LAVELLE FUND FOR THE BLIND, INC.

Financial Statements
for the year ended
December 31, 2008
(Modified Cash Basis)

**CONDON
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Independent Auditors' Report

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

We have audited the accompanying statement of assets, liabilities and net assets (modified cash basis) of Lavelle Fund for the Blind, Inc. (the "Fund") as of December 31, 2008 and December 31, 2007 and the related statements of revenue and expenses (modified cash basis) and cash flows (modified cash basis) for the years then ended. These financial statements are the responsibility of the Fund'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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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.

As described in note 2, the financial statements have been prepared on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The modified cash basis of accounting utilized by the Fund is a common basis of accounting used by private foundations in the United States of America.

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, 2008 and December 31, 2007 and the results of its revenue and expenses (modified cash basis) and its cash flows (modified cash basis) for the years then ended on the basis of accounting described in note 2.

Condon O'Meara McGinty & Donnelly LLP

March 19, 2009

LAVELLE FUND FOR THE BLIND, INC.

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

Assets

	December 31	
	2008	2007
Cash	$ 67,352	$ 21,093
Investments, at market value (notes 2 and 3)	68,455,714	109,644,281
Total assets	**$ 68,523,066**	**$109,665,374**

Liabilities and Net Assets

Liabilities		
Due to investment custodian for net investment activity	$ 4,898	$ 450,851
Unrestricted net assets	68,518,168	109,214,523
Total liabilities and net assets	**$ 68,523,066**	**$109,665,374**

See notes to financial statements.

LAVELLE FUND FOR THE BLIND, INC.

Statement of Revenue and Expenses
(Modified Cash Basis)

	Year Ended December 31 2008	Year Ended December 31 2007
Revenue		
Interest	$ 680,902	$ 1,017,695
Dividends	1,840,582	1,560,242
Other revenue	42,242	136,163
Total revenue	2,563,726	2,714,100
Less: Expenses directly related to investments		
Investment management fees	444,863	598,574
Limited partnership fees	47,454	4,739
Federal excise taxes	94,968	102,000
Revenue available for grants and other expenses	1,976,441	2,008,787
Expenses		
Payroll and related expenses	364,562	306,599
Professional fees	43,538	30,133
Build-out and moving expenses	-	107,480
Office supplies	2,485	2,603
Office equipment	10,606	9,906
Office enhancements	880	917
Rent (note 6)	33,455	40,380
Travel, conferences and meetings	3,707	28,681
Telephone	2,820	2,358
Utilities	3,157	2,872
Postage	1,988	1,579
Insurance	6,907	4,812
Filing fees	1,500	1,610
Other	24,291	18,636
Total expenses	499,896	558,566
Excess of revenue over expenses before grants paid	1,476,545	1,450,221
Grants paid	6,010,545	4,888,006
(Deficiency) of revenue to cover expenses before other additions (deductions)	(4,534,000)	(3,437,785)
Other additions (deductions)		
Realized gain on sale of investments (note 2)	2,243,286	11,411,572
Change in unrealized value of investments	(38,405,641)	(10,084,527)
(Decrease) in unrestricted net assets	**(40,696,355)**	**(2,110,740)**
Unrestricted net assets, beginning of year	**109,214,523**	**111,325,263**
Unrestricted net assets, end of year	**$ 68,518,168**	**$ 109,214,523**

See notes to financial statements.

LAVELLE FUND FOR THE BLIND, INC.

Statement of Cash Flows
(Modified Cash Basis)

	Year Ended December 31	
	2008	**2007**
Cash flows from operating activities		
(Decrease) in unrestricted net assets	$ (40,696,355)	$ (2,110,740)
Adjustments to reconcile (decrease) in unrestricted net assets to net cash (used in) operating activities		
Realized (gain) on sale of investments	(2,243,286)	(11,411,572)
Change in unrealized value of investments	38,405,641	10,084,527
Limited partnership activity	(80,579)	4,628
Increase (decrease) in due to investment custodian for net investment activity	(445,953)	378,776
Net cash (used in) operating activities	(5,060,532)	(3,054,381)
Cash flows from investing activities		
Purchases of investments	(34,309,264)	(47,138,688)
Proceeds from sales of investments	39,416,055	50,179,511
Net cash provided by investing activities	5,106,791	3,040,823
Net increase (decrease) in cash	**46,259**	**(13,558)**
Cash, beginning of year	**21,093**	**34,651**
Cash, end of year	**$ 67,352**	**$ 21,093**
Supplemental disclosure of cash flow information		
Cash paid for federal excise taxes	$ 94,968	$ 102,000

See notes to financial statements.

