Consolidated Financial Statements Together with
Report of Independent Certified Public Accountants

LIGHTHOUSE INTERNATIONAL

December 31, 2010 and 2009

LIGHTHOUSE INTERNATIONAL

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
Lighthouse International:

We have audited the accompanying consolidated statements of financial position of Lighthouse International (the "Lighthouse") as of December 31, 2010 and 2009, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Lighthouse management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants. 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 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 Lighthouse's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Lighthouse International as of December 31, 2010 and 2009, and the consolidated changes in their net assets and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 7 of the consolidated financial statements, the Lighthouse adopted the provisions of ASC 958-205, "Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds," effective September 17, 2010.

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements as of and for the years ended December 31, 2010 and 2009, taken as a whole. The supplementary information as listed on the table of contents and presented on page 27 for the year ended December 31, 2010 is presented 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 our audits of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects, when considered in relation to the consolidated financial statements taken as a whole.

Grant Thornton LLP

New York, New York
June 15, 2011

LIGHTHOUSE INTERNATIONAL
Consolidated Statements of Financial Position
As of December 31, 2010 and 2009

ASSETS	2010	2009
Cash and cash equivalents	$ 1,325,594	$ 762,552
Accounts receivable, net of allowance for doubtful accounts of $681,000 in 2010 and $757,000 in 2009	1,344,992	941,491
Note receivable	1,900,000	-
Prepaid expenses, inventories and other assets	572,621	807,192
Contributions, trusts and legacies receivable, net of reserve of $703,000 in 2010 and $0 in 2009 (Note 2)	9,184,157	7,998,423
Investments (Note 3)	45,095,625	47,104,701
Investments held under split-interest agreements	3,054,785	2,870,730
Funds held by trustee (Note 8)	907,711	928,642
Deferred financing costs, net (Note 1)	1,036,155	1,082,206
Property, plant and equipment, net (Note 4)	24,757,058	24,821,827
Beneficial interest in perpetual trusts	9,191,592	8,725,845
Total assets	$ 98,370,290	$ 96,043,609
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	$ 7,088,065	$ 7,054,302
Obligation for leases - closed facilities (Note 11)	213,272	326,342
Liabilities under charitable split-interest agreements	2,113,574	2,133,767
Bonds payable (Note 8)	38,544,057	39,453,203
Retirement benefits (Note 5)	11,690,967	8,510,474
Total liabilities	59,649,935	57,478,088
Commitments and contingencies (Note 11)		
NET ASSETS		
Unrestricted	(4,693,162)	4,559,264
Temporarily restricted (Note 6)	21,728,521	12,837,008
Permanently restricted (Note 7)	21,684,996	21,169,249
Total net assets	38,720,355	38,565,521
Total liabilities and net assets	$ 98,370,290	$ 96,043,609

The accompanying notes are an integral part of these consolidated financial statements.

LIGHTHOUSE INTERNATIONAL
Consolidated Statements of Activities
For the years ended December 31, 2010 and 2009

	Unrestricted		Temporarily		Permanently		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
SUPPORT AND REVENUES								
Contributions	$ 970,461	$ 2,469,291	$ 1,731,606	$ 1,813,318	$ 50,000	$ 350,000	$ 2,752,067	$ 4,632,609
NAVH contribution	3,486,241	-	-	-	-	-	3,486,241	-
Special leadership gifts	3,278,904	-	1,968,586	-	-	-	5,247,490	-
Special events revenue, net of direct costs of $470,558 and $484,950 in 2010 and 2009, respectively	1,436,602	1,491,878	-	-	-	-	1,436,602	1,491,878
Legacies	3,946,430	4,301,075	1,477,772	2,030,555	-	-	5,424,202	6,331,630
Sales of consumer and professional products	465,400	451,125	-	-	-	-	465,400	451,125
Government grants (Note 10)	5,839,921	4,774,144	-	-	-	-	5,839,921	4,774,144
Investment return (loss) (Note 3)	4,076,279	9,337,085	441,504	948,930	-	-	4,517,783	10,286,015
Distributions from perpetual trusts	380,427	341,998	-	17,861	-	-	380,427	359,859
Change in split-interest agreements and beneficial interest in perpetual trusts	580,157	110,164	(246,969)	2,798,519	465,747	1,254,355	798,935	4,163,038
Rental and conference center income, net of related direct costs of $1,054,263 and $821,373 in 2010 and 2009, respectively	2,210,825	2,262,193	-	-	-	-	2,210,825	2,262,193
Direct client services income	1,588,387	1,070,306	-	-	-	-	1,588,387	1,070,306
Other income	424,281	176,390	-	-	-	-	424,281	176,390
Net assets released from restrictions (Note 6)	3,691,209	3,574,660	(3,691,209)	(3,574,660)	-	-	-	-
Total support and revenues (Note 8)	32,375,524	30,360,309	1,681,290	4,034,523	515,747	1,604,355	34,572,561	35,999,187
EXPENSES								
Program services (Notes 1 and 9)	22,819,016	21,074,021	-	-	-	-	22,819,016	21,074,021
Suporting services	7,957,034	7,593,123	-	-	-	-	7,957,034	7,593,123
Total expenses	30,776,050	28,667,144	-	-	-	-	30,776,050	28,667,144
Change in net assets before non-recurring items	1,599,474	1,693,165	1,681,290	4,034,523	515,747	1,604,355	3,796,511	7,332,043
Change in minimum liability for pension benefits (Note 5)	(3,641,677)	1,169,504	-	-	-	-	(3,641,677)	1,169,504
Adoption of the New York Prudent Management of Institutional funds Act (Notes 6 and 7)	(7,210,223)	-	7,210,223	-	-	-	-	-
Redesignation of contribution	-	50,000	-	-	-	(50,000)	-	-
Change in net assets	(9,252,426)	2,912,669	8,891,513	4,034,523	515,747	1,554,355	154,834	8,501,547
Net assets, beginning of year	4,559,264	1,646,595	12,837,008	8,802,485	21,169,249	19,614,894	38,565,521	30,063,974
Net assets, end of year	$ (4,693,162)	$ 4,559,264	$ 21,728,521	$ 12,837,008	$ 21,684,996	$ 21,169,249	$ 38,720,355	$ 38,565,521

The accompanying notes are an integral part of these consolidated financial statements.

