

OneSight

Financial Statements as of and for the
Years Ended December 31, 2010 and 2009, and
Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of OneSight:

We have audited the accompanying statements of financial position of OneSight as of December 31, 2010 and 2009, 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, 2010 and 2009, 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

July 28, 2011

ONESIGHT

STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2010 AND 2009

	2010	2009
ASSETS		
CASH AND CASH EQUIVALENTS	\$ 159,128	\$ 1,238,265
INVESTMENTS	2,607,533	213,597
RECEIVABLES	623,878	858,856
PREPAID EXPENSES AND OTHER	153,628	60,755
INVENTORY	6,415,380	8,018,938
PROPERTY AND EQUIPMENT — Net	<u>1,165,407</u>	<u>974,821</u>
TOTAL	<u>\$ 11,124,954</u>	<u>\$ 11,365,232</u>
LIABILITIES AND NET ASSETS		
LIABILITIES — Accounts payable and accrued expenses	<u>\$ 332,515</u>	<u>\$ 85,698</u>
NET ASSETS:		
Unrestricted	10,715,168	11,181,869
Temporarily restricted	<u>77,271</u>	<u>97,665</u>
Total net assets	<u>10,792,439</u>	<u>11,279,534</u>
TOTAL	<u>\$ 11,124,954</u>	<u>\$ 11,365,232</u>

See notes to financial statements.

ONESIGHT

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
UNRESTRICTED REVENUES:		
In-kind contributions	\$ 3,550,301	\$ 6,127,179
Individual, corporate, and employee support	1,779,012	2,120,069
Special events	527,852	619,139
Grants	66,427	116,500
In-store donation programs	2,161,529	1,168,981
Merchandise sales	266,232	80,340
Assets released from restriction	97,665	49,625
Investment income	37,235	10,113
Realized gain on investments	3,602	3,058
Unrealized gain on investments	<u>30,508</u>	<u>3,003</u>
Total unrestricted revenues	<u>8,520,363</u>	<u>10,298,007</u>
EXPENSES:		
Program services:		
Global clinics	5,649,855	5,375,487
Regional clinics	1,263,325	1,471,987
Vision van operations	297,565	597,834
Recycling center operations	338,408	222,959
Outreach programs	3,407	
In-store programs	4,819	565,006
Global expansion	314,065	
Special events	133,313	136,490
Catalog items	<u></u>	<u>10,793</u>
Total program services	<u>8,004,757</u>	<u>8,380,556</u>
Supporting activities:		
Fundraising	237,531	231,243
Program administration	<u>744,776</u>	<u>781,964</u>
Total supporting activities	<u>982,307</u>	<u>1,013,207</u>
Total expenses	<u>8,987,064</u>	<u>9,393,763</u>
(DECREASE) INCREASE IN UNRESTRICTED NET ASSETS	<u>(466,701)</u>	<u>904,244</u>
TEMPORARILY RESTRICTED NET ASSETS:		
Assets released from restriction	(97,665)	(49,625)
Committed contributions	<u>77,271</u>	<u>97,665</u>
(Decrease) increase in temporarily restricted net assets	<u>(20,394)</u>	<u>48,040</u>
(DECREASE) INCREASE IN NET ASSETS	(487,095)	952,284
NET ASSETS — Beginning of year	<u>11,279,534</u>	<u>10,327,250</u>
NET ASSETS — End of year	<u>\$ 10,792,439</u>	<u>\$ 11,279,534</u>

See notes to financial statements.

ONESIGHT

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
(Decrease) increase in net assets	\$ (487,095)	\$ 952,284
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities:		
Depreciation	203,897	122,925
In-kind contributions of inventory	(1,555,879)	(3,615,443)
In-kind contributions of property and equipment	(16,799)	(128,458)
In-kind contributions of investments		(1,849)
Unrealized appreciation on investments	(19,912)	(3,003)
Realized gain on investments	(3,602)	(3,058)
Changes in:		
Receivables	234,978	(591,695)
Prepaid expenses and other	(92,873)	(19,730)
Inventory	3,159,437	3,783,195
Accounts payable, accrued expenses, and escheatment liability	213,384	(107,768)
Net cash provided by operating activities	<u>1,635,536</u>	<u>387,400</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(344,251)	(587,947)
Purchases of investments	(2,961,187)	
Sale and redemption of investments	590,765	231,783
Net cash used in investing activities	<u>(2,714,673)</u>	<u>(356,164)</u>
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,079,137)	31,236
CASH AND CASH EQUIVALENTS — Beginning of year	<u>1,238,265</u>	<u>1,207,029</u>
CASH AND CASH EQUIVALENTS — End of year	<u>\$ 159,128</u>	<u>\$ 1,238,265</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION — Property and equipment purchases in accounts payable		
	<u>\$ 76,792</u>	<u>\$ 43,359</u>

See notes to financial statements.

