

OneSight

Financial Statements as of and for the
Years Ended December 31, 2008 and 2007, and
Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
OneSight:

We have audited the accompanying statements of financial position of OneSight as of December 31, 2008 and 2007, and the related statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of OneSight's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of OneSight'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 financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of OneSight as of December 31, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

October 8, 2009

ONESIGHT

STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2008 AND 2007

	2008	2007
ASSETS		
CASH AND CASH EQUIVALENTS	\$ 1,207,029	\$ 404,526
INVESTMENTS	437,470	492,426
RECEIVABLES	267,161	187,858
PREPAID EXPENSES	41,025	2,444
INVENTORY	8,186,690	5,860,256
PROPERTY AND EQUIPMENT — Net	<u>337,982</u>	<u>377,253</u>
TOTAL	<u>\$ 10,477,357</u>	<u>\$ 7,324,763</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES — Accounts payable	<u>\$ 150,107</u>	<u>\$ 176,103</u>
NET ASSETS:		
Unrestricted	10,277,625	6,964,909
Temporarily restricted	<u>49,625</u>	<u>183,751</u>
Total net assets	<u>10,327,250</u>	<u>7,148,660</u>
TOTAL	<u>\$ 10,477,357</u>	<u>\$ 7,324,763</u>

See notes to financial statements.

ONESIGHT

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007
UNRESTRICTED REVENUES:		
In-kind contributions	\$ 9,035,649	\$ 13,374,172
Luxottica Retail associate contributions	739,690	874,597
Vendor/corporate contributions	1,890,546	1,108,678
Special events	177,331	177,027
Luxottica Retail customer contributions	813,641	286,020
Foundations/institutions	32,750	16,439
Assets released from restriction	183,751	186,792
Other	<u>12,854</u>	<u>47,413</u>
Total unrestricted revenues	<u>12,886,212</u>	<u>16,071,138</u>
EXPENSES:		
Program services:		
Global clinics	5,718,691	10,898,160
Regional clinics	1,083,102	1,452,644
Vision van operations	380,883	339,063
Recycling center operations	127,527	129,687
In-store programs	872,013	666,994
Other program services		19,939
Special events	81,630	477,975
Catalog items	<u>6,601</u>	<u>5,991</u>
Total program services	<u>8,270,447</u>	<u>13,990,453</u>
Supporting activities:		
Fund-raising	362,629	322,893
Program administration	<u>940,420</u>	<u>920,588</u>
Total supporting activities	<u>1,303,049</u>	<u>1,243,481</u>
Total expenses	<u>9,573,496</u>	<u>15,233,934</u>
INCREASE IN UNRESTRICTED NET ASSETS	<u>3,312,716</u>	<u>837,204</u>
TEMPORARILY RESTRICTED NET ASSETS:		
Assets released from restriction	(183,751)	(186,792)
Committed contributions	<u>49,625</u>	<u>154,129</u>
Decrease in temporarily restricted net assets	<u>(134,126)</u>	<u>(32,663)</u>
INCREASE IN NET ASSETS	3,178,590	804,541
NET ASSETS — Beginning of year	<u>7,148,660</u>	<u>6,344,119</u>
NET ASSETS — End of year	<u>\$ 10,327,250</u>	<u>\$ 7,148,660</u>

See notes to financial statements.

ONESIGHT

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 3,178,590	\$ 804,541
Adjustments to reconcile increase in net assets to cash flows provided by (used in) operating activities:		
Depreciation	123,401	121,985
Loss on disposal of property		1,250
In-kind contributions of inventory	(6,706,725)	(10,609,364)
In-kind contributions of property and equipment	(42,140)	(19,200)
In-kind contributions of investments	(1,373)	(17,830)
Unrealized loss (gain) on investments	445	(18,468)
Realized loss on investments	1,404	392
Changes in:		
Receivables	(79,303)	36,277
Prepaid expenses	(38,581)	41,840
Inventory	4,380,291	9,218,055
Accounts payable	(25,996)	37,363
Net cash provided by (used in) operating activities	<u>790,013</u>	<u>(403,159)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(41,990)	(67,902)
Sale and redemption of investments	<u>54,480</u>	<u>124,438</u>
Net cash provided by investing activities	<u>12,490</u>	<u>56,536</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	802,503	(346,623)
CASH AND CASH EQUIVALENTS — Beginning of year	<u>404,526</u>	<u>751,149</u>
CASH AND CASH EQUIVALENTS — End of year	<u>\$ 1,207,029</u>	<u>\$ 404,526</u>

See notes to financial statements.

