 1,196,000
Receivables, prepaids and other assets	86,000	68,000
Investments	254,755,000	228,535,000
Beneficial interests in perpetual trusts held by others	13,975,000	10,615,000
Beneficial interests in other charitable trusts	280,000	295,000
Restricted cash - NJEDA Bonds	3,450,000	3,282,000
Land, buildings and equipment, net	40,917,000	37,069,000
Deferred financing costs	1,596,000	1,714,000
	\$ 315,778,000	\$ 282,774,000
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 2,606,000	\$ 2,527,000
Accrued pension and postretirement benefits	9,613,000	6,710,000
Interest payable	544,000	544,000
Capital lease obligation	2,650,000	-
Bonds payable, net	29,215,000	29,208,000
	44,628,000	38,989,000
Net assets		
Unrestricted	249,527,000	227,689,000
Temporarily restricted	2,071,000	1,918,000
Permanently restricted	19,552,000	14,178,000
	271,150,000	243,785,000
	\$ 315,778,000	\$ 282,774,000

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, 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	814,000	(814,000)	-	-
	<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	1,769,000	-	-	1,769,000
	<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)
Adjustment for additional pension liability	(2,050,000)	-	-	(2,050,000)
Net realized gain	18,181,000	-	-	18,181,000
Net unrealized gain	11,053,000	-	3,463,000	14,516,000
	<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
Miscellaneous reclassification	(1,773,000)	-	1,773,000	-
Net assets - beginning of year	<u>227,689,000</u>	<u>1,918,000</u>	<u>14,178,000</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)
Statement of Activities (continued)
For the Year Ended September 30, 2006

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating revenue, gains and other support				
Dividend and interest income	\$ 5,126,000	\$ 61,000	\$ 1,000	\$ 5,188,000
Contributions	3,971,000	518,000	567,000	5,056,000
Legacies	12,422,000	-	-	12,422,000
Trust income	740,000	-	-	740,000
Student payments	21,000	-	-	21,000
Other	206,000	-	-	206,000
Net assets released from restrictions	679,000	(679,000)	-	-
	<u>23,165,000</u>	<u>(100,000)</u>	<u>568,000</u>	<u>23,633,000</u>
Operating expenses				
Program services	19,294,000	-	-	19,294,000
Management and general	2,702,000	-	-	2,702,000
Fund raising	1,438,000	-	-	1,438,000
	<u>23,434,000</u>	<u>-</u>	<u>-</u>	<u>23,434,000</u>
(Deficiency) excess of operating revenue, gains and other support over operating expenses	<u>(269,000)</u>	<u>(100,000)</u>	<u>568,000</u>	<u>199,000</u>
Other changes				
Change in value of split-interest agreements	(83,000)	2,000	-	(81,000)
Net realized gain	12,272,000	-	-	12,272,000
Net unrealized gain	2,589,000	-	508,000	3,097,000
	<u>14,778,000</u>	<u>2,000</u>	<u>508,000</u>	<u>15,288,000</u>
Change in net assets	14,509,000	(98,000)	1,076,000	15,487,000
Net assets - beginning of year	<u>213,180,000</u>	<u>2,016,000</u>	<u>13,102,000</u>	<u>228,298,000</u>
Net assets - end of year	<u>\$ 227,689,000</u>	<u>\$ 1,918,000</u>	<u>\$ 14,178,000</u>	<u>\$ 243,785,000</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,

	2007	2006
Cash flows from operating activities		
Change in net assets	\$ 27,365,000	\$ 15,487,000
Adjustments to reconcile change in net assets to cash provided by operating activities		
Depreciation and amortization	2,620,000	2,456,000
Change in value of split-interest agreements	15,000	(2,000)
Net realized and unrealized gains on investments	(29,234,000)	(14,861,000)
Change in beneficial interests in perpetual trusts	(3,360,000)	(1,069,000)
Change in assets and liabilities		
(Increase) decrease in receivables, prepaids and other assets	(18,000)	243,000
Increase (decrease) in accounts payable and accrued expenses	79,000	(327,000)
Increase in accrued pension and postretirement benefits	2,903,000	1,030,000
	(26,995,000)	(12,530,000)
	370,000	2,957,000
Cash flows from investing activities		
Purchases of land, buildings and equipment	(3,693,000)	(2,004,000)
Proceeds from sale of investments	247,243,000	160,442,000
Purchase of investments	(244,229,000)	(161,465,000)
Increase in restricted cash	(168,000)	(102,000)
	(847,000)	(3,129,000)
Cash flows from financing activities		
Financing costs on bonds payable	-	399,000
Net change in cash and cash equivalents	(477,000)	227,000
Cash and cash equivalents- beginning of year	1,196,000	969,000
Cash and cash equivalents - end of year	\$ 719,000	\$ 1,196,000
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	\$ 2,650,000	\$ -

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 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 \$613,000 and \$564,000 for the years ended September 30, 2007 and 2006, respectively.

