



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

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2011 and 2010**  
(with supplementary information)

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

**Contents**

	<b><u>Page</u></b>
<b>Financial Statements</b>	
Independent Auditors' Report	1
Statements of Financial Position as of September 30, 2011 and 2010	2
Statements of Activities for the Years Ended September 30, 2011 and 2010	3 - 4
Statements of Cash Flows for the Years Ended September 30, 2011 and 2010	5
Notes to Financial Statements	6 - 23
<b>Supplementary Information</b>	
Schedules of Functional Expenses for the Years Ended September 30 2011 and 2010	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 statements of financial position of The Seeing Eye, Inc. (the "Organization") as of September 30, 2011 and 2010, 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, 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, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

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



Bridgewater, New Jersey  
December 15, 2011

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

**Statements of Financial Position**

	<u>September 30,</u>	
	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,114,000	\$ 1,049,000
Prepays and other assets	323,000	303,000
Unconditional promises to give, net	294,000	-
Investments	186,244,000	194,556,000
Beneficial interests in perpetual trusts held by others	18,702,000	15,800,000
Beneficial interests in other charitable trusts	594,000	534,000
Restricted cash - NJEDA Bond	1,922,000	1,920,000
Land, buildings and equipment, net	34,129,000	36,214,000
Deferred financing costs, net	1,125,000	1,208,000
	<u>\$ 244,447,000</u>	<u>\$ 251,584,000</u>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 3,201,000	\$ 3,353,000
Accrued pension and postretirement benefits	9,943,000	9,713,000
Interest payable	305,000	305,000
Capital lease obligation	2,527,000	2,525,000
Bonds payable	18,340,000	18,340,000
	<u>34,316,000</u>	<u>34,236,000</u>
<b>NET ASSETS</b>		
Unrestricted	183,165,000	191,906,000
Temporarily restricted	2,410,000	3,810,000
Permanently restricted	24,556,000	21,632,000
	<u>210,131,000</u>	<u>217,348,000</u>
Total net assets	<u>\$ 244,447,000</u>	<u>\$ 251,584,000</u>

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

**Statement of Activities**  
**Year Ended September 30, 2011**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Operating revenue, gains and other support:</b>				
Dividend and interest income	\$ 2,118,000	\$ 296,000	\$ 2,000	\$ 2,416,000
Contributions	3,973,000	952,000	20,000	4,945,000
Legacies	4,449,000	830,000	-	5,279,000
Trust income	1,003,000	-	-	1,003,000
Student payments	15,000	-	-	15,000
Other	231,000	-	-	231,000
Net assets released from restrictions	<u>3,500,000</u>	<u>(3,500,000)</u>	-	-
	<u>15,289,000</u>	<u>(1,422,000)</u>	<u>22,000</u>	<u>13,889,000</u>
<b>Operating expenses:</b>				
Program services	21,581,000	-	-	21,581,000
Management and general	1,791,000	-	-	1,791,000
Fundraising	<u>2,178,000</u>	-	-	<u>2,178,000</u>
	<u>25,550,000</u>	-	-	<u>25,550,000</u>
(Deficiency) excess of operating revenue, gains and other support over operating expenses	<u>(10,261,000)</u>	<u>(1,422,000)</u>	<u>22,000</u>	<u>(11,661,000)</u>
<b>Other changes:</b>				
Change in value of split-interest agreements	(112,000)	60,000	-	(52,000)
Pension and postretirement - related changes other than net periodic pension and postretirement cost	455,000	-	-	455,000
Net realized gains	12,229,000	1,000	-	12,230,000
Net unrealized (losses) gains	(11,067,000)	(39,000)	2,902,000	(8,204,000)
Gain on disposal of fixed assets	<u>15,000</u>	-	-	<u>15,000</u>
	<u>1,520,000</u>	<u>22,000</u>	<u>2,902,000</u>	<u>4,444,000</u>
<b>Change in net assets</b>	<b>(8,741,000)</b>	<b>(1,400,000)</b>	<b>2,924,000</b>	<b>(7,217,000)</b>
Net assets - beginning of year	<u>191,906,000</u>	<u>3,810,000</u>	<u>21,632,000</u>	<u>217,348,000</u>
<b>Net assets - end of year</b>	<b><u>\$ 183,165,000</u></b>	<b><u>\$ 2,410,000</u></b>	<b><u>\$ 24,556,000</u></b>	<b><u>\$ 210,131,000</u></b>