LAVELLE FUND FOR THE BLIND, INC.

Notes to Financial Statements
December 31, 2008
(Modified Cash Basis)

Note 1 – Nature of organization

Lavelle Fund for the Blind, Inc., formerly the Lavelle School for the Blind, began operating a school for the blind in 1909. In 1947, the School became a state-chartered and state-funded 4201 school dedicated to serving students who are blind or visually impaired. In 1999, a new entity was created to hold the School's assets and 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 people who are visually impaired.

The Fund is dedicated to supporting programs that promote the spiritual, moral, intellectual, and physical development of people of all ages who are blind or have low vision, together with programs that help people avoid vision loss. The Fund is especially interested in programs that reflect the Catholic tradition of serving the disadvantaged.

While priority is given to programs that concentrate on serving the greater New York metropolitan area, the Fund also considers grant requests that serve wider national and international communities. The Fund also 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 market value and the amount due to or from the investment custodian for purchases and sales of investments. Accordingly, 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.

Investments

Investments are recorded at fair market value. The market values of short-term investments, corporate bonds and notes and common and preferred stock are based on publicly quoted prices. The cost of these investments sold is determined using the first-in, first-out method.

The investment in the 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 partnership 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.

LAVELLE FUND FOR THE BLIND, INC.

Notes to Financial Statements (continued)
December 31, 2008
(Modified Cash Basis)

Note 2 – Summary of significant accounting policies (continued)

Investments (continued)

Withdrawals from the Fund's 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 be not 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 a redemption in part.

Concentration of credit risk

The Fund's financial instruments that are potentially exposed to concentrations of credit risk consist of cash and investments. The Fund's financial institution is participating in the FDIC's Transaction Account Guarantee Program. Under that program, through December 31, 2009, all non-interest and interest-bearing checking accounts at this financial institution are fully guaranteed by the FDIC for the entire amount in the account. The Fund invests in short-term investments, U.S. Government obligations, stocks and bonds issued by financially strong corporations and a limited partnership. Investments are exposed to various risks, such as interest rate, market volatility, liquidity and credit risks. 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, 2008. The Fund routinely assesses the financial strength of its cash and investment portfolio. As a consequence, the Fund believes no significant concentration of credit risk exists with respect to its cash and investments.

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 market value of the investments reported in the financial statements. Actual results could differ from these estimates.

Reclassifications

Certain items in the 2007 financial statements have been reclassified for comparative purposes.

LAVELLE FUND FOR THE BLIND, INC.

Notes to Financial Statements (continued)
December 31, 2008
(Modified Cash Basis)

Note 3 – Investments

As of December 31, 2008 and 2007, the investments consist of the following:

	2008		2007	
	Cost	Market Value	Cost	Market Value
Short-term investments	$ 3,861,521	$ 3,861,521	$ 6,610,645	$ 6,610,645
Corporate bonds and notes	8,736,167	8,795,179	12,381,732	12,171,665
Common and preferred stock	72,061,373	52,838,577	67,978,082	85,951,355
Limited partnership	4,494,857	2,960,437	4,966,385	4,910,616
Total	$ 89,153,918	$ 68,455,714	$ 91,936,844	$109,644,281

