

**AMERICAN LUNG ASSOCIATION
OF THE SOUTHEAST, INC.**
(A NOT-FOR-PROFIT ORGANIZATION)

FINANCIAL REPORT

YEARS ENDED JUNE 30, 2013 AND 2012

AMERICAN LUNG ASSOCIATION OF THE SOUTHEAST, INC.

TABLE OF CONTENTS

Report of independent certified public accountants	1
Financial statements:	
Statements of financial position	3
Statements of activities	4
Statements of functional expenses	6
Statements of cash flows	7
Notes to financial statements	8
Independent certified public accountants report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	21
Other information:	
Schedule of State Financial Assistance - Georgia	23

LBA Certified Public Accountants, PA

Report of Independent Certified Public Accountants

To the Board of Directors of
American Lung Association of the Southeast, Inc.
Jacksonville, Florida

Report of the Financial Statements

We have audited the accompanying financial statements of American Lung Association of the Southeast, Inc., (a not-for-profit organization) (the "Association"), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities, functional expenses and cash flows 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 accounting principles generally accepted in the United States of America; this includes 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the American Lung Association of the Southeast, Inc., as of June 30, 2013 and 2012, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of State Financial Assistance – Georgia for the year ended June 30, 2013 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2013, on our consideration of the American Lung Association of the Southeast, Inc.'s internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control over financial reporting and compliance.

LBA Certified Public Accountants, P.A.

October 14, 2013

AMERICAN LUNG ASSOCIATION OF THE SOUTHEAST, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
Assets:				
Current assets:				
Cash	\$ 294,794	\$ -	\$ -	\$ 294,794
Accounts receivable	607,229	-	-	607,229
Contribution receivable, net	-	-	20,000	20,000
Interest receivable	28,721	-	-	28,721
Prepaid expenses and other assets	<u>135,329</u>	<u>-</u>	<u>-</u>	<u>135,329</u>
Total current assets	1,066,073	-	20,000	1,086,073
Investments	6,260,063	1,841,464	1,213,711	9,315,238
Beneficial interest in perpetual trust	-	-	320,000	320,000
Trust assets, net	21,943	-	-	21,943
Property and equipment, net	3,563,041	-	-	3,563,041
Investment in LLC	<u>557,368</u>	<u>-</u>	<u>-</u>	<u>557,368</u>
Total assets	<u>\$ 11,468,488</u>	<u>\$ 1,841,464</u>	<u>\$ 1,553,711</u>	<u>\$ 14,863,663</u>
Liabilities:				
Current liabilities:				
Payable to national office	\$ 49,274	\$ -	\$ -	\$ 49,274
Accounts payable	459,891	-	-	459,891
Accrued expenses	144,234	-	-	144,234
Deferred revenue	<u>221,301</u>	<u>-</u>	<u>-</u>	<u>221,301</u>
Total current liabilities	874,700	-	-	874,700
Accrued pension cost	<u>2,013,679</u>	<u>-</u>	<u>-</u>	<u>2,013,679</u>
Total liabilities	<u>2,888,379</u>	<u>-</u>	<u>-</u>	<u>2,888,379</u>
Total net assets	<u>8,580,109</u>	<u>1,841,464</u>	<u>1,553,711</u>	<u>11,975,284</u>
Total liabilities and net assets	<u>\$ 11,468,488</u>	<u>\$ 1,841,464</u>	<u>\$ 1,553,711</u>	<u>\$ 14,863,663</u>

AMERICAN LUNG ASSOCIATION OF THE SOUTHEAST, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
Assets:				
Current assets:				
Cash	\$ 157,925	\$ -	\$ -	\$ 157,925
Accounts receivable	431,054	-	-	431,054
Contribution receivable, net	-	-	22,455	22,455
Interest receivable	35,375	-	-	35,375
Prepaid expenses and other assets	119,670	-	-	119,670
Total current assets	744,024	-	22,455	766,479
Investments	6,537,693	1,617,391	777,526	8,932,610
Beneficial interest in perpetual trust	-	-	320,000	320,000
Trust assets, net	25,295	-	-	25,295
Property and equipment, net	3,631,468	-	-	3,631,468
Investment in LLC	569,072	-	-	569,072
Total assets	<u>\$ 11,507,552</u>	<u>\$ 1,617,391</u>	<u>\$ 1,119,981</u>	<u>\$ 14,244,924</u>
Liabilities:				
Current liabilities:				
Payable to national office	\$ 49,274	\$ -	\$ -	\$ 49,274
Accounts payable	191,259	-	-	191,259
Accrued expenses	164,993	-	-	164,993
Deferred revenue	172,567	-	-	172,567
Total current liabilities	578,093	-	-	578,093
Accrued pension cost	2,250,818	-	-	2,250,818
Total liabilities	<u>2,828,911</u>	<u>-</u>	<u>-</u>	<u>2,828,911</u>
Total net assets	<u>8,678,641</u>	<u>1,617,391</u>	<u>1,119,981</u>	<u>11,416,013</u>
Total liabilities and net assets	<u>\$ 11,507,552</u>	<u>\$ 1,617,391</u>	<u>\$ 1,119,981</u>	<u>\$ 14,244,924</u>

See accompanying notes to financial statements.

