THE LIGHTHOUSE FOR THE BLIND, INCORPORATED AND ITS FOUNDATION

Report of Independent Auditors and Consolidated Financial Statements

September 30, 2011 and 2010

MOSS-ADAMS LLP

Certified Public Accountants | Business Consultants

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REPORT OF INDEPENDENT AUDITORS

To the Board of Trustees
The Lighthouse for the Blind, Incorporated and its Foundations

We have audited the accompanying consolidated balance sheets of The Lighthouse for the Blind, Incorporated and its Foundation (the Organization) as of September 30, 2011 and 2010, and the related consolidated statements of activities and changes in unrestricted net assets and cash flows for the years 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the 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 the Organization'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 the Organization at September 30, 2011 and 2010, and consolidated changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Moss Adams LLP

Seattle, Washington
March 8, 2012

THE LIGHTHOUSE FOR THE BLIND, INCORPORATED
AND ITS FOUNDATIONS
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2011 AND 2010

ASSETS

	2011	2010
CURRENT ASSETS		
Cash and cash equivalents	$ 9,036,195	$ 7,712,208
Accounts receivable, net of allowance for doubtful accounts of $450,000 and $335,000, respectively	3,656,998	2,582,082
Other receivables	213,410	145,890
Inventory	6,155,794	6,270,032
Other assets	134,301	183,131
Total current assets	19,196,698	16,893,343
INVESTMENTS	11,221,070	11,461,774
PROPERTY, PLANT AND EQUIPMENT, net	14,351,647	14,473,869
	$ 44,769,415	$ 42,828,986

LIABILITIES AND UNRESTRICTED NET ASSETS

	2011	2010
CURRENT LIABILITIES		
Accounts payable	$ 3,952,422	$ 3,984,958
Deferred revenue	239,699	373,551
Accrued vacation and sick leave	950,746	902,326
Other liabilities	93,091	54,553
Total current liabilities	5,235,958	5,315,388
UNFUNDED PENSION OBLIGATION	6,961,300	4,290,264
Total liabilities	12,197,258	9,605,652
UNRESTRICTED NET ASSETS		
Unrestricted	21,050,774	21,309,675
Board designated	11,521,383	11,913,659
	32,572,157	33,223,334
	$ 44,769,415	$ 42,828,986

See accompanying notes.

THE LIGHTHOUSE FOR THE BLIND, INCORPORATED
AND ITS FOUNDATIONS
CONSOLIDATED STATEMENTS OF ACTIVITIES
AND CHANGES IN UNRESTRICTED NET ASSETS
YEARS ENDED SEPTEMBER 30, 2011 AND 2010

	2011	2010
NET SALES	$ 51,051,180	$ 44,097,204
COST OF SALES	40,004,673	34,418,903
	11,046,507	9,678,301
COSTS AND EXPENSES		
Warehouse and shipping	747,332	755,420
Selling	211,002	255,289
Administrative	6,810,117	7,357,909
Provision for doubtful accounts (recoveries)	105,254	(329,285)
	7,873,705	8,039,333
INCOME FROM MANUFACTURING AND BASE SUPPLY OPERATIONS	3,172,802	1,638,968
OTHER INCOME (EXPENSE)		
Investment return	(322,013)	971,389
Excess of employee and community services expenses over support and revenue	(1,942,428)	(2,024,240)
Other expense, net	(1,012,181)	(693,626)
Bequests, contributions, grants and charitable trust distributions	1,629,357	1,149,551
	(1,647,265)	(596,926)
OPERATING INCOME	1,525,537	1,042,042
PENSION BENEFIT OBLIGATION ADJUSTMENT	(2,176,714)	(1,267,704)
CHANGE IN UNRESTRICTED NET ASSETS	(651,177)	(225,662)
UNRESTRICTED NET ASSETS		
Beginning of year	33,223,334	33,448,996
End of year	$ 32,572,157	$ 33,223,334

THE LIGHTHOUSE FOR THE BLIND, INCORPORATED
AND ITS FOUNDATIONS
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2011 AND 2010