ONESIGHT

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

1. ORGANIZATION

OneSight is an Ohio not-for-profit organization that was founded on March 16, 1993. OneSight is organized and operated exclusively for charitable and educational purposes by providing eye care and eyeglasses to the underprivileged and by 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 using the accrual basis of accounting from the separate records maintained by OneSight. As discussed in Note 8, related parties contribute to OneSight various services and inventory, which are recorded at estimated fair value within unrestricted revenues as in-kind contributions and within expenses as program services and supporting activities in the statements of activities and changes in net assets. Accordingly, these financial statements 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 organization.

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.

Investments — OneSight records investments at fair value based on the quoted market prices of the related security or on broker-quoted prices for securities for which quoted market prices are not available. Realized gains and losses on sale of investments are computed based on the carrying value at the time the security was sold under the specific identification method. Realized gains and losses and unrealized appreciation and depreciation are reflected in the statements of activities and changes in net assets as other revenues.

Inventory — Inventory consists of donated and purchased reading glasses, frames, lenses, and sunglasses. Donated inventory is recorded at weighted-average fair value. Purchased inventory is stated at cost, which approximates fair value, and the fair value of donated inventory is 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 statements of activities and changes in net assets.

Fair Value of Financial Instruments — Certain financial instruments are required to be recorded at fair value. The estimated fair values of such financial instruments have been determined using market information and valuation methodologies. Changes in assumptions or estimation methods could affect the fair value estimates; however, OneSight does not believe any such changes would have a material impact on its financial position, changes in net assets, or cash flows. The carrying values of these financial instruments approximated fair value at December 31, 2010 and 2009.

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 statements of activities and changes in net assets. 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.

Accounting for Uncertainty in Income Taxes — Accounting guidance relating to accounting for uncertainty in income taxes prescribes the recognition threshold a tax position is required to meet before being recognized in the financial statements. It also provides guidance on derecognition, classification, interest and penalties, disclosures, and transition. This guidance has no effect on OneSight's financial statements.

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 impact of recent accounting pronouncements and has determined that these pronouncements will not have a material impact to OneSight's financial statements when effective.

Reclassifications — Reclassifications have been made to certain prior-year unrestricted revenue information and amounts presented in the statements of activities and changes in net assets to conform to the current-year presentation; however, unrestricted revenues in total are consistent with the amount reported in the prior-year.

3. FAIR VALUE DISCLOSURES

Financial instruments that potentially subject OneSight to credit risk consist principally of cash, investments, 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 because no individual contributor receivable exceeds \$40,000 except for receivables from related parties totaling approximately \$617,000 and \$743,000 as of December 31, 2010 and 2009, respectively (see Note 8).

OneSight determines the fair market value of its financial instruments based on the fair value hierarchy, 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.

Financial assets measured at fair value on a recurring basis as of December 31, 2010 and 2009, are summarized as follows:

	2010			Total Fair Value
	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	
Assets:				
Cash and cash equivalents	\$ 1,310	\$ -	\$ -	\$ 1,310
Money market funds	55,147			55,147
Corporate bonds		879,271		879,271
Mutual funds:				
Real estate funds	121,814			121,814
Domestic stock funds	446,843			446,843
International stock funds	229,868			229,868
Fixed-income funds	667,891			667,891
Commodity fund	93,328			93,328
Other	112,061			112,061
Total mutual funds	1,671,805	-	-	1,671,805
Total	\$ 1,728,262	\$ 879,271	\$ -	\$ 2,607,533

	2009			Total Fair Value
	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	
Assets:				
Cash and cash equivalents — money market fund	\$ -	\$ 307,549	\$ -	\$ 307,549
Investments:				
Mortgage-backed securities		211,749		211,749
Common stock	1,848			1,848
Total	\$ 1,848	\$ 519,298	\$ -	\$ 521,146

There were no financial assets or financial liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3). Similarly, there were no nonfinancial assets or nonfinancial liabilities measured at fair value on a nonrecurring basis.