See notes to financial statements

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

**Statement of Activities (continued)**  
**Year Ended September 30, 2010**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Operating revenue, gains and other support:</b>				
Dividend and interest income	\$ 1,787,000	\$ 332,000	\$ 4,000	\$ 2,123,000
Contributions, net	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>14,493,000</u>	<u>1,958,000</u>	<u>311,000</u>	<u>16,762,000</u>
<b>Operating expenses:</b>				
Program services	21,770,000	-	-	21,770,000
Management and general	2,228,000	-	-	2,228,000
Fundraising	<u>2,665,000</u>	<u>-</u>	<u>-</u>	<u>2,665,000</u>
	<u>26,663,000</u>	<u>-</u>	<u>-</u>	<u>26,663,000</u>
(Deficiency) excess of operating revenue, gains and other support over operating expenses	<u>(12,170,000)</u>	<u>1,958,000</u>	<u>311,000</u>	<u>(9,901,000)</u>
<b>Other changes:</b>				
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)	10,362,000	380,000	(264,000)	10,478,000
Gain on disposal of fixed assets	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>30,000</u>
	<u>20,303,000</u>	<u>544,000</u>	<u>(264,000)</u>	<u>20,583,000</u>
<b>Change in net assets</b>	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>
<b>Net assets - end of year</b>	<u>\$ 191,906,000</u>	<u>\$ 3,810,000</u>	<u>\$ 21,632,000</u>	<u>\$ 217,348,000</u>

See notes to financial statements

**THE SEEING EYE, INC.**  
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**Statements of Cash Flows**

	<b>Year Ended September 30,</b>	
	<b>2011</b>	<b>2010</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	<b>\$ (7,217,000)</b>	\$ 10,682,000
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	<b>2,755,000</b>	2,947,000
Gain on disposal of fixed assets	<b>(15,000)</b>	(30,000)
Change in value of split-interest agreements	<b>(60,000)</b>	(68,000)
Net realized and unrealized gains on investments	<b>(1,124,000)</b>	(18,001,000)
Change in beneficial interests in perpetual trusts held by others	<b>(2,902,000)</b>	(19,000)
Temporarily restricted contributions and legacies	<b>(1,782,000)</b>	(2,845,000)
Permanently restricted contributions and legacies	<b>(20,000)</b>	(307,000)
Increase in unconditional promises to give	<b>(294,000)</b>	-
Increase in prepaids and other assets	<b>(20,000)</b>	(260,000)
Decrease in accounts payable and accrued expenses	<b>(152,000)</b>	(78,000)
Increase (decrease) in accrued pension and postretirement benefits	<b>230,000</b>	(2,231,000)
Decrease in interest payable	<b>-</b>	(252,000)
	<b>(3,384,000)</b>	(21,144,000)
Net cash used in operating activities	<b>(10,601,000)</b>	(10,462,000)
<b>Cash flows from investing activities:</b>		
Purchases of buildings and equipment	<b>(587,000)</b>	(859,000)
Proceeds from sale of investments	<b>94,516,000</b>	78,226,000
Purchase of investments	<b>(85,080,000)</b>	(60,331,000)
Proceeds from sale of fixed assets	<b>15,000</b>	30,000
(Increase) decrease in restricted cash	<b>(2,000)</b>	1,021,000
Net cash provided by investing activities	<b>8,862,000</b>	18,087,000
<b>Cash flows from financing activities:</b>		
Increase in capital lease obligation	<b>2,000</b>	1,000
Payment of bonds payable	<b>-</b>	(10,895,000)
Temporarily restricted contributions received	<b>1,782,000</b>	2,821,000
Permanently restricted contributions and legacies received	<b>20,000</b>	307,000
Net cash provided by (used in) financing activities	<b>1,804,000</b>	(7,766,000)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>65,000</b>	(141,000)
Cash and cash equivalents - beginning of year	<b>1,049,000</b>	1,190,000
<b>Cash and cash equivalents - end of year</b>	<b>\$ 1,114,000</b>	<b>\$ 1,049,000</b>
<b>Supplemental disclosure of cash paid:</b>		
Cash paid for:		
Interest	<b>\$ 1,178,000</b>	\$ 1,601,000

See notes to financial statements

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

**Notes to Financial Statements**  
**September 30, 2011 and 2010**

**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 guide dogs. 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 guide dogs 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 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 with original maturities of three months or less.