ONESIGHT

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

1. ORGANIZATION

OneSight, known as Give the Gift of Sight Foundation prior to its name change effective October 14, 2008, is an Ohio not-for-profit corporation that was founded March 16, 1993. OneSight is organized and operated exclusively for charitable and educational purposes relative to providing eye care and eyeglasses to the underprivileged, and providing optical education to people in the United States and abroad.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation — OneSight's financial statements have been prepared from the separate records maintained by OneSight and may not necessarily be indicative of the conditions that would have existed or the results of operations if OneSight had been operated as an unaffiliated company. Portions of certain expenses represent allocations made from home-office items applicable to Luxottica Retail as a whole.

Cash and Cash Equivalents — Cash and cash equivalents include cash and highly liquid investments with original maturities of three months or less, and consist of cash on hand, deposits in bank accounts, and money market funds, which are stated at fair value.

At December 31, 2008, OneSight's deposits in bank accounts exceeded the Federally insured limit of \$250,000 by \$892,434.

Investments — OneSight reports investments at fair value based on quoted market prices, if available. For investments for which quoted market prices are not available, OneSight uses broker-quoted prices. Realized gains and losses on sale of investments are computed using the specific cost of the investment sold. Realized and unrealized gains and losses are reflected in the statements of activities and changes in net assets.

Inventory — Inventory consists of donated and purchased reading glasses, frames, lenses and sunglasses. Inventory is recorded at weighted average fair value. Fair value for purchased inventory is stated at cost and for donated inventory is stated at management's best estimate of the cost OneSight would incur to purchase the inventory through its significant donors (see Note 8). The fair value of donated inventory is recognized in revenue as in-kind contributions in the statement of activities and changes in net assets.

Fair Value — Effective January 1, 2008, OneSight adopted the Financial Accounting Standards Board (FASB) Statement No. 157, *Fair Value Measurements*, and FASB Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities — Including and amendment of FASB Statement No. 115*. FASB Statement No. 157 established a definition of fair value (based on an exit price model), established a framework for measuring fair value and expanded disclosures about fair value measurements. FASB Statement No. 157 does not require new fair value measurements but clarifies the definition, method, and disclosure requirements of previously issued standards that address fair value measurements. In February 2008, the FASB issued FASB Staff Position (FSP) FAS 157-2, *Effective Date of FASB Statement No. 157*. FSP FAS 157-2 amends the effective date of FASB No. 157 for all nonfinancial assets and nonfinancial liabilities, except those recognized or disclosed on a recurring basis

(at least annually) until the beginning of 2009. FASB Statement No. 159 allows an election to record at fair value financial assets and liabilities and certain other items with the change recorded in earnings. This can be elected on an instrument-by-instrument basis in most circumstances, is irrevocable after elected for that instrument, and must be applied to the entire instrument. The adoption of these standards did not have a material affect on the financial statements.

OneSight determines the fair market value of its financial instruments based on the fair value hierarchy established in FASB statement No. 157, which requires an entity to maximize the use of observable inputs (Level 1) and minimize the use of unobservable inputs (Level 3) when measuring fair value.

The three levels of inputs that may be used to measure fair values include:

Level 1 — Quoted prices in active markets for identical assets or liabilities.

Level 2 — Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Contributions — Contributions received, including unconditional promises to give and donated assets, are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and nature of any donor restrictions. All contributions are considered available for unrestricted use unless specifically restricted by the donor. OneSight recognizes a receivable for committed contributions as an increase in temporarily restricted net assets until the time the restriction expires (see Note 6). Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the same reporting period in which the support is recognized. Contributions are recorded at the fair value of the asset or service contributed.

