LAVELLE FUND FOR THE BLIND, INC.

Financial Statements
for the year ended
December 31, 2012
(Modified Cash Basis)

Independent Auditor's Report

To the Board of Directors of
Lavelle Fund for the Blind, Inc.

We have audited the accompanying financial statements of Lavelle Fund for the Blind, Inc. (the "Fund") which comprise the statement of assets, liabilities and net assets (modified cash basis) as of December 31, 2012 and December 31, 2011 and the related statements of revenue and expenses (modified cash basis) and cash flows (modified cash basis) for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position (modified cash basis) of Lavelle Fund for the Blind, Inc. as of December 31, 2012 and December 31, 2011 and the results of its revenue and expenses (modified cash basis) and its cash flows (modified cash basis) for the years then ended in accordance with the basis of accounting as described in note 2.

Basis of Accounting

We draw attention to note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

April 23, 2013

LAVELLE FUND FOR THE BLIND, INC.

Statement of Assets, Liabilities and Net Assets (Modified Cash Basis)

Assets

	December 31 2012	December 31 2011
Cash	$ 89,835	$ 89,433
Due from investment custodian for net investment activity	-	138,150
Program related investments	250,000	250,000
Investments, at fair value	97,568,118	90,185,077
Total assets	**$ 97,907,953**	**$ 90,662,660**

Liabilities and Net Assets

	2012	2011
Liabilities		
Due to investment custodian for net investment activity	$ 3,795	$ -
Unrestricted net assets	97,904,158	90,662,660
Total liabilities and net assets	**$ 97,907,953**	**$ 90,662,660**

See notes to financial statements.

LAVELLE FUND FOR THE BLIND, INC.

Statement of Revenue and Expenses
(Modified Cash Basis)

	Year Ended December 31 2012	Year Ended December 31 2011
Revenue		
Interest	$ 21,728	$ 310,225
Dividends	2,225,277	1,598,049
Other revenue (loss)	2,832	(30,437)
Total revenue	2,249,837	1,877,837
Less: Expenses directly related to investments		
Investment management fees	429,935	405,080
Limited partnership fees	86,137	88,219
Federal excise taxes	40,000	85,000
Foreign taxes	33,881	36,343
Revenue available for grants and other expenses	1,659,884	1,263,195
Expenses		
Payroll and related expenses	407,883	395,968
Professional fees	32,865	37,490
Consulting fees	21,079	15,459
Office supplies	2,499	2,748
Office equipment	10,159	19,294
Office enhancements	1,676	9,398
Rent	37,560	22,756
Travel, conferences and meetings	47,241	5,839
Telephone	2,653	2,578
Utilities	3,489	3,635
Postage	2,942	2,711
Insurance	6,895	8,086
Filing fees	1,500	1,500
Other	22,579	20,646
Total expenses	601,020	548,108
Excess of revenue over expenses before grants paid	1,058,864	715,087
Grants paid	4,977,608	4,896,230
(Deficiency) of revenue to cover expenses before other additions (deduction)	(3,918,744)	(4,181,143)
Other additions (deduction)		
Realized gain on sale of investments	3,588,879	6,663,500
Change in unrealized value of investments	7,571,363	(6,169,622)
Increase (decrease) in unrestricted net assets	**7,241,498**	**(3,687,265)**
Unrestricted net assets, beginning of year	**90,662,660**	**94,349,925**
Unrestricted net assets, end of year	**$ 97,904,158**	**$ 90,662,660**

See notes to financial statements.

LAVELLE FUND FOR THE BLIND, INC.

Statement of Cash Flows
(Modified Cash Basis)

	Year Ended December 31 2012	Year Ended December 31 2011
Cash flows from operating activities		
Increase (decrease) in unrestricted net assets	$ 7,241,498	$ (3,687,265)
Adjustments to reconcile increase (decrease) in unrestricted net assets to net cash (used in) operating activities		
Realized (gain) on sale of investments	(3,588,879)	(6,663,500)
Change in unrealized value of investments	(7,571,363)	6,169,622
Limited partnership activity	13,871	451
(Increase) decrease in due to/from investment custodian for net investment activity	141,945	(138,150)
Program related investments	-	(250,000)
Net cash (used in) operating activities	(3,762,928)	(4,568,842)
Cash flows from investing activities		
Purchases of investments	(20,609,736)	(17,684,146)
Proceeds from sales of investments	24,373,066	22,008,759
Net cash provided by investing activities	3,763,330	4,324,613
Net increase (decrease) in cash	**402**	**(244,229)**
Cash, beginning of year	**89,433**	**333,662**
Cash, end of year	**$ 89,835**	**$ 89,433**
Supplemental disclosure of cash flow information		
Cash paid for federal excise taxes	$ 40,000	$ 85,000

See notes to financial statements.