**[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 \$538,000 and \$473,000 for the years ended September 30, 2011 and 2010, 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, 2011 and 2010**

**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 three 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, unconditional promises to give and other income are recognized as revenue in the period received. Contributions of assets other than cash are recorded at their estimated fair value at the date of donations. Contributions to be received after one year are discounted at a rate commensurate with the risk involved. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution and nature of fund-raising activity.

**[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 bond:**

The Organization has received proceeds from the issuance of a New Jersey Economic Development Authority ("NJEDA") bond. As part of the bond issuance, the NJEDA required that the Organization deposit certain funds in separate bank accounts managed by a trustee. See Note G 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. *Accounting for Uncertainty in Income Taxes* clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statement. The Organization recognizes accrued interest and penalties associated with uncertain tax positions, if any. There were no income-tax related interest or penalties recorded for the years ended September 30, 2011 and 2010. The income tax returns of the Organization for September 30, 2010, 2009, and 2008 are subject to examination by the IRS and other taxing authorities, generally for three years after they were filed.

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

**Notes to Financial Statements**  
**September 30, 2011 and 2010**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**[12] New accounting pronouncements:**

In May 2011, the Financial Accounting Standards Board issued *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. Generally Accepted Accounting Principles* ("US GAAP") and *International Reporting Standards – Fair Value Measurement*. The new guidance relates to fair value measurements, related disclosures and consistent meaning of the term "fair value" in US GAAP and International Financial Reporting Standards. The amendment clarifies how to apply the existing fair value measurements and disclosures. For fair value measurements classified within Level 3, an entity is required to disclose quantitative information about the unobservable inputs. A reporting entity is also required to disclose additional information like valuation processes, a narrative description of the sensitivity of the fair value measurements to changes in unobservable inputs and the interrelationships between those unobservable inputs. The amendment is effective for annual periods beginning after December 15, 2011, and the Organization is currently evaluating the impact of the adoption on its financial statements.

**[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, including the 2001 Bond which was repaid during the fiscal year ended September 30, 2010. In connection with the issuance of the NJEDA bonds, the Organization incurred \$2,462,000 of deferred financing and interest costs. Amortization expense was \$83,000 and \$147,000 for the years ended September 30, 2011 and 2010, 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 15, 2011, the date the financial statements were available to be issued.

**NOTE B - UNCONDITIONAL PROMISES TO GIVE**

Unconditional promises to give are as follows as of September 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Receivable in less than one year	\$ 105,000	\$ -
Receivable in one to five years	241,000	-
Receivable in more than five years	<u>5,000</u>	<u>-</u>
	351,000	-
Less discounts to net present value	(7,000)	-
Less allowance for doubtful accounts	<u>(50,000)</u>	<u>-</u>
Unconditional promises to give, net	<u>\$ 294,000</u>	<u>\$ -</u>

Unconditional promises to give, which are receivable in more than one year, are discounted at a risk-free rate of return appropriate for the expected term of the promise to give which was 1% for the year ended September 30, 2011.

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

**Notes to Financial Statements**  
**September 30, 2011 and 2010**

**NOTE C - INVESTMENTS**

A summary of investments held as of September 30, 2011 and 2010 is as follows:

	<u>2011</u>		<u>2010</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Stocks	\$ 66,805,000	\$ 64,658,000	\$ 61,418,000	\$ 64,448,000
Equity mutual funds	8,805,000	7,911,000	8,960,000	8,407,000
Bond mutual funds	24,744,000	27,710,000	29,352,000	33,140,000
U.S. government securities	1,146,000	1,201,000	1,284,000	1,363,000
Short-term investments	17,795,000	17,795,000	12,589,000	12,589,000
Commodity ETF	-	-	10,000,000	11,218,000
Limited partnerships	58,800,000	66,969,000	51,669,000	63,391,000
	<u>\$ 178,095,000</u>	<u>\$ 186,244,000</u>	<u>\$ 175,272,000</u>	<u>\$ 194,556,000</u>

Total return on investments, net of investment advisory fees and expenses, for the years ended September 30, 2011 and 2010, is summarized as follows:

	<u>2011</u>	<u>2010</u>
Dividends and interest	\$ 2,416,000	\$ 2,123,000
Trust income	1,003,000	850,000
Net realized gains	12,230,000	7,259,000
Net unrealized (losses) gains	<u>(11,106,000)</u>	<u>10,742,000</u>
	<u>\$ 4,543,000</u>	<u>\$ 20,974,000</u>

Included in investments are assets held under gift annuity agreements, which total \$2,933,000 and \$3,220,000 at September 30, 2011 and 2010, respectively, and which are in excess of legally mandated reserves.

