
AMERICAN LUNG ASSOCIATION OF CALIFORNIA
AUDITED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

AMERICAN LUNG ASSOCIATION OF CALIFORNIA

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
American Lung Association of California
Oakland, California

We have audited the accompanying statements of financial position of American Lung Association of California (a Nonprofit Organization) as of June 30, 2008 and June 30, 2007, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of American Lung Association of California'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 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 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Lung Association of California as of June 30, 2008 and June 30, 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2008 on our consideration of American Lung Association of California's internal control over financial reporting and on our tests of its 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of American Lung Association of California taken as a whole. The supplementary information on pages 17 through 34 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Also, the accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.



Oakland, California
October 20, 2008

AMERICAN LUNG ASSOCIATION OF CALIFORNIA
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2008

ASSETS	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	
				<u>2008</u>	<u>2007</u>
Current assets:					
Cash (Note 1)	\$ (222,622)	\$ 1,074,074	\$	\$ 851,452	\$ 3,145,696
Accounts receivable - affiliates					33,390
Accounts receivable - other (Note 2)	3,163,452			3,163,452	2,539,427
Prepaid expenses and deposits	<u>93,068</u>			<u>93,068</u>	<u>79,152</u>
Total current assets	<u>3,033,898</u>	<u>1,074,074</u>		<u>4,107,972</u>	<u>5,797,665</u>
Noncurrent assets:					
Certificate of deposit (Note 3)			1,015	1,015	1,015
Long-term investments (Note 4)	9,364,227		55,228	9,419,455	10,996,034
Beneficial interest in perpetual trust (Note 6)			4,622,724	4,622,724	5,201,090
Pledge receivable					19,940
Security deposits	26,128			26,128	13,802
Property and equipment net (Note 5)	<u>2,869,809</u>			<u>2,869,809</u>	<u>2,858,707</u>
Total noncurrent assets	<u>12,260,164</u>		<u>4,678,967</u>	<u>16,939,131</u>	<u>19,090,588</u>
Total assets	<u>\$ 15,294,062</u>	<u>\$ 1,074,074</u>	<u>\$ 4,678,967</u>	<u>\$ 21,047,103</u>	<u>\$ 24,888,253</u>
LIABILITIES AND NET ASSETS					
Current liabilities:					
Accounts payable - American Lung Association	\$ 171,447	\$	\$	\$ 171,447	\$ 742,964
Accounts payable - other	1,147,000			1,147,000	1,224,199
Accrued leave	351,454			351,454	309,271
Deferred compensation					165,380
Deferred revenue	<u>546,546</u>			<u>546,546</u>	<u>282,924</u>
Total current liabilities	<u>2,216,447</u>			<u>2,216,447</u>	<u>2,724,738</u>
Accrued pension (Note 10)	<u>691,915</u>			<u>691,915</u>	<u>624,020</u>
Total liabilities	<u>2,908,362</u>			<u>2,908,362</u>	<u>3,348,758</u>
Net assets (Note 8)	<u>12,385,700</u>	<u>1,074,074</u>	<u>4,678,967</u>	<u>18,138,741</u>	<u>21,539,495</u>
Total liabilities and net assets	<u>\$ 15,294,062</u>	<u>\$ 1,074,074</u>	<u>\$ 4,678,967</u>	<u>\$ 21,047,103</u>	<u>\$ 24,888,253</u>