LAVELLE FUND FOR THE BLIND, INC.

Notes to Financial Statements
December 31, 2012
(Modified Cash Basis)

Note 1 – Nature of organization

The Lavelle Fund for the Blind, Inc. (the "Fund"), formerly the Lavelle School for the Blind, began operating a school for the blind in 1904 and was incorporated in 1909. In 1947, the school became a state-chartered and state-funded 4201 school dedicated to serving multi-handicapped children with visual impairments. In 1999, a new entity was created to operate the School. The old entity became the Lavelle Fund for the Blind, Inc.; a charitable foundation that administers grants to benefit the broader community of visually impaired people.

The Fund is dedicated to supporting programs that promote the spiritual, moral, intellectual, and physical development of blind and low-vision people of all ages, together with programs that help people avoid vision loss. Priority is given to agencies that concentrate on serving the New York City metropolitan area. Support also goes to programs serving New York State as a whole, and to a limited number of developing world programs.

The Fund makes grants to a broad range of direct service programs. Support is concentrated on programs that impact the populations served and make measurable progress toward pre-determined goals in a specific timeframe.

Note 2 – Summary of significant accounting policies

Basis of accounting

The Fund's policy is to prepare its financial statements on the basis of cash receipts and cash disbursements modified to record investments at fair value, the amount due to or from the investment custodian for purchases and sales of investments and program-related investments. Accordingly, certain revenue and the related assets are recognized when received rather than when earned and certain expenses are recognized when paid rather than when the obligation is incurred.

Cash equivalents

The Fund considers highly liquid investments with maturities of 90 days or less to be cash equivalents. The Fund did not have any cash equivalents at December 31, 2012.

Investments

Investments are recorded at fair value. The fair values of the short term investments, mutual funds, equities, corporate bonds and publicly traded equity limited partnerships are based on publicly quoted prices. The cost of these investments when sold is determined using the first-in, first-out method.

LAVELLE FUND FOR THE BLIND, INC.

Notes to Financial Statements (continued)
December 31, 2012
(Modified Cash Basis)

Note 2 – Summary of significant accounting policies (continued)

Investments (continued)

The investment in the international equities limited partnership is stated at the Fund's equity interest in the underlying net assets, which approximates fair value. The fair value of the limited partnerships is determined by the limited partnership's Manager. Securities for which market quotations are readily available are valued at their current market values in the principal market in which such securities are normally traded. These values are normally determined by (i) the last sales price, if the principal market is the New York Stock Exchange or other securities exchange (or at the mean between the closing "bid" and "asked" price, if there have been no sales on such exchange on that day), or (ii) the most recent bid price, if the principal market is other than an exchange.

Withdrawals from the Fund's international equities limited partnership may be made, in whole or in part, at the end of each month by providing written notice to the investment manager specifying the amount to be redeemed and the redemption date, which written notice shall not be less than thirty days and not more than forty-five days prior to such redemption date. Redemptions must be made in multiples of $1,000 and the Fund must maintain a capital account in the minimum amount of $250,000 in the case of redemption in part.

Fair value measurements

Accounting principles generally accepted in the United States of America established a hierarchy that prioritizes the inputs used to measure fair value into three broad levels. Level 1 inputs are defined as quoted prices in active markets for identical assets that the reporting entity has the ability to access at the measurement date. Level 2 inputs are defined as observable inputs other than Level 1 prices, such as quoted prices of similar assets, quoted prices in markets with insufficient volume or infrequent transactions (less active markets).

