

**Midwest Eye-Banks and Lions Eye  
Bank of New Jersey**

**Annual Consolidated  
Financial Statements  
and Auditors' Report**

**June 30, 2010**

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## Independent Auditors' Report

Management and Board of Directors  
Midwest Eye-Banks and Lions Eye Bank of New Jersey  
Ann Arbor, Michigan

We have audited the consolidated statement of financial position of Midwest Eye-Banks and Lions Eye Bank of New Jersey, (the "Organization") as of June 30, 2010, and the related consolidated statements of activities and changes in net assets, cash flows and functional expenses for the year then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2009 consolidated financial statements, and in our report dated August 28, 2009, we expressed an unqualified opinion for the year ended June 30, 2009.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization, as of June 30, 2010, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

*Yeo & Yeo, P.C.*

Ann Arbor, Michigan  
September 9, 2010

**Midwest Eye-Banks and Lions Eye Bank of New Jersey**  
**Consolidated Statement of Financial Position**  
**June 30, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	\$ 433,966	\$ 881,546
Trade receivables, net	1,899,944	1,517,024
Unconditional pledges to give	18,910	52,475
Interest receivable	26,713	25,168
Prepaid expenses	115,966	86,040
Total current assets	<u>2,495,499</u>	<u>2,562,253</u>
Other assets	51,458	55,869
Deposits	41,371	27,679
Unconditional pledges to give, net of current portion and allowance	7,247	(4,565)
Investments	5,469,783	5,165,561
Property and equipment, net	4,278,527	3,888,938
<b>Total assets</b>	<b><u>\$ 12,343,885</u></b>	<b><u>\$ 11,695,735</u></b>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accounts payable	\$ 326,412	\$ 236,920
Current portion of mortgage payable	250,000	242,500
Accrued liabilities	380,058	325,595
Total current liabilities	<u>956,470</u>	<u>805,015</u>
Long-term mortgage payable, net of current portion	1,520,000	1,770,000
Deferred rent	110,547	128,616
Other long-term liabilities - post retirement benefits	343,223	294,781
<b>Total liabilities</b>	<b><u>2,930,240</u></b>	<b><u>2,998,412</u></b>
<b>Net assets</b>		
Unrestricted		
Undesignated	3,684,962	2,715,665
Board designated current fund	486,423	743,019
Board designated investment fund	5,055,256	4,935,255
Total unrestricted	<u>9,226,641</u>	<u>8,393,939</u>
Temporarily restricted	26,157	167,910
Permanently restricted	160,847	135,474
Total net assets	<u>9,413,645</u>	<u>8,697,323</u>
<b>Total liabilities and net assets</b>	<b><u>\$ 12,343,885</u></b>	<b><u>\$ 11,695,735</u></b>

See Accompanying Notes to the Financial Statements

**Midwest Eye-Banks and Lions Eye Bank of New Jersey**  
**Consolidated Statement of Activities and Changes in Net Assets**  
**For the Year Ended June 30, 2010**  
**(With Comparative Totals for June 30, 2009)**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2010	2009
<b>Public support and revenue</b>					
Public support					
Lions Clubs	\$ 153,494	\$ -	\$ -	\$ 153,494	\$ 154,803
Capital campaign	3,627	-	-	3,627	4,880
Special events	125,316	-	-	125,316	124,413
Other contributions	280,428	-	25,373	305,801	152,142
Total public support	<u>562,865</u>	<u>-</u>	<u>25,373</u>	<u>588,238</u>	<u>436,238</u>
Revenues					
Eye tissue processing fees	11,695,818	-	-	11,695,818	10,825,463
Bone and skin procurement fees	10,970	-	-	10,970	10,490
Net investment earnings (losses)	675,778	-	-	675,778	(782,376)
Interest income	352	-	-	352	8,113
Other income	138,253	-	-	138,253	6,008
Total revenues	<u>12,521,171</u>	<u>-</u>	<u>-</u>	<u>12,521,171</u>	<u>10,067,698</u>
Net assets released from restrictions	141,753	(141,753)	-	-	-
<b>Total public support and revenues</b>	<u>13,225,789</u>	<u>(141,753)</u>	<u>25,373</u>	<u>13,109,409</u>	<u>10,503,936</u>
<b>Expenses</b>					
Program services					
Tissue procurement and processing program	7,368,600	-	-	7,368,600	6,508,311
Education program	2,085,756	-	-	2,085,756	1,911,615
Research program	987,613	-	-	987,613	732,173
Total program services	<u>10,441,969</u>	<u>-</u>	<u>-</u>	<u>10,441,969</u>	<u>9,152,099</u>
Support services					
Administration	1,595,878	-	-	1,595,878	1,598,535
Fund-raising	355,240	-	-	355,240	295,883
Total support services	<u>1,951,118</u>	<u>-</u>	<u>-</u>	<u>1,951,118</u>	<u>1,894,418</u>
<b>Total expenses</b>	<u>12,393,087</u>	<u>-</u>	<u>-</u>	<u>12,393,087</u>	<u>11,046,517</u>
<b>Net change in net assets</b>	832,702	(141,753)	25,373	716,322	(542,581)
<b>Net assets - beginning of year</b>	<u>8,393,939</u>	<u>167,910</u>	<u>135,474</u>	<u>8,697,323</u>	<u>9,239,904</u>
<b>Net assets - end of year</b>	<u>\$ 9,226,641</u>	<u>\$ 26,157</u>	<u>\$ 160,847</u>	<u>\$ 9,413,645</u>	<u>\$ 8,697,323</u>