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 and contributions. 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 statement 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.

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.

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

Note 1 - Summary of Significant Accounting Policies (continued)

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 at September 30, 2007 and 2006. Amortization expense was \$125,000 for the years ended September 30, 2007 and 2006. Amortization expense for each of the next five years will be \$125,000.

Note 2 - Investments

A summary of investments held as of September 30, 2007 and 2006 is as follows:

	<u>2007</u>		<u>2006</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Stocks	\$ 95,411,000	\$ 120,680,000	\$ 110,701,000	\$ 129,246,000
Corporate bonds	6,612,000	8,396,000	23,610,000	23,590,000
U.S. Government securities	9,157,000	13,465,000	17,177,000	23,134,000
Short-term investments	60,649,000	61,364,000	22,432,000	22,438,000
Limited partnerships	39,669,000	50,850,000	22,680,000	30,127,000
	<u>\$ 211,498,000</u>	<u>\$ 254,755,000</u>	<u>\$ 196,600,000</u>	<u>\$ 228,535,000</u>

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

Note 2 - Investments (continued)

Under the terms and conditions of the Organization's subscriptions with various limited partnerships as of September 30, 2007, the Organization has committed to place an additional \$1,560,000 in capital contributions with the partnerships over approximately the next ten years.

Total return on investments for the years ended September 30, 2007 and 2006 are summarized as follows:

	<u>2007</u>	<u>2006</u>
Dividends and interest	\$ 5,790,000	\$ 5,188,000
Trust income	788,000	740,000
Net realized gains	18,181,000	12,272,000
Net unrealized gains	<u>11,053,000</u>	<u>2,589,000</u>
	<u>\$ 35,812,000</u>	<u>\$ 20,789,000</u>

Note 3 - Land, Buildings and Equipment

	<u>2007</u>	<u>2006</u>
Land and land improvements	\$ 5,686,000	\$ 5,391,000
Buildings	45,176,000	44,737,000
Furniture and other equipment	8,146,000	7,123,000
Plant improvements in progress	1,936,000	53,000
Leased office space	<u>2,650,000</u>	<u>-</u>
	63,594,000	57,304,000
Less accumulated depreciation and amortization	<u>22,677,000</u>	<u>20,235,000</u>
Net land, buildings and equipment	<u>\$ 40,917,000</u>	<u>\$ 37,069,000</u>

Depreciation expense was \$2,495,000 and \$2,330,000 for the years ended September 30, 2007 and 2006, respectively.

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

Note 4 - Bonds Payable

Bonds payable at September 30, 2007 and 2006 consisted of the following:

	2007	2006
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	20,000	27,000
Bonds payable, net	\$ 29,215,000	\$ 29,208,000

On April 15, 2005, the New Jersey Economic Development Authority (the "Authority") 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 Authority, 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 Authority 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 Authority, 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 are payable solely from payments to be made by the Organization under a Loan Agreement by, and between, the Authority 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 Authority for the prior bond year.

The fair value of the bonds payable is \$29,972,580 and \$30,524,000 at September 30, 2007 and 2006, 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, 2007 and 2006 are as follows:

	2007	2006
Debt Service Reserve Fund - 2005	\$ 2,126,000	\$ 2,026,000
Debt Service Reserve Fund - 2001	1,220,000	1,162,000
Project Fund - 2005 Bonds	104,000	94,000
	\$ 3,450,000	\$ 3,282,000

Interest expense incurred on the bonds payable for the years ended September 30, 2007 and 2006 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 Employee Retirement Income Security Act of 1974.

In addition to providing pension benefits, the Organization provides certain health care and life insurance benefits for retired employees. Substantially all employees may become eligible for these benefits if they reach normal retirement age while working for the Organization. The postretirement health care plan provides prescription drug benefits and has elected to defer accounting for the effects of the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Act"). The net periodic post-retirement benefit costs presented in the financial statements include the effects of the Act on the Plan.