Concentrations of credit risk

The Fund's financial instruments that are potentially exposed to concentrations of credit risk consist of cash and investments. The Fund places its cash with what it believes to be quality financial institutions. The Fund has not experienced any losses in such accounts to date. The Fund invests in short-term investments, mutual funds, equities, corporate bonds, publicly traded equity limited partnerships and an international equity limited partnership. Investments are exposed to various risks such as interest rate, market volatility, liquidity and credit. Due to the level of uncertainty related to the foregoing risks, it is reasonably possible that changes in these risks could materially affect the fair value of the investments reported in the statement of financial position at December 31, 2012. The Fund routinely assesses the financial strength of its cash and investment portfolio. As a consequence, the Fund believes no significant concentrations of credit risk exist with respect to its cash and investments.

LAVELLE FUND FOR THE BLIND, INC.

Notes to Financial Statements (continued)
December 31, 2012
(Modified Cash Basis)

Note 2 – Summary of significant accounting policies (continued)

Use of estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions regarding the fair value of the investments reported in the financial statements. Actual results could differ from these estimates.

Subsequent events

The Fund has evaluated events and transactions for potential recognition or disclosure through April 23, 2013, which is the date the financial statements were available to be issued.

Note 3 – Investments

As of December 31, 2012 and 2011, the investments consist of the following:

	2012		2011	
	Cost	Fair Value	Cost	Fair Value
Short-term investments	$ 5,881,959	$ 5,881,959	$ 7,352,663	$ 7,352,663
Mutual funds				
Equity fund	16,257,818	21,224,409	15,513,253	18,073,704
Bond fund	-	-	5,491,454	6,057,590
Equities				
Common stocks	50,157,402	61,492,253	43,728,595	50,471,864
Real estate investment trust	219,567	267,600	219,567	237,360
Corporate bonds	169,720	176,103	391,788	355,330
Limited partnerships				
Equities – publicly traded	462,347	1,052,287	515,522	934,644
International equities	6,931,560	7,473,507	7,054,372	6,701,922
Total	$ 80,080,373	$ 97,568,118	$ 80,267,214	$ 90,185,077

LAVELLE FUND FOR THE BLIND, INC.

Notes to Financial Statements (continued)
December 31, 2012
(Modified Cash Basis)

Note 3 – Investments (continued)

For assets measured at fair value on a recurring basis as of December 31, 2012 and December 31, 2011, accounting standards require quantitative disclosures about the fair value measurements separately for each class of assets as follows:

	Fair value measurements at December 31, 2012		
Description	Total	Level 1	Level 2
Short-term investments	$ 5,881,959	$ 5,881,959	$ -
Mutual funds			
Equity fund	21,224,409	21,224,409	-
Equities			
Common stocks	61,492,253	61,492,253	-
Real estate investment trust	267,600	267,600	-
Corporate bonds	176,103	176,103	-
Limited partnerships			
Equities – publicly traded	1,052,287	1,052,287	-
International equities	7,473,507	-	7,473,507
Total	$ 97,568,118	$ 90,094,611	$ 7,473,507

	Fair value measurements at December 31, 2011		
Description	Total	Level 1	Level 2
Short-term investments	$ 7,352,663	$ 7,352,663	$ -
Mutual funds			
Equity fund	18,073,704	18,073,704	-
Bond fund	6,057,590	6,057,590	-
Equities			
Common stocks	50,471,864	50,471,864	-
Real estate investment trust	237,360	237,360	-
Corporate bonds	355,330	355,330	-
Limited partnerships			
Equities – publicly traded	934,644	934,644	-
International equities	6,701,922	-	6,701,922
Total	$ 90,185,077	$ 83,483,155	$ 6,701,922

LAVELLE FUND FOR THE BLIND, INC.

Notes to Financial Statements (continued)
December 31, 2012
(Modified Cash Basis)

Note 3 – Investments (continued)

The following is a reconciliation of the Fund's Level 2 investment for the year ended December 31, 2012:

Fair value, December 31, 2011	$ 6,701,922
Investment return	147,886
Realized (loss)	(163,570)
Change in unrealized value	895,879
Investment management fees	(86,138)
Foreign taxes	(22,396)
Interest expense	(76)
Fair value, December 31, 2012	$ 7,473,507

Note 4 – Commitments

As of December 31, 2012, the Board of Trustees had approved grants payable in future years amounting to $5,407,650. Such grants are subject to the satisfaction of stipulated conditions and performance by the intended recipients before payment

Note 5 – Lease agreements

Commencing July 1, 2001, the Fund entered into a lease for office space, which was to expire on August 31, 2011. In connection with the lease, the Fund paid the landlord a deposit of $13,701. In connection with this lease, the Fund reached an agreement with a neighboring tenant whereby the neighboring tenant would assume the Fund's lease, which expired on August 31, 2011. The Fund also obtained a note receivable from the neighboring tenant for the security deposit of $13,701 that the Fund previously paid to the landlord. The security deposit was repaid to the Fund during 2011.