Investments in multi-strategy hedge funds were approximately 20% and 17%, respectively, of the fair value of total assets at September 30, 2011 and 2010.

**NOTE D - 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.

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

**Notes to Financial Statements**  
**September 30, 2011 and 2010**

**NOTE D - FAIR VALUE MEASUREMENTS (CONTINUED)**

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 following tables summarize the valuation of the Organization's assets within the aforementioned valuation hierarchy as of September 30, 2011 and 2010:

	<b>Assets at Fair Value as of September 30, 2011</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Investments:				
Stocks	\$ 64,658,000	\$ -	\$ -	\$ 64,658,000
Equity mutual funds	7,911,000	-	-	7,911,000
Bond mutual funds	27,710,000	-	-	27,710,000
U.S. government securities	-	1,201,000	-	1,201,000
Short-term investments	17,714,000	81,000	-	17,795,000
Limited partnerships	-	-	66,969,000	66,969,000
	<u>117,993,000</u>	<u>1,282,000</u>	<u>66,969,000</u>	<u>186,244,000</u>
Beneficial interests in trusts held by others:				
Perpetual trusts	-	-	18,702,000	18,702,000
Other trusts	-	-	594,000	594,000
	<u>-</u>	<u>-</u>	<u>19,296,000</u>	<u>19,296,000</u>
Totals	<u>\$ 117,993,000</u>	<u>\$ 1,282,000</u>	<u>\$ 86,265,000</u>	<u>\$ 205,540,000</u>

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

**Notes to Financial Statements**  
**September 30, 2011 and 2010**

**NOTE D - FAIR VALUE MEASUREMENTS (CONTINUED)**

	<b>Assets at Fair Value as of September 30, 2010</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
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>

Information regarding the nature and risk of certain Level 3 investments as of September 30, 2011, is as follows:

	<b>Fair Value</b>	<b>Unfunded Commitments</b>	<b>Redemption Frequency (if Currently Eligible)</b>	<b>Redemption Notice Period</b>
Multi-strategy hedge funds (a)	\$ 49,759,000	\$ -	Quarterly, Semi-Annual, and Annual	45 - 120 days
Private equity funds (b)	14,463,000	6,400,000	-	-
Private credit fund (c)	1,073,000	-	-	-
Private real estate fund (d)	<u>1,674,000</u>	<u>8,129,000</u>	-	-
	<u>\$ 66,969,000</u>	<u>\$ 14,529,000</u>		

- This category includes hedge funds that pursue multiple strategies to diversify risk. One of these funds is a fund of hedge funds.
- This category includes private equity fund-of-funds, which invest primarily in a variety of private equity funds managed by others.
- 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.
- 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, 2011 and 2010**

**NOTE D - FAIR VALUE MEASUREMENTS (CONTINUED)**

In January 2010, the FASB issued amended guidance on fair value measurements. The Organization has adopted the amended provisions that are effective for interim and annual reporting periods beginning after December 15, 2009 regarding disclosures of significant transfers into and out of Level 1 and Level 2 assets, and description of the reasons for the transfers. Additional disclosures that are effective for fiscal years beginning after December 15, 2010 regarding reporting purchases, sales, issuances and settlements for Level 3 assets and liabilities on a gross basis should not have a significant impact on the Organization's financial statements.