The accompanying notes are an integral part of these financial statements

AMERICAN LUNG ASSOCIATION OF CALIFORNIA
STATEMENTS OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

PUBLIC SUPPORT AND REVENUES	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	
				<u>2008</u>	<u>2007</u>
Contributions and donations:					
Direct mail:					
Other direct mail	\$ 4,276,605	\$ _____	\$ _____	\$ 4,276,605	\$ 4,334,560
	4,276,605			4,276,605	4,334,560
Special events, net of \$565,659 direct expense (Note 9)	958,501			958,501	745,968
Other contributions:					
Workplace giving	123,936			123,936	131,928
Memorials	98,334			98,334	91,805
Planned giving	252,627			252,627	
Bequests	2,461,536			2,461,536	2,813,948
Other donations	142,909			142,909	160,779
Individual gifts	431,014	29,750		460,764	443,949
Total contributions and donations	<u>8,745,462</u>	<u>29,750</u>		<u>8,775,212</u>	<u>8,722,937</u>
Revenues:					
Foundation grants	151,463	353,083		504,546	383,647
Government grants	4,749,994	336,321		5,086,315	5,283,967
Corporation grants	438,587	191,819		630,406	222,563
Grants from ALA	102,900			102,900	86,200
Interest and dividends	406,557			406,557	353,435
Additional donation from affiliates/other revenue	7,778			7,778	4,184
Sale of material	13,896			13,896	61,696
Program service fees and sales	299,444			299,444	281,608
Shareable income	222,649			222,649	419,651
Membership dues	35,330			35,330	30,453
Change in value of trust and gift annuity			(578,366)	(578,366)	472,462
Other revenue	145,442			145,442	218,938
Total revenues	<u>6,574,040</u>	<u>881,223</u>	<u>(578,366)</u>	<u>6,876,897</u>	<u>7,818,804</u>
Net assets released from restrictions					
Foundation grants	714,928	(714,928)			
	<u>714,928</u>	<u>(714,928)</u>			
Total public support and revenues	<u>16,034,430</u>	<u>196,045</u>	<u>(578,366)</u>	<u>15,652,109</u>	<u>16,541,741</u>
EXPENSES					
Program services:					
Asthma	3,884,796			3,884,796	3,688,428
Environmental health	1,247,848			1,247,848	989,172
Tobacco control	6,466,053			6,466,053	4,375,233
Community health services	233,723			233,723	619,877
Other lung diseases	2,006,079			2,006,079	1,641,567
Research	1,534,293			1,534,293	365,879
Total program services	<u>15,372,792</u>			<u>15,372,792</u>	<u>11,680,156</u>
Supporting services:					
Management and general	1,178,802			1,178,802	2,353,887
Fundraising	1,262,387			1,262,387	1,895,197
Total supporting services	<u>2,441,189</u>			<u>2,441,189</u>	<u>4,249,084</u>
Payments to national office	750,568			750,568	927,026
Total expenses	<u>18,564,549</u>			<u>18,564,549</u>	<u>16,856,266</u>
Change in net assets from operations	(2,530,119)	196,045	(578,366)	(2,912,440)	(314,525)
NON-OPERATING ACTIVITIES					
Investments:					
Realized gain on investments	625,248			625,248	464,580
Unrealized (loss)/gain on investments	(1,045,666)			(1,045,666)	694,281
Additional minimum pension liability	(67,896)			(67,896)	(199,578)
Change in net assets	(3,018,433)	196,045	(578,366)	(3,400,754)	644,758
Net assets, beginning	<u>15,404,133</u>	<u>878,029</u>	<u>5,257,333</u>	<u>21,539,495</u>	<u>20,894,737</u>
Net assets, ending	<u>\$ 12,385,700</u>	<u>\$ 1,074,074</u>	<u>\$ 4,678,967</u>	<u>\$ 18,138,741</u>	<u>\$ 21,539,495</u>