Commencing January 1, 2007, the Fund entered into a new lease for office space, which expires December 31, 2016. The monthly rent payments were initially $2,700 and are subject to a 3% increase annually.

Rent expense totaled $37,560 for the year ended December 31, 2012 and $22,756, net of returned security deposit of $13,701, for the year ended December 31, 2011.

LAVELLE FUND FOR THE BLIND, INC.

Notes to Financial Statements (continued)
December 31, 2012
(Modified Cash Basis)

Note 5 – Lease agreements (continued)

The following is a summary of the required annual lease payments:

Year		Amount
2013		$ 38,687
2014		39,848
2015		41,043
2016		42,275
	Total	$ 161,853

Note 6 – Retirement plans

SEP-IRA

The Fund has a Simplified Employee Pension – Individual Retirement Accounts (SEP-IRA) retirement plan for all eligible employees. The Fund makes a contribution to the plan of 8% of each eligible employee's annual salary. In addition, the Fund makes a dollar-for-dollar matching contribution of the amount contributed by each employee to the 403(b) plan (see below) up to a maximum of 4% of an employee's annual salary, to the SEP IRA. The total expense for the years ended December 31, 2012 and December 31, 2011 totaled $37,083 and $36,436, respectively.

403(b) Annuity plan

The Fund also has a 403(b) tax-deferred annuity plan for all employees. Employees may contribute to the plan an amount not to exceed the annual limit established by the Internal Revenue Code. During the years ended December 31, 2012 and December 31, 2011, the Fund did not contribute to the 403(b) defined contribution plan.

LAVELLE FUND FOR THE BLIND, INC.

Notes to Financial Statements (continued)
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Note 7- Program related investments

During 2011, the Fund made two program-related investments to two related but distinct nonprofit fiscal intermediaries to aid in the development of a low cost retinal imaging system by Quantum Catch, LLC, a limited liability for-profit partnership. Specifically, the Fund approved a $100,000 loan to Giving Assets, Inc., in March, 2011 and a $150,000 loan to Impact Assets, Inc., in November 2011. The loans each carry an interest rate of 2% per annum computed on the basis of a 365 day calendar year. Neither of these intermediary organizations nor Quantum Catch, LLC shall have any obligation to begin repaying the loans until and unless Quantum Catch, LLC becomes cash flow positive for three consecutive months. Should this cash flow target be achieved, the respective loan agreements (between the Fund and the intermediaries and between the intermediaries and Quantum Catch, LLC) stipulate the rate at which the loans should be repaid – with the two target dates for full repayment of principal and accrued interest being December 15, 2015 (for the $100,000 loan) and December 15, 2016 (for the $150,000 loan). The intermediary organizations do not have any obligation to repay the loans beyond the extent of the principal and accrued interest payments that they themselves receive from Quantum Catch, LLC. As of December 31, 2012, no loan repayments had been made to the Fund.

Note 8 – Line of credit

During December 2011, the Fund entered into an agreement with Lavelle School for the Blind, Inc. (the "School") whereby the School can borrow up to a maximum amount of $3,500,000 from the Fund under the terms of a line of credit. The line of credit bears zero interest and expires on December 31, 2014. Advances shall only be made quarterly and upon approval by the Fund's Treasurer. As of December 31, 2012, the Fund has not made any advances.

Note 9 – Tax status

The Fund is exempt from federal income tax under Section 501(c)(3) and is classified as a private foundation under Section 509(a) of the Internal Revenue Code. The Fund is subject to federal excise tax on its net investment income.

As of December 31, 2012, no amounts have been recognized for uncertain income tax positions taken. In addition, the Fund's tax returns for 2009 and forward are subject to the usual review by the appropriate taxing authorities.