LIGHTHOUSE INTERNATIONAL
Consolidated Statement of Functional Expenses
For the year ended December 31, 2010

		Supporting Services			
	Total Program Services	Development	Administrative and General	Total	Total Expenses
Salaries	$ 10,613,695	$ 1,536,695	$ 1,833,586	$ 3,370,281	$ 13,983,976
Employee benefits	3,015,962	480,251	525,778	1,006,029	4,021,991
Travel and entertainment	273,626	60,236	60,356	120,592	394,218
Professional services	2,182,840	411,178	1,255,825	1,667,003	3,849,843
Supplies and equipment	412,863	46,462	33,042	79,504	492,367
Occupancy	1,876,201	215,739	54,731	270,470	2,146,671
Postage and printing	390,180	227,479	7,556	235,035	625,215
Miscellaneous	519,408	17,901	737,767	755,668	1,275,076
Cost of goods sold	446,249	-	-	-	446,249
Interest expense	1,419,175	196,966	71,464	268,430	1,687,605
Total expenses before depreciation and amortization	21,150,199	3,192,907	4,580,105	7,773,012	28,923,211
Depreciation and amortization	1,668,817	147,218	36,804	184,022	1,852,839
Total 2010 functional expenses	$ 22,819,016	$ 3,340,125	$ 4,616,909	$ 7,957,034	$ 30,776,050

The accompanying notes are an integral part of this consolidated financial statement.

LIGHTHOUSE INTERNATIONAL
Consolidated Statement of Functional Expenses
For the year ended December 31, 2009

		Supporting Services			
	Total Program Services	Development	Administrative and General	Total	Total Expenses
Salaries	$ 9,412,642	$ 757,182	$ 2,634,261	$ 3,391,443	$ 12,804,085
Employee benefits	2,154,090	173,282	602,850	776,132	2,930,222
Travel and entertainment	228,435	18,376	63,931	82,307	310,742
Professional services	2,529,301	203,465	707,861	911,326	3,440,627
Supplies and equipment	401,659	32,311	112,410	144,721	546,380
Occupancy	1,573,505	126,578	440,368	566,946	2,140,451
Postage and printing	488,197	39,272	136,629	175,901	664,098
Miscellaneous	549,987	44,243	153,922	198,165	748,152
Cost of goods sold	479,440	38,568	134,178	172,746	652,186
Interest expense	1,384,040	111,336	387,343	498,679	1,882,719
Total expenses before depreciation and amortization	19,201,296	1,544,613	5,373,753	6,918,366	26,119,662
Depreciation and amortization	1,872,725	150,648	524,109	674,757	2,547,482
Total 2009 functional expenses	$ 21,074,021	$ 1,695,261	$ 5,897,862	$ 7,593,123	$ 28,667,144

The accompanying notes are an integral part of this consolidated financial statement.

LIGHTHOUSE INTERNATIONAL
Consolidated Statements of Cash Flows
For the years ended December 31, 2010 and 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 154,834	$ 8,501,547
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Change in minimum pension liability	3,641,677	(1,169,504)
Provision for bad debt expense, accounts receivable	-	536,689
Provisions for bad debt expense, contributions	702,919	-
Depreciation and amortization	1,730,932	2,425,576
Amortization of deferred financing	46,051	46,051
Amortization of bond discount	75,854	75,855
Net realized and unrealized gains on investments	(4,101,782)	(9,858,130)
Change in value of split-interest agreements	(204,248)	(355,059)
Permanently restricted contributions	(50,000)	(350,000)
Change in beneficial interest in perpetual trusts	(465,747)	(1,254,354)
Changes in assets and liabilities:		
Accounts receivable	(403,501)	(309,911)
Prepaid expenses, inventories and other assets	234,571	(10,921)
Contributions, trusts and legacies receivable	(1,888,653)	(2,981,215)
Accounts payable and accrued expenses	33,763	1,022,221
Obligation for leases at closed facilities	(113,070)	(111,104)
Retirement benefits	(461,184)	(99,767)
Net cash used in operating activities	(1,067,584)	(3,892,026)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(11,482,882)	(8,250,482)
Proceeds from sales of investments	17,593,740	13,100,864
Property, plant and equipment additions	(1,666,163)	(337,452)
Change in investments restricted to use	20,931	19,845
Net cash provided by investing activities	4,465,626	4,532,775
CASH FLOWS FROM FINANCING ACTIVITIES		
Permanently restricted contributions	50,000	350,000
Principal payments on bonds payable	(985,000)	(945,000)
Notes receivable	(1,900,000)	-
Net cash used in financing activities	(2,835,000)	(595,000)
Net increase in cash and cash equivalents	563,042	45,749
Cash and cash equivalents, beginning of year	762,552	716,803
Cash and cash equivalents, end of year	$ 1,325,594	$ 762,552
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	$ 1,836,081	$ 1,896,430
Contribution recorded for the merger with National Association for the Visually Handicapped	$ 3,486,241	$ -

The accompanying notes are an integral part of these consolidated financial statements.

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization

Lighthouse International (the "Lighthouse"), founded in 1905, is a leading nonprofit organization located in New York City, New York, that helps people of all ages overcome the challenges of vision loss. Through services, education, research and advocacy, the Lighthouse assists people with low vision and blindness to enjoy safe, independent and productive lives.