The accompanying notes are an integral part of these financial statements

**AMERICAN LUNG ASSOCIATION OF CALIFORNIA
STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2008**

	Program Services							Supporting Services			Total	
	Asthma	Environmental Health	Tobacco Control	Community Health	Other Lung Diseases	Research	Total	Management and General	Fund Raising	Total		
				Services								
Personnel expenses	\$ 2,261,985	\$ 824,989	\$ 3,734,299	\$ 69,072	\$ 1,006,693	\$ 34,099	\$ 7,931,137	\$ 491,258	\$ 554,448	\$ 1,045,706	\$ 8,976,843	\$ 7,694,580
Program expenses	256,176	36,638	170,608	22,844	17,527	310,203	813,996	15,532	51	15,583	829,579	905,619
Professional fees	481,015	61,027	931,618	8,273	133,096	76,002	1,691,031	161,456	65,260	226,716	1,917,747	1,657,638
Interest expense	17	2	3		1		23		3	3	26	9,309
Supplies	130,536	8,866	83,589	6,139	28,177	2,437	259,744	23,259	10,096	33,355	293,099	300,761
Telephone	25,067	10,141	80,465	2,539	19,287	3,291	140,790	12,209	7,577	19,786	160,576	147,726
Postage & shipping	110,389	86,787	209,481	39,519	201,682	512,862	1,160,720	165,533	179,269	344,802	1,505,522	1,539,198
Occupancy	150,495	34,531	209,378	20,148	137,698	26,974	579,224	49,810	17,736	67,546	646,770	558,703
Maintenance & repairs	21,718	2,847	11,478	11,686	13,261	4,856	65,846	2,925	20,906	23,831	89,677	73,758
Equipment rental	33,415	2,413	29,908	2,149	13,496	2,957	84,338	27,951	2,589	30,540	114,878	121,327
Conferences, conventions & meetings	120,314	54,257	585,827	3,567	78,727	4,388	847,080	9,703	26,279	35,982	883,062	666,802
Printing & publications	162,497	94,369	272,913	44,172	254,731	526,703	1,355,385	162,341	213,367	375,708	1,731,093	1,620,948
Dues & subscriptions	8,164	414	10,307	329	10,279	1,947	31,440	764	648	1,412	32,852	24,735
Depreciation	69,564	19,011	32,798	2,976	8,255	761	133,365	43,222		43,222	176,587	205,648
Miscellaneous	53,444	11,556	103,381	310	83,169	26,813	278,673	12,839	164,158	176,997	455,670	402,488
	<u>3,884,796</u>	<u>1,247,848</u>	<u>6,466,053</u>	<u>233,723</u>	<u>2,006,079</u>	<u>1,534,293</u>	<u>15,372,792</u>	<u>1,178,802</u>	<u>1,262,387</u>	<u>2,441,189</u>	<u>17,813,981</u>	<u>15,929,240</u>
Payments to national office	<u>48,786</u>	<u>45,785</u>	<u>102,828</u>	<u>21,015</u>	<u>84,813</u>	<u>276,961</u>	<u>580,188</u>	<u>84,064</u>	<u>86,316</u>	<u>170,380</u>	<u>750,568</u>	<u>927,026</u>
Total expenses	<u>\$ 3,933,582</u>	<u>\$ 1,293,633</u>	<u>\$ 6,568,881</u>	<u>\$ 254,738</u>	<u>\$ 2,090,892</u>	<u>\$ 1,811,254</u>	<u>\$ 15,952,980</u>	<u>\$ 1,262,866</u>	<u>\$ 1,348,703</u>	<u>\$ 2,611,569</u>	<u>\$ 18,564,549</u>	<u>\$ 16,856,266</u>
Percent of total functional expenses	<u>21%</u>	<u>7%</u>	<u>35%</u>	<u>1%</u>	<u>11%</u>	<u>10%</u>	<u>85%</u>	<u>7%</u>	<u>8%</u>	<u>15%</u>	<u>100%</u>	<u>100%</u>