	2011	2010
OPERATING ACTIVITIES		
Change in unrestricted net assets	$ (651,177)	$ (225,662)
Adjustments to reconcile change in unrestricted net assets to cash provided by operating activities		
Depreciation	1,492,205	1,319,314
Realized and unrealized (gain) loss on investments, net	569,240	(690,356)
Change in allowance for doubtful accounts	115,000	(440,000)
Changes in operating assets and liabilities		
Accounts receivable	(1,189,916)	1,816,618
Other receivables	(67,520)	(109,381)
Inventory	114,238	86,900
Other assets	48,830	208,607
Liabilities	(79,430)	960,085
Unfunded pension obligation	2,671,036	1,292,904
	3,022,505	4,219,029
INVESTING ACTIVITIES		
Purchases of investments	(5,456,511)	(2,275,909)
Proceeds from sale of investments	5,127,976	2,443,276
Purchases of property, plant and equipment	(1,369,983)	(2,204,546)
	(1,698,518)	(2,037,179)
FINANCING ACTIVITIES		
Payments on long-term debt	-	(1,742,217)
CHANGE IN CASH AND CASH EQUIVALENTS	1,323,987	439,633
CASH AND CASH EQUIVALENTS		
Beginning of year	7,712,208	7,272,575
End of year	$ 9,036,195	$ 7,712,208
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	$ -	$ 21,933

See accompanying notes.

Note 1 - Operations and Summary of Significant Accounting Policies

Operations - The Lighthouse for the Blind, Incorporated and its Foundation (the Lighthouse) is a not-for-profit organization whose objective is to create and enhance opportunities for independence and self-sufficiency of people who are blind, Deaf-Blind and blind with other disabilities. It is comprised of Lighthouse for the Blind, Inc., and The Seattle Lighthouse for the Blind Foundation (the Foundation).

The principal activities of the Lighthouse are conducted at its office and plant facilities located in Seattle and Spokane, Washington and base supply center operations in a variety of locations.

The principal functions of the Lighthouse include:

- Manufacturing and assembly of aerospace, military and other products utilizing metal fabrication, injection molding and other processes.

- Manufacturing of military canteens, entrenching tools, hydration systems, communication boards, easels, notebook binders, paper trimmers, file folders and other items under government contracts.

- Operating military base supply centers for sales of office and other supplies to the bases.

- Operating a center that provides evaluation, orientation and mobility, vocational, communication and educational training services.

The Seattle Lighthouse for the Blind Foundation (the Foundation) is an organization committed to soliciting funds exclusively for the Lighthouse. The funds are primarily used to support employee and community service programs. The Foundation was formed in January 2003 as a 501(c)(3) organization.

The Danny Lord Foundation (Danny Lord) was established to further the charitable activities of the Lighthouse. Danny Lord was formed in 1979 as a 501(c)(3) organization. Effective December 1, 2009, the Danny Lord Foundation was terminated and its net assets were transferred into the Foundation.

Principles of Consolidation - The Lighthouse and the Foundation (collectively, the Organization) have some common Board of Trustees members and common management. The consolidated financial statements include the accounts of the Lighthouse and the Foundation. All significant intercompany transactions and accounts have been eliminated in the consolidated financial statements.

Basis of Presentation - The Organization presents its consolidated financial statements in accordance with Generally Accepted Accounting Principles (GAAP). Under the requirements of GAAP, financial position and activities are reported according to three classes of net assets - unrestricted, temporarily restricted and permanently restricted. The restriction of these net asset classes is determined based on the existence and nature of donor-imposed restrictions. Temporarily restricted support received during the fiscal period, for which the restriction expires or the purpose is accomplished during the same period, is reported as unrestricted support.

Note 1 - Operations and Summary of Significant Accounting Policies (Continued)

At September 30, 2011 and 2010, the Organization had no temporarily or permanently restricted net assets.

Cash and Cash Equivalents - The Organization deposits all cash and cash equivalents with major financial institutions. At times, such deposit balance may be in excess of the federal insurance limits. The Organization considers highly liquid debt instruments with an original maturity of three months or less at time of acquisition to be cash equivalents. The Organization places its short-term investments with financial institutions and, by policy, limits the amount of exposure to any one financial institution, equity issuer, or industry group.

Allowance for Doubtful Accounts - The Organization extends credit to substantially all of its customers. Accounts receivable are recorded at the invoice amount and do not bear interest. An allowance for doubtful accounts is maintained for estimated losses resulting from the inability of its customers to pay. The Organization determines the allowance based on review of past due balances, historical loss experience and economic data. Account balances are charged against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Organization has established credit policies and historically the losses related to customer nonpayment have been low as a percentage of net sales.