The following is a summary of the programs and activities of the Lighthouse:

- Rehabilitation services teach people with impaired vision the skills and strategies necessary to manage household tasks, such as preparing food and cooking, cleaning, personal grooming, and manage finances and medications, so they can enjoy safe and independent lives.
- The Child Development Center provides comprehensive services to meet the individual needs of children with vision impairment from birth to age five through both Home and Center based Early Intervention Programs that helps infants and toddlers with vision problems reach the same developmental milestones as their peers; and a uniquely integrated preschool, where children who are visually impaired learn alongside those with full sight for a more enriched educational experience for all.
- Low vision services include specialized eye exams by low vision doctors to evaluate a person's remaining vision and overall visual function. The goals are to maximize existing vision - often with the use of prescribed optical devices - and to enhance quality of life at any age.
- Career services enable people with impaired vision to prepare for, obtain or retain a job in the competitive marketplace. Matching employers with qualified candidates and ensuring workplace accessibility for employees with vision loss are key components.
- Youth services empower teens with vision loss to build the confidence, socialization and independent living skills they need to achieve success in school and, ultimately, in the working world as self-sufficient adults.
- Music and print access services include The Filomen M. D'Agostino Greenberg Music School, the largest community music school for people of all ages with vision loss in the United States; and reading, audio and braille services that make print materials accessible to people without sight.
- Consumer products span a wide range of lighting, magnifying and adaptive devices - all of which are designed to make life easier for people with vision loss - and are sold in the Lighthouse Store and through the online store.
- Education and advocacy include accredited professional continuing education courses in low vision care and vision rehabilitation, as well as paraprofessional training; outreach to raise awareness of vision impairment; and advocacy initiatives, which promote the rights of people with vision loss and their inclusion in mainstream society.
- Research that advances the knowledge base in how people with vision loss function is conducted in the Arlene R. Gordon Research Institute. This is the only research program housed within a vision rehabilitation organization addressing three primary areas: vision science, psychosocial studies and program evaluation.

- Public information is disseminated through various media outlets to raise widespread awareness of the prevalence of vision loss, and to promote the importance of prevention and early intervention, as well as the benefits of vision rehabilitation for people who are partially sighted or blind.

- Volunteers recruit outstanding individuals including college interns and business professionals that give of their time and expertise to support our mission. Social services assist people and their families/caregivers in adjusting to and coping with vision loss, by addressing the emotional and psychological impact of the vision loss so that independence, dignity and quality of life are maintained.

The Lighthouse is a Section 501(c)(3) not-for-profit organization and is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code (the "Code"). The Lighthouse has been classified as a publicly supported organization as described in Section 509(a)(1) of the Code.

Effective January 29, 2010, the Lighthouse became the sole member of National Association for the Visually Handicapped ("NAVH"), a Section 501(c)(3) not-for-profit organization exempt from federal income taxes. The Lighthouse acquired NAVH to continue their mission as the founder of NAVH was retiring. As a result of the assets acquired from NAVH being more than the liabilities acquired from NAVH, the Lighthouse recognized a contribution of $3,486,241, which was recorded in the consolidated statements of activities for the year ended December 31, 2010. This contribution was recorded by the Lighthouse as an unrestricted contribution based on the classification of the assets acquired. During 2011, the programs previously administered by NAVH were fully integrated with those of the Lighthouse.

Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared under the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations. All significant intercompany balances and transactions have been eliminated.

Net Asset Classification

Resources are classified for accounting and financial reporting purposes based upon the existence or absence of donor imposed restrictions, as follows:

Permanently Restricted Net Assets - consists of funds that are subject to donor-imposed restrictions requiring that the corpus be retained in perpetuity or resources used at a Board appropriated spending rate for an agreed upon purpose, as specified by the respective donors.

Temporarily Restricted Net Assets - consists of amounts restricted by donors and private grantors for specific Lighthouse activities or to be received at some future date. When a donor restriction expires, that is when a time restriction ends or a purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions. However, when stipulations on donor-restricted contributions are met and the funds have been appropriated for expenditure, such amounts are released from restriction and reported as unrestricted net assets.

Unrestricted Net Assets - consists of resources available for the general support of the Lighthouse's operations. Unrestricted net assets may be used at the discretion of the Lighthouse's management and Board of Directors. At December 31, 2010 and 2009, the Lighthouse did not have any board-designated endowment funds.

Contributions

Contributions, including unconditional promises to give, are reported as revenues in the period received. Pledges received are discounted to reflect the present value of future cash flows using a risk-adjusted rate. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any. In addition, contributions related to Special Leadership Gifts are recorded separately in the consolidated statements of activities. Proceeds for the Special Leadership Gifts are intended to support the Lighthouse mission.

Cash and Cash Equivalents

The Lighthouse considers highly liquid investments with maturities purchased within three months or less, except for those held in the investment portfolio, to be cash equivalents. The Lighthouse maintains balances with high credit quality financial institutions that, at times, may exceed federal depository insurance limits. Management does not believe the credit risk related to these deposits to be significant.

Inventory

Inventory is carried at the lower of cost or market (determined by the last-in first-out method) and totaled $152,635 and $180,874 in 2010 and 2009, respectively. Such amounts are included in prepaid expenses, inventories and other assets in the accompanying consolidated statements of financial position.

Accounts Receivable

Accounts receivable is comprised of amounts due from rental of the conference center space located at the Lighthouse's headquarters, grants receivable, vocational rehabilitation and other medical services and recorded at net realizable value. The allowance for doubtful accounts represents the Lighthouse's best estimate of probable losses based on aging and historical collection rates. Amounts recorded as accounts receivable do not bear interest.

Notes Receivable

Note receivable is comprised of the amount due from the sale of the NAVH property. Note receivable is recorded at the net realizable value. Amounts recorded as notes receivable do no bear interest.

Advertising Costs

The Lighthouse recorded costs related to advertising of $271,965 and $283,482 for the years ended December 31, 2010 and 2009, respectively. The Lighthouse expenses advertising costs as they are incurred.

Fair Value Measurement

The Lighthouse measures fair value as the price that would be received to sell an asset or paid to transfer a liability (the exit price) in an orderly transaction between market participants at the measurement date. The Lighthouse also prioritizes, within the measurement of fair value, the use of market-based information over entity-specific information and establishes a three-level hierarchy for fair value measurements based on the transparency of information used in the valuation of an asset or liability as of the measurement date.