AMERICAN LUNG ASSOCIATION OF THE SOUTHEAST, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
Public support and revenue:				
Contributions and donations:				
Direct response:				
Christmas seals	\$ 524,853	\$ -	\$ -	\$ 524,853
Other direct response	1,662,470	-	-	1,662,470
Total direct mail	<u>2,187,323</u>	<u>-</u>	<u>-</u>	<u>2,187,323</u>
Vehicle donation program	<u>27,055</u>	<u>-</u>	<u>-</u>	<u>27,055</u>
Special events:				
Special events gross revenue	2,495,240	-	-	2,495,240
Special events direct expenses	<u>(831,163)</u>	<u>-</u>	<u>-</u>	<u>(831,163)</u>
Special events, net	<u>1,664,077</u>	<u>-</u>	<u>-</u>	<u>1,664,077</u>
Other contributions:				
Combined federal campaign	3,247	-	-	3,247
Workplace giving	82,129	-	-	82,129
Memorials	134,600	-	-	134,600
Bequests	1,220,501	2,823	432,000	1,655,324
Individual/major gifts and campaigns	169,270	-	-	169,270
Corporate gifts	75,697	-	-	75,697
Foundation gifts	88,370	-	-	88,370
Endowment gifts	-	-	1,730	1,730
Total other contributions	<u>1,773,814</u>	<u>2,823</u>	<u>433,730</u>	<u>2,210,367</u>
Other revenue:				
Corporate grants	69,110	-	-	69,110
Foundation grants	261,633	-	-	261,633
Government grants/contracts	832,130	-	-	832,130
Grants from ALA	2,500	-	-	2,500
Interest and dividends	227,591	-	-	227,591
Program service fees	213,220	-	-	213,220
Dues	4,400	-	-	4,400
Rental income	29,500	-	-	29,500
Other revenue	<u>199,976</u>	<u>-</u>	<u>-</u>	<u>199,976</u>
Total other revenue	<u>1,840,060</u>	<u>-</u>	<u>-</u>	<u>1,840,060</u>
Total public support and revenue	<u>7,492,329</u>	<u>2,823</u>	<u>433,730</u>	<u>7,928,882</u>
Net assets released from restrictions	<u>52,548</u>	<u>(52,548)</u>	<u>-</u>	<u>-</u>

AMERICAN LUNG ASSOCIATION OF THE SOUTHEAST, INC.
STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED JUNE 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
Expenses:				
Program services	\$ 5,904,026	\$ -	\$ -	\$ 5,904,026
Supporting services	1,243,613	-	-	1,243,613
Payments to national headquarters	998,215	-	-	998,215
Total expenses	<u>8,145,854</u>	<u>-</u>	<u>-</u>	<u>8,145,854</u>
Change in net assets from operations	(600,977)	(49,725)	433,730	(216,972)
Non-operating activities:				
Gain on disposal of assets	72,841	-	-	72,841
Unrealized gain on investments, net	267,219	18,609	-	285,828
Realized gain on investments	(53,363)	255,189	-	201,826
Loss on investment in LLC	(71,336)	-	-	(71,336)
Pension plan liability adjustment	287,084	-	-	287,084
Total non-operating activities	<u>502,445</u>	<u>273,798</u>	<u>-</u>	<u>776,243</u>
Change in net assets	<u>(98,532)</u>	<u>224,073</u>	<u>433,730</u>	<u>559,271</u>
Net assets, beginning	<u>8,678,641</u>	<u>1,617,391</u>	<u>1,119,981</u>	<u>11,416,013</u>
Net assets, ending	<u>\$ 8,580,109</u>	<u>\$ 1,841,464</u>	<u>\$ 1,553,711</u>	<u>\$ 11,975,284</u>

See accompanying notes to financial statements.

AMERICAN LUNG ASSOCIATION OF THE SOUTHEAST, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
Public support and revenue:				
Contributions and donations:				
Direct response:				
Christmas seals	\$ 677,341	\$ -	\$ -	\$ 677,341
Other direct response	<u>1,595,214</u>	-	-	<u>1,595,214</u>
Total direct mail	<u>2,272,555</u>	-	-	<u>2,272,555</u>
Vehicle donation program	<u>57,603</u>	-	-	<u>57,603</u>
Special events:				
Special events gross revenue	2,593,113	-	-	2,593,113
Special events direct expenses	<u>(659,359)</u>	-	-	<u>(659,359)</u>
Special events, net	<u>1,933,754</u>	-	-	<u>1,933,754</u>
Other contributions:				
Combined federal campaign	16,577	-	-	16,577
Workplace giving	68,400	-	-	68,400
Memorials	128,542	-	-	128,542
Bequests	1,019,508	54,813	-	1,074,321
Individual/major gifts and campaigns	170,163	-	-	170,163
Corporate gifts	75,869	-	-	75,869
Foundation gifts	22,207	-	-	22,207
Endowment gifts	-	-	13,100	13,100
Total other contributions	<u>1,501,266</u>	<u>54,813</u>	<u>13,100</u>	<u>1,569,179</u>
Other revenue:				
Corporate grants	106,885	-	-	106,885
Foundation grants	240,853	-	-	240,853
Government grants/contracts	859,540	-	-	859,540
Grants from ALA	20,098	-	-	20,098
Interest and dividends	192,100	31,686	-	223,786
Program service fees	192,162	-	-	192,162
Dues	1,675	-	-	1,675
Rental income	23,533	-	-	23,533
Other revenue	<u>135,464</u>	-	-	<u>135,464</u>
Total other revenue	<u>1,772,310</u>	<u>31,686</u>	-	<u>1,803,996</u>
Total public support and revenue	<u>7,537,488</u>	<u>86,499</u>	<u>13,100</u>	<u>7,637,087</u>
Net assets released from restrictions	<u>197,932</u>	<u>(197,932)</u>	-	-

AMERICAN LUNG ASSOCIATION OF THE SOUTHEAST, INC.
STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED JUNE 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
Expenses:				
Program services	\$ 5,932,549	\$ -	\$ -	\$ 5,932,549
Supporting services	1,478,760	-	-	1,478,760
Payments to national headquarters	<u>739,602</u>	<u>-</u>	<u>-</u>	<u>739,602</u>
Total expenses	<u>8,150,911</u>	<u>-</u>	<u>-</u>	<u>8,150,911</u>
 Change in net assets from operations	 (415,491)	 (111,433)	 13,100	 (513,824)
 Non-operating activities:				
Loss on disposal of assets	(1,075)	-	-	(1,075)
Unrealized gain on investments, net	57,906	21,329	-	79,235
Realized loss on investments	(88,314)	(14,510)	-	(102,824)
Loss on investment in LLC	(86,797)	-	-	(86,797)
Pension plan liability adjustment	<u>(808,539)</u>	<u>-</u>	<u>-</u>	<u>(808,539)</u>
Total non-operating activities	<u>(926,819)</u>	<u>6,819</u>	<u>-</u>	<u>(920,000)</u>
Change in net assets	<u>(1,342,310)</u>	<u>(104,614)</u>	<u>13,100</u>	<u>(1,433,824)</u>
 Net assets, beginning	 <u>10,020,951</u>	 <u>1,722,005</u>	 <u>1,106,881</u>	 <u>12,849,837</u>
Net assets, ending	<u>\$ 8,678,641</u>	<u>\$ 1,617,391</u>	<u>\$ 1,119,981</u>	<u>\$ 11,416,013</u>

See accompanying notes to financial statements.

AMERICAN LUNG ASSOCIATION OF THE SOUTHEAST, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2013

	Program Services					Supporting Services			Total All Funds
	Environmental Health	Smoking Education	Asthma	Lung Disease	Community Health Programs	Research	Fund Raising	Administrative and General Expenses	
Salaries	\$ 144,348	\$ 424,901	\$ 536,837	\$ 661,833	\$ 129,948	\$ 4,667	\$ 203,218	\$ 75,625	\$ 2,181,377
Professional fees and contract payments	86,088	131,938	137,160	189,342	229,816	-	111,588	26,373	912,305
Payroll taxes	11,677	34,372	43,427	53,539	10,890	-	16,439	6,118	176,462
Employee benefits	44,971	132,379	167,251	206,195	41,939	-	63,313	23,563	679,611
Business insurance	5,942	17,490	22,097	27,242	5,541	-	8,365	3,112	89,789
Building occupancy	11,140	32,791	41,429	51,075	10,389	-	15,683	5,836	168,343
Telephone	5,765	16,970	21,440	26,433	5,376	-	8,116	3,022	87,122
Travel	2,141	10,351	11,780	17,592	1,838	-	12,621	7,511	63,834
Meetings, conferences, major trips	10,007	25,048	30,938	72,844	8,583	-	13,664	5,655	166,739
Office and cleaning supplies	11,414	7,997	10,982	14,727	2,864	-	5,666	4,523	58,173
Printing and publications	44,722	133,652	166,757	205,902	42,164	-	297,915	54,688	945,800
Postage and shipping	23,148	64,075	84,477	108,722	21,699	-	156,525	28,932	487,578
Media	736	18,805	12,168	13,329	653	-	17,812	771	64,274
Office equipment	7,377	21,712	27,432	33,820	6,880	-	10,385	3,860	111,466
Dues and subscriptions	611	3,250	1,681	1,175	574	-	746	1,527	9,564
Miscellaneous expenses	6,446	14,763	18,647	23,546	6,141	-	30,591	2,178	102,312
Awards and grants - research	-	-	-	-	-	299,845	-	-	299,845
Assistance to individual patients	-	-	126,708	278,084	-	-	-	-	404,792
Depreciation	9,149	26,930	34,024	41,946	8,532	-	12,880	4,792	138,253
Payments to national headquarters	425,682	1,117,424	1,495,235	2,027,346	533,827	304,512	985,527	258,086	7,147,639
	45,983	135,352	171,010	460,828	42,883	74,822	22,444	44,893	998,215
Total functional expenses	\$ 471,665	\$ 1,252,776	\$ 1,666,245	\$ 2,488,174	\$ 576,710	\$ 379,334	\$ 1,007,971	\$ 302,979	\$ 8,145,854

AMERICAN LUNG ASSOCIATION OF THE SOUTHEAST, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2012

	Program Services					Supporting Services			Total All Funds
	Environmental Health	Smoking Education	Asthma	Lung Disease	Community Health Programs	Research	Fund Raising	Administrative and General Expenses	
Salaries	\$ 187,735	\$ 509,932	\$ 467,711	\$ 619,940	\$ 184,579	\$ -	\$ 231,695	\$ 95,516	\$ 2,297,108
Professional fees and contract payments	71,893	129,086	103,434	278,933	56,481	-	125,264	31,782	796,873
Payroll taxes	15,094	40,229	36,907	45,096	15,016	-	20,371	8,145	180,858
Employee benefits	54,782	149,598	137,212	181,871	54,150	-	67,972	27,699	673,284
Business insurance	6,404	18,277	16,726	22,318	7,409	-	8,511	4,663	84,308
Building occupancy	19,768	46,584	48,115	66,617	22,610	-	25,577	13,701	242,972
Telephone	9,297	13,446	18,374	28,474	9,620	-	12,055	6,313	97,579
Travel	2,304	16,314	6,672	18,202	2,029	-	13,222	4,836	63,579
Meetings, conferences, major trips	5,937	26,147	12,940	89,259	5,697	-	7,419	6,184	153,583
Office and cleaning supplies	4,807	6,063	11,369	8,904	1,968	-	5,278	2,787	41,176
Printing and publications	48,633	161,499	133,194	179,646	56,824	-	440,437	224	1,020,457
Postage and shipping	27,594	75,272	69,650	99,914	31,190	-	228,725	2,620	534,965
Media	6,244	17,050	15,639	20,729	6,172	-	7,747	3,156	76,737
Office equipment	10,789	16,882	24,780	38,551	12,953	-	14,435	9,942	128,332
Dues and subscriptions	388	1,106	1,012	1,351	448	-	515	283	5,103
Miscellaneous expenses	7,509	14,428	16,879	28,130	7,393	-	30,008	1,273	105,620
Awards and grants - research	-	-	-	-	-	379,468	-	-	379,468
Assistance to individual patients	-	-	129,815	255,886	-	-	-	-	385,701
Depreciation	11,685	31,908	29,266	38,792	11,550	-	14,498	5,907	143,606
Payments to national headquarters	490,863	1,273,821	1,279,695	2,022,613	486,089	379,468	1,253,729	225,031	7,411,309
	56,111	153,568	141,755	183,100	56,111	78,694	11,390	58,873	739,602
Total functional expenses	\$ 546,974	\$ 1,427,389	\$ 1,421,450	\$ 2,205,713	\$ 542,200	\$ 458,162	\$ 1,265,119	\$ 283,904	\$ 8,150,911

See accompanying notes to financial statements.

AMERICAN LUNG ASSOCIATION OF THE SOUTHEAST, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
Cash flows from operating activities:		
Change in net assets	\$ 559,271	\$ (1,433,824)
Adjustments to reconcile changes in net assets to net cash provided (used) in operating activities:		
Depreciation	138,253	143,606
(Gain) loss on disposal of assets	(72,841)	1,075
Realized (gain) loss on investments	(201,826)	102,824
Unrealized gain on investments	(285,828)	(79,235)
Loss on investment in LLC	71,336	86,797
Net changes in:		
Receivables, net	(167,066)	83,443
Prepaid expenses and other assets	(15,659)	(16,780)
Trust assets, net	3,352	10,057
Payables and accrued expenses	247,873	(216,911)
Deferred revenue	48,734	32,220
Accrued pension cost	(237,139)	382,282
Net cash provided (used) in operating activities	88,460	(904,446)
Cash flows from investing activities:		
Proceeds from sale of investments	1,212,975	2,815,399
Purchases of investments	(1,107,949)	(1,919,729)
Proceeds from sale of property and equipment	97,900	1,008
Purchases of property and equipment	(94,885)	(9,315)
Additional investment in LLC	(59,632)	(65,449)
Net cash provided by investing activities	48,409	821,914
Net increase (decrease) in cash	136,869	(82,532)
Cash, beginning	157,925	240,457
Cash, ending	\$ 294,794	\$ 157,925

See accompanying notes to financial statements.

AMERICAN LUNG ASSOCIATION OF THE SOUTHEAST, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013 AND 2012

1. Nature of Organization

The American Lung Association of the Southeast, Inc., (the "Association") is a not-for-profit voluntary health organization dedicated to saving lives by improving lung health and preventing lung disease through education, community service, advocacy and research. The Association serves the states of Florida, Georgia and South Carolina. Our programs and strategies for fighting lung disease center on tobacco control and prevention, asthma education, COPD and other lung diseases, environmental health, community health services, community health advocacy, professional education and research. For over 100 years, the American Lung Association has led the fight for healthy lungs and healthy air.

The Association receives the majority of its revenue through contributions and grants. Contributions are generally received through fundraising events, corporate and individual donations, or giving performed through direct mail. Contributions can be in such forms as memorials and gifts, planned giving, workplace giving and vehicle donations. The Association receives corporate, foundation and government grants.

2. Summary of Significant Accounting Policies

This summary of significant accounting policies of the Association is presented to assist in understanding the financial statements. The financial statements and accompanying notes are representations of the Association's management. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the presentation of the financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Presentation

In accordance with authoritative guidance, the Association reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Unrestricted Net Assets – Net assets representing resources generated from operations that are not subject to donor-imposed stipulations.

Temporarily Net Assets – Net assets are subject to donor-imposed stipulations that will be met by actions of the Association and/or the passage of time.

Permanently Net Assets – Net assets subject to donor-imposed stipulations that must be maintained permanently by the Association. Generally, the donors of these assets permit the Association to use all or part of the income earned on related investments for general or specific purposes.

AMERICAN LUNG ASSOCIATION OF THE SOUTHEAST, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013 AND 2012

2. Summary of Significant Accounting Policies (Continued)

Investments

Investments are carried at fair value (see note 4 for fair value measurements). Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Realized and unrealized gains and losses are included in the statement of activities.

Investment in LLC

In 2006, the Association formed Australian, LLC ("Australian") with Quantum Foundation. The purpose of Australian is to own and manage land and a building occupied by the two founding organizations. The Association accounts for the Investment in LLC under the equity method.

Split Interest Agreements

The Association accepts gifts subject to split interest agreements. These gifts may be in the form of annuities or charitable remainder trusts. At the time of receipt, a gift is recorded based on the fair value of assets donated less any applicable liabilities (see note 4 for fair value measurements).

Endowment Investment and Spending Policies

The State of Florida enacted the Florida Uniform Prudent Management of Institutional Funds Act ("FUPMIFA") effective July 31, 2012, the provisions of which apply to endowment funds existing on or established after that date. The Association's management and the Board of Directors have determined that the majority of the contributions received by the Association are subject to the terms and conditions of its governing documents. Certain contributions are received subject to other gift instruments, or are subject to specific agreements with the Association.

The Association has interpreted the law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Association classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Association in a manner consistent with the standard prudence prescribed by FUPMIFA. In accordance with FUPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purpose of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Association, and (7) the Association's investment policies.

AMERICAN LUNG ASSOCIATION OF THE SOUTHEAST, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013 AND 2012

2. Summary of Significant Accounting Policies (Continued)

The Association engages a professional investment advisor to handle the investment of the endowed and other funds, and has adopted investment and spending policies, devised and recommended by the Finance Committee and approved by the Board of Directors, for endowment assets. Such policies are designed to invest its cash assets in securities and depositories that will yield the maximum total return consistent with the safety of principal and liquidity needs, the Association's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The current long-term return objective is in line with not-for-profit industry management and investment of endowment funds. Actual returns in any given year may vary. Management believes the investment philosophy of the Association is conservative in nature and balances the return of the investment along with the liquidity. The Association also strictly invests in companies and funds that do not conflict with the stated objectives of the Association.

Accounts Receivable

The Association determines the allowance on its accounts receivable based on historical experience and a review of specific accounts. The Association charges off delinquent accounts when it exhausts its normal collection procedures and it is probable that collection is unlikely. The allowance for doubtful accounts was zero at June 30, 2013 and 2012.

Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows, discounted at 6%.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restriction. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributions of property and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of the unrestricted net asset class. Contributions of assets other than cash are recorded at their estimated fair value at the date received. Contributions of cash or other assets to be used to acquire property and equipment are reported as revenues of the temporarily restricted net asset class; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

Contribution of Services

A substantial number of unpaid volunteers have made significant contributions of their time to the Association. No amounts have been reflected in the statements for these contributed services since the contribution of these services did not create or enhance non-financial assets or require specialized skills. When professional services are provided, in-kind values are recorded as contributions.

AMERICAN LUNG ASSOCIATION OF THE SOUTHEAST, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013 AND 2012

2. Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment with values of \$1,000 or more, and a useful life longer than one year are recorded at cost. Donations of property and equipment are recorded as contributions at their estimated fair market value. Maintenance and repairs are charged to expense as incurred. When items of property and equipment are sold or otherwise disposed of, the asset and related accumulated depreciation accounts are eliminated, and any gain or loss is included in operations.

Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets. Asset lives for financial statement reporting of depreciation are:

Buildings and improvements	10 – 50 years
Office furniture and equipment	3 – 10 years
Vehicles	5 years

In accordance with authoritative guidance, the Association evaluates the carrying value of its long-lived assets for impairment. Recoverability is measured by the expected undiscounted future cash flows of the assets compared to the net book value of the assets. If the expected undiscounted future cash flows are less than the net book value of the assets, the excess of the net book value over the estimated fair value is charged to current earnings. Fair value is based upon discounted cash flows of the assets at a rate deemed reasonable for the type of asset and prevailing market conditions, appraisals, and, if appropriate, current estimated net sales proceeds from pending offers. The Association evaluates the carrying value of their long-lived assets based on its plans, at the time, for such assets. No impairments were recognized during 2013 or 2012.

Income Taxes

The Association has received a tax determination letter from the Internal Revenue Service and is exempt from federal and state income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code and Chapter 220.13 of the Florida Statutes, respectively. As such, only unrelated business income is subject to income tax.

The Association evaluates its tax positions for any uncertainties based on the technical merits of the position taken in accordance with authoritative guidance. The Association recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be upheld on examination by taxing authorities. The Association has analyzed the tax positions taken and has concluded that as of June 30, 2013 and 2012, there were no uncertain tax positions taken, or expected to be taken, that would require recognition of a liability or disclosure in the financial statements.

Management is required to analyze all open tax years, as defined by the Statute of Limitations, for all major jurisdictions, including federal and certain state taxing authorities. At June 30, 2013, the Association is no longer subject to U.S. federal, state and local or non-U.S. income tax examinations by taxing authorities for years before 2010. As of and for the years ended June 30, 2013 and 2012, the Association did not have a liability for any unrecognized taxes. The Association has no examinations in progress and is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax liabilities will significantly change in the next twelve months.

AMERICAN LUNG ASSOCIATION OF THE SOUTHEAST, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013 AND 2012

2. Summary of Significant Accounting Policies (Continued)

Allocation of Revenues and Expenses

The Association has a Charter agreement with the American Lung Association ("National Association"). The National Association receives 30% of direct response revenue less direct response expense and 13% of all unrestricted bequests where the donor died or the bequest became irrevocable prior to July 1, 2009. A yearly assessment is paid monthly, replacing the payment of 13% of all other shareable revenue collected.

Allocation of Joint Costs

Authoritative guidance requires certain criteria (purpose, audience and content) to be met in order to allocate joint costs between fund raising and program services. Any costs which do not meet these criteria are reported as fund raising costs. Costs of activities, including fund raising, are allocated to program services to the extent such activities are intended to inform or educate the public concerning lung health or to supporting services to the extent such activities are intended to induce the contribution of financial resources or to enhance the image of the Association. Expenses which cannot be directly attributed to specific functions are allocated based on the estimated proportionate salary cost of the function.

The Association incurred joint costs for informational materials and activities that included fund raising appeals. These costs consisted of the following as of June 30:

	2013	2012
Environmental health	\$ 58,336	\$ 110,612
Smoking education	171,720	279,694
Asthma	257,536	231,446
Lung disease	308,053	318,870
Community health programs	54,403	103,842
Fund raising	789,684	758,944
	\$ 1,639,732	\$ 1,803,408

Reclassifications

Certain 2012 amounts have been reclassified to conform to the 2013 presentation.

Subsequent Events

The Association has evaluated events through the date of the report of the independent certified public accountants, the date the financial statements were available to be issued.

AMERICAN LUNG ASSOCIATION OF THE SOUTHEAST, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013 AND 2012

3. Contributions Receivable

Contributions receivable consist of the following at June 30:

	2013	2012
Unconditional promises expected to be collected in:		
Less than one year	\$ 20,000	\$ 21,500
Between one to five years	-	2,500
	20,000	24,000
Less: discount to present value	-	(1,545)
Contributions receivable, net	\$ 20,000	\$ 22,455

4. Fair Value Measurements

Authoritative guidance establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access.
- Level 2 Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

There have been no changes in the methodologies used at June 30, 2013 and 2012. Following is a description of the valuation methodologies used for assets measured at fair value:

- *Mutual funds*: Valued at the net asset value of the units reported on the active market on which the individual investments are traded.
- *Common stocks*: Valued at the closing price reported on the active market on which the individual securities are traded.
- *Bonds*: Valued using matrix pricing. Matrix pricing is a mathematical technique used without relying exclusively on quoted prices for the specific securities, but rather on the securities' relationship to other benchmark quoted securities.

AMERICAN LUNG ASSOCIATION OF THE SOUTHEAST, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013 AND 2012

4. Fair Value Measurements (Continued)

- *Beneficial interest in perpetual trust:* Valued at the net present value of future cash flows.
- *Trust assets:* Valued at the net present value of future cash flows.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Association's financial instruments at fair value as of June 30, 2013:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
Money market funds	\$ 373,352	\$ -	\$ -	\$ 373,352
Total mutual funds	<u>373,352</u>	<u>-</u>	<u>-</u>	<u>373,352</u>
Common stocks:				
Consumer discretionary	582,915	-	-	582,915
Consumer staples	443,506	-	-	443,506
Energy	667,911	-	-	667,911
Financials	998,255	-	-	998,255
Healthcare	463,631	-	-	463,631
Industrials	678,231	-	-	678,231
IT	665,055	-	-	665,055
Materials	288,651	-	-	288,651
Telecommunications	191,861	-	-	191,861
Utilities	200,386	-	-	200,386
Total common stocks	<u>5,180,402</u>	<u>-</u>	<u>-</u>	<u>5,180,402</u>
Bonds:				
Government	-	986,151	-	986,151
Corporate	-	2,789,554	-	2,789,554
Total bonds	<u>-</u>	<u>3,775,705</u>	<u>-</u>	<u>3,775,705</u>
Beneficial interests in perpetual trusts	-	-	305,779	305,779
Trust assets, net	-	-	21,943	21,943
Total assets at fair value	<u>\$ 5,553,754</u>	<u>\$ 3,775,705</u>	<u>\$ 327,722</u>	<u>\$ 9,657,181</u>

AMERICAN LUNG ASSOCIATION OF THE SOUTHEAST, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013 AND 2012

4. Fair Value Measurements (Continued)

The following table sets forth by level, within the fair value hierarchy, the Association's financial instruments at fair value as of June 30, 2012:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
Money market funds	\$ 363.861	\$ -	\$ -	\$ 363.861
Total mutual funds	<u>363.861</u>	<u>-</u>	<u>-</u>	<u>363.861</u>
Common stocks:				
Consumer discretionary	507.136	-	-	507.136
Consumer staples	468.108	-	-	468.108
Energy	544.997	-	-	544.997
Financials	521.270	-	-	521.270
Healthcare	395.178	-	-	395.178
Industrials	625.064	-	-	625.064
IT	596.788	-	-	596.788
Materials	317.221	-	-	317.221
Telecommunications	293.133	-	-	293.133
Utilities	243.289	-	-	243.289
Total common stocks	<u>4,512.184</u>	<u>-</u>	<u>-</u>	<u>4,512.184</u>
Bonds:				
Government	-	2,515.103	-	2,515.103
Corporate	-	1,568.189	-	1,568.189
Total bonds	<u>-</u>	<u>4,083.292</u>	<u>-</u>	<u>4,083.292</u>
Beneficial interests in perpetual trusts	-	-	293.273	293.273
Trust assets, net	-	-	25.295	25.295
Total assets at fair value	<u>\$ 4,876.045</u>	<u>\$ 4,083.292</u>	<u>\$ 318.568</u>	<u>\$ 9,277.905</u>

There were no transfers between Level 1, Level 2 or Level 3 investments during the years ended June 30, 2013 and 2012.

The non-equity portion of the investment portfolio at June 30, 2013, consists of bonds that mature as follows:

2014	\$ 250.478
2015	854.943
2016	429.249
2017	445.015
2018	470.949
Thereafter	1,325.071
	<u>\$ 3,775.705</u>

AMERICAN LUNG ASSOCIATION OF THE SOUTHEAST, INC.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013 AND 2012

4. Fair Value Measurements (Continued)

The following tables are a summary of changes in fair value of the Association's Level 3 assets and liabilities for the year ended June 30:

	<u>2013</u>	<u>2012</u>
Balance, beginning of year	\$ 318,568	\$ 345,889
Unrealized gain (loss)	9,154	(27,321)
Balance, end of year	<u>\$ 327,722</u>	<u>\$ 318,568</u>

5. Endowment Net Assets

Endowment net asset composition consisted of the following at June 30, 2013:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Endowment net assets, beginning of year	\$ 732,877	\$ 659,208	\$ 1,097,526	\$ 2,489,611
Contributions, net	-	-	436,185	436,185
Reclassification relating to implementation of FUPMIFA	(718,315)	718,315	-	-
Investment income, net of fees	-	15,511	-	15,511
Change in market value	-	231,292	-	231,292
Expenses meeting donor restriction	(14,562)	(197,932)	-	(212,494)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 1,426,394</u>	<u>\$ 1,533,711</u>	<u>\$ 2,960,105</u>

Endowment net asset composition consisted of the following at June 30, 2012:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Endowment net assets, beginning of year	\$ 718,315	\$ 717,448	\$ 1,066,204	\$ 2,501,967
Contributions, net	-	-	31,322	31,322
Investment income, net of fees	25,987	31,686	-	57,673
Change in market value	(11,425)	6,819	-	(4,606)
Expenses meeting donor restriction	-	(96,745)	-	(96,745)
Endowment net assets, end of year	<u>\$ 732,877</u>	<u>\$ 659,208</u>	<u>\$ 1,097,526</u>	<u>\$ 2,489,611</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor requires the Association to retain as a fund of perpetual

AMERICAN LUNG ASSOCIATION OF THE SOUTHEAST, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013 AND 2012

5. Endowment Net Assets (Continued)

donation. In accordance with authoritative guidance, deficiencies of this nature are reported in unrestricted net assets. These deficiencies can result from unfavorable market fluctuations that can occur shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that were deemed prudent by the Board of Directors.

Subsequent gains that restored the fair value of assets of the endowment fund to the required level were classified as an increase in unrestricted net assets. At June 30, 2013 and 2012, the deficiencies relating to permanently restricted endowment investments were zero and \$26,727, respectively.

6. Property and Equipment

Property and equipment consisted of the following June 30:

	<u>2013</u>	<u>2012</u>
Land	\$ 498,509	\$ 503,509
Buildings and improvements	4,147,716	4,231,241
Office furniture and equipment	1,302,167	1,365,834
Vehicles	-	35,873
Total property and equipment	<u>5,948,392</u>	<u>6,136,457</u>
Less: accumulated depreciation	<u>(2,385,351)</u>	<u>(2,504,989)</u>
Net property and equipment	<u>\$ 3,563,041</u>	<u>\$ 3,631,468</u>

7. Line of Credit

The Association had a purchase line of credit with a bank with a limit of \$1,100,000, bearing interest at prime plus 5.9%. The line of credit expired on October 12, 2012 and was not renewed.

8. Restricted Net Assets

At June 30, 2013 and 2012, temporarily restricted net assets of \$1,841,464 and \$1,617,391, respectively, include investments and amounts related to services and special events to be provided or sponsored by the Association in the future.

At June 30, 2013 and 2012, permanently restricted net assets of \$1,553,711 and \$1,119,981 include a gift of \$500,000 that has been contributed by a donor with the stipulation that the gift be invested in perpetuity. The primary purpose of the fund is to provide assistance to individual patients with lung diseases, and/or their families as referred by the local medical community and within the funding criteria set by the Association. The annual earnings and growth of the fund over and above the principle sum of the endowment, net of fees and expenses, will be committed, granted and expended only for purposes set forth by the donor.

Permanently restricted net assets also include \$320,000 of a beneficial interest in a perpetual trust, from which the income is temporarily restricted until appropriated for expenditure by the Board, \$139,430 in additional contributions from which the income is temporarily restricted for Tuberculosis related matters in South Carolina and \$147,451 in contributions of which the earnings are temporarily

AMERICAN LUNG ASSOCIATION OF THE SOUTHEAST, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013 AND 2012

8. Restricted Net Assets (Continued)

restricted until appropriated for expenditure by the Board. In 2013 and 2012, additional contributions of \$433,730 and \$13,100, were made to endowment funds, of which the earnings are temporarily restricted until appropriated for expenditure by the Board.

9. Share of Revenue to National Association

As described in Note 2, the National Association receives 30% of the Association's direct response revenue less direct response expense and 13% of all unrestricted bequests where the donor died or the bequest became irrevocable prior to July 1, 2009. For the years ended June 30, 2013 and 2012, 81% and 79% are allocated to program services, 10% and 11% are allocated to research activities, 6% and 8% are allocated to general operations, and 3% and 2% are allocated to fundraising, respectively.

For the years ended June 30, 2013 and 2012, the Association functionalized 100% of the share of income based on percentages provided by the National Association. The share of income to the National Association for the years ended June 30, 2013 and 2012 is allocated as follows:

	2013	2012
Program services	\$ 606.054	\$ 584.286
Research activities	74.821	81.356
General operations	44.893	59.168
Fund raising	22.446	14.792
	\$ 748.214	\$ 739.602

10. Contributions In-Kind

During the years ended June 30, 2013 and 2012, the Association received the following non-cash contributions:

	2013	2012
Special events - media	\$ 440.280	\$ 131.616
Special events - fundraising supplies	133.277	399.970
Other	2.416	8.642
	\$ 575.973	\$ 540.228

11. Pension Plan

The Association has a non-contributory defined benefit pension plan (the "Plan") sponsored by the National Association covering substantially all of its employees. The benefits are based on years of service and the employee's compensation during the last five years of employment. The Association's funding policy is to contribute annually to the Plan amounts recommended by the Plan's actuary, which at least meet minimum funding standards, but do not exceed the maximum amount permitted under the Internal Revenue Code. Contributions are intended to provide not only for benefits attributed to service to date, but also for those expected to be earned in the future.

AMERICAN LUNG ASSOCIATION OF THE SOUTHEAST, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013 AND 2012

11. Pension Plan (Continued)

The following table sets forth the Plan's funded status and amounts recognized in the Association's financial statements at June 30, 2013 and 2012, after the adoption of recognition and measurement date provision of applicable authoritative guidance:

	<u>2013</u>	<u>2012</u>
Benefit obligation:		
Benefit obligation at end of year	\$ 8,012.825	\$ 8,124.607
Plan assets:		
Fair value of assets at end of year	<u>5,999.146</u>	<u>5,873.789</u>
Funded status at end of year (accrued pension cost)	<u>\$ (2,013.679)</u>	<u>\$ (2,250.818)</u>
Amounts recognized in the statement of financial position consist of:		
Non-current liabilities	<u>\$ (2,013.679)</u>	<u>\$ (2,250.818)</u>
Amounts recognized in statement of activities:		
Transition asset	\$ (3,248)	\$ (4,391)
Prior service cost	108,668	122,769
Net actuarial loss	<u>1,849,113</u>	<u>2,123,239</u>
Total	<u>\$ 1,954,533</u>	<u>\$ 2,241,617</u>
Information for pension plans with an accumulated benefit obligation in excess of plan assets:		
Employer contributions during year	<u>\$ 296,000</u>	<u>\$ 741,740</u>
Benefits paid	<u>\$ 226,573</u>	<u>\$ 143,891</u>
Projected benefit obligation	<u>\$ 8,012,825</u>	<u>\$ 8,124,607</u>
Accumulated benefit obligation	<u>\$ 7,526,265</u>	<u>\$ 7,640,486</u>
Fair value of plan assets	<u>\$ 5,999,146</u>	<u>\$ 5,873,789</u>
Net periodic benefit cost and other changes in unrestricted net assets:		
Net period benefit cost	<u>\$ 345,945</u>	<u>\$ 315,483</u>
Net (loss) gain	(140,447)	887,211
Recognized loss	(133,679)	(65,714)
Recognized prior service cost (credit)	(14,101)	(14,101)
Recognized net initial asset	<u>1,143</u>	<u>1,143</u>
Total of other changes in unrestricted net assets	<u>(287,084)</u>	<u>808,539</u>
Total amounts recognized as changes in unrestricted net assets arising from defined benefit plan	<u>\$ 58,861</u>	<u>\$ 1,124,022</u>

AMERICAN LUNG ASSOCIATION OF THE SOUTHEAST, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013 AND 2012

11. Pension Plan (Continued)

The weighted average discount rate used to determine net periodic benefit cost was 4.25% and 5.75% for the years ended June 30, 2013 and 2012, respectively. The weighted average discount rate used to determine net benefit obligation was 4.75% and 4.25% for the years ended June 30, 2013 and 2012, respectively. The rate of increase in future compensation levels used in determining the actuarial present value of the net periodic benefit cost and benefit obligation was 3.00% for the years ended June 30, 2013 and 2012. The expected long-term rate of return on assets was 5.00% and 6.00% for 2013 and 2012, respectively.

The Plan's asset allocations at June 30, 2013 and 2012 by asset category were as follows:

	2013	2012
Equity securities	19.40%	15.46%
Debt securities	72.43	78.63
Real estate	3.69	3.36
Cash and cash equivalents	4.48	2.55
	100.00%	100.00%

Following are the future benefits expected to be paid for the Plan during the years indicated:

2014	\$	562,851
2015		821,772
2016		568,760
2017		611,361
2018-2023		2,514,246

12. Commitments

The Association leases office space and office equipment under non-cancelable operating leases. Rental expense under these operating leases was \$110,024 and \$172,694 for the years ended June 30, 2013 and 2012, respectively. Future minimum lease payments on operating leases with initial or remaining lease terms of 12 months or more as of June 30, 2013 are as follows:

2014	\$	89,415
2015		9,026
2016		823
		\$ 99,264

LBA Certified Public Accountants, PA

**Independent Certified Public Accountants Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with
*Government Auditing Standards***

To the Board of Directors of
American Lung Association of the Southeast, Inc.
Jacksonville, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of American Lung Association of the Southeast, Inc. (a not-for-profit organization) (the "Association") which comprise the statement of financial position as of June 30, 2013, and the related statement of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated October 14, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Association's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Association's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

LBA Certified Public Accountants, P.A.

October 14, 2013

OTHER INFORMATION

AMERICAN LUNG ASSOCIATION OF THE SOUTHEAST, INC.
SCHEDULE OF STATE FINANCIAL ASSISTANCE - GEORGIA
YEAR ENDED JUNE 30, 2013

<u>State Program Name</u>	<u>CFDA/Contract Number</u>	<u>Revenues</u>	<u>Expenses</u>	<u>Receivable at June 30, 2013</u>
Statewide Short-term Housing and Case Management Services for Infectious Homeless TB Patients	41900-046- 11110294	\$ 280,303	\$ 280,303	\$ 49,763
Statewide Short-term Housing and Case Management Services for Non-Infectious Homeless Patients	41900-046- 11110298	280,303	280,303	23,514