Inventory - Manufacturing inventory is recorded at the lower of cost (as determined by the first-in, first-out method) or market. Base supply inventory is recorded at weighted average cost and included in finished goods.

Investments - The Organization places its investments with an investment manager and invests funds in various financial instruments as detailed in Note 3, in accordance with the Board approved investment policy.

The Organization's investments are recorded in the consolidated financial statements at fair value. Net appreciation (depreciation) in investments, including realized gains or (losses) and unrealized appreciation (depreciation) on those investments, as well as all dividends, interest, and other investment income net of fees, is shown in the consolidated statement of activities in the line item "investment return." Investment income (loss) is reported as an increase (decrease) in unrestricted net assets.

Investments are exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect total net assets and the amounts reported in the consolidated balance sheet.

Property, Plant and Equipment - Property, plant and equipment are stated at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the various classes of assets, which range as follows:

Buildings and improvements	10 to 40 years
Machinery and equipment	3 to 15 years

Note 1 - Operations and Summary of Significant Accounting Policies (Continued)

The Organization follows the practice of capitalizing substantially all expenditures for property, plant and equipment in excess of $5,000. The cost of repairs, maintenance, and depreciation are charged to expense.

Net Sales - Sales are presented on the consolidated statement of activities net of returns and allowances. Returns and allowances were not material for the years ended September 30, 2011 and 2010.

Deferred Revenue - Deferred revenue represents customer prepayments for purchases of base supply center items. The revenue from these prepaid funds is recorded at the time the goods are shipped or delivered.

Freight and Shipping Costs - Shipping fees charged to customers are accounted for as a component of sales revenue and those incurred by the Organization as a component of warehouse and shipping costs. Freight incurred by the Organization is included as a component of cost of sales.

Bequests and Contributions - As the Organization does not usually receive advance notification of charitable trust fund distributions or other contributions, bequests and contributions are generally recognized as income at fair market value when the gift is received. However, in the event that specific advance notice is provided, bequests and contributions are recognized when an unconditional promise is made and all donor-imposed conditions relating to the promise are met.

Fund-Raising Expense - Total fund-raising expense for the years ended September 30, 2011 and 2010 was $73,502 and $56,008, respectively. Fund-raising expenses were 5% of the total contribution revenue for the years ended September 30, 2011 and 2010. The ratio of expenses to amounts raised is computed using actual expenses and related contributions on an accrual basis.

Income Taxes - The Organization is exempt from federal income tax as an entity described in Internal Revenue Code (IRC) Section 501(c)(3) except to the extent of unrelated business taxable income as defined under the provisions of IRC Sections 511 through 515. The Organization did not incur unrelated business income tax for the years ended September 30, 2011 and 2010. In addition, the Organization qualified for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a). Accordingly, no provision has been made for federal income tax in the accompanying consolidated financial statements.

The Organization adopted the provisions of authoritative guidance relating to accounting for uncertain tax positions on October 1, 2009, which had no financial statement impact to the Organization. The Organization recognizes the tax benefit from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

Note 1 - Operations and Summary of Significant Accounting Policies (Continued)

The Organization recognizes interest and penalties related to income tax matters in income tax expense. As of September 30, 2011 and 2010, the Organization had no uncertain tax positions requiring accrual.

Use of Estimates - The preparation of 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 and disclosures in the consolidated financial statements. Actual results could differ from those estimates.

Fair Value of Financial Instruments - As of September 30, 2011 and 2010, the Organization has the following financial instruments: cash and cash equivalents, accounts receivable, investments, accounts payable and accrued liabilities. The carrying value of cash and cash equivalents, accounts receivable, accounts payable, and accrued liabilities approximate fair value based on the liquidity of these financial instruments and their short-term nature. Carrying value of investments approximate fair value as discussed in Note 3.

Reclassifications - Certain reclassifications were made to the prior year balances. The reclassifications were for presentation purposes only and had no effect on the current year change in unrestricted net assets.

Subsequent Events - Subsequent events are events or transactions that occur after the consolidated balance sheet date but before consolidated financial statements are issued. The Organization recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated balance sheet, including the estimates inherent in the process of preparing the consolidated financial statements. The Organization's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated balance sheet but arose after the consolidated balance sheet date and before consolidated financial statements are issued. The Organization has evaluated subsequent events through March 8, 2012, which is the date the consolidated financial statements were issued.