The three levels of the fair value hierarchy are as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that Lighthouse has the ability to access at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable or are recorded at the net asset value.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by Lighthouse's management with the consultation of Lighthouse's investment advisors. Management considers observable data to be market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument. The Lighthouse measures investments that do not have a quoted market price at the net asset value, when available (see Note 3 for additional details).

Investments are stated at fair value based upon quoted market prices except for the fair values of alternative investments, which are based on net asset values provided by the general partners, based upon the underlying net assets of the funds. With the assistance of third parties, these values are reviewed and evaluated by management. Investments in alternative investments are generally less liquid than other types of investments and the reported fair value may differ from the values that would have been reported had a ready market for these securities existed.

Split-Interest Agreements

The Lighthouse has a program to receive contributions under charitable gift annuity agreements. For financial reporting purposes, the Lighthouse has segregated these assets as separate and distinct funds, independent from other resources as such funds are used for annuity benefits specified in the agreements. Under these agreements, the Lighthouse agrees to pay a stated return annually to the beneficiaries as long as they live, after which time the remaining assets are available for Lighthouse's unrestricted use.

The Lighthouse's interest in charitable remainder trusts is reported at present value, reflecting the fair value of the amounts the Lighthouse expects to receive, discounted at a current rate of 2.0%, per year, for the periods prior to expected receipt. This amount is recorded within contributions, trusts and legacies receivable in the accompanying consolidated statements of financial position.

Beneficial Interest in Perpetual Trusts

The Lighthouse is an income beneficiary of various trust funds held in perpetuity by others. As a result, the Lighthouse has recorded an asset based upon its percentage interest of the fair value of the underlying assets of the trust, which are predominantly Level 1 investments. Changes to the estimated net present value of income to be received are recognized as gains or losses in permanently restricted net assets in the accompanying consolidated statements of activities.

Property, Plant and Equipment

Property, plant and equipment with a unit cost in excess of $1,000 is carried at cost or at the fair value at the date of contribution, if donated. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows: buildings - 30 years, building improvements - 25 to 30 years, and furniture, fixtures and equipment - 3 to 5 years. Leasehold improvements are amortized over the shorter of their estimated useful lives or the terms of the respective leases.

Government Grants and Contracts

Revenues from government grants and contracts are recognized when earned. For outcome based contracts, revenue is recognized when the requirements of the contact are met. These outcomes are subsequently audited by the applicable government agency and adjustments may be recorded after review. Included in accounts payable and accrued expenses in the accompanying statements of financial position is approximately $2,019,000 and $1,491,000 of deferred revenue at December 31, 2010 and 2009, respectively, related to amounts received for outcome based services that had not been earned.

Direct Client Services Income

Direct client services income represents income for the delivery of various programmatic services and is recognized as revenue in the period in which services are rendered.

Deferred Financing Costs

Deferred financing costs represent costs associated with certain debt issuances and are amortized over the terms of the related bonds, which range from 11 to 34 years. Accumulated amortization of deferred financing costs totaled $562,000 and $516,000 at December 31, 2010 and 2009, respectively.

Expense Allocations

Direct expenses are assigned to the respective programs and supporting services based upon actual costs incurred. Indirect expenses, including joint costs, are allocated to the various programs and supporting services based upon estimates of square footage occupied, level of effort or line-counts, as appropriate.

During 2010, the Lighthouse changed its method of estimating certain allocations in its functional expenses. Accordingly, balances from the prior year for program service, development and administrative costs may vary when compared to the current year balances.

Donated Materials and Services

A substantial number of volunteers have made significant contributions of their time to help develop the Lighthouse's programs and activities. The value of such volunteers' services has not been reflected in the accompanying consolidated financial statements as it does not meet the criteria for revenue recognition established by accounting principles generally accepted in the United States of America.

Special Events Revenue and Fundraising

Special events revenue consists of proceeds from fund-raising events, reported net of direct donor benefit, as applicable, and principally include annual galas and posh sales events. Revenue and related expenses are recognized upon occurrence of the event.

Conference Center

The Lighthouse generates revenues from the rental of conference center space located in the Lighthouse. Such space is rented to external parties.

Revenues generated are utilized for the purposes of supporting Lighthouse's mission. Revenues and related expenses are recognized upon occurrence of the event.

Income Taxes

The Lighthouse follows the accounting guidance for uncertainties in income tax positions which require that a tax position be recognized or derecognized based on a "more likely than not" threshold. This applies to positions taken or expected to be taken in a tax return. The Lighthouse does not believe its activities result in any uncertain tax positions.

Use of Estimates

The preparation of the consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Endowments of Not-for-Profit Organization

For the year ended December 31, 2009, the Lighthouse adopted the disclosure provisions of, "Endowments of Not-for-Profit Organizations", as the State of New York had not yet enacted a version of the Uniform Prudent Management of Institutional funds Act ("UPMIFA"). Among other things, this guidance addressed the net asset classification of donor restricted endowment funds for organizations subject to an enacted version of the 2006 UPMIFA. On September 17, 2010, New York State passed its own version of UPMIFA ("NYPMIFA") legislation, which was consequently applied to the Lighthouse December 31, 2010 consolidated financial statements.

A key component of this legislation is a requirement to classify the remaining accumulations related to the donor-restricted endowment fund that were previously recorded as additions to unrestricted net assets as temporarily restricted net assets until those amounts are appropriated for expenditure by the Lighthouse Board of Directors in a manner consistent with the standard of prudence prescribed by NYPMIFA. As a result of the adoption of NYPMIFA, the Lighthouse reclassified $7,210,223 from unrestricted net assets to temporarily restricted net assets, representing accumulated unspent earnings from donor-restricted endowment funds (see Note 7).