Functional Classification of Expenses — The costs of supporting the program services and other activities have been summarized on a functional basis in the statement of activities. Certain costs have been allocated among the program services and supporting categories based on specific identification and OneSight staff time spent within each functional category.

Depreciation — Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Vision vans are depreciated over two to five years, mission equipment over five to seven years, and recycling center equipment over three to five years.

Income Taxes — OneSight is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and has received a ruling from the Internal Revenue Service allowing OneSight to operate as a public charitable organization. The ruling states that contributions made to OneSight are treated as if they were made to a public charity, and as such, contributions are deductible by the donor for federal income, gift, and estate tax purposes.

Pervasiveness of Estimates — In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management has made, where necessary, estimates and judgments, based on currently available information, that affect certain of the amounts reflected in the financial statements. Actual results could differ from those estimates.

Recent Accounting Pronouncements — OneSight has completed the process of evaluating the affect of recent accounting pronouncements and has determined that these pronouncements will not have a material affect to OneSight’s financial statements when effective.

3. FAIR VALUE DISCLOSURES

OneSight’s financial instruments consist primarily of cash and cash equivalents, investments, receivables, and certain other assets, as well as obligations under accounts payable. The carrying values of these financial instruments, except investments, approximated fair value at December 31, 2008 and 2007. Financial instruments that potentially subject OneSight to credit risk consist principally of cash and accounts receivable. Cash and cash equivalents are maintained with various major financial institutions. Periodic evaluations are performed of the financial institutions in which cash is invested. Concentrations of credit risk with respect to accounts receivable are limited due to large number of contributors.

Financial assets measured at fair value on a recurring basis as of December 31, 2008, are summarized as follows:

	<u>Fair Value Measurements Using</u>			<u>Fair Value</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Assets:				
Cash and cash equivalents — money market fund	\$64,595	\$ -	\$ -	\$ 64,595
Investments:				
Mortgage-backed securities		278,477		278,477
Certificate of deposit		157,527		157,527
Common stock	<u>1,466</u>	<u> </u>	<u> </u>	<u>1,466</u>
Total	<u>\$ 66,061</u>	<u>\$ 436,004</u>	<u>\$ -</u>	<u>\$ 502,065</u>

At the time of the adoption of FASB Statement No. 157 and as of December 31, 2008, there were no financial assets or financial liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3). Similarly, as a result of FSP FAS 157-2, there were no nonfinancial assets or nonfinancial liabilities measured at fair value on a nonrecurring basis.

4. INVESTMENTS

The cost, net unrealized gain or loss, and fair value of investments recorded at December 31, 2008 and 2007, consist of the following:

	2008		
	Cost	Net Unrealized Gain	Fair Value
Mortgage-backed securities	\$ 277,946	\$ 531	\$ 278,477
Certificate of deposit	150,000	7,527	157,527
Common stock	<u>1,373</u>	<u>93</u>	<u>1,466</u>
Total	<u>\$ 429,319</u>	<u>\$ 8,151</u>	<u>\$ 437,470</u>

	2007		
	Cost	Net Unrealized Gain (Loss)	Fair Value
Mortgage-backed securities	\$ 323,645	\$ (7,875)	\$ 315,770
Certificate of deposit	150,000	16,471	166,471
Common stock	<u>10,271</u>	<u>(86)</u>	<u>10,185</u>
Total	<u>\$ 483,916</u>	<u>\$ 8,510</u>	<u>\$ 492,426</u>

Investment income included in the statements of activities and changes in net assets, which includes investments bought and sold as well as held during the years ended December 31, 2008 and 2007, consists of the following:

	2008	2007
Unrealized (losses) gains — mortgage-backed securities	\$ (445)	\$ 18,468
Realized losses	(1,404)	(392)
Interest and dividends	<u>14,703</u>	<u>29,066</u>
Total investment income	<u>\$ 12,854</u>	<u>\$ 47,142</u>

5. PROPERTY AND EQUIPMENT

Property and equipment and related accumulated depreciation at December 31, 2008 and 2007, consists of the following:

	2008	2007
Vision vans	\$ 766,397	\$ 748,257
Mission equipment	725,685	659,695
Recycling center equipment	<u>18,498</u>	<u>18,498</u>
Total	1,510,580	1,426,450
Accumulated depreciation	<u>(1,172,598)</u>	<u>(1,049,197)</u>
Property and equipment — net	<u>\$ 337,982</u>	<u>\$ 377,253</u>

6. TEMPORARILY RESTRICTED NET ASSETS

During 2008 and 2007, OneSight recognized \$49,625 and \$154,129, respectively, of future committed contributions as an increase in temporarily restricted net assets. The individual commitments recorded in 2008 and 2007 approximate fair value as they were due to be collected within 30 days, and used, at OneSight's discretion, to fund operations. During 2008 and 2007, OneSight received \$183,751 and \$186,792, respectively, which represents receipt of prior years' committed contributions. These amounts were recorded as assets released from restriction in the statements of activities and changes in net assets.

7. IN-KIND CONTRIBUTIONS

OneSight records donated goods and services meeting defined characteristics as in-kind contributions. Items recorded as in-kind contributions include donated services of optometrists and other specialized services, and the value of donated equipment, frames, lenses, and medicines used by OneSight in its domestic and international missions. The use of the donated goods and services is charged, as incurred, to functional expenses and is allocated among each appropriate line of the statements of activities and changes in net assets.

Of the total in-kind contributions in 2008 and 2007, \$3,679,084 and \$3,817,719, respectively, was received from outside parties and the remaining balance from related parties (see Note 8).

8. RELATED-PARTY TRANSACTIONS

Luxottica Retail, Luxottica Wholesale, and Oakley are consolidated entities of Luxottica Group, SpA. LensCrafters, Inc. is an entity within the Luxottica Retail group of companies. LensCrafters, Inc. is a related party of OneSight by virtue of providing administrative, program planning and direction, legal, and bookkeeping support services to OneSight. Certain members of LensCrafters, Inc. management serve on OneSight's board of trustees and play a critical role in the daily ongoing operations of OneSight. In addition, LensCrafters, Inc. provides for the salary of specialists required in the operation of the vision van and international missions. The fair value of services provided by LensCrafters, Inc. is recognized as in-kind contributions. Luxottica Retail and Oakley also donate inventory for use in OneSight's operations. OneSight management uses its best estimates to determine the fair value of donated services and inventory, and believes that the fair values of these in-kind contributions are reasonable; however, the fair value of the contributions (excluding donated salaries) may not necessarily be indicative of values that would have been recognized by OneSight had it obtained these services and inventories independently.

The total in-kind contribution received from Luxottica Retail and Oakley approximates \$5,357,000 (43% of revenue) and \$9,557,000 (60% of revenue) in 2008 and 2007, respectively. The composition of in-kind contributions for the years ended December 31, 2008 and 2007 is approximately as follows:

	2008	2007
Inventory (frames)	\$3,211,000	\$7,324,000
Cost of skilled personnel	1,866,000	1,888,000
Facilities	204,000	269,000
Accounting and legal services	50,000	50,000
Recycling center	<u>26,000</u>	<u>26,000</u>
 Total	 <u>\$5,357,000</u>	 <u>\$9,557,000</u>

Total cash contributions from Luxottica Group, Luxottica Wholesale and Luxottica Retail were \$1,059,000 for 2008 and \$51,000 for 2007, and are included as vendor/corporate contributions in the statements of activities and changes in net assets.

OneSight charges Give the Gift of Sight Foundation of Canada, a related party of OneSight by virtue of being affiliated with Luxottica Retail, for use of vision vans and for the expenses related to Canadian associates traveling on mission trips sponsored by OneSight (“Canadian chargebacks”). Canadian chargebacks were \$84,895 and \$75,442 for 2008 and 2007, respectively.

Amounts receivable from Lenscrafters, Inc. at December 31, 2008 and 2007 were \$209,000 and \$134,000, respectively.