Note 2 - Allowance for Doubtful Accounts

The following summarizes the change in the allowance for doubtful accounts for the years ended September 30:

	2011	2010
Beginning balance as of October 1	$ 335,000	$ 775,000
Adjustments to allowance for doubtful accounts	105,254	(329,285)
Charges and bad debt write-offs (recoveries) against the allowance	9,746	(110,715)
	$ 450,000	$ 335,000

Note 3 - Investments

Investment Valuation - In accordance with GAAP, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

The Organization classified its investments as of September 30, 2011 and 2010 based upon an established fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy are described below:

Basis of Fair Value Measurement

Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 Quoted prices in markets that are not considered to be active or financial instruments without quoted market prices, but for which all significant inputs are observable, either directly or indirectly;

Level 3 Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable and are supported by little or no market activity.

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.

Investments in cash and cash equivalents, mutual funds, equity securities, and commodities which are valued based on quoted market prices in an active market are classified within Level 1.

Investments with values which are not established by an active market but are valued based on quoted market prices, dealer quotations, or alternative pricing sources supported by observable inputs are classified as Level 2. These investments include common and collective trusts, corporate debt, U.S. government securities and a hedge fund. The hedge fund and collective investment trusts (which are included within common and collective trusts) use net asset value (NAV) as a practical expedient for valuation. These investments are classified as Level 2 as they are redeemable at NAV (as adjusted for subsequent gains or losses through the effective date of redemption) without significant restrictions on redemption.

The venture capital investment is classified within Level 3. The managers and trustees of the venture capital investment generally value their underlying investments at the fair value and in accordance with GAAP. Investments with no readily available market are generally valued according to the mark-to-market method, which attempts to apply a fair value standard by referring to meaningful third-party transactions, comparable public market valuations and/or the income approach. Consideration is also given to financial condition and operating results of the investment, the amount a fund can reasonably expect to realize upon the sale of an investment, and any other factors deemed relevant.

Note 3 - Investments (Continued)

An investment can be carried at acquisition price (cost) if little has changed since the initial investment of the Organization and it is most representative of fair value. Investments with a readily available market (listed on a securities exchange or traded in an over-the-counter market) are valued at quoted market prices or at an appropriate discount from such price if marketability of the securities is restricted. Investments consist of the following at September 30:

	2011	2010
Common and collective trusts	$ 3,158,090	$ 2,287,960
Domestic equity securities	3,121,319	4,279,201
Corporate debt	1,723,344	1,431,831
U.S. government securities	1,229,400	1,512,884
Hedge fund	738,456	735,688
Mutual funds - domestic	529,742	587,147
Venture capital	275,460	156,124
Mutual fund - real estate indexed	228,780	254,110
Commodities	216,479	216,829
	$ 11,221,070	$ 11,461,774

The Board of Trustees (the Board) has designated certain assets consisting of unrestricted bequests and contributions be allowed to accumulate to a level as determined by the Board. Taking into account the accumulated balance and based on current market conditions, a portion of the investment income and/or principal is used to support mission related employee and community service programs and as otherwise designated by the Board. These assets are included in investments and classified as unrestricted Board designated net assets.

The following summarizes the investment return at September 30:

	2011	2010
Dividends and interest	$ 247,227	$ 281,033
Realized gain (loss), net	801,964	(3,515)
Unrealized gain (loss), net	(1,371,204)	693,871
	$ (322,013)	$ 971,389

Note 3 - Investments (Continued)

The following table discloses by level the fair value hierarchy:

	Investment Assets at Fair Value as of September 30, 2011			
	Level 1	Level 2	Level 3	Total
Common and collective trusts	$ -	$ 3,158,090	$ -	$ 3,158,090
Domestic equity securities	3,121,319	-	-	3,121,319
Corporate debt	-	1,723,344	-	1,723,344
U.S. government securities	-	1,229,400	-	1,229,400
Hedge fund	-	738,456	-	738,456
Mutual funds - domestic	529,742	-	-	529,742
Venture capital	-	-	275,460	275,460
Mutual fund - real estate indexed	228,780	-	-	228,780
Commodities	216,479	-	-	216,479
	$ 4,096,320	$ 6,849,290	$ 275,460	$ 11,221,070