2. CONTRIBUTIONS, TRUSTS AND LEGACIES RECEIVABLE

At December 31, 2010 and 2009, trust receivables amounted to $4,869,502 and $5,116,471, respectively. In addition, at December 31, 2010 and 2009, contributions and legacies receivable were expected to be collected as follows:

	2010	2009
Within one year	$ 2,660,384	$ 2,498,882
One to five years	2,429,617	391,620
	5,090,001	2,890,502
Allowance for doubtful accounts	(702,919)	-
Discount to present value (at rates ranging from 2.78% to 4.30%)	(72,427)	(8,550)
	$ 4,314,655	$ 2,881,952

3. INVESTMENTS

Investments at fair value consisted of the following at December 31, 2010 and 2009:

	2010		2009	
	Fair Value	Cost or Donated Value	Fair Value	Cost or Donated Value
Money market funds	$ 2,196,888	$ 2,196,888	$ 868,971	$ 868,971
Equities	8,271,029	6,558,936	8,331,893	7,319,690
Equity mutual funds	8,081,252	7,634,566	11,535,417	12,666,627
Fixed income mutual funds	5,822,248	5,585,920	6,061,416	5,811,475
Alternative investments:				
Equity long/short	9,566,175	5,493,994	10,822,990	7,493,994
Multistrategy	11,158,033	7,212,486	9,484,014	5,430,706
	$ 45,095,625	$ 34,682,790	$ 47,104,701	$ 39,591,463

	2010			
	Level 1	Level 2	Level 3	Total
Money market funds	$ 2,196,888	$ -	$ -	$ 2,196,888
Equities	8,271,029	-	-	8,271,029
Equity mutual funds	8,081,252	-	-	8,081,252
Fixed income mutual funds	5,822,248	-	-	5,822,248
Alternative investments:				
Equity long/short	-	-	9,566,175	9,566,175
Multistrategy	-	-	11,158,033	11,158,033
	$ 24,371,417	$ -	$ 20,724,208	$ 45,095,625

	2009			
	Level 1	**Level 2**	**Level 3**	**Total**
Money market funds	$ 868,971	$ -	$ -	$ 868,971
Equities	8,331,893	-	-	8,331,893
Equity mutual funds	11,535,417	-	-	11,535,417
Fixed income mutual funds	6,061,416	-	-	6,061,416
Alternative investments:				
Equity long/short	-	-	10,822,990	10,822,990
Multistrategy	-	-	9,484,014	9,484,014
	$ 26,797,697	$ -	$ 20,307,004	$ 47,104,701

A reconciliation of Level 3 investments for the years ended December 31, 2010 and 2009 is as follows:

	2010		
	Equity Long/Short	**Multistrategy**	**Total**
Balance at December 31, 2009	$ 10,822,990	$ 9,484,014	$ 20,307,004
Purchases	-	3,252,519	3,252,519
Sales	(2,000,000)	(2,752,519)	(4,752,519)
Realized gains	1,482,176	1,281,780	2,763,956
Unrealized losses	(738,991)	(107,761)	(846,752)
Balance at December 31, 2010	$ 9,566,175	$ 11,158,033	$ 20,724,208

	2009		
	Equity Long/Short	**Multistrategy**	**Total**
Balance at December 31, 2008	$ 10,995,755	$ 7,349,374	$ 18,345,129
Purchases	-	2,010,830	2,010,830
Sales	(3,000,000)	(1,760,829)	(4,760,829)
Realized gains	648,766	502,451	1,151,217
Unrealized gains	2,178,469	1,382,188	3,560,657
Balance at December 31, 2009	$ 10,822,990	$ 9,484,014	$ 20,307,004

At December 31, 2010 and 2009, investments were categorized by the level of input as stipulated by the fair value hierarchy using the market value approach except for alternative investments. The fair value of alternative investments is determined by the Lighthouse's management for each investment based upon net assets values as provided by fund managers or general partner. The fair value of the underlying securities and other financial information of the alternative investments may involve estimates that require a degree of judgment. The financial statements of the funds are audited annually by independent auditors.

Alternative investments classified as Level 3 consist of shares or units in investment funds as opposed to direct interests in the funds' underlying holdings, which may be marketable. Because the net asset value reported by each fund is used as a practical expedient to estimate the fair value of the Lighthouse's interest therein, its classification in Level 3 is based on the Lighthouse's inability to redeem its interest at or near the date of the balance sheet. The classification of investments in the fair value hierarchy is not necessarily an indication of the risks, liquidity, or degree of difficulty in estimating the fair value of each investment's underlying assets and liabilities.

Investment return for the years ended December 31, 2010 and 2009, consisted of the following:

	2010	2009
Interest and dividend income	$ 619,401	$ 633,489
Realized gains on investments	1,201,185	610,834
Net unrealized gain in fair market value of investments	2,900,597	9,247,296
Investment and custodian fees	(203,400)	(205,604)
	$ 4,517,783	$ 10,286,015

4. PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment, net, consisted of the following at December 31, 2010 and 2009:

	2010	2009
Buildings and building improvements	$ 44,444,410	$ 44,196,443
Furniture, fixtures and equipment	12,434,321	12,292,653
	56,878,731	56,489,096
Less: accumulated depreciation and amortization	(32,475,163)	(32,020,759)
Land	353,490	353,490
	$ 24,757,058	$ 24,821,827

During 2010, management retired fully depreciated assets totaling $1,276,528. Depreciation expense totaled $1,617,250 and $2,292,255 for the years ended December 31, 2010 and 2009, respectively.

The building has been pledged as collateral under bond agreements (see Notes 8).

5. RETIREMENT PLAN BENEFITS

Defined Benefit Plan

The Lighthouse had a noncontributory defined benefit pension plan (the "Plan") covering substantially all employees hired before July 31, 2004. This Plan was amended effective December 31, 2005, with all employees entitled to benefits earned at that point and subject to future vesting under the terms of the Plan for those not vested at that date. Certain employees who met certain requirements were grandfathered into the Plan and continued to be eligible participants in the Plan. The Plan was fully frozen on June 30, 2007.

The Plan provided pension benefits that are based on the highest average employee compensation for five consecutive years during the last ten years of employment. The Lighthouse's funding policy is to contribute to the Plan in accordance with the funding requirements of the Employee Retirement Income Security Act of 1974. The measurement date for the Plan is December 31.