As of September 30, 2007 and 2006, the pension fund assets are invested 66.0% and 65.0% in equity securities and 34.0% and 35.0% 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, 2007 and 2006. 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 Plans' 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 Plans' funded status and amounts recognized in the Organization's statement of financial position as of September 30, 2007:

	Pension Benefit	Other Postretirement Benefit
	<u> </u>	<u> </u>
Benefit obligation at September 30, 2007	\$ 17,005,000	\$ 5,268,000
Fair value of plan assets at September 30, 2007	<u>12,660,000</u>	<u>-</u>
Funded status of the plan	<u>\$ (4,345,000)</u>	<u>\$ (5,268,000)</u>

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

Note 5 - Retirement Plans (continued)

Amounts recognized in the statement of financial position as of September 30, 2007 consist of:

Assets	\$ -
Liabilities	<u>9,613,000</u>
	<u><u>\$ (9,613,000)</u></u>

Amounts recognized in the statements of activities due to application of Financial Accounting Standard 158, Employers' Accounting for Defined Benefit Pensions and Other Post Retirement Plans for the year ended September 30, 2007 are as follows:

	<u>Pension Benefit</u>	<u>Other Postretirement Benefit</u>
Net loss	\$ 1,491,000	\$ 813,000
Prior service cost (credit)	(254,000)	-
Net transition obligation	-	-
	<u>\$ 1,237,000</u>	<u>\$ 813,000</u>
Net periodic cost	\$ 1,131,000	\$ 591,000
Employer contributions	727,000	158,000
Plan participant contributions	-	7,000
Benefits paid	260,000	183,000

Weighted average assumptions as of September 30, 2007:

Discount rate	5.90%	5.90%
Expected return on plan assets	8.00%	-
Rate of compensation increase	5.00%	5.00%
Net periodic cost	\$ 1,131,000	\$ 591,000
Other changes in plan assets and benefit obligations recognized in statement of activities prior service cost	1,237,000	813,000
Amortization of net loss	(102,000)	-
Amortization of prior service cost	51,000	45,000
Amortization of transition liability	-	31,000
Total recognized in net periodic pension cost and due to application of FAS 158	<u>\$ 2,317,000</u>	<u>\$ 1,480,000</u>

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

Note 5 - Retirement Plans (continued)

The estimated prior service cost, net loss and transition cost that will be amortized into net periodic pension cost in the next fiscal year are \$96,000, \$0 and \$31,000, respectively.

The following table sets forth the amount recognized in the statement of financial position before and after application of FAS 158:

	<u>Pension Benefit</u>	<u>Other Postretirement Benefit</u>
Amount recognized prior to application of FAS 158 as liability		
Unfunded accumulated benefit obligation	\$ -	\$ (5,268,000)
(Accrued) cost	<u>(3,108,000)</u>	<u>(4,455,000)*</u>
Amount recognized	(3,108,000)	(4,455,000)
Contributions between measurement and disclosure	<u>-</u>	<u>-</u>
Amount recognized prior to FAS 158	(3,108,000)	(4,455,000)
Funded status	<u>(4,345,000)</u>	<u>(5,268,000)</u>
 Change in liability due to FAS 158	 <u><u>\$ (1,237,000)</u></u>	 <u><u>\$ (813,000)</u></u>

* FAS 106 did not require the recognition of an additional minimum liability.

The following tables provide a reconciliation of the changes in the Plans' benefit obligations and fair value of assets for the year ended September 30, 2006:

	<u>Pension Benefit</u>	<u>Other Postretirement Benefit</u>
Change in projected benefit obligation		
Benefit obligation at beginning of period	\$ 16,222,000	\$ 4,573,000
Service cost	943,000	324,000
Interest cost	937,000	246,000
Participant contributions	-	7,000
Actuarial (gain)	(1,535,000)	(16,000)
Benefits paid	<u>(260,000)</u>	<u>(183,000)</u>
 Benefit obligation at end of period	 <u><u>\$ 16,307,000</u></u>	 <u><u>\$ 4,951,000</u></u>

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

Note 5 - Retirement Plans (continued)

	<u>Pension Benefit</u>	<u>Other Postretirement Benefit</u>
Change in Plan assets		
Fair value of Plan assets at beginning of period	\$ 9,697,000	\$ -
Actual return on Plan assets	781,000	-
Employer contributions	712,000	176,000
Benefits paid	(260,000)	(183,000)
Participant contributions	-	7,000
	<u> </u>	<u> </u>
Fair value of Plan assets at end of period	<u>\$ 10,930,000</u>	<u>\$ -</u>
Funded status of Plan		
Plan assets less than projected benefits	\$ (5,376,000)	\$ (4,951,000)
Unrecognized transition obligation	-	155,000
Unrecognized prior service cost	(304,000)	560,000
Unrecognized loss	2,930,000	276,000
	<u> </u>	<u> </u>
Net accrued liabilities recognized in the statement of financial position	<u>\$ (2,750,000)</u>	<u>\$ (3,960,000)</u>
Components of net periodic benefit cost		
Service cost	\$ 943,000	\$ 307,000
Interest cost	937,000	263,000
Expected return on Plan assets	(794,000)	-
Amortization of transition obligation	-	31,000
Amortization of amendments	(51,000)	45,000
Amortization of loss	237,000	-
	<u> </u>	<u> </u>
Net expense	<u>\$ 1,272,000</u>	<u>\$ 646,000</u>
Weighted average assumptions at end of period		
Discount rate	5.90%	5.90%
Expected return on assets	8.00%	-
Average rate of increase in compensation	5.00%	5.00%