	Investment Assets at Fair Value as of September 30, 2010			
	Level 1	Level 2	Level 3	Total
Common and collective trusts	$ -	$ 2,287,960	$ -	$ 2,287,960
Domestic equity securities	4,279,201	-	-	4,279,201
Corporate debt	-	1,431,831	-	1,431,831
U.S. government securities	-	1,512,884	-	1,512,884
Hedge fund	-	735,688	-	735,688
Mutual funds - domestic	587,147	-	-	587,147
Venture capital	-	-	156,124	156,124
Mutual fund - real estate indexed	254,110	-	-	254,110
Commodities	216,829	-	-	216,829
	$ 5,337,287	$ 5,968,363	$ 156,124	$ 11,461,774

The Organization has the following Level 2 investments measured at fair value on a recurring basis utilizing net asset value per share:

- Common and Collective Investment Trusts - Included in Common and Collective Trusts, are privately offered funds with an estimated fair value based on the net asset value per share of the investments of $1,332,166 and $1,376,897 as of September 30, 2011 and 2010, respectively. The net asset value is recalculated weekly. Redemption requires notification three days before the sale date, but otherwise has no restrictions. The primary objective of the funds is to provide investment results that exceed, over time and on a risk-adjusted basis, the overall performance of an index commonly used to represent the non US equity markets.

Note 3 - Investments (Continued)

- Hedge Fund - This privately offered fund of funds has an estimated fair value of $738,456 and $735,688, as of September 30, 2011 and 2010, respectively. This investment's value is calculated based on net asset value per share. Capital withdrawals are permitted at the end of each quarter with written notice 60 days prior to redemption. In general, redemptions of at least 95% of the amount being redeemed will be paid within 30 days after the redemption date and the balance paid after completion of the fund's fiscal year-end audit. The fund's objective is to achieve attractive risk-adjusted returns with low volatility through a diversified portfolio of assets including hedged equity, market independent, event driven and market dependent investments.

The following table discloses the summary of changes in the fair value of the Level 3 investment assets:

	2011	
	Hedge Fund	Venture Capital
Balance, beginning of year	$ -	$ 156,124
Unrealized gains	-	34,336
Purchases, settlements and dispositions	-	85,000
Balance, end of year	$ -	$ 275,460

	2010	
	Hedge Fund	Venture Capital
Balance, beginning of year	$ 714,152	$ 92,365
Unrealized gains	21,536	13,759
Purchases, settlements and dispositions	-	50,000
Reclassification to Level 2	(735,688)	-
Balance, end of year	$ -	$ 156,124

Transfers in and transfers out are recognized as of the actual date of the event or change in circumstances that caused the transfer.

Note 4 - Inventory

Inventory is composed of the following at September 30:

	2011	2010
Raw materials	$ 3,477,752	$ 3,539,304
Work-in-process	1,267,178	1,328,033
Finished goods	1,410,864	1,402,695
	$ 6,155,794	$ 6,270,032

Note 5 - Employee Benefit Plans

Defined Benefit Pension Plan - The Organization maintains a funded non-contributory defined benefit pension plan (the Plan) which covers certain employees. Effective December 31, 2008 the Plan was frozen to new participants. Participant benefits are primarily related to years of credited service and annual earnings.

Net periodic pension cost was $569,322 and $525,200 for the years ended September 30, 2011 and 2010, respectively. The Plan paid $597,849 and $562,421 in benefits to participants for the years ended September 30, 2011 and 2010, respectively.

Contributions to the plan were $75,000 and $500,000 for the years ended September 30, 2011 and 2010, respectively. The Plan has a calendar year-end and the Organization contributed an additional $500,000 on October 4, 2011. The Organization makes annual contributions in accordance with the applicable requirements of the Employee Retirement Security Act of 1974 (ERISA) and in conjunction with its funding policy to contribute annually an amount equal to the normal cost of the Plan. The Organization had no non-cash contributions during the years ended September 30, 2011 and 2010, and has no expectation of future non-cash contributions.

The projected benefit obligation represents the present value of all benefits attributed to employee service rendered through the measurement dates, September 30, 2011 and 2010. Since the Plan was frozen on December 31, 2008, no assumptions are necessary about future compensation levels and therefore, the accumulated benefit obligation equals the projected benefit obligation.