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, 2011 and 2010:

	<b>Level 3 Assets</b>					<b>Total</b>
	<b>Year Ended September 30, 2011</b>					
	<b>Limited Partnerships</b>				<b>Beneficial Interests in Trusts</b>	
<b>Multi-Strategy Hedge Funds</b>	<b>Private Equity Funds</b>	<b>Private Credit Fund</b>	<b>Private Real Estate Fund</b>			
Balance, beginning of year	<b>\$42,659,000</b>	<b>\$15,504,000</b>	<b>\$4,835,000</b>	<b>\$ 393,000</b>	<b>\$16,334,000</b>	<b>\$79,725,000</b>
Total gains or losses (realized/unrealized) included in earnings	<b>(2,900,000)</b>	<b>2,737,000</b>	<b>344,000</b>	<b>134,000</b>	<b>2,902,000</b>	<b>3,217,000</b>
Purchases, sales, issuances and settlements, net	<b>10,000,000</b>	<b>(3,778,000)</b>	<b>(4,106,000)</b>	<b>1,147,000</b>	<b>-</b>	<b>3,263,000</b>
Change in value of split-interest agreements	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>60,000</b>	<b>60,000</b>
Balance, end of year	<b><u>\$49,759,000</u></b>	<b><u>\$14,463,000</u></b>	<b><u>\$1,073,000</u></b>	<b><u>\$1,674,000</u></b>	<b><u>\$19,296,000</u></b>	<b><u>\$86,265,000</u></b>

	<b>Level 3 Assets</b>					<b>Total</b>
	<b>Year Ended September 30, 2010</b>					
	<b>Limited Partnerships</b>				<b>Beneficial Interests in Trusts</b>	
<b>Multi-Strategy Hedge Funds</b>	<b>Private Equity Funds</b>	<b>Private Credit Fund</b>	<b>Private Real Estate Fund</b>			
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	<b><u>\$42,659,000</u></b>	<b><u>\$15,504,000</u></b>	<b><u>\$4,835,000</u></b>	<b><u>\$393,000</u></b>	<b><u>\$16,334,000</u></b>	<b><u>\$79,725,000</u></b>

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

**Notes to Financial Statements**  
**September 30, 2011 and 2010**

**NOTE D - FAIR VALUE MEASUREMENTS (CONTINUED)**

When available, the Organization uses quoted market prices to determine the fair value of investment securities. Such investments are included in Level 1. The Organization's alternative investments are classified based upon the level in the fair value hierarchy within which the lowest level inputs are significant to the fair value measurements in its entirety within Levels 2 or 3. Alternative investments are primarily valued based on management's estimated fair value provided by the manager of the investment entities. Other entities' assets are non-marketable and the entities' 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. The total amount of investments measured using Level 3 valuation methodologies represented approximately 41% and 37% of total net assets as of September 30, 2011 and 2010, respectively.

The Organization evaluated the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total net assets. For the year ended September 30, 2011, there were no significant transfers in or out of Levels 1, 2 or 3.

**NOTE E - LAND, BUILDINGS AND EQUIPMENT**

	<u>2011</u>	<u>2010</u>
Land and land improvements	<b>\$ 5,661,000</b>	\$ 5,661,000
Buildings	<b>44,350,000</b>	44,182,000
Furniture and other equipment	<b>7,397,000</b>	9,338,000
Capitalized leased office and garage space	<b>2,536,000</b>	2,536,000
Leasehold improvements	<b>2,872,000</b>	2,872,000
Plant improvements in progress	<b>237,000</b>	62,000
	<b>63,053,000</b>	64,651,000
Less accumulated depreciation and amortization	<b>28,924,000</b>	28,437,000
Net land, buildings and equipment	<b><u>\$ 34,129,000</u></b>	<b><u>\$ 36,214,000</u></b>

Depreciation expense was \$2,672,000 and \$2,800,000 for the years ended September 30, 2011 and 2010, respectively.

**NOTE F - SPLIT-INTEREST AGREEMENTS**

The Organization recognizes contribution revenue and related asset and liability when an irrevocable split-interest agreement naming it 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 it. The Organization's split-interest agreements are managed by third-party trustees, in accordance with stipulations of the donors who established them.

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

**Notes to Financial Statements**  
**September 30, 2011 and 2010**

**NOTE F - SPLIT-INTEREST AGREEMENTS (CONTINUED)**

**[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, 2011 and 2010) 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 4.0% to 5.0% at September 30, 2011 and from 4.5% to 5.0% at September 30, 2010) 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.

**[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 \$1,587,000 and \$1,640,000 at September 30, 2011 and 2010, respectively, and is included in accounts payable and accrued expenses in the statements of financial position.

**NOTE G - BOND PAYABLE**

Bond payable at September 30, 2011 and 2010 consists of the following:

	<u>2011</u>	<u>2010</u>
New Jersey Economic Development Authority bonds – 2005, due December 1, 2024 with interest at a rate of 5.0%.	<u>\$ 18,340,000</u>	<u>\$ 18,340,000</u>

On April 15, 2005, the NJEDA issued \$18,340,000 (principal amount) of 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.