See Accompanying Notes to the Financial Statements

**Midwest Eye-Banks and Lions Eye Bank of New Jersey**  
**Consolidated Statement of Functional Expenses**  
**For the Year Ended June 30, 2010**  
**(With Comparative Totals for June 30, 2009)**

	Program Services Expense				Supporting Services Expenses		Total Supporting Services	2010 Total	2009 Total
	Tissue Program	Education Program	Research Program	Total Program Services	Administration	Fundraising			
<b>Functional Expenses</b>									
Conferences and meetings	\$ 34,110	\$ 4,470	\$ 3,807	\$ 42,387	\$ 1,278	\$ 605	\$ 1,883	\$ 44,270	\$ 58,439
Depreciation	259,558	174,864	28,962	463,384	115,846	-	115,846	579,230	495,723
Public and professional education	133	62,147	16	62,296	64	2,507	2,571	64,867	78,506
Field technicians	188,628	-	20,958	209,586	-	-	-	209,586	257,673
Equipment rental and maintenance	102,617	40,306	11,714	154,637	24,999	14,740	39,739	194,376	178,892
Imported tissue	75,878	-	8,431	84,309	-	-	-	84,309	70,611
Insurance	37,873	25,249	4,208	67,330	16,832	-	16,832	84,162	88,806
Interest and finance charges	41,424	27,352	4,603	73,379	18,234	-	18,234	91,613	102,588
Lab and technical fees	1,275,323	-	141,703	1,417,026	-	-	-	1,417,026	594,321
Membership dues	80,122	12,681	8,958	101,761	7,509	321	7,830	109,591	62,128
Miscellaneous	17,146	13,239	1,922	32,307	7,276	1,132	8,408	40,715	23,845
Postage and shipping	415,747	19,287	46,275	481,309	3,593	3,153	6,746	488,055	541,556
Printing and publications	1,742	73,415	203	75,360	742	13,168	13,910	89,270	101,833
Professional fees	223,235	76,118	24,823	324,176	19,106	51,686	70,792	394,968	297,215
Rent and utilities	150,009	103,591	17,841	271,441	61,685	-	61,685	333,126	372,837
Research grants and awards	-	-	158,959	158,959	-	-	-	158,959	167,134
Salaries and related expenses	3,925,133	1,165,683	443,186	5,534,002	1,238,123	251,560	1,489,683	7,023,685	6,171,617
Supplies	303,998	18,203	33,968	356,169	10,215	57	10,272	366,441	806,433
Taxes	20,273	17,739	2,534	40,546	10,136	-	10,136	50,682	36,568
Telephone	85,514	53,267	10,001	148,782	31,509	1	31,510	180,292	129,199
Travel	130,137	124,422	14,541	269,100	28,731	5,182	33,913	303,013	331,037
Special events	-	73,723	-	73,723	-	11,128	11,128	84,851	79,556
<b>Total</b>	<b>\$ 7,368,600</b>	<b>\$ 2,085,756</b>	<b>\$ 987,613</b>	<b>\$ 10,441,969</b>	<b>\$ 1,595,878</b>	<b>\$ 355,240</b>	<b>\$ 1,951,118</b>	<b>\$ 12,393,087</b>	<b>\$ 11,046,517</b>

See Accompanying Notes to the Financial Statements

**Midwest Eye-Banks and Lions Eye Bank of New Jersey**  
**Consolidated Statement of Cash Flows**  
**For the Years Ended June 30, 2010 and 2009**