4. INVESTMENTS

The cost, net unrealized appreciation or depreciation, and fair value of investments recorded as of December 31, 2010 and 2009, consist of the following:

	<u>2010</u>		
	Cost	Unrealized Appreciation (Depreciation)	Fair Value
Cash and cash equivalents	\$ 1,310	\$ -	\$ 1,310
Money market funds	55,147		55,147
Corporate bonds	885,252	(5,981)	879,271
Mutual funds	<u>1,628,131</u>	<u>43,674</u>	<u>1,671,805</u>
Total	<u>\$2,569,840</u>	<u>\$37,693</u>	<u>\$2,607,533</u>
	<u>2009</u>		
	Cost	Unrealized Appreciation (Depreciation)	Fair Value
Mortgage-backed securities	\$ 207,161	\$ 4,588	\$ 211,749
Common stock	<u>1,849</u>	<u>(1)</u>	<u>1,848</u>
Total	<u>\$ 209,010</u>	<u>\$ 4,587</u>	<u>\$ 213,597</u>

5. PROPERTY AND EQUIPMENT

Property and equipment and the related accumulated depreciation as of December 31, 2010 and 2009, consist of the following:

	2010	2009
Vision vans	\$ 1,526,161	\$ 1,526,161
Mission equipment	885,630	725,685
Recycling center equipment	18,498	18,498
Construction in process	<u>234,538</u>	
Total property and equipment	2,664,827	2,270,344
Accumulated depreciation	<u>(1,499,420)</u>	<u>(1,295,523)</u>
Property and equipment — net	<u>\$ 1,165,407</u>	<u>\$ 974,821</u>

6. TEMPORARILY RESTRICTED NET ASSETS

During 2010 and 2009, OneSight recognized \$77,271 and \$97,665, respectively, of future committed contributions as an increase in temporarily restricted net assets. The individual commitments recorded in 2010 and 2009 approximate fair value as they were due to be collected within 30 days, and used, at OneSight's discretion, to fund operations. During 2010 and 2009, OneSight received \$97,665 and \$49,625, 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 regional and global clinics. 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 2010 and 2009, approximately \$774,000 and \$1,891,000, respectively, was received from outside parties and the remaining balance from related parties (see Note 8).

8. RELATED-PARTY TRANSACTIONS

Luxottica Retail North America Inc. (LRNA), Luxottica North America Distribution LLC (LNAD), Luxottica Wholesale, and Oakley are consolidated entities of Luxottica Group, SpA. LRNA and LNAD are related parties of OneSight by virtue of providing administrative, program planning and direction, legal, bookkeeping support, and distribution services to OneSight. Certain members of LRNA management serve on OneSight's board of trustees and play a critical role in the daily ongoing operations of OneSight. In addition, LRNA provides for the salary of specialists required in the operation of the vision van, global, and regional clinics. The fair value of services provided by LRNA and LNAD are recognized as in-kind contributions. LRNA, LNAD and Oakley also donate inventory for use in OneSight's operations. OneSight management makes its best estimate, based on currently available information, 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.

Total in-kind contributions received from entities of Luxottica Group approximate \$2,776,000 (33% of unrestricted revenue) and \$4,236,000 (41% of unrestricted revenue) in 2010 and 2009, respectively. The composition of in-kind contributions for the years ended December 31, 2010 and 2009, is approximately as follows:

	2010	2009
Inventory (frames)	\$ 995,000	\$2,189,000
Cost of skilled personnel	1,531,000	1,697,000
Facilities	127,000	274,000
Accounting and legal services	47,000	50,000
Recycling center	76,000	26,000
Total	<u>\$2,776,000</u>	<u>\$4,236,000</u>

Total cash contributions from Luxottica Group, Luxottica Wholesale, and LRNA were \$926,000 for 2010 and \$805,000 for 2009. OneSight received contributions from The LensCrafters Foundation of Canada, a related party of OneSight by virtue of being affiliated with LRNA, of \$321,000 and \$242,000 for 2010 and 2009, respectively. These contributions are included as individual, corporate, and employee support in the statements of activities and changes in net assets.