The accompanying notes are an integral part of these financial statements

AMERICAN LUNG ASSOCIATION OF CALIFORNIA
STATEMENTS OF CASH FLOWS
YEAR ENDED JUNE 30, 2008

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Change in net assets	\$ (3,400,754)	\$ 644,758
Adjustments to reconcile change in net assets to net cash (used)/provided by operating activities:		
Depreciation	176,587	205,648
Realized and unrealized loss/(gain) on investments	420,418	(1,158,861)
(Increase) decrease in:		
Accounts receivable	(590,635)	763,450
Prepaid expenses	(13,916)	2,915
Value of trusts	578,366	(472,462)
Security deposit	(12,326)	(7,102)
Pledge receivable	19,940	
Increase (decrease) in:		
Accounts payable and accrued leave	(538,639)	(250,967)
Deferred revenue	263,622	167,864
Deferred compensation	(165,380)	165,380
	<u>(3,262,717)</u>	<u>60,623</u>
Net cash (used)/provided by operating activities		
Cash flows from investing activities:		
Purchase of equipment	(187,688)	(287,105)
Proceeds from sale of investments - net	<u>1,156,161</u>	<u>710,731</u>
Net cash provided by investing activities	<u>968,473</u>	<u>423,626</u>
Cash flows from financing activities:		
Payments on notes payable		(56,054)
Payments on line of credit		<u>(326,500)</u>
Net cash used by financing activities		<u>(382,554)</u>
Net (decrease)/increase in cash	(2,294,244)	101,695
Cash at beginning of the year	<u>3,145,696</u>	<u>3,044,001</u>
Cash at end of the year	<u>\$ 851,452</u>	<u>\$ 3,145,696</u>

The accompanying notes are an integral part of these financial statements

**AMERICAN LUNG ASSOCIATION OF CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization:

The American Lung Association of California (ALAC) is a not-for-profit voluntary health agency dedicated to the conquest of lung disease and the promotion of lung health. ALAC conducts programs to inform the public of environmental health issues, smoking and health hazards, lung disease and community health in the State of California. The sources of ALAC's income are from shared income of affiliates, public donations and government grants.

Effective July 1, 2006, the American Lung Association and its six affiliates merged into one Statewide Organization. The six affiliates were:

American Lung Association of Central California
American Lung Association of the East Bay
American Lung Association of Inland Counties
American Lung Association of Orange County
American Lung Association of San Diego/Imperial Counties
American Lung Association of Santa Barbara/Ventura Counties

The American Lung Association of California (Federal Employer Identification Number 94-0362650) is the survivor corporation. A merger agreement has been filed with and certified by the California Secretary of State. The new organization, which has offices throughout California, now operates under one board, one consolidated budget, and one Executive Officer. All finances have been consolidated under the direction of the State Organization.

ALAC includes the following components:

- California Thoracic Society (CTS), the medical section of ALAC.
- Service Area One comprises of offices located in Emeryville and Santa Rosa.
- Service Area Two comprises of offices located in Bakersfield, Chico, Fresno, Sacramento and Stockton.
- Service Area Three comprises of offices located in Los Angeles, Santa Barbara, Santa Monica and Ventura.
- Service Area Four comprises of offices located in San Diego, Santa Anna and San Bernardino.

Inter-organization receivables, payables, revenues and expenses are eliminated in combining the financial statements.

A. Basis of Accounting

The financial statements of American Lung Association of California have been prepared on the accrual basis of accounting.

B. Financial Statement Presentation

Financial position and activities of ALAC are presented according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. A statement of cash flows is also presented.

The costs of providing the various programs and other activities of ALAC have been summarized on a functional basis in the statements of activities and functional expenses. Expenses that can be identified with a specific program and support services are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by using consistent allocation percentages which management believes reflect actual time spent by employees or benefits received from expenditures.

C. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

D. Concentration of Cash

ALAC maintains its cash balances in financial institution located in Northern California. Accounts at the institution are insured by the Federal Deposit Insurance Corporation up to \$100,000. At June 30, 2008, bank balances before reconciling items were \$818,362 of which \$100,000 was insured. It is the opinion of the management that the solvency of the financial institution is not of particular concern at this time.

E. Property and Equipment

Property and equipment are recorded at cost, if purchased. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purchase. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, ALAC reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. ALAC reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method.

ALAC follows the practice of capitalizing, at cost, all expenditures for property, furniture and equipment in excess of \$2,000. Depreciation is computed on a straight-line basis over the estimated useful lives of all assets ranging from 3 to 50 years.

F. Investments

Generally accepted accounting principles require that nonprofit organizations report certain investments at fair value. In accordance with that guidance ALAC accounts for its equity securities that have readily determinable market values by recording and reporting those securities at fair value. Information about the fair value of investments and the unrealized gains and losses is discussed in Note 4.