Financial information regarding the Plan follows:

	2010	2009
Reconciliation of benefit obligation:		
Obligation at January 1	$ 38,308,310	$ 36,699,561
Interest cost	2,199,294	2,288,081
Actuarial loss	4,855,810	1,845,093
Benefit payments	(2,627,586)	(2,524,425)
Obligation at December 31	42,735,828	38,308,310
Reconciliation of fair value of Plan assets:		
Fair value of Plan assets at January 1	29,797,836	26,919,816
Actual return on Plan assets	3,034,505	5,402,445
Employer contributions	840,106	-
Benefit payments	(2,627,586)	(2,524,425)
Fair value of Plan assets at December 31	31,044,861	29,797,836
Components of accrued benefit costs:		
Funded status at December 31	(11,690,967)	(8,510,474)
Net amount recognized	$ (11,690,967)	$ (8,510,474)

Amounts recognized in the consolidated statements of financial position at December 31, 2010 and 2009 are as follows:

	2010	2009
Pension benefit liability	$ (11,690,967)	$ (8,510,474)

Other changes in pension benefit obligation recognized in unrestricted net assets at December 31, 2010 and 2009 are as follows:

	2010	2009
Net loss (gain) for period	$ 4,124,942	$ (1,149,925)
Amortization of net gain	(483,265)	(19,579)
	$ 3,641,677	$ (1,169,504)

The following table provides the components of the net periodic benefit cost of the Plan for the years ended December 31, 2010 and 2009:

	2010	2009
Interest cost	$ 2,199,294	$ 2,288,081
Expected return on Plan assets	(2,303,637)	(2,407,427)
Amortization of net loss	483,265	19,579
Net periodic benefit cost	$ 378,922	$ (99,767)

The prior service cost is amortized on the straight-line basis over the average remaining service period of active participants. Gains and losses in excess of 10% of the greater of the benefit obligation and/or the fair value of assets are amortized over the average remaining service period of active participants.

Assumptions

The weighted-average assumptions used in the measurement of the benefit obligations are as follows:

	2010	2009
Discount rate	5.20 %	5.90 %
Expected return on Plan assets	8.00 %	8.00 %

The weighted average assumption used in the measurement of the net periodic cost for the years ended are as follows:

	2010	2009
Discount rate	5.90 %	6.55 %

Investment Policy

Financial information regarding Plan assets follows:

	Allocations Target 2011	Percentage of Plan Assets at December 31 2010	2009
Plan assets:			
Equity securities	50%	48%	52%
Debt securities	25%	24%	24%
Other	25%	28%	24%

Fair Values of Plan Assets

The following table presents the Lighthouse's categorization of the assets of the pension plan within the fair value hierarchy as of December 31, 2010 and 2009:

	2010			
	Level 1	**Level 2**	**Level 3**	**Total**
Equity securities (a)	$14,979,585	$ -	$ -	$14,979,585
Debt securities (b)	7,527,094	-	-	7,527,094
Other (c)	766,290	-	7,771,892	8,538,182
	$23,272,969	$ -	$ 7,771,892	$31,044,861

	2009			
	Level 1	**Level 2**	**Level 3**	**Total**
Equity securities (a)	$ 12,668,024	$ -	$ -	$ 12,668,024
Debt securities (b)	6,190,375	-	-	6,190,375
Other (c)	3,569,440	-	7,369,997	10,939,437
	$ 22,427,839	$ -	$ 7,369,997	$ 29,797,836

a) Comprised of various equity securities which include U.S. large, mid-cap and small-cap equities.
b) Comprised of high yield debt and investment grade bonds.
c) Comprised of money market accounts, mutual funds and alternative investment funds.

The Lighthouse measures fair value using the market value approach for all investments except for alternative investments. Fair value of alternative investments is determined by the Lighthouse's management for each investment based upon net asset values as provided by fund managers or general partner. The fair value of the underlying securities and other financial information of the alternative investments may involve estimates that require a degree of judgment. The financial statements of the investee companies are audited annually by independent auditors.

The table below sets forth a summary of changes in the fair value of the Plan's Level 3 assets for the year ended December 31, 2010:

Balance at December 31, 2009	$ 7,369,997
Sales (transferred out Level 3 investments)	(302,647)
Realized gain	139,316
Unrealized gain	565,226
Balance at December 31, 2010	$ 7,771,892

The table below sets forth a summary of changes in the fair value of the Plan's Level 3 assets for the year ended December 31, 2009:

Balance at December 31, 2008	$ 6,565,354
Unrealized gain	804,643
Balance at December 31, 2009	$ 7,369,997

Contributions

The Lighthouse's required contribution to the Plan is $1,337,000 in 2011.

Estimated Future Benefit Payments

The following pension benefits, which reflect expected future services, as appropriate, are expected to be paid as follows:

Year ending December 31,	
2011	$ 2,681,435
2012	2,719,172
2013	2,771,184
2014	2,817,350
2015	2,840,886
Thereafter	14,874,245

Defined Contribution Plan

Effective January 1, 2006, the Lighthouse instituted a defined contribution plan for its eligible employees. The costs for this plan amounted to $555,264 and $535,222 for the years ended December 31, 2010 and 2009, respectively.

6. TEMPORARILY RESTRICTED NET ASSETS

The composition of temporarily restricted net assets for the years ended December 31, 2010 and 2009, follows:

	Fiscal 2010				
	December 31, 2009	Contributions and investment returns	NYPMIFA reclass	Net assets released from restrictions	December 31, 2010
Time restricted	$ 7,998,423	$ 4,255,977	$ -	$ (2,367,323)	$ 9,887,077
Purpose restricted:					
Rehabilitation services	368,585	146,713	51,725	(334,970)	232,053
Child Development Center	356,272	68,625	388,891	(193,225)	620,563
Low vision services	312,087	43,316	-	(94,439)	260,964
Career and youth services	753,532	103,797	547,008	(98,084)	1,306,253
Music and print access services	1,378,687	178,378	715,999	(514,473)	1,758,591
Research	1,403,755	-	125,976	(69,806)	1,459,925
Education and advocacy	265,667	575,693	-	(18,889)	822,471
General use	-	-	5,380,624	-	5,380,624
	$12,837,008	$ 5,372,499	$ 7,210,223	$ (3,691,209)	$21,728,521