9. COMMITMENTS AND CONTINGENCIES

Litigation — OneSight is a defendant in various lawsuits that result from services provided through its programs. It is the opinion of the management of OneSight that they have meritorious defenses against all outstanding claims, which they will vigorously pursue, and that the outcome will not have a material adverse effect on OneSight’s financial position, changes in its net assets, or cash flows.

10. FUNCTIONAL CLASSIFICATION OF EXPENSES

The functional classification of expenses for the years ended December 31, 2008 and 2007, is as follows:

2008	Program Services								Supporting Activities	
	Description	Total	Global Clinic Operations	Regional Clinic Operations	Vision Van Operations	Recycle Center Operations	In-Store Program Operations	Catalog/ Other	Special Events	Fund-Raising
Donated goods and services	\$ 3,805,619	\$ 2,154,486	\$ 406,549	\$ 125,497	\$ 105,740	\$ -	\$ -	\$ -	\$ 295,135	\$ 718,212
Travel/lodging/meals	1,488,854	1,082,335	321,011	48,871	3,076			1,013	1,199	31,349
Frame and lens usage	3,254,522	2,011,545	270,925	100,039		872,013				
Postage and freight	219,031	199,516	17,706	11	466					1,332
Printing and supplies	138,321	59,938	8,751	20,731	10,286			1,222	7,853	29,540
Depreciation expense	123,401	91,298	9,939	22,164						
Minor equipment purchase	16,429	6,642	5,192	4,595						
Awards and gifts	20,155	1,937	231	9,796	2,163			1,334	3,632	1,062
Event expenses	89,476		385	500				61,084	23,206	4,301
Consultants/temporary labor	98,816	62,015	8,622	3,834	2,115			875	4,600	16,755
All other expenses	<u>318,872</u>	<u>48,979</u>	<u>33,791</u>	<u>44,845</u>	<u>3,681</u>		<u>6,601</u>	<u>16,102</u>	<u>27,004</u>	<u>137,869</u>
Total expenses	<u>\$ 9,573,496</u>	<u>\$ 5,718,691</u>	<u>\$ 1,083,102</u>	<u>\$ 380,883</u>	<u>\$ 127,527</u>	<u>\$ 872,013</u>	<u>\$ 6,601</u>	<u>\$ 81,630</u>	<u>\$ 362,629</u>	<u>\$ 940,420</u>

2007	Program Services								Supporting Activities	
	Description	Total	Global Clinic Operations	Regional Clinic Operations	Vision Van Operations	Recycle Center Operations	In-Store Program Operations	Catalog/ Other	Special Events	Fund-Raising
Donated goods and services	\$ 9,908,459	\$ 7,876,252	\$ 666,578	\$ 135,188	\$ 101,371	\$ -	\$ -	\$ 171,096	\$ 227,158	\$ 730,816
Travel/lodging/meals	1,674,511	1,173,172	425,205	50,362				850	288	24,634
Frame and lens usage	2,217,535	1,296,112	196,674	57,755		666,994				
Postage and freight	298,887	234,234	60,905	292	3,719			314		(577)
Printing and supplies	163,968	75,809	38,808	9,688	14,348			9,127	12,727	3,461
Depreciation expense	121,985	89,722	10,566	20,350	1,347					
Minor equipment purchase	57,147	21,263	7,445	2,266	6,234		19,939			
Awards and gifts	51,621	20,713	3,021	7,503	1,993			6,847	7,609	3,935
Event expenses	255,742		500					254,849	393	
Consultants/temporary labor	154,911	32,792	2,450					23,353	15,645	80,671
All other expenses	328,260	78,052	40,492	55,659	675		5,991	11,539	59,073	76,779
Training and seminars	<u>908</u>	<u>39</u>								<u>869</u>
Total expenses	<u>\$ 15,233,934</u>	<u>\$ 10,898,160</u>	<u>\$ 1,452,644</u>	<u>\$ 339,063</u>	<u>\$ 129,687</u>	<u>\$ 666,994</u>	<u>\$ 25,930</u>	<u>\$ 477,975</u>	<u>\$ 322,893</u>	<u>\$ 920,588</u>

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