G. Grants and Contract Revenue Recognition

Revenue from grants and contracts is recognized to the extent of expenses incurred applicable to the grant or contract.

H. Restricted and Unrestricted Revenue

Contributions including unconditional promise to give are recognized as revenues in the period the promise is received. Contributions, bequests, investment income and gains that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions, bequests, investment income and gains are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Interest earned on designated funds is used to support the activities of the designated funds.

I. Bequests

Bequests are recognized as income at the time an unassailable right to the gift has been established and the proceeds are measurable in amount.

J. Donated Materials and Services

Donated services are recognized as contributions in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by ALAC. A substantial number of volunteers have contributed significant amounts of time to ALAC. Amounts for these contributed services are not reflected in the accompanying financial statements since the criteria for SFAS No. 116 are not met. Donated materials are reported at fair market value at the date the contribution is received.

K. Income Taxes

ALAC is not a private foundation and is exempt from federal income tax under Internal Revenue Code Section 501(c)(3) and from state franchise tax under Revenue and Taxation Code Section 23701(d).

L. Reclassifications

Certain accounts in the prior year's financial statements have been reclassified to conform with the presentation in the current year financial statements.

M. Comparative Financial Information:

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2007, from which summarized information was derived.

NOTE 2: ACCOUNTS RECEIVABLE - OTHER

A summary of accounts receivable - other is as follows:

	<u>2008</u>	<u>2007</u>
Tuberculosis grants	\$ 118,725	\$ 136,828
Tobacco grants	1,620,959	1,383,685
Asthma grant	143,107	343,152
Contribution receivable	370,000	335,000
Miscellaneous	<u>910,661</u>	<u>340,762</u>
Total	<u>\$ 3,163,452</u>	<u>\$ 2,539,427</u>

The accounts receivable are considered by management to be fully collectable.

NOTE 3: CERTIFICATE OF DEPOSIT/PERMANENTLY RESTRICTED NET SSETS

Redwood received a contribution of \$1,000 from an individual which is permanently restricted and is invested in a certificate of deposit account at a major financial institution. The certificate bears interest of 1.14% and matures on December 16, 2008, with penalties for early withdrawal. Any penalties for early withdrawal would not have a material effect on the statements. Income generated from the investment is available for unrestricted use by Redwood.

NOTE 4: LONG TERM INVESTMENTS

Investments in marketable securities are recorded at fair value and are summarized as follows:

	2008			2007		
	Cost	Fair Value	Unrealized Gain/(Losses)	Cost	Fair Value	Unrealized Gain/(Losses)
Investments:						
Money Funds	\$ 63,182	\$ 63,182	\$	\$ 428,676	\$ 428,676	\$
U.S. Treasury Notes & Bonds				3,109,573	3,099,849	(9,724)
Corporate Bonds	118,231	119,236	1,005	826,582	800,334	(26,248)
Equity funds	<u>9,016,304</u>	<u>9,208,625</u>	<u>192,321</u>	<u>5,014,761</u>	<u>6,473,383</u>	<u>1,458,622</u>
Total	9,197,717	9,391,043	193,326	9,379,592	10,802,242	1,422,650
Investment in San Diego Foundation	28,412	28,412		28,412	28,412	
Sun life financial deferred compensation plan				<u>165,285</u>	<u>165,380</u>	<u>95</u>
Total	<u>\$ 9,226,129</u>	<u>\$ 9,419,455</u>	<u>\$ 193,326</u>	<u>\$ 9,573,289</u>	<u>\$ 10,996,034</u>	<u>\$ 1,422,745</u>

ALAC has investments in the San Diego Foundation, which are classified as permanently restricted as the investments must be maintained in perpetuity. The funds held at San Diego Foundation are invested in a "Balanced Pool" portfolio, which is structured for long term total return. The investments are carried at fair value and totaled \$28,412 at June 30, 2008.

ALAC has a non-qualified deferred compensation plan for the benefit of a former executive director of one of the offices that merged. Contributions to the plan were made as part of the total compensation package for the individual. Contributