

LAVELLE FUND FOR THE BLIND, INC.

**Financial Statements
for the year ended
December 31, 2009
(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, 2009 and December 31, 2008 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, 2009 and December 31, 2008 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

April 1, 2010

LAVELLE FUND FOR THE BLIND, INC.

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

Assets

	December 31	
	2009	2008
Cash	\$ 50,931	\$ 67,352
Investments, at market value	85,586,259	68,455,714
Total assets	\$ 85,637,190	\$ 68,523,066

Liabilities and Net Assets

Liabilities

Due to investment custodian for net investment activity	\$ 688,414	\$ 4,898
Unrestricted net assets	84,948,776	68,518,168
Total liabilities and net assets	\$ 85,637,190	\$ 68,523,066

See notes to financial statements.

LAVELLE FUND FOR THE BLIND, INC.

**Statement of Revenue and Expenses
(Modified Cash Basis)**

	Year Ended	
	December 31	
	<u>2009</u>	<u>2008</u>
Revenue		
Interest	\$ 27,834	\$ 110,813
Dividends	2,086,648	2,432,385
Other revenue	<u>62,063</u>	<u>42,242</u>
Total revenue	2,176,545	2,585,440
Less: Expenses directly related to investments		
Investment management fees	320,748	444,863
Limited partnership fees	40,711	47,454
Federal excise taxes	5,000	94,968
Foreign taxes	<u>21,546</u>	<u>30,554</u>
Revenue available for grants and other expenses	<u>1,788,540</u>	<u>1,967,601</u>
Expenses		
Payroll and related expenses	361,406	364,562
Professional fees	36,612	41,538
Consulting fees	14,550	2,000
Office supplies	2,099	2,485
Office equipment	6,523	10,606
Office enhancements	1,596	880
Rent	31,509	33,455
Travel, conferences and meetings	7,242	3,707
Telephone	3,017	2,820
Utilities	2,575	3,157
Postage	1,688	1,988
Insurance	5,519	6,907
Filing fees	1,500	1,500
Other	<u>13,563</u>	<u>15,451</u>
Total expenses	<u>489,399</u>	<u>491,056</u>
Excess of revenue over expenses before grants paid	1,299,141	1,476,545
Grants paid	<u>3,030,037</u>	<u>6,010,545</u>
(Deficiency) of revenue to cover expenses before other additions (deductions)	(1,730,896)	(4,534,000)
Other additions (deductions)		
Realized gain (loss) on sale of investments	(6,626,028)	2,243,286
Change in unrealized value of investments	<u>24,787,532</u>	<u>(38,405,641)</u>
Increase (decrease) in unrestricted net assets	16,430,608	(40,696,355)
Unrestricted net assets, beginning of year	<u>68,518,168</u>	<u>109,214,523</u>
Unrestricted net assets, end of year	<u>\$ 84,948,776</u>	<u>\$ 68,518,168</u>

See notes to financial statements.

LAVELLE FUND FOR THE BLIND, INC.

**Statement of Cash Flows
(Modified Cash Basis)**

	Year Ended December 31	
	2009	2008
Cash flows from operating activities		
Increase (decrease) in unrestricted net assets	\$ 16,430,608	\$ (40,696,355)
Adjustments to reconcile increase (decrease) in unrestricted net assets to net cash (used in) operating activities		
Realized (gain) loss on sale of investments	6,626,028	(2,243,286)
Change in unrealized value of investments	(24,787,532)	38,405,641
Limited partnership activity	(52,760)	(80,579)
Increase (decrease) in due to investment custodian for net investment activity	683,516	(445,953)
Net cash (used in) operating activities	(1,100,140)	(5,060,532)
Cash flows from investing activities		
Purchases of investments	(50,026,318)	(34,309,264)
Proceeds from sales of investments	51,110,037	39,416,055
Net cash provided by investing activities	1,083,719	5,106,791
Net increase (decrease) in cash	(16,421)	46,259
Cash, beginning of year	67,352	21,093
Cash, end of year	\$ 50,931	\$ 67,352
Supplemental disclosure of cash flow information		
Cash paid for federal excise taxes	\$ 5,000	\$ 94,968

See notes to financial statements.

LAVELLE FUND FOR THE BLIND, INC.**Notes to Financial Statements
December 31, 2009
(Modified Cash Basis)****Note 1 – Nature of organization**

The Lavelle Fund for the Blind, Inc., 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. (the "Fund"); 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.

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 the short term investments, corporate bonds and notes and common and preferred stock are based on publicly quotes 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, 2009
(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 redemption in part.

Fair value measurements

Fair value measurements establish 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 or liabilities that the reporting entity has the ability to access at the measurement date. As of December 31, 2009, the Foundation's investment in the limited partnership is measured using Level 2 inputs, which 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).

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 invests in short-term investments, a bond fund, equity investments and a 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, 2009. 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.

LAVELLE FUND FOR THE BLIND, INC.

Notes to Financial Statements (continued)
December 31, 2009
(Modified Cash Basis)

Note 2 – Summary of significant accounting policies (continued)

Subsequent events

The Fund has evaluated events and transactions for potential recognition or disclosure through April 1, 2010, which is the date these financial statements were available to be issued.

Reclassifications

Certain items in the 2008 financial statements have been reclassified for comparative purposes only.

Note 3 – Investments

As of December 31, 2009 and 2008, the investments consist of the following:

	2009		2008	
	Cost	Market Value	Cost	Market Value
Short-term investments	\$ 15,503,090	\$ 15,503,090	\$ 3,861,521	\$ 3,861,521
Bond fund	9,645,946	10,028,953	8,736,167	8,795,179
Equities	52,726,681	55,976,488	72,061,373	52,838,577
Limited partnership	3,621,214	4,077,728	4,494,857	2,960,437
Total	<u>\$ 81,496,931</u>	<u>\$ 85,586,259</u>	<u>\$ 89,153,918</u>	<u>\$ 68,455,714</u>

For assets measured at fair value on a recurring basis as of December 31, 2009, accounting standards require quantitative disclosures about the fair value measurements separately for each major category of assets as follows:

<u>Description</u>	Fair value measurements at December 31, 2009			
	Total	Level 1	Level 2	Level 3
Investments	\$ 81,508,531	\$ 81,508,531	\$ -	\$ -
Limited partnership	4,077,728	-	4,077,728	-
Total	<u>\$ 85,586,259</u>	<u>\$ 81,508,531</u>	<u>\$ 4,077,728</u>	<u>\$ -</u>

Note 4 – Commitments

As of December 31, 2009, the Board of Trustees had approved grants payable in future years amounting to \$4,528,602. Such grants are subject to the satisfaction of stipulated conditions and performance by the intended recipients before payment

LAVELLE FUND FOR THE BLIND, INC.

Notes to Financial Statements (continued)
December 31, 2009
(Modified Cash Basis)

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 addition to the base monthly rent, the Fund was required to pay for certain costs 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. The monthly rent payments were initially \$2,700 and are subject to a 3% increase annually.

The rent expense for the years ended December 31, 2009 and December 31, 2008 totaled \$31,509 and \$33,455, respectively.

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

<u>Year</u>	<u>Amount</u>
2010	\$ 35,404
2011	36,467
2012	37,560
2013	38,687
2014	39,848
2015 and 2016	<u>83,318</u>
Total	<u>\$ 271,284</u>

Note 6 – 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, 2009 and December 31, 2008 totaled \$32,433 and \$29,990, respectively.

LAVELLE FUND FOR THE BLIND, INC.**Notes to Financial Statements (continued)
December 31, 2009
(Modified Cash Basis)****Note 6 – Retirement plans (continued)**

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, 2009 and December 31, 2008, the Fund did not contribute to the 403(b) defined contribution plan.

Note 7 – Related party transactions

A former member of the Board of Directors who served on the Board until May 5, 2009, is employed by a brokerage firm that does business with 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 former 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 2009.

Note 8 – 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, 2009, no amounts have been recognized for uncertain tax positions taken. In addition, the Fund's tax returns for the years 2006 and forward are subject to the usual review by the appropriate taxing authorities.