The projected benefit obligation, the fair value of assets, and the funded status as of September 30 were as follows:

	2011	2010
Projected benefit obligation	$ 20,754,742	$ 19,081,877
Fair value of Plan assets	13,793,442	14,791,613
Net underfunded status	$ (6,961,300)	$ (4,290,264)

Note 5 - Employee Benefit Plans (Continued)

The fair value of Plan assets decreased at September 30, 2011 compared to the previous measurement date of September 30, 2010 primarily due to market volatility and resulting investment losses. At the same time Plan liabilities increased due to market fluctuations that lowered the discount rate required to value the projected benefit obligation. This discount rate is measured at a single point in time each fiscal year end. As such, the recorded liability for the net underfunded status of the Plan increased. The Organization does not fully fund the Plan in order to manage the long term potential tax consequences that can result from significant year to year market volatility.

Included on the consolidated balance sheets in unrestricted net assets for the years ended September 30, 2011 and 2010 are $9,477,372 and $9,300,658 that represents the total unrecognized net actuarial loss and prior service cost. The net amount recognized on the consolidated balance sheets of $6,961,300 and $4,290,264 as of September 30, 2011 and 2010, respectively, represents the unfunded pension obligation which equals the net underfunded status. Funding of pension plans generally does not occur at the same time as pension expense is recorded. Although the Plan shows a net underfunded status as of September 30, 2011 and 2010, the contribution amount that has been funded since accounting for the Plan meets or exceeds the minimum funding requirements as estimated by ERISA.

Actuarial valuations are utilized to measure the projected benefit obligation of the Plan. The amount of benefits to be paid depends on a number of future events incorporated into a formula, including estimates of the life expectancy of employees/survivors, years of service rendered and future interest rates along with certain assumptions. The most significant assumptions applied include discount rates and the expected return on Plan assets that are reviewed, at minimum, on an annual basis. However, this is considered to be a long-term assumption and hence not anticipated to change annually unless there are significant changes in economic and market conditions. In developing the expected long-term rate of return on Plan assets, consideration is given to the target asset allocations of the Plan portfolio, as well as historical returns and future expectations for returns on various categories of Plan assets. The expected rate of return is analyzed based on historical long-term rates of return for various investment categories, as measured by appropriate indexes. The rates of return on these indexes are then weighted based upon the percentage of Plan assets in each applicable category to determine a composite expected return.

The following weighted average assumptions were used in the measurement of the Plan's benefit obligations at September 30:

	2011	2010
Discount rate	4.45%	4.89%
Expected return on Plan assets	6.75%	6.75%

Note 5 - Employee Benefit Plans (Continued)

The following tables illustrate the weighted average actual and target allocation of Plan assets at September 30:

	Target %	2011 Actual	2010 Actual
Cash and cash equivalents	2-10%	4.70%	5.80%
Fixed income	22-40%	28.60%	29.22%
Equities	35-70%	55.42%	54.42%
Other	0-20%	11.28%	10.56%

The following table discloses by level the fair hierarchy of the Plan assets as defined in Note 3 at September 30:

Asset Type	2011	2010	Fair Value Hierarchy Level
Common and collective trusts	$ 5,049,259	$ 4,294,512	2
Domestic equities	2,718,735	4,556,371	1
Mutual funds	2,208,710	1,664,688	1
Fixed income	1,646,194	1,551,866	2
U.S. government securities	1,220,007	1,777,228	2
Hedge fund	950,537	946,948	2
	$ 13,793,442	$ 14,791,613	

The primary objective for the investments of the Plan is to provide for long-term growth of capital without undue exposure to risk. This is accomplished by utilizing a strategy of equities, fixed income securities, cash equivalents and other investments in a diversified mix that is conducive to participation in a rising market, while allowing for adequate protection in a falling market. Investment managers have sole discretion to make investment decisions, within the scope of the investment policy approved by the Board. Disciplined risk management is expected to produce returns over time consistent with the portfolio's objectives. The Organization's management and Board designated investment committee review reports of actual Plan performance provided by independent third parties twice annually.

Note 5 - Employee Benefit Plans (Continued)

Future benefit payments are as follows at September 30:

Expected future benefit payments	
2012	$ 809,344
2013	$ 818,390
2014	$ 862,689
2015	$ 867,364
2016	$ 915,342
2017 through 2021	$ 5,399,262

Tax-Deferred Annuity Plan - The Organization offers a tax-deferred annuity plan for all employees who meet certain eligibility requirements. Participants may contribute up to 50% of their annual compensation. The Organization makes contributions to the annuity plan up to 6% of employee compensation. Contributions under the annuity plan by the Organization totaled $697,357 and $925,194 for the years ended September 30, 2011 and 2010, respectively.