Amounts receivable from entities of Luxottica Group at December 31, 2010 and 2009, were approximately \$617,000 and \$743,000, 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. SUBSEQUENT EVENTS

OneSight evaluated subsequent events through July 28, 2011, which is the date the financial statements were available for issuance.

11. FUNCTIONAL CLASSIFICATION OF EXPENSES

The functional classification of expenses for the years ended December 31, 2010 and 2009, is as follows:

Description	Program Services							Supporting Activities				
	Total	Global Clinics	Regional Clinics	Vision Van Operations	Recycling Center Operations	Outreach	In-Store Programs	Global Expansion	Special Events	Catalog Items	Fundraising	Program Administration
Donated goods and services	\$1,976,083	\$ 747,036	\$ 322,650	\$ 49,482	\$186,360	\$ -	\$ -	\$ 82,727	\$ -	\$ -	\$115,886	\$ 471,942
Travel/lodging/meals	1,852,146	1,176,264	411,892	39,452	5,913	-	-	128,196	1,609	-	8,159	30,661
Frame and lens usage	3,370,359	3,164,830	127,561	69,742	-	3,407	4,819	-	-	-	-	-
Postage and freight	235,424	199,162	27,346	27	-	-	-	3,843	1,500	-	2,003	1,543
Printing and supplies	204,723	4,720	51,820	16,677	86,131	-	-	216	273	-	25,162	19,724
Depreciation expense	203,897	92,070	89,878	21,949	-	-	-	53,278	-	-	-	-
Minor equipment purchase	174,336	54,092	48,169	2,555	14,652	-	-	585	1,740	-	956	1,590
Awards and gifts	17,564	12,514	911	35	188	-	-	103,059	11,200	-	2,376	979
Event expenses	104,038	97,682	88,344	3,763	108	-	-	22,000	13,932	-	-	14,467
Consultants/temporary labor	239,940	101,485	94,754	93,883	45,056	-	-	23,220	-	-	82,989	153,235
All other expenses	608,554	-	-	-	-	-	-	-	-	-	-	-
Total expenses	\$8,987,064	\$5,649,855	\$1,263,325	\$297,565	\$338,408	\$3,407	\$ 4,819	\$314,065	\$133,313	\$ -	\$237,531	\$ 744,776
2009												
Description	Program Services							Supporting Activities				
	Total	Global Clinics	Regional Clinics	Vision Van Operations	Recycling Center Operations	Outreach	In-Store Programs	Global Expansion	Special Events	Catalog Items	Fundraising	Program Administration
Donated goods and services	\$2,731,030	\$1,315,401	\$ 380,303	\$177,176	\$155,942	\$ -	\$ -	\$ -	\$ -	\$ -	\$178,244	\$ 523,964
Travel/lodging/meals	1,648,647	1,167,660	372,892	39,988	296	-	-	7,484	-	-	568	59,759
Frame and lens usage	3,639,744	2,298,962	531,529	244,360	-	564,893	-	-	-	-	-	-
Postage and freight	197,034	160,245	34,854	193	648	-	-	10	-	-	833	251
Printing and supplies	301,584	138,941	40,032	26,361	14,264	113	-	14,605	-	-	16,629	50,639
Depreciation expense	122,925	89,008	9,939	23,978	-	-	-	-	-	-	-	-
Minor equipment purchase	86,685	28,148	5,212	550	50,930	-	-	5,438	-	-	462	1,845
Awards and gifts	27,545	15,128	968	-	-	-	-	86,403	-	-	1,366	5,549
Event expenses	115,769	54,825	28,000	845	-	-	-	9,000	-	-	2,288	44,457
Consultants/temporary labor	114,615	107,169	3,200	84,383	879	-	-	13,550	-	-	30,853	95,500
All other expenses	408,185	-	65,058	-	-	-	-	-	-	-	-	-
Total expenses	\$9,393,763	\$5,375,487	\$1,471,987	\$597,834	\$222,959	\$ -	\$565,006	\$136,490	\$10,793	\$10,793	\$231,243	\$ 781,964