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

**Notes to Financial Statements**  
**September 30, 2011 and 2010**

**NOTE G - BOND 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 bond payable is \$18,596,000 and \$18,340,000 at September 30, 2011 and 2010, respectively.

The Master Trust Indenture governing the 2005 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 Indenture. The balance of such funds at September 30, 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Debt Service Reserve Fund – 2005 Bonds	<u>\$ 1,922,000</u>	<u>\$ 1,920,000</u>

Interest expense incurred on the bond payable for the years ended September 30, 2011 and 2010 amounted to \$917,000 and \$1,194,000, respectively.

**NOTE H - 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, 2011 and 2010, the pension fund assets are invested 39% and 40% in equity securities, 60% and 59% in debt securities and 1% and 1% 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% as of September 30, 2011 and 2010. 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, 2011 and 2010**

**NOTE H - 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, 2011 and 2010:

	<u>Pension Benefits</u>		<u>Other Postretirement Benefits</u>	
	<u>September 30, 2011</u>	<u>September 30, 2010</u>	<u>September 30, 2011</u>	<u>September 30, 2010</u>
Projected benefit obligation	\$ 19,065,000	\$ 18,163,000	\$ 6,008,000	\$ 5,576,000
Plan assets at fair value	<u>15,130,000</u>	<u>14,026,000</u>	<u>-</u>	<u>-</u>
Funded status	<u>\$ (3,935,000)</u>	<u>\$ (4,137,000)</u>	<u>\$ (6,008,000)</u>	<u>\$ (5,576,000)</u>
Items not yet recognized as a component of net periodic pension cost:				
Transition obligation	\$ -	\$ -	\$ -	\$ 31,000
Prior service (credit) cost	(74,000)	(149,000)	92,000	117,000
Net loss (gain)	<u>6,096,000</u>	<u>6,519,000</u>	<u>(541,000)</u>	<u>(490,000)</u>
	<u>\$ 6,022,000</u>	<u>\$ 6,370,000</u>	<u>\$ (449,000)</u>	<u>\$ (342,000)</u>

	<u>Pension Benefits</u>		<u>Other Postretirement Benefits</u>	
	<u>September 30, 2011</u>	<u>September 30, 2010</u>	<u>September 30, 2011</u>	<u>September 30, 2010</u>
Components of net periodic pension cost for fiscal years 2011 and 2010:				
Service cost	\$ 856,000	\$ 799,000	\$ 346,000	\$ 337,000
Interest cost	911,000	933,000	280,000	346,000
Expected return on plan assets	(927,000)	(1,037,000)	-	-
Amortization of prior service cost	(74,000)	(74,000)	26,000	26,000
Amortization of net loss	380,000	555,000	-	-
Amortization of transition obligation	<u>-</u>	<u>-</u>	<u>31,000</u>	<u>31,000</u>
Net periodic pension cost	<u>\$ 1,146,000</u>	<u>\$ 1,176,000</u>	<u>\$ 683,000</u>	<u>\$ 740,000</u>

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

**Notes to Financial Statements**  
**September 30, 2011 and 2010**

**NOTE H - RETIREMENT PLANS (CONTINUED)**

	<u>Pension Benefits</u>		<u>Other Postretirement Benefits</u>	
	<u>September 30, 2011</u>	<u>September 30, 2010</u>	<u>September 30, 2011</u>	<u>September 30, 2010</u>
Employer contributions	\$ 1,000,000	\$ 1,108,000	\$ 144,000	\$ 218,000
Plan participant contributions	-	-	63,000	34,000
Benefits paid	532,000	2,043,000	207,000	252,000

Weighted average assumptions as of September 30, 2011 and 2010 are as follows:

Discount rate	4.69%	5.10%	4.69%	5.08%
Expected return on plan assets	6.50%	6.50%	-	-
Rate of compensation increase	4.50%	4.50%	-	-

Expected contributions for the pension benefit plan and other postretirement benefit plan for fiscal year ending September 30, 2012, are as follows:

	<u>Pension Benefits</u>	<u>Other Postretirement Benefits</u>
Expected employer contributions	\$ 950,000	\$ 222,000
Expected employee contributions	-	64,000

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>
2012	\$ 502,000	\$ 158,000
2013	510,000	510,000
2014	516,000	182,000
2015	572,000	189,000
2016	748,000	208,000
2017 - 2021	6,228,000	1,097,000

The expected cost of retiree health and life insurance benefits is charged to expense during the years that the employees render services. 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 2018.