	Fiscal 2009			
	December 31, 2008	Contributions and investment returns	Net assets released from restrictions	December 31, 2009
Time restricted	$ 5,017,208	$ 5,325,495	$ (2,344,280)	$ 7,998,423
Purpose restricted:				
Rehabilitation services	543,460	295,116	(469,991)	368,585
Child Development Center	-	356,272	-	356,272
Low vision services	249,813	149,374	(87,100)	312,087
Career and youth services	528,216	545,264	(319,948)	753,532
Music and print access services	1,012,602	463,784	(97,699)	1,378,687
Research	1,246,271	352,244	(194,760)	1,403,755
Education and advocacy	204,915	121,634	(60,882)	265,667
	$ 8,802,485	$ 7,609,183	$ (3,574,660)	$12,837,008

7. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consisted of the following at December 31, 2010 and 2009:

	2010	2009
General operations	$ 15,580,834	$ 15,115,081
Rehabilitation services	500,000	500,000
Child Development Center	826,106	826,106
Career and youth services	861,571	861,577
Music and print access services	1,919,327	1,869,327
eSight	1,697,158	1,697,158
Research	300,000	300,000
	$ 21,684,996	$ 21,169,249

Earnings on permanently restricted net assets are to be used in support of operations or specified program initiatives as stipulated by the respective donor.

Endowments

The endowment is composed of 107 permanently restricted endowments and 15 perpetual trusts as of December 31, 2010 and 2009, respectively. Perpetual trusts at December 31, 2010 and 2009 were $9,191,592 and $8,725,845, respectively. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, if any, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Lighthouse has implemented the NYPMIFA which requires 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 Lighthouse 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 the (c) accumulations to the permanent endowment made in accordance with the directions 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 nets assets until those amounts are appropriated for expenditure by the Lighthouse Board of Directors in a manner consistent with the standard of prudence prescribed by NYPMIFA.

In accordance with NYPMIFA, the Lighthouse considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: the purpose, duration, and preservation of the endowment fund; expected total return of investments; general economic conditions and the possible effect of inflation or deflation; other resources of the institution; and the investment policy of the institution.

Endowment net assets consisted of the following at December 31, 2010:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor endowment funds	$ -	$ 7,210,223	$ 12,493,404	$ 19,703,627

Endowment net assets consisted of the following at December 31, 2009:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor endowment funds	$ 6,693,674	$ -	$ 12,443,404	$ 19,137,078

Changes in endowment net assets for the year ended December 31, 2010 follow:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, December 31, 2009	$ 6,693,674	$ -	$ 12,443,404	$ 19,137,078
Investment returns:				
Investment income	593,000	-	-	593,000
Net appreciation (depreciation)	1,064,157	-	-	1,064,157
Total investment return	1,657,157	-	-	1,657,157
Contributions	-	-	50,000	50,000
Appropriation of endowment assets for expenditure	(1,140,608)	-	-	(1,140,608)
Adoption of NYPMIFA	(7,210,223)	7,210,223	-	-
Endowment net assets, December 31, 2010	$ -	$ 7,210,223	$ 12,493,404	$ 19,703,627

Return Objectives and Risk Parameters

The Lighthouse's primary investment objectives are to invest its endowment principal to achieve growth of both principal value and income over time sufficient to preserve and/or increase the real (inflation adjusted) purchasing power of the assets, and to provide a stable source of perpetual financial support.

Strategies Employed for Achieving Objectives

The Lighthouse relies on a total return strategy in which active equity managers/funds are expected to achieve an annualized total rate of return over a three to five year period, which exceeds an agreed upon benchmark rate of return, net of costs and fees. Total return is defined as dividend and interest income plus realized and unrealized capital appreciation or depreciation. Active fixed income managers are expected to exceed appropriate market indices, net of costs and fees. When index funds are used, the return should closely track the appropriate index.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or NYPMIFA requires the Lighthouse to retain as a fund of permanent duration. At December 31, 2010, there were no aggregate deficiencies of this nature reported within unrestricted net assets.

8. BONDS PAYABLE

During fiscal year 1999, the Lighthouse issued $38,055,000 in tax-exempt term bonds and $11,535,000 in tax-exempt serial bonds (collectively, the “Series 1998W” bonds) through the New York City Industrial Development Agency (“IDA”) to refinance the Series 1992 bond issue and to finance the acquisition and installation of hardware and software related to the Lighthouse’s information systems. The Series 1992 bonds were to provide funds for the demolition, construction, acquisition, equipping and installation of a civic facility in New York City (the “Facility”). At December 31, 2010 and 2009, bonds outstanding, net of original issuance discount of $1,605,943 and $1,681,797 amounted to $38,544,057 and $39,453,203, respectively (Note 13).

The Lighthouse is required to place six months of debt service principal and interest payments in a separate restricted account prior to June 30 and six months of interest prior to December 31 each year. Accordingly, the Lighthouse held $907,711 and $928,642 in this account at December 31, 2010 and 2009, respectively, which was invested in short-term investments and is reflected in the accompanying statements of financial position as funds held by trustee. On the first business day of each January, the IDA automatically retrieves those funds for debt interest. On the first business day of each July, the IDA automatically retrieves those funds for debt principal repayment and debt interest.

The Facility is owned by the Lighthouse and leased by the Lighthouse to the IDA and subleased by the IDA to the Lighthouse pursuant to a lease agreement (the “Agreement”). The Series 1998W bonds are payable by the IDA, through a third-party trustee, solely from the lease rentals payable by the Lighthouse pursuant to the Agreement. The Series 1998W bonds are secured by a security interest in the Lighthouse’s gross revenues. In addition, payment of the principal and interest on the Series 1998 bonds when due is insured. The Lighthouse entered into a third amendment to the Agreement, whereby a mortgage and security interest in the facility was granted to the third-party trustee. In connection with this amendment and granting of the mortgage, the Lighthouse’s covenant requiring a ratio of unrestricted marketable securities to outstanding bonds payable was reduced from 100% to 70%.