Note 4 – Fair value measurement

The Fund adopted the provisions of Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" (SFAS No. 157), effective as of December 31, 2008. Under SFAS No. 157, fair value is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. SFAS No. 157 also emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and sets out a fair value hierarchy with the highest priority being quoted process in active markets. Under SFAS No. 157, fair value measurements are disclosed by level within that hierarchy. SFAS No. 157 establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset based on market data obtained from sources independent of the Fund. Unobservable inputs reflect the Fund's assumption about the inputs market participants would use in pricing the asset developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets that the Fund has the ability to access at the measurement date. An active market for the asset is a market in which transactions for the asset occur with sufficient frequency and volume to provide pricing information on an ongoing basis. A quoted price in an active market provides the most reliable evidence of fair value and shall be used to measure fair value whenever available. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

LAVELLE FUND FOR THE BLIND, INC.

Notes to Financial Statements (continued)
December 31, 2008
(Modified Cash Basis)

Note 4 – Fair value measurement (continued)

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement. Unobservable inputs shall be used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset at the measurement date.

For assets measured at fair value on a recurring basis as of December 31, 2008, SFAS No. 157 requires quantitative disclosures about the fair value measurements separately for each major category of assets as follows:

	Fair value measurements at December 31, 2008			
Description	Total	Level 1	Level 2	Level 3
Investments	$ 65,495,277	$ 65,495,277	$ -	$ -
Limited partnership	2,960,437	-	2,960,437	-
Total	$68,455,714	$65,495,277	$ 2,960,437	$ -

Note 5 – Commitments

As of December 31, 2008, the Board of Directors had approved grants payable in future years amounting to $4,063,672. Such grants are subject to the satisfaction of stipulated conditions and performance by the intended recipients before payment.

Note 6 – Lease agreements

Commencing July 1, 2001, the Fund entered into a lease for office space, which was to expire on August 31, 2011. In addition to the base monthly rent, the Fund was required to pay for certain cost incurred by the landlord as defined in the agreement. 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 expires August 31, 2011. Under this agreement, the Fund was responsible for the first four months rent of 2007. 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.

Commencing January 1, 2007, the Fund entered into a new lease for office space, which expires December 31, 2016. Under this lease, the Fund received a rent abatement of $8,100, which represents the first three months rent for 2007. The monthly rent payments are $2,700 and are subject to a 3% increase annually.

LAVELLE FUND FOR THE BLIND, INC.

Notes to Financial Statements (continued)
December 31, 2008
(Modified Cash Basis)

Note 6 – Lease agreements (continued)

The rent expense for the years ended December 31, 2008 and December 31, 2007 totaled $33,455 and $40,380, respectively.

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

Year	Amount
2009	$ 34,373
2010	35,404
2011	36,467
2012	37,560
2013	38,687
2014 and thereafter	123,167
Total	$ 305,658

Note 7 – Retirement plans

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, 2008 and December 31, 2007 totaled $29,990 and $26,992, respectively.

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, 2008 and December 31, 2007, the Fund did not contribute to the 403(b) defined contribution plan.

Note 8 – Related party transactions

A member of the Board of Directors is employed by a brokerage firm that serves one of the Fund's investment advisors by providing institutional research and access to capital markets for trading. The investment advisor pays the brokerage firm commissions for the institutional research and investment trading. The direct or indirect benefit to the member of the Board of Directors relating to the commissions paid by the investment advisor to the brokerage firm for the institutional research provided and investment trading is not determinable. The Fund did not make any payments to the brokerage firm during 2008.

LAVELLE FUND FOR THE BLIND, INC.

Notes to Financial Statements (continued)
December 31, 2008
(Modified Cash Basis)

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.

Recent accounting pronouncement

The Financial Accounting Standards Board (FASB) has issued FASB Interpretation No. 48 (FIN-48), "Accounting for Uncertainty in Income Taxes." The implementation of FIN-48 has been deferred for a one-year period for nonprofit organizations by FASB staff position FIN 48-3. The deferred effective date is intended to provide the FASB with additional time to develop guidance on the application of FIN-48 for nonprofit organizations. The Fund does not believe the implementation of FIN-48 will have an impact on the financial statements. In addition, the Fund does not believe its financial statements include (or reflect) any uncertain tax positions.