THE SEEING EYE, INC.
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Note 5 - Retirement Plans (continued)

Expected contributions for the pension benefit plan and other postretirement benefit plan for fiscal year ending September 30, 2008 are as follows:

	<u>Pension Benefit</u>	<u>Other Postretirement Benefit</u>
Expected employer contributions	\$ 954,000	\$ 257,000
Expected employee contributions	-	8,000

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 Benefit</u>	<u>Other Postretirement Benefit</u>
2008	\$ 415,000	\$ 265,000
2009	541,000	237,000
2010	638,000	244,000
2011	763,000	270,000
2012	774,000	281,000
2013 - 2016	4,564,000	1,2618,000

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, 2007 is 7.0%. A general direction and pattern of the health care cost trend rate assumed for the fiscal years ending September 30 are as follows:

2008	6.5%
2009	6.0%
2010	5.5%
2011 and later	5.0%

THE SEEING EYE, INC.
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Notes to Financial Statements

Note 6 - Capital Lease Obligation

The Organization has entered into a capital lease for office space beginning in July 2008 and expiring in July 2038.

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, 2007:

For the Years Ending
September 30,

2008	\$ 39,000
2009	155,000
2010	155,000
2011	157,000
2012	164,000
Thereafter	<u>5,314,000</u>
Total minimum lease payments	5,984,000
Less amount representing interest	<u>3,334,000</u>
Present value of minimum lease payments	2,650,000
Less current maturities	<u>8,000</u>
 Capital lease obligation, net of current maturities	 <u><u>\$ 2,642,000</u></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, the Organization has remaining commitments of approximately \$760,000 for the construction of leasehold improvements.

Note 7 - Restricted Net Assets

Permanently restricted net assets at September 30, 2007 and 2006 are restricted to:

	<u>2007</u>	<u>2006</u>
Investments to be held in perpetuity, the income from which is unrestricted	\$ 5,341,000	\$ 3,563,000
 Beneficial interest in perpetual trusts, the income from which is unrestricted	 <u>14,211,000</u>	 <u>10,615,000</u>
	<u><u>\$ 19,552,000</u></u>	<u><u>\$ 14,178,000</u></u>

THE SEEING EYE, INC.
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Notes to Financial Statements

Note 7 - Restricted Net Assets (continued)

Temporarily restricted net assets at September 30, 2007 and 2006 consisted of:

	2007	2006
Beneficial interest in other trusts, the income from which is unrestricted	\$ 278,000	\$ 295,000
Program support services	1,596,000	1,426,000
Facility maintenance	197,000	197,000
	\$ 2,071,000	\$ 1,918,000

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors during fiscal 2007 and 2006, respectively, as follows:

	2007	2006
Purpose restrictions accomplished		
Program services	\$ 814,000	\$ 679,000

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 - Related Party

Related party includes:

Morgan Stanley - One of the managing directors is a member of the Organization's investment committee. Management fees paid to this company for the years ended September 30, 2007 and 2006 were approximately \$130,000.

THE SEEING EYE, INC.
(A New Jersey Not-for-Profit Organization)
Schedule of Functional Expenses
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	1,993,000	461,000	41,000	2,495,000
	<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.

THE SEEING EYE, INC.
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Schedule of Functional Expenses (continued)
For the Year Ended September 30, 2006

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Salaries and wages	\$ 6,494,000	\$1,376,000	\$ 455,000	\$ 8,325,000
Employee benefits and payroll taxes	3,536,000	645,000	246,000	4,427,000
Occupancy	1,292,000	39,000	20,000	1,351,000
Professional fees	326,000	318,000	57,000	701,000
Contracted services	401,000	7,000	8,000	416,000
Financing costs and bank fees	1,554,000	2,000	1,000	1,557,000
External communications	286,000	2,000	16,000	304,000
Canine support	1,485,000	-	-	1,485,000
Canine research	147,000	-	-	147,000
Student support	336,000	-	-	336,000
Telephone and postage	148,000	38,000	31,000	217,000
Office expense	121,000	31,000	17,000	169,000
Orientation and mobility seminars	218,000	-	-	218,000
Travel and auto expense	614,000	30,000	5,000	649,000
Fundraising	-	-	427,000	427,000
Other	207,000	72,000	96,000	375,000
Depreciation	<u>2,129,000</u>	<u>142,000</u>	<u>59,000</u>	<u>2,330,000</u>
	<u>\$19,294,000</u>	<u>\$2,702,000</u>	<u>\$1,438,000</u>	<u>\$23,434,000</u>

See accompanying independent auditors' report.