Note 6 - Property, Plant and Equipment

Property, plant and equipment consist of the following at September 30:

	2011	2010
Land	$ 2,154,274	$ 2,154,274
Buildings and improvements	13,337,630	13,185,942
Machinery and equipment	21,338,968	20,218,989
	36,830,872	35,559,205
Less accumulated depreciation	22,479,225	21,085,336
	$ 14,351,647	$ 14,473,869

Note 7 - Employee and Community Services Center

The Employee and Community Services Center (ECS Center), a division of the Organization, provides mission related support and services such as evaluation, orientation, mobility, communication and basic education skills training to blind, Deaf-Blind and multi-disabled blind adults. The goal of this training is to enable persons who are blind to be independent and economically self-sufficient.

Note 7 - Employee and Community Services Center (Continued)

All bequests, contributions and charitable trust distributions that are restricted by the donor for the benefit of disabled individuals are allocated to the ECS Center and utilized in the period they are received.

An allocation of various expenses (e.g., heat, electricity and telephone) to the ECS Center's operations is based on estimates by management.

Below is a schedule of support and revenue, and expenses of the ECS Center for the years ended September 30:

	2011	2010
Support and revenue		
State and local government funding	$ 212,940	$ 217,047
Other	83,512	26,116
	296,452	243,163
Expenses		
Salaries and related expenses	1,424,756	1,507,432
Administrative expenses	736,330	660,954
Deaf-Blind retreat	77,794	99,017
	2,238,880	2,267,403
Excess of employee and community services expenses over support and revenue	$ (1,942,428)	$ (2,024,240)

Note 8 - Bequests, Contributions, Grants and Charitable Trust Distributions

The Organization is the beneficiary of specific bequests and contributions each year, as well as a portion of the income earned from several charitable trust funds. Such trust funds are not recorded in the accompanying consolidated financial statements. These funds are held and managed by trustees under discretionary trust agreements and distributions of cash are recorded only when received.

Note 9 - The Foundation

The Foundation was established as a supporting organization to the Lighthouse. The Foundation's purpose is to support the mission of the Lighthouse, which is to create and enhance opportunities for independence and self-sufficiency of people who are blind, Deaf-Blind and blind with other disabilities.

Note 9 - The Foundation (Continued)

The financial position and the financial activities of the Foundation, which are included in the accompanying consolidated financial statements, are as follows as of and for the years ended September 30:

	2011	2010
Cash and investments	$ 3,216,017	$ 2,875,235
Unrestricted net assets	$ 3,216,017	$ 2,875,235
Net assets at beginning of year	$ 2,875,235	$ 2,056,334
Contributions received, including in-kind	1,629,357	1,149,551
Transfer from Danny Lord Foundation	-	592,761
Interest income	49,912	52,959
Realized gain (loss) on investments, net	103,059	(19,320)
Unrealized gain (loss) on investments, net	(193,409)	185,983
Contribution to the Lighthouse	(567,691)	(684,167)
In-kind expense	(235,848)	(92,305)
Operating expenses allocated from Lighthouse	(444,596)	(366,561)
Net assets at end of year	$ 3,216,017	$ 2,875,235

The financial position and activities of the Foundation at September 30, 2011 and 2010, include net assets from the Danny Lord Foundation, previously a 501 (c)(3) organization terminated effective December 1, 2009 and consolidated into the Foundation.

Contributions received by the Foundation include cash and in-kind charitable giving. Unrestricted funds received are primarily used to support employee and community service programs. Expenses incurred by the Foundation include allocations of personnel and facilities costs from the Lighthouse, as well as expenses relating to donor acquisition and in-kind contribution expense related to contributed goods and services. All necessary eliminations have been included in the consolidated financial statements.

Note 10 - Credit Risk Concentration and Other Concentration

Concentration of Credit Risk - Financial instruments that potentially subject the Organization to concentrations of credit risk include deposits with financial institutions. The Organization places its deposits with major financial institutions. However, at times, deposits exceed the federally insured limits.

Dependence on Customers - During both of the years ended September 30, 2011 and 2010, 48% of sales were to three customers. At September 30, 2011 and 2010, 59% and 64% respectively, of trade accounts receivable was due from these customers.