

**OREGON LIONS SIGHT & HEARING
FOUNDATION, INC.**

FINANCIAL STATEMENTS

Year Ended June 30, 2013



— OREGON LIONS —
Sight & Hearing Foundation

OREGON LIONS SIGHT & HEARING FOUNDATION, INC.

FINANCIAL STATEMENTS

Year Ended June 30, 2013

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KERN & THOMPSON, LLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Oregon Lions Sight & Hearing Foundation, Inc.
Portland, Oregon

We have audited the accompanying financial statements of Oregon Lions Sight & Hearing Foundation, Inc. (a non-profit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

The Organization's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Oregon Lions Sight & Hearing Foundation, Inc. as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Oregon Lions Sight & Hearing Foundation, Inc.'s 2012 financial statements, and our report dated September 20, 2012, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

KERN & THOMPSON, LLC

Portland, Oregon
September 10, 2013

OREGON LIONS SIGHT & HEARING FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2013

(With Comparative Totals as of June 30, 2012)

ASSETS		<u>2013</u>	<u>2012</u>
Cash and cash equivalents	\$	683,940	\$ 1,020,725
Pledges and accounts receivable		134,293	210,366
Prepaid expenses		9,451	17,023
Investments		<u>6,440,949</u>	<u>4,293,342</u>
		7,268,633	5,541,456
Property and equipment - net		<u>391,444</u>	<u>136,479</u>
Total assets	\$	<u>7,660,077</u>	\$ <u>5,677,935</u>
LIABILITIES AND NET ASSETS			
Accounts payable	\$	75,190	\$ 162,708
Accrued expenses		16,581	31,304
Annuity liability		<u>10,510</u>	<u>15,286</u>
Total liabilities		<u>102,281</u>	<u>209,298</u>
Net assets			
Unrestricted			
Invested in property and equipment		391,444	136,479
Designated		2,782,435	927,803
Undesignated		<u>732,794</u>	<u>675,205</u>
Total unrestricted		3,906,673	1,739,487
Temporarily restricted		1,398,529	1,476,556
Permanently restricted		<u>2,252,594</u>	<u>2,252,594</u>
Total net assets		<u>7,557,796</u>	<u>5,468,637</u>
Total liabilities and net assets	\$	<u>7,660,077</u>	\$ <u>5,677,935</u>

See notes to financial statements.

OREGON LIONS SIGHT & HEARING FOUNDATION, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2013

(With Comparative Totals for the Year Ended June 30, 2012)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	
				<u>2013</u>	<u>2012</u>
Revenues, gains and other support					
Contributions	\$ 606,885	\$ 113,567	\$ -	\$ 720,452	\$ 472,877
Bequests	273,000	-	-	273,000	163,662
Grants	410,264	6,000	-	416,264	525,003
Program service fees	41,800	-	-	41,800	36,790
Special events, net of expense of \$25,948 and \$29,646, respectively	63,266	-	-	63,266	53,073
Interest and dividends	1,596	114,295	-	115,891	91,230
Other	4,537	-	-	4,537	5,783
	<u>1,401,348</u>	<u>233,862</u>	<u>-</u>	<u>1,635,210</u>	<u>1,348,418</u>
Net assets released from restrictions	643,983	(643,983)	-	-	-
Total revenue, gains and other support	<u>2,045,331</u>	<u>(410,121)</u>	<u>-</u>	<u>1,635,210</u>	<u>1,348,418</u>
Expenses					
Patient and program services	1,108,011	-	-	1,108,011	650,424
Mobile screening	391,924	-	-	391,924	364,741
Total program services	<u>1,499,935</u>	<u>-</u>	<u>-</u>	<u>1,499,935</u>	<u>1,015,165</u>
Supporting services					
Administration	40,951	-	-	40,951	66,947
Fund-raising	143,495	-	-	143,495	172,454
Total expenses	<u>1,684,381</u>	<u>-</u>	<u>-</u>	<u>1,684,381</u>	<u>1,254,566</u>
Increase (decrease) in net assets before other changes	360,950	(410,121)	-	(49,171)	93,852
Other changes in net assets					
Lawsuit Settlement	1,806,236	-	-	1,806,236	(225,604)
Net realized gain (loss) on sale of investments	-	292,799	-	292,799	83,333
Net unrealized gain (loss) on investments	-	39,295	-	39,295	(156,327)
Change in net assets	<u>2,167,186</u>	<u>(78,027)</u>	<u>-</u>	<u>2,089,159</u>	<u>(204,746)</u>
Net assets, beginning of year	<u>1,739,487</u>	<u>1,476,556</u>	<u>2,252,594</u>	<u>5,468,637</u>	<u>5,673,383</u>
Net assets, end of year	<u>\$ 3,906,673</u>	<u>\$ 1,398,529</u>	<u>\$ 2,252,594</u>	<u>\$ 7,557,796</u>	<u>\$ 5,468,637</u>

See notes to financial statements.

OREGON LIONS SIGHT & HEARING FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2013

(With Comparative Totals for the Year Ended June 30, 2012)

	PROGRAM SERVICES			SUPPORTING SERVICES		Total	
	Patient and Program Services	Mobile Screening	Total Program	Adminis-tration	Fund Raising	2013	2012
	Salaries, payroll taxes and benefits	\$ 218,241	\$ 242,490	\$ 460,731	\$ 36,373	\$ 109,121	\$ 606,225
Patient services	732,851	-	732,851	-	-	732,851	403,202
Conferences, conventions and meetings	6,926	2,627	9,553	171	1,348	11,072	15,486
Depreciation	22,938	21,369	44,307	95	3,800	48,202	26,605
Equipment, maintenance and fuel	6,523	26,633	33,156	27	1,081	34,264	33,071
Grants, awards and scholarships	7,647	2,608	10,255	32	1,267	11,554	4,712
Insurance	2,861	16,540	19,401	2,855	474	22,730	28,334
Miscellaneous expense	2,587	9,177	11,764	814	1,611	14,189	5,961
Occupancy	37,838	11,375	49,213	136	5,527	54,878	50,400
Postage and shipping	4,222	2,124	6,346	17	699	7,062	8,177
Printing and publications	10,690	10,947	21,637	44	3,123	24,804	27,604
Professional fees and services	27,409	9,346	36,755	113	9,906	46,774	35,599
Supplies and materials	19,354	9,985	29,339	46	3,472	32,857	18,895
Telephone/internet	2,577	1,549	4,126	206	427	4,759	3,679
Travel	5,347	25,154	30,501	20	1,639	32,160	34,300
	<u>\$ 1,108,011</u>	<u>\$ 391,924</u>	<u>\$ 1,499,935</u>	<u>\$ 40,951</u>	<u>\$ 143,495</u>	<u>\$ 1,684,381</u>	<u>\$ 1,254,566</u>

See notes to financial statements.

OREGON LIONS SIGHT & HEARING FOUNDATION, INC.

STATEMENT OF CASH FLOWS

Year Ended June 30, 2013

(With Comparative Totals for the Year Ended June 30, 2012)

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Change in net assets	\$ 2,089,159	\$ (204,746)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	48,202	26,605
Net unrealized (gain) loss on investments	39,295	156,327
Realized (gain) loss on sale of investments	292,799	(83,333)
Changes in assets and liabilities:		
Pledges and accounts receivable	76,073	(74,231)
Prepaid expenses	7,572	28,114
Accounts payable	(87,518)	64,264
Accrued expenses	(19,499)	(13,392)
Net cash provided by (used in) operating activities	<u>2,446,083</u>	<u>(100,392)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	2,923,981	1,881,376
Purchase of investments	(5,398,905)	(1,695,027)
Purchase of property and equipment	(303,168)	(40,145)
Net cash provided by (used in) investing activities	<u>(2,778,092)</u>	<u>146,204</u>
Cash flows from financing activities:		
Payments on gift annuities	<u>(4,776)</u>	<u>(4,776)</u>
Net increase in cash and cash equivalents	(336,785)	41,036
Cash and cash equivalents		
Beginning of year	<u>1,020,725</u>	<u>979,689</u>
End of year	<u>\$ 683,940</u>	<u>\$ 1,020,725</u>

See notes to financial statements.

OREGON LIONS SIGHT & HEARING FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE A – DESCRIPTION OF ORGANIZATION

The Oregon Lions Sight & Hearing Foundation, Inc. (the Foundation) is a charitable nonprofit organization established in 1959. The Foundation's mission is to screen, treat, save and restore sight and hearing, in partnership with Lions Clubs, in order to prevent blindness and deafness for those in need. The Foundation receives its support primarily through contributions and grants from individuals, corporations, and other organizations.

The Foundation's activities are as follows:

➤ **Patient and Program Services**

The Patient Care Program was created to help financially needy Oregonians receive the eye and ear surgery or treatments they need but cannot afford. Qualified applicants receive quality medical treatment with dignity, confidentiality and compassion.

➤ **Mobile Screening**

The Foundation operates a Mobile Health Screening Program, which provides an accessible and inexpensive way to offer health screenings to those in most need. The Program provides free screenings to schools and the public throughout the year.

➤ **Other Programs**

Other programs include a refurbished Hearing Aid Bank, Low Vision Clinic for visually disabled children, Mission Cataract surgeries, and the KEX Kids Fund.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. Accordingly, the net assets of the Foundation and changes therein are classified and reported as follows:

- **Unrestricted Net Assets** - Net assets that are not subject to donor-imposed stipulations. The Board of Directors may designate unrestricted net assets for specific purposes.
- **Temporarily Restricted Net Assets** - Net assets subject to donor-imposed stipulations that will be met either by actions of the Foundation and/or the passage of time.
- **Permanently Restricted Net Assets** - Net assets subject to donor-imposed stipulations that they be permanently maintained.

OREGON LIONS SIGHT & HEARING FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2013

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation (Continued)

Expenses are reported as a decrease in unrestricted net assets. Gains and losses are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expiration of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Cash and Cash Equivalents

The Foundation classifies as cash and cash equivalents all checking, savings, and money market accounts used for operating purposes.

Contributions and Accounts Receivable

Contributions and accounts receivable of \$134,293 consist of foundation grants of \$106,200 and pledges of \$23,963, all due within one year, program fees due from Oregon Lions Clubs of \$11,770 and miscellaneous receivables of \$1,000, less an allowance for doubtful accounts of \$8,640. The Foundation provides for losses on receivables using the allowance method. The allowance is based on experience and other circumstances based on collectability. It is the Foundation's policy to charge off uncollectible receivables when management determines the receivables will not be collected. Bad debt experience was minimal for the year ended June 30, 2013.

Investments and Fair Value Measurements

Investments are the only assets measured at fair value on a recurring basis. Valuation techniques used to measure fair value are prioritized into the following hierarchy:

Level 1 – Quoted prices in active markets for identical assets.

Level 2 – Quoted prices for similar assets in active or inactive markets, or inputs derived from observable market data by correlation such as appraisals or other means such as calculations based on contractual rates and published tables.

Level 3 – Unobservable inputs that reflect management's assumptions and best estimates based on available data.

Investments in bonds, equities, and mutual funds are carried at fair value based on quoted prices in active markets in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.

OREGON LIONS SIGHT & HEARING FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2013

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets Held in Charitable Gift Annuities

The Foundation occasionally receives contributions for which the donor or donor-designated beneficiary may retain a life interest. The assets are invested and administered by the Foundation and distributions are made to the beneficiaries under the terms of the agreement. These funds are generally invested in equity and fixed income mutual funds, and the Foundation records its interest at fair value based on estimated future cash receipts. Initial recognition and subsequent adjustments to the assets' carrying values have not been material and are included in other revenues in the accompanying financial statements.

Liabilities for charitable gift annuities are recorded when incurred at the present value of the distributions to be made to the donor-designated beneficiaries. Distributions are paid over the lives of the beneficiaries. Present values are determined using discount rates determined by the Internal Revenue Service and actuarially determined life expectancies. The liabilities for charitable gift annuities are revalued annually and the net change, together with any remaining recorded obligations after all trust or gift obligations under terminated agreements have been satisfied, are offset with other revenues.

Contributions

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. All contributions are considered available for the Foundation's general programs unless specifically restricted by the donor or designated by the Board of Directors. 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.

Contributed Services and Materials

The value of contributed services and materials meeting the requirements for recognition has been recorded in the financial statements (see Note E). Additionally, a number of volunteers have donated a significant number of hours to the Foundation. Although these services do not meet the criteria for recognition under generally accepted accounting principles, they are integral to the Foundation's mission.

Advertising

The Foundation expenses all advertising costs as incurred.

OREGON LIONS SIGHT & HEARING FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2013

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment of \$1,000 or more is recorded at cost. Donations of equipment and furniture are recorded as revenues at their estimated fair market values on the date of receipt. Such donations are reported as unrestricted revenues unless the donor has restricted the donated asset to a specific purpose. Depreciation on the equipment is computed using the straight-line method over the estimated useful lives of the assets that range from three to five years. Maintenance and repairs are expensed when incurred.

Classification of Endowment Net Assets

The Foundation has interpreted Oregon's adoption of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the Foundation to adopt investment and spending policies that preserve the fair value of the original endowed gift as of the date of the gift, absent explicit donor restrictions to the contrary. Although the Foundation has a long-term fiduciary duty to the donor (and others) for a fund of perpetual duration, the preservation of an endowment's purchasing power is only one of several factors that are considered in managing and investing these funds. Furthermore, in accordance with UPMIFA, a portion of an endowment's historic dollar value may be appropriated for expenditure in support of the designated purposes of the endowment if this is consistent with a spending policy that otherwise satisfies the requisite standard of prudence under UPMIFA.

As a result of this interpretation, the Foundation classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) subsequent gifts to the endowment, and (3) accumulations made pursuant to the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In general, investment returns on the Foundation's permanent endowment are available for retention or appropriation based on the same prudent standards and policies established by the Board of Directors and, therefore, are classified as temporarily restricted net assets until the returns are appropriated for expenditure by the Board of Directors and, if the use of the investment return is restricted by the donor, until the restriction has also been satisfied. Any investment return classified as permanently restricted net assets represents only those amounts required to be retained permanently as a result of explicit donor stipulations.

Additionally, the Foundation has designated a portion of its unrestricted net assets as endowment. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed stipulations. Accordingly, investment returns on designated endowment funds remain designated until appropriated for expenditure by the Board of Directors.

OREGON LIONS SIGHT & HEARING FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2013

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Endowment Investment and Spending Policies

The goal of the Foundation's investment program for funds held as permanent endowment is to simultaneously minimize investment risk and to achieve a total rate of return that will allow the Foundation to respond to today's needs and the long-term growth necessary to respond to future needs. The investment objective for endowed funds is to retain (at a minimum) when possible an increase in the purchasing power of the funds, while at the same time producing a reasonable return for distribution to meet current needs. To meet this investment objective, the Lions Foundation follows a strategy in which investment decisions are made with the intent of maximizing the safety and security and the long-term total return of the portfolio, combining market-value changes (realized and unrealized) and current yield (interest and dividends). Endowment assets are invested in a mixture of equities, fixed-income instruments, private instruments, and cash.

The Foundation has adopted a spending policy to determine the annual amount available for distributions from funds restricted or designated for endowment. The annual amount available for expenditure is 6% of the average market value for the three previous years.

Income Tax Status

The Foundation has been granted exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) and has been determined not to be a private foundation under Section 509(a)(1) of the Code. Accordingly, donations made to the Foundation qualify as charitable contributions.

The Organization does not believe it has unrelated trade or business income in excess of \$1,000. As such, no provision for income taxes is reflected in the financial statements. The Foundation's federal exempt organization information returns are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentrations of Credit Risk

Financial instruments that potentially subject the Foundation to credit risk include cash, investments in marketable securities, and accounts receivable. Cash deposited with financial institutions regularly exceeds the related federal deposit insurance limits. Management periodically evaluates the relative credit standings of these financial institutions. Management also periodically evaluates the quality of the investments in marketable securities with other institutions, which are partially covered by federal insurance. Future changes in market prices may make such investments less valuable.

OREGON LIONS SIGHT & HEARING FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2013

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allocation of Functional Expenses

The costs of providing the various programs and other activities have been summarized in the Statement of Activities. Certain costs, including salaries and benefits, rent and utilities, have been allocated among the programs and supporting services benefited.

Prior Year Summarized Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by asset class or natural expense classification by function. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2012, from which the summarized information was derived. Certain reclassifications have been made to the prior summarized information to conform to the current year presentation.

NOTE C – INVESTMENTS

Investments are measured at fair value as follows as of the year ended June 30, 2013:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ -	\$ 94,309	\$ -	\$ 94,309
Mutual and exchange traded funds	993,825	-	-	993,825
Common stocks	3,013,875	-	-	3,013,875
Corporate bonds	-	1,492,860	-	1,492,860
Government securities	-	846,080	-	846,080
	\$ 4,007,700	\$ 2,433,249	\$ -	\$ 6,440,949

Investment expenses of \$28,485 were netted against interest and dividend income for the year ended June 30, 2013.

NOTE D – PROPERTY AND EQUIPMENT

Office improvements	\$ 128,589
Mobile screening unit and vehicles	374,180
Furniture and equipment	262,606
	765,375
Less accumulated depreciation and amortization	(373,931)
	\$ 391,444

OREGON LIONS SIGHT & HEARING FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2013

NOTE E – IN-KIND CONTRIBUTIONS

The Organization records donated materials and services that create or enhance non-financial assets or require specialized skills (that the Organization would have purchased if not donated) as support in the statement of activities. In-kind contributions included in the statement of activities for the year ended June 30, 2013 are summarized as follows:

Rent	\$ 50,400
Professional services	464,115
Supplies	<u>415</u>
	<u>\$ 514,930</u>

NOTE F – RETIREMENT PLAN

The Foundation sponsors a defined contribution retirement plan qualified under Section 401(k) of the Internal Revenue Code for all eligible employees. Employees may make contributions to the plan up to the maximum amount allowed by law. The Foundation also contributes 4% of each eligible employee's salary to the plan. Total Foundation contributions for the year ended June 30, 2013 were \$18,605.

NOTE G – TEMPORARILY RESTRICTED NET ASSETS

As of June 30, 2013, temporarily restricted net assets consist of:

Restricted for purpose:	\$ 299,226
Restricted for timing:	
Charitable gift annuity - net	45,830
Unappropriated from permanent endowment	<u>1,053,472</u>
	<u>\$ 1,398,528</u>

NOTE H – PERMANENTLY RESTRICTED NET ASSETS

As of June 30, 2013, the following principal amounts are permanently restricted by the donors or by public policy:

Irrigon Trust	\$ 28,587
Tyler Trust	75,926
General endowment	<u>2,148,081</u>
	<u>\$ 2,252,594</u>

OREGON LIONS SIGHT & HEARING FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2013

NOTE I – ENDOWMENT NET ASSETS

Generally accepted accounting principles require additional disclosures about an organization's endowment funds (both donor restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA).

The State of Oregon enacted its version of UPMIFA effective January 1, 2008, the provisions of which apply to endowment funds existing on or established after that date. As more fully described in NOTE B, the Board of Directors has determined that the Foundation's permanently restricted net assets meet the definition of donor-restricted endowment funds under UPMIFA. The composition of, and changes therein of the Foundation's endowment funds for the year ended June 30, 2013 are as follows:

<u>Changes in Endowment Net Assets for the Year Ended June 30, 2013</u>	<u>Designated Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2012	\$ 927,803	\$ 919,313	\$ 2,252,594	\$ 4,099,710
Designations of the Board	1,854,632	-	-	1,854,632
Appropriation of endowment assets for expenditure in year ended June 30, 2013	-	(304,333)	-	(304,333)
Investment return:				
Investment income	-	110,342	-	110,342
Net appreciation (depreciation)	-	328,151	-	328,151
Endowment net assets as of June 30, 2013	<u>\$ 2,782,435</u>	<u>\$ 1,053,473</u>	<u>\$ 2,252,594</u>	<u>\$ 6,088,502</u>

NOTE J – PROFESSIONAL FEES AND SERVICES

On June 10, 2008, the Lions Eye Bank of Oregon (aka Lions VisionGift ("LVG")) was established as an Oregon public benefit subsidiary corporation with the Foundation as its sole member. On August 23, 2011, the Foundation filed a lawsuit against LVG alleging wrongful conduct of LVG's Board of Directors. On November 28, 2012, the parties settled the lawsuit and separated all legal ties. The Foundation received \$2,100,000 in the settlement and incurred \$519,368 in legal fees, of which \$293,764 was incurred during the year ended June 30, 2013. The settlement, net of current fees, has been reported as a non-operating change in net assets in the accompanying statement of activities.

NOTE K – SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 10, 2013, which is the date the financial statements were available to be issued.