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

**Notes to Financial Statements**  
**September 30, 2011 and 2010**

**NOTE I - 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, 2011:

<u>Year Ending</u> <u>September 30,</u>	
2012	\$ 163,000
2013	165,000
2014	165,000
2015	173,000
2016	175,000
Thereafter	<u>4,786,000</u>
Total minimum lease payments	5,627,000
Less amount representing interest	<u>3,100,000</u>
Present value of minimum lease payments	<u>\$ 2,527,000</u>

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

**NOTE J - RESTRICTED NET ASSETS**

Permanently restricted net assets at September 30, 2011 and 2010 are restricted to:

	<u>2011</u>	<u>2010</u>
Investments to be held in perpetuity, the income from which is primarily restricted for program support services and facilities maintenance	<b>\$ 5,854,000</b>	\$ 5,832,000
Beneficial interest in perpetual trusts, the income from which is unrestricted	<u>18,702,000</u>	<u>15,800,000</u>
	<b><u>\$ 24,556,000</u></b>	<b><u>\$ 21,632,000</u></b>

Temporarily restricted net assets at September 30, 2011 and 2010 consist of:

	<u>2011</u>	<u>2010</u>
Beneficial interest in other trusts, the income from which is unrestricted	<b>\$ 594,000</b>	\$ 534,000
Program services	<b>1,297,000</b>	3,173,000
Facility renovation and maintenance	<u>519,000</u>	<u>103,000</u>
	<b><u>\$ 2,410,000</u></b>	<b><u>\$ 3,810,000</u></b>

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

**Notes to Financial Statements**  
**September 30, 2011 and 2010**

**NOTE J - RESTRICTED NET ASSETS (CONTINUED)**

During the years ended September 30, 2011 and 2010, 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>2011</u>	<u>2010</u>
Purpose for which restrictions were accomplished:		
Facility maintenance	\$ 75,000	\$ 180,000
Program services	<u>3,425,000</u>	<u>1,039,000</u>
	<u>\$ 3,500,000</u>	<u>\$ 1,219,000</u>

**NOTE K - 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 US 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:

- (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.

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

**Notes to Financial Statements**  
**September 30, 2011 and 2010**

**NOTE K - ENDOWMENT AND BOARD-DESIGNATED FUNDS (CONTINUED)**

Endowment and Board-designated net assets' composition by type as of September 30, 2011, is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Investments:				
Donor-restricted endowment funds	\$ -	\$ 658,000	\$ 5,854,000	\$ 6,512,000
Board-designated funds:				
Long-term investment fund	176,799,000	-	-	176,799,000
Charitable gift annuity fund	2,933,000	-	-	2,933,000
	<u>179,732,000</u>	<u>658,000</u>	<u>5,854,000</u>	<u>186,244,000</u>
Beneficial interests in:				
Donor-restricted:				
Perpetual trusts held by others	-	-	18,702,000	18,702,000
Other charitable trusts	-	594,000	-	594,000
	<u>\$ 179,732,000</u>	<u>\$ 1,252,000</u>	<u>\$ 24,556,000</u>	<u>\$ 205,540,000</u>

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	184,550,000	-	-	184,550,000
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>

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

**Notes to Financial Statements**  
**September 30, 2011 and 2010**

**NOTE K - ENDOWMENT AND BOARD-DESIGNATED FUNDS (CONTINUED)**

Changes in endowment net assets for the year ended September 30, 2011, are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment funds, beginning of year	<u>\$187,770,000</u>	<u>\$1,488,000</u>	<u>\$21,632,000</u>	<u>\$210,890,000</u>
Donor contributions and legacies	<u>103,000</u>	<u>-</u>	<u>20,000</u>	<u>123,000</u>
Investment return:				
Dividends and interest	2,114,000	296,000	2,000	2,412,000
Net realized and unrealized appreciation (depreciation)	1,162,000	(38,000)	2,902,000	4,026,000
Change in value of split-interest agreements	-	60,000	-	60,000
	<u>3,276,000</u>	<u>318,000</u>	<u>2,904,000</u>	<u>6,498,000</u>
Appropriation of endowment assets for expenditure	<u>(11,417,000)</u>	<u>(554,000)</u>	<u>-</u>	<u>(11,971,000)</u>
Endowment funds, end of year	<u>\$179,732,000</u>	<u>\$1,252,000</u>	<u>\$24,556,000</u>	<u>\$205,540,000</u>

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	1,785,000	332,000	4,000	2,121,000
Net realized and unrealized appreciation (depreciation)	17,524,000	476,000	(264,000)	17,736,000
Change in value of split-interest agreements	-	68,000	-	68,000
	<u>19,309,000</u>	<u>876,000</u>	<u>(260,000)</u>	<u>19,925,000</u>
Appropriation of endowment assets for expenditure	<u>(19,403,000)</u>	<u>(652,000)</u>	<u>-</u>	<u>(20,055,000)</u>
Endowment funds, end of year	<u>\$187,770,000</u>	<u>\$1,488,000</u>	<u>\$21,632,000</u>	<u>\$210,890,000</u>

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

**Notes to Financial Statements**  
**September 30, 2011 and 2010**

**NOTE K - ENDOWMENT AND BOARD-DESIGNATED FUNDS (CONTINUED)**

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

	<u>2011</u>	<u>2010</u>
<u>Permanently Restricted Net Assets</u>		
The portion of endowment funds that are permanently restricted by explicit donor stipulation	<u>\$ 24,556,000</u>	<u>\$ 21,632,000</u>
<u>Temporarily Restricted Net Assets</u>		
Term endowment funds:		
The portion of endowment funds subject to restriction under UPMIFA:		
With purpose restrictions	\$ 597,000	\$ 784,000
Without purpose restrictions	<u>655,000</u>	<u>704,000</u>
Total endowment funds classified as temporarily restricted net assets	<u>\$ 1,252,000</u>	<u>\$ 1,488,000</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 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, 2011, the assets of this fund were invested as follows: stocks and stock mutual funds (39%), fixed income and short-term investments (25%), and limited partnerships (36%).

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

**Notes to Financial Statements**  
**September 30, 2011 and 2010**

**NOTE K - ENDOWMENT AND BOARD-DESIGNATED FUNDS (CONTINUED)**

**[2] Board-designated funds (continued):**

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, 2011, the assets of this fund were invested 57% in stock mutual funds and 43% in bond mutual funds and short-term investments.

**NOTE L - 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, as such, believes it is not exposed to any significant credit risk on cash and cash equivalents.

**NOTE M - 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, 2011 and 2010 were approximately \$210,000 and \$247,000, respectively.

**NOTE N - RECLASSIFICATION**

Certain 2010 amounts have been reclassified to conform to the 2011 financial statement presentation.

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

**Schedule of Functional Expenses**  
**Year Ended September 30, 2011**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund- Raising</u>	<u>Total</u>
Expenses, excluding endowment management fee:				
Salaries and wages	\$ 8,450,000	\$ 595,000	\$ 635,000	\$ 9,680,000
Employee benefits and payroll taxes	4,403,000	243,000	257,000	4,903,000
Occupancy	1,262,000	191,000	27,000	1,480,000
Professional fees	383,000	205,000	170,000	758,000
Contracted services	747,000	113,000	16,000	876,000
Financing costs and bank fees	1,157,000	4,000	17,000	1,178,000
External communications	220,000	1,000	13,000	234,000
Canine support	1,217,000	-	-	1,217,000
Canine research	54,000	-	-	54,000
Student support	406,000	-	-	406,000
Telephone and postage	131,000	11,000	16,000	158,000
Office	86,000	45,000	40,000	171,000
Orientation and mobility seminars	72,000	-	-	72,000
Travel and auto	510,000	35,000	10,000	555,000
Fundraising campaigns and events	-	-	833,000	833,000
Other	162,000	37,000	104,000	303,000
Depreciation	2,321,000	311,000	40,000	2,672,000
	<u>\$ 21,581,000</u>	<u>\$ 1,791,000</u>	<u>\$ 2,178,000</u>	<u>\$ 25,550,000</u>

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

**Schedule of Functional Expenses (continued)**  
**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	287,000	225,000	903,000
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>\$ 2,228,000</u>	<u>\$ 2,665,000</u>	<u>\$ 26,663,000</u>