As part of the enactment of NYPMIFA, the Lighthouse transferred $7.2 million of unrestricted marketable securities to temporarily restricted marketable securities. As a result of this transfer, the ratio of unrestricted marketable securities to the outstanding bonds payable was reduced from 73% to 54%.

Accordingly, the Lighthouse obtained a waiver for the failure of the 70% debt covenant requirement dated May 20, 2011.

The Series 1998W serial bonds mature in various amounts, ranging from $750,000 to $1,070,000 per year, through 2012. The $7,540,000, $8,035,000 and $22,480,000 Series 1998W term bonds are due July 1, 2018, 2023 and 2033, respectively. The nominal interest rates attributable to the Series 1998W serial bonds range from 3.35% to 4.5%. The nominal interest rates attributable to the Series 1998W term bonds are 4.625% (2018) and 4.5% (2023 and 2033).

The Lighthouse uses quoted market prices in estimating the fair value of the 1998W bonds. The fair value of 1998W several bond's was $39,121,091 and $39,762,174, respectively, at December 31, 2010 and 2009. Fair value of long-term debt was determined using the market approach.

Scheduled amounts to be deposited in the debt service reserve fund for principal are as follows:

Period ending December 31,	
2011	$ 1,025,000
2012	1,070,000
2013	1,120,000
2014	1,170,000
2015	1,225,000
Thereafter	34,540,000
Total principal	40,150,000
Net original discount	(1,605,943)
	$ 38,544,057

9. ALLOCATION OF JOINT COSTS

For the years ended December 31, 2010 and 2009, the Lighthouse incurred joint costs of $1,172,691 and $1,237,961, respectively, for programmatic information materials and activities that also included fund-raising appeals. Of these amounts, the Lighthouse allocated $850,216 and $882,465 to fund-raising expense and $322,475 and $355,496 to program expenses, respectively.

10. GOVERNMENT GRANTS AND CONTRACTS

Government grants and contracts consisted of the following for the years ended December 31, 2010 and 2009:

	2010	**2009**
Research grants	$ 825,261	$ 485,351
Direct services contracts	1,927,518	1,668,348
Fees for educational services	3,087,142	2,620,445
	$ 5,839,921	$ 4,774,144

11. COMMITMENTS AND CONTINGENCIES

Leases

The Lighthouse is a party to various noncancelable operating lease agreements for the rental of office space and equipment. In some cases, these leases contain requirements for the Lighthouse to pay certain operating costs. Future minimum rental commitments on such leases are as follows:

Year ending December 31,	
2011	$ 808,978
2012	554,542
2013	72,152
2014	72,787
2015	71,526
Thereafter	2,309
	$ 1,582,294

Rent expense totaled $786,031 and $1,109,706 for the years ended December 31, 2010 and 2009, respectively.

In connection with an expense reduction plan, the Lighthouse closed a facility leased in Queens effective June 30, 2004. The lease in Queens runs until August 2012. The Lighthouse subleased this space effective July 2004 until August 2012 at a rate below its cost. The net present value of the future net outflows relating to the Queens lease was $213,272 and $326,342 at December 31, 2010 and 2009, respectively. This amount, plus a deferred rent liability (which is included in accounts payable and accrued expenses in the accompanying consolidated statements of financial position) recorded in prior years, totaled $587,956 and $805,397 at December 31, 2010 and 2009, respectively, and is being amortized over the remaining lease term. Future rental income expected under these leases is as follows:

Year ending December 31,	
2011	$ 2,468,062
2012	1,118,135
2013	783,237
2014	820,921
2015	797,680
Thereafter	469,244
	$ 6,457,279

Litigation

The Lighthouse is subject to various legal proceedings and claims that arise in the ordinary course of business. Liabilities, if applicable, are accrued when it is probable that related costs will be incurred and can be reasonably estimated. Given the nature of matters involved, it is possible that liabilities will be incurred in excess of amounts currently recorded; however, based upon available information, management believes that the ultimate liability with respect to these matters is not material to the financial position, changes in net assets or cash flows of the Lighthouse.

12. RELATED PARTIES

A member of the Board of Directors of Lighthouse International is a partner at a law firm which provides certain legal services which approximate market value. Legal fees paid to this firm were approximately $129,000 and $175,000 for fiscal years ended 2010 and 2009, respectively.

13. SUBSEQUENT EVENTS

The Lighthouse evaluated its December 31, 2010 financial statements for subsequent events through June 15, 2011, the date the financial statements were issued. The Lighthouse is not aware of any subsequent events which would require recognition or disclosure in the accompanying financial statements except for the following transaction:

On April 26, 2011, the Lighthouse notified the New York City Industrial Development Agency of its intention to redeem $40,150,000 in tax exempt term bonds and tax exempt serial bonds. These bonds will be replaced by a $45,000,000 private loan from Ladder Capital. The terms of the new loan are 10 year maturity with the first 5 years interest only and the last 5 years based on a 30 year amortization schedule at a fixed interest rate expected to be 6.0%. Debt service will be reduced by approximately $100,000 annually for the first five years and then rise $380,000 annually for the second five years. There will be a balloon payment at the end of 10 years of approximately $42.4 million. The loan is expected to close in late June 2011. The additional proceeds will be used to restack and renovate the Lighthouse headquarters to make the space more productive.

SUPPLEMENTARY INFORMATION

LIGHTHOUSE INTERNATIONAL
Schedule of Functional Expenses
For the year December 31, 2010

Program services:	
Rehabilitation services	$ 2,679,742
Child Development Center	5,779,557
Low vision services	2,627,890
Career and youth services	1,286,198
Music and print access services	1,963,553
Consumer products	982,805
Education and advocacy	1,658,902
Research	954,821
Public information	2,715,306
Volunteers and social services	2,170,242
Total program services	22,819,016
Supporting services:	
Development	3,340,126
Administrative and general	4,616,908
Total supporting services	7,957,034
Total expenses	$ 30,776,050

This schedule should be read on conjunction with the accompany report of independent certified public accountants, consolidated financial statements and notes thereto.