	2010	2009
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 716,322	\$ (542,581)
Items not requiring cash		
Depreciation	579,230	495,723
Amortization	4,411	4,411
Deferred rent	(18,069)	128,616
Postretirement benefits	48,442	38,819
Net investment (gain) loss	(675,778)	782,376
Changes in assets and liabilities which provided (used) cash:		
Trade receivables	(382,920)	(8,917)
Unconditional pledges to give	21,753	61,136
Interest receivable	(1,545)	(2,323)
Prepaid expenses	(29,926)	(4,600)
Deposits	(13,692)	(5,632)
Accounts payable	89,492	(138,733)
Accrued liabilities	54,463	65,497
Net cash provided by operating activities	392,183	873,792
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(1,034,699)	(677,669)
Proceeds from sale of property and equipment	65,880	-
Purchase of investments	(208,363)	(4,705,846)
Proceeds from sale of investments	579,919	4,639,098
Net cash used in investing activities	(597,263)	(744,417)
<b>Cash flows from financing activities</b>		
Repayments of long-term debt	(242,500)	(235,000)
Change in cash and cash equivalents	(447,580)	(105,625)
<b>Cash and cash equivalents - beginning of year</b>	881,546	987,171
<b>Cash and cash equivalents - end of year</b>	\$ 433,966	\$ 881,546
<b>Supplemental information</b>		
Cash paid during the year for interest	\$ 87,202	\$ 98,177

**Midwest Eye-Banks and Lions Eye Bank of New Jersey**  
**Notes to Consolidated Financial Statements**  
**June 30, 2010**

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**Note 1 - Organization**

The mission of the Organization is to restore sight. The Organization, operating in Michigan as Michigan Eye-Bank; in Illinois as Illinois Eye-Bank and Illinois Eye-Bank, Watson Gailey; and in New Jersey as Lions Eye Bank of New Jersey, are nonprofit organizations which procure, processes, and distribute eye tissue (primarily corneas) for sight-restoring transplantation. When donated eye tissue is not suitable for transplant, it may be distributed by the Organization to academic settings for research or training purposes. The Eye-Banks in Michigan and Illinois are divisions of Midwest Eye-Banks, and the Lions Eye Bank of New Jersey is a subsidiary of Midwest Eye-Banks.

A major component of the charitable mission of the Organization is represented by the significant resources which the Organization commits to community outreach and education regarding the need for eye, organ, and tissue donation. Citizens across Michigan, Illinois, and New Jersey are encouraged by staff and volunteers to sign up on their state's donor registry, so that there will be an adequate supply of eyes, organs, and tissues for transplantation. This is a critical issue as there are not enough organ donors to meet the demand for life-saving transplants. Even though the current supply of corneas is adequate, the Organization partners with organ and tissue procurement organizations and the Secretaries of State in Michigan, Illinois, and New Jersey to spread the word to the community that increased donations are essential.

The Organization extends its sight restoration mission to the funding of selected early-stage research into the causes and cures of blinding eye diseases. The Organization contributed \$158,959 and \$167,134, to support such research for the years ended June 30, 2010 and 2009, respectively.

**Note 2 - Summary of Significant Accounting Policies**

**Basis of Presentation**

The basic consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and in accordance with the Audit and Accounting Guide for Not-for-Profit Organizations issued by the American Institute of Certified Public Accountants.

The Organization's net assets are categorized and reported as follows:

**Unrestricted Net Assets**

These net assets are available for general operations and are not subject to donor-imposed restrictions.

**Temporarily Restricted**

These net assets are limited to uses or time periods specified by donor-imposed restrictions. When donor restrictions expire or the nature and purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

**Midwest Eye-Banks and Lions Eye Bank of New Jersey**  
**Notes to Consolidated Financial Statements**  
**June 30, 2010**

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**Permanently Restricted**

These net assets would include the principal amount accepted by the Organization with the donor's stipulation that the principal be maintained in perpetuity.

**Principles of Consolidation**

The 2010 consolidated financial statements include the financial information of Midwest Eye-Banks and the Lions Eye Bank of New Jersey. All inter-entity balances and transactions have been eliminated.

**Cash and Cash Equivalents**

For the purpose of the Statement of Cash Flows, the Organization considers as cash and cash equivalents all highly liquid investments, which can be converted into known amounts of cash and have a maturity period of ninety days or less at the time of purchase.

The Organization maintains cash accounts at an area financial institution. The carrying amount of Organizations deposits with financial institutions at year end was \$433,966. The actual bank balances amounted to \$518,806. Of these balances, \$112,988 was insured by the Federal Deposit Insurance Corporation and \$405,818 was not insured but collateralized.

**Revenue Recognition**

All contributions are considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as temporarily or permanently restricted support and increase the respective class of net assets. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets. Investment income that is limited to specific uses by donor restrictions is reported as increases in unrestricted net assets if the restrictions are met in the same reporting period as the income is recognized.

Pledges receivable in the accompanying statement of financial position consist of unconditional promises to give, which are recorded at their net realizable value at the time the promises are received. These promises to give are reflected as either current or long-term receivables on the statement of financial position.

Eye tissue processing fees are recognized when eye tissue is shipped to the end customer.

**Accounts Receivable**

The Organization's accounts receivable at June 30, 2010 and 2009, consist of processing fees from various healthcare organizations for tissue. Accounts receivable are stated at net invoice amounts. An allowance for doubtful accounts is established based on a specific assessment of all invoices that remain unpaid following normal payment periods. All amounts deemed uncollectible are charged against the allowance for doubtful accounts in the period that determination is made.

For the year ended June 30, 2010, approximately 5% of the Organization's revenue was earned from eye processing fees from Vision Share. Also, as of June 30, 2010, 17% of accounts receivable was due from Vision Share.

**Midwest Eye-Banks and Lions Eye Bank of New Jersey**  
**Notes to Consolidated Financial Statements**  
**June 30, 2010**

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**Allowance for Doubtful Accounts**

Unconditional promises to give are stated net of an allowance for doubtful accounts. The allowance for doubtful accounts for pledges receivable was \$10,000 and \$20,000, at June 30, 2010 and 2009, respectively.

Accounts receivable are stated net of an allowance for doubtful accounts. The allowance for doubtful accounts for accounts receivable was \$46,642 and \$46,642 at June 30, 2010 and 2009, respectively.

**Investments**

Investments are stated at fair values based upon quoted market prices using prevailing financial market information as of June 30, 2010 and 2009. Realized gains and losses represent the difference between the proceeds received and the cost of investments sold. Unrealized gains and losses represent the change in the market value of the investments during the year.

**Property and Equipment**

Property and equipment are recorded at cost and are being depreciated on a straight-line basis over their estimated useful lives. Costs of maintenance and repairs are charged to expense when incurred. The Organization reports gifts of property, plant, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used.

**Functional Expenses**

The costs of providing program and support services have been reported on a functional basis in the consolidated statement of activities and changes in net assets. Indirect costs have been allocated between the various programs and support services based on estimates. Although the methods of allocation used are considered reasonable, other methods could be used that would produce a different amount.

**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 revenue, expenses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

**Reclassifications**

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

**Long-Lived Assets**

The Organization evaluates long-lived assets for impairment using a discounted cash flow method whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable in accordance with accounting principles generally accepted in the United States of America.

**Midwest Eye-Banks and Lions Eye Bank of New Jersey**  
**Notes to Consolidated Financial Statements**  
**June 30, 2010**

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**Comparative Financial Statements**

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting procedures generally accepted in the United States of American. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2009, from which the summarized information was derived.

**Federal Income Taxes**

The Organization is exempt from income tax under provisions of Internal Revenue Code Section 501 (c)(3). The Organization files informational returns in the U.S. Federal, Michigan and Illinois jurisdictions. Generally, the statute of limitations on federal returns expires after 3 years, for Michigan and Illinois is 4 years.

**Subsequent Events**

Management has evaluated subsequent events through the date of the Independent Auditors' Report, which is the date the financial statements were available to be issued.

**Note 3 - Unconditional Pledges to Give**

During the year ended June 30, 2006, the Organization initiated a capital campaign to help fund the purchase and renovation of its new building.

	<u>2010</u>	<u>2009</u>
Pledges due in less than one year	\$ 18,910	\$ 52,475
Pledges due in one to five years	<u>17,247</u>	<u>15,435</u>
Total unconditional promises to give	<b>36,157</b>	67,910
Less allowance for doubtful pledges	<b>10,000</b>	20,000
Net unconditional promises to give	<u><b>\$ 26,157</b></u>	<u>\$ 47,910</u>

The Organization recognizes promises to give that are expected to be collected within one year at their net realizable value. Promises that are expected to be collected in the future years are recognized at their estimated fair value. Fair value is determined by calculating the present value of the estimated future cash flows. The discount rate used in determining the net present value of multi-year promises to give was .5% and 2.25% at June 30, 2010 and 2009, respectively.

**Midwest Eye-Banks and Lions Eye Bank of New Jersey**  
**Notes to Consolidated Financial Statements**  
**June 30, 2010**

**Note 4 - Investments**

Investments at June 30, 2010 and 2009, respectively, were comprised of the following:

	<u>2010</u>	<u>2009</u>
Money market funds	\$ 145,532	\$ 417,299
Corporate and government bonds	2,787,785	2,585,103
Equities	<u>2,536,466</u>	<u>2,163,159</u>
Total	<u>\$ 5,469,783</u>	<u>\$ 5,165,561</u>

The unrestricted investment earnings (losses) included in the statement of activities are summarized as follows for the years ended June 30:

	<u>2010</u>	<u>2009</u>
Dividend and interest income	\$ 157,025	\$ 190,909
Investment fees	(48,634)	(46,654)
Unrealized gains (losses)	450,744	(517,822)
Realized gains (losses)	<u>116,643</u>	<u>(408,809)</u>
Total	<u>\$ 675,778</u>	<u>\$ (782,376)</u>

**Note 5 - Property and Equipment**

The cost of property and equipment of the Organization is summarized as follows:

	<u>2010</u>	<u>2009</u>
Land	\$ 170,000	\$ 170,000
Equipment and software	3,945,448	3,265,591
Furniture and fixtures	448,572	390,487
Leasehold improvements	1,289,642	1,058,765
Buildings	<u>1,697,708</u>	<u>1,697,708</u>
Total cost	7,551,370	6,582,551
Accumulated depreciation	<u>(3,272,843)</u>	<u>(2,693,613)</u>
Net carrying amount	<u>\$ 4,278,527</u>	<u>\$ 3,888,938</u>

Depreciation expense for the years ended June 30, 2010 and 2009 was \$579,230 and \$495,723, respectively.

**Midwest Eye-Banks and Lions Eye Bank of New Jersey**  
**Notes to Consolidated Financial Statements**  
**June 30, 2010**

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**Note 6 - Endowment Fund**

The Organization's endowment consists of individual funds established to fulfill its mission statement. Its endowment includes donor-restricted funds. As required by accounting procedures generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of 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 to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. 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 SPMIFA. In accordance with SPMIFA, 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 various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

*Investment Return Objectives, Risk Parameters and Strategies.* The Organization has adopted investment and spending policies, approved by the Board of Trustees, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution if chosen so by the Board of Trustees. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Endowment net asset composition by type of fund as of June 30, 2010 is as follows:

	Permanently Restricted	Total Net Endowment Assets
Donor-restricted endowment funds	<u>\$ 160,847</u>	<u>\$ 160,847</u>

**Midwest Eye-Banks and Lions Eye Bank of New Jersey**  
**Notes to Consolidated Financial Statements**  
**June 30, 2010**

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

	Permanently Restricted	Total Net Endowment Assets
Endowment net assets, beginning of year	\$ 135,474	\$ 135,474
Contributions	25,373	25,373
Endowment net assets, end of year	\$ 160,847	\$ 160,847

**Note 7 - Mortgage Payable**

The Organization has a mortgage with a bank, payable in various monthly installments through February 2022. The mortgage calls for a fixed interest rate at 4.52% for the first five years. After five years, a variable rate equal to 70% of the one-month LIBOR plus 75 basis points is charged. The Organization will have the ability to fix the rate in the future. The outstanding balance was \$1,770,000 and \$2,012,500 as of June 30, 2010 and 2009, respectively. The mortgage is secured by the real estate covered by the mortgage and all machinery and equipment located on the real estate, and contains certain financial covenants including minimum debt service coverage and liquidity ratios. The Organization did not meet the minimum debt service coverage ratio for the year ended June 30, 2010. The Organization has received a waiver of this covenant violation for the year ended June 30, 2010 from PNC bank.

The following is a summarized schedule of future installments.

Years Ending June 30	
2011	\$ 250,000
2012	207,000
2013	112,000
2014	116,000
2015	122,000
Thereafter	963,000
Total	\$ 1,770,000

Interest expense on the mortgage was \$87,202 and \$98,177 in 2010 and 2009, respectively.

**Note 8 - Board-designated Funds**

The board has designated certain funds for specific purposes and projects. Net assets of the Current Fund have been designated for the purchase of capital assets in the amount of \$486,423 and \$743,019 as of June 30, 2010 and 2009, respectively. The board has also designated amounts in the Investment Fund to be invested for future use by the Organization. Board-designated amounts in the Investment Fund totaled \$5,055,256 and \$4,935,255 at June 30, 2010 and 2009, respectively.

**Midwest Eye-Banks and Lions Eye Bank of New Jersey**  
**Notes to Consolidated Financial Statements**  
**June 30, 2010**

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**Note 9 - Retirement Plan**

The Organization maintains a tax-sheltered retirement plan qualified under Internal Revenue Code Section 403(b). Under this plan, a qualified participant can elect to have 3.5% for 2010 and 5% for 2009 of compensation withheld for payment into a pension plan. In addition, the Organization contributes a matching percentage of no more than 7% for 2010 and 10% for 2009 of the compensation of participating employees to the plan. The Organization's contributions to the plan for the years ended June 30, 2010 and 2009, were \$287,651 and \$298,776, respectively.

**Note 10 - Operating Leases**

The Organization leases office space in Michigan, Illinois, and New Jersey, and various equipment under agreements that expire through 2014. The following is a schedule of future minimum rental payments for the years ending June 30:

2011	\$	311,849
2012		310,720
2013		292,713
2014		236,848
2015		85,508
Total	\$	1,237,638

Total rent expense for 2010 and 2009 was approximately \$345,436 and \$382,587, respectively.

Rental expense is recorded on the straight line basis, while actual rental payments per the lease agreements are not straight-line. Some of the leases have an initial period of no rent or very low rent, and then rent payments gradually increase over the term of the lease. The deferred rent on the statement of financial position represents the accumulated difference between the straight-line rent expense and actual rent payments.

**Note 11 – Net Assets Release from Restrictions**

Net assets were released from restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

Purpose restrictions accomplished:

Office relocation/renovation in New Jersey	\$	120,000
Building fund		21,753
Total net assets released from restrictions	\$	141,753

**Midwest Eye-Banks and Lions Eye Bank of New Jersey**  
**Notes to Consolidated Financial Statements**  
**June 30, 2010**

**Note 12 - Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes at June 30:

	<u>2010</u>	<u>2009</u>
Nelson C. Donald, Jr.	\$ -	\$ 120,000
Building fund	<u>26,157</u>	<u>47,910</u>
Total	<u>\$ 26,157</u>	<u>\$ 167,910</u>

**Note 13 - Permanently Restricted Net Assets**

During the year ended June 30, 2007, the Organization created the Beverly A. Blettner Community Education Endowment Fund. The donors stipulated that the principal amount may not be expended. The income generated from the principal may be used for educational purposes.

During the year ended June 30, 2005, the Organization created the Gift of Hope and Vision Research Endowment Fund. The donors stipulated that the principal amounts of \$25,000 and \$30,000 may not be expended. The income generated from the principal may be used to provide for annual distributions to support Midwest Eye-Banks' Gift of Hope Eye and Vision Research Program.

Also, during the year ended June 30, 2005, the Organization created the Gift of Sight Charitable Endowment Fund. The donor stipulated that the \$385 principal may not be expended. The income generated from the principal may be used to waive or reduce tissue processing fees for patients who are unable to pay.

Net assets permanently restricted as of June 30, 2010 were as follows:

	<u>Beverly A. Blettner Community Education Endowment</u>	<u>Gift of Hope and Vision Research Endowment Fund</u>	<u>Gift of Sight Charitable End Fund</u>	<u>Total</u>
June 30, 2009	\$ 63,299	\$ 59,884	\$ 12,291	\$ 135,474
Contributions	<u>-</u>	<u>12,274</u>	<u>13,099</u>	<u>25,373</u>
June 30, 2010	<u>\$ 63,299</u>	<u>\$ 72,158</u>	<u>\$ 25,390</u>	<u>\$ 160,847</u>

**Note 14 - Employee Benefit Plan**

The Organization has a postemployment benefit plan that provides healthcare benefits to employees after retirement for the lesser of 60 months or the number of months between retirement and age 65. Employees are eligible for this plan after completing 10 years of employment. After an employee completes 10 years of full-time employment, the minimum age

**Midwest Eye-Banks and Lions Eye Bank of New Jersey**  
**Notes to Consolidated Financial Statements**  
**June 30, 2010**

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requirement (age 60) to receive the benefit is reduced by one year for every two additional years of service. This plan can be terminated or revised at any time at the discretion of the Organization. This plan will be funded by the Organization at the time benefits are paid to retired employees.

The assumed rate of increase in the cost of benefits provided is 5% per year. The weighted average discount rate used in determining the accumulated postemployment benefit obligation was 5% in 2010 and 2009. The expense of the plan was \$48,443 and \$38,821 for fiscal years 2010 and 2009, respectively. Benefits paid by the plan were \$8,727 and \$6,881 for fiscal years 2010 and 2009, respectively.

The plan was frozen to limit coverage to full time employees hired before November 6, 2008.

**Note 15 - Research and Training Tissues (Unaudited)**

During the years ended June 30, 2010 and 2009, the Organization supplied 2,032 and 1,706 research tissues, respectively, to medical facilities and universities for research and training purposes. Estimated costs to procure these tissues are included in research program expenditures.

**Note 16 – Fair Value Measurements**

Fair value is defined as the amount that would be received from the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants, i.e. an exit price. To estimate an exit price, a three-tier hierarchy is used to prioritize the inputs:

Level 1: Quoted prices in active markets for identical securities

Level 2: Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment spreads, credit risk, etc)

Level 3: Significant unobservable inputs (including the Organization's own assumptions in determining the fair value of investments)

The inputs and methodology used for valuing the Organization's financial assets and liabilities are not indicators of the risks associated with those instruments.

**Midwest Eye-Banks and Lions Eye Bank of New Jersey**  
**Notes to Consolidated Financial Statements**  
**June 30, 2010**

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The following table provides fair value measurement information for financial assets measured at fair value as of June 30, 2010:

	Balance at June 30, 2010	Quoted prices in Active Markets for Identical Assets (Level 1)
Money market funds	\$ 145,532	\$ 145,532
Corporate and government bonds	2,787,785	2,787,785
Equities	2,536,466	2,536,466
Total	<u>\$ 5,469,783</u>	<u>\$ 5,469,783</u>

**Note 17 – Subsequent Event**

On June 11, 2010 the Board approved a reorganization plan, which will be effective October 1, 2010 and will reorganize Midwest Eye-Banks and its subsidiaries as follows:

Parent Corporation – A Parent Corporation that:

- (1) Is the sole member of each of the Subsidiary Corporations;
- (2) Provides administrative services for the Subsidiary Corporations; and
- (3) Owns the building at 4889 Venture Drive and the office equipment and related personal property required for its administrative services.

Subsidiary Corporations – The following Subsidiary Corporations:

- (1) Michigan Eye-Bank, Illinois Eye-Bank and Lions Eye Bank of New Jersey, each of which (a) conducts eye bank operations in its State of organization, (b) leases facilities for those operations and (c) owns the office equipment and related personal property required for its operations; and
- (2) Midwire Systems, which (a) licenses its software program to affiliated and non-affiliated eye banks, (b) leases facilities for those operations and (c) owns the office equipment and related personal property required for its operations.

## **Supplementary Information**

**Midwest Eye-Banks and Lions Eye Bank of New Jersey**  
**Consolidating Statement of Financial Position**  
**June 30, 2010**

	June 30, 2010			
	Midwest Eye- Banks	Lions Eye Bank of New Jersey	Eliminations	Total
<b>Assets</b>				
Current Assets				
Cash	\$ 428,569	\$ 5,397	\$ -	\$ 433,966
Trade receivables, net	1,899,944	-	-	1,899,944
Unconditional pledges to give, net	18,910	-	-	18,910
Interest receivable	26,713	-	-	26,713
Intercompany receivable	25,372	400,822	(426,194)	-
Prepaid expenses	115,966	-	-	115,966
Total current assets	2,515,474	406,219	(426,194)	2,495,499
Other assets	51,458	-	-	51,458
Deposits	27,679	13,692	-	41,371
Unconditional pledges to give, net	7,247	-	-	7,247
Investments	5,469,783	-	-	5,469,783
Property and equipment, net	3,942,323	336,204	-	4,278,527
<b>Total assets</b>	<b>\$ 12,013,964</b>	<b>\$ 756,115</b>	<b>\$ (426,194)</b>	<b>\$ 12,343,885</b>
<b>Liabilities and Net Assets</b>				
Current Liabilities				
Accounts payable	\$ 326,412	\$ -	\$ -	\$ 326,412
Intercompany payable	426,194	-	(426,194)	-
Current portion of mortgage payable	250,000	-	-	250,000
Accrued liabilities	380,058	-	-	380,058
Total current liabilities	1,382,664	-	(426,194)	956,470
Long-term mortgage payable, net of current portion	1,520,000	-	-	1,520,000
Deferred rent	109,448	1,099	-	110,547
Other long-term liabilities - post retirement benefits	343,223	-	-	343,223
<b>Total liabilities</b>	<b>3,355,335</b>	<b>1,099</b>	<b>(426,194)</b>	<b>2,930,240</b>
<b>Net assets</b>				
Unrestricted:				
Undesignated	2,950,438	734,524	-	3,684,962
Board designated current fund	465,931	20,492	-	486,423
Board designated investment fund	5,055,256	-	-	5,055,256
Total unrestricted	8,471,625	755,016	-	9,226,641
Temporarily restricted	26,157	-	-	26,157
Permanently restricted	160,847	-	-	160,847
Total net assets	8,658,629	755,016	-	9,413,645
<b>Total liabilities and net assets</b>	<b>\$ 12,013,964</b>	<b>\$ 756,115</b>	<b>\$ (426,194)</b>	<b>\$ 12,343,885</b>

**Midwest Eye-Banks and Lions Eye Bank of New Jersey**  
**Consolidating Statement of Activities and Changes in Net Assets**  
**For the Year Ended June 30, 2010**

	Midwest Eye-Banks			Lions Eye Bank of New Jersey	Eliminations	Total			2010 Total	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total		Unrestricted	Temporarily Restricted	Permanently Restricted		
<b>Revenues</b>										
Public support										
Lions Clubs	\$ 126,114	\$ -	\$ -	\$ 126,114	\$ 27,380	\$ -	\$ 153,494	\$ -	\$ -	\$ 153,494
Capital campaign	3,627	-	-	3,627	-	-	3,627	-	-	3,627
Special events	125,316	-	-	125,316	-	-	125,316	-	-	125,316
Other contributions	206,203	-	25,373	231,576	74,225	-	280,428	-	25,373	305,801
Total public support	461,260	-	25,373	486,633	101,605	-	562,865	-	25,373	588,238
Program service fee revenue										
Eye tissue processing fees	10,128,609	-	-	10,128,609	1,567,209	-	11,695,818	-	-	11,695,818
Bone and skin procurement fees	10,970	-	-	10,970	-	-	10,970	-	-	10,970
Net investment earnings	675,778	-	-	675,778	-	-	675,778	-	-	675,778
Interest income	352	-	-	352	-	-	352	-	-	352
Other income	138,253	-	-	138,253	-	-	138,253	-	-	138,253
Employee lease income	641,488	-	-	641,488	-	(641,488)	-	-	-	-
Total program service fee revenue	11,595,450	-	-	11,595,450	1,567,209	(641,488)	12,521,171	-	-	12,521,171
Net assets released from restrictions	141,753	(141,753)	-	-	-	-	141,753	(141,753)	-	-
<b>Total revenues and support</b>	<b>12,198,463</b>	<b>(141,753)</b>	<b>25,373</b>	<b>12,082,083</b>	<b>1,668,814</b>	<b>(641,488)</b>	<b>13,225,789</b>	<b>(141,753)</b>	<b>25,373</b>	<b>13,109,409</b>
<b>Expenses and losses</b>										
Program services										
Tissue procurement and processing program	6,962,195	-	-	6,962,195	765,648	(359,243)	7,368,600	-	-	7,368,600
Education program	1,865,145	-	-	1,865,145	316,831	(96,220)	2,085,756	-	-	2,085,756
Research program	938,598	-	-	938,598	87,503	(38,488)	987,613	-	-	987,613
Total program services	9,765,938	-	-	9,765,938	1,169,982	(493,951)	10,441,969	-	-	10,441,969
Support services										
Administration	1,644,364	-	-	1,644,364	73,393	(121,879)	1,595,878	-	-	1,595,878
Fundraising	372,126	-	-	372,126	8,772	(25,658)	355,240	-	-	355,240
Total support services	2,016,490	-	-	2,016,490	82,165	(147,537)	1,951,118	-	-	1,951,118
<b>Total expenses</b>	<b>11,782,428</b>	<b>-</b>	<b>-</b>	<b>11,782,428</b>	<b>1,252,147</b>	<b>(641,488)</b>	<b>12,393,087</b>	<b>-</b>	<b>-</b>	<b>12,393,087</b>
<b>Change in net assets</b>	<b>416,035</b>	<b>(141,753)</b>	<b>25,373</b>	<b>299,655</b>	<b>416,667</b>	<b>-</b>	<b>832,702</b>	<b>(141,753)</b>	<b>25,373</b>	<b>716,322</b>
<b>Net assets - beginning of year</b>	<b>8,055,590</b>	<b>167,910</b>	<b>135,474</b>	<b>8,358,974</b>	<b>338,349</b>	<b>-</b>	<b>8,393,939</b>	<b>167,910</b>	<b>135,474</b>	<b>8,697,323</b>
<b>Net assets - end of year</b>	<b>\$ 8,471,625</b>	<b>\$ 26,157</b>	<b>\$ 160,847</b>	<b>\$ 8,658,629</b>	<b>\$ 755,016</b>	<b>\$ -</b>	<b>\$ 9,226,641</b>	<b>\$ 26,157</b>	<b>\$ 160,847</b>	<b>\$ 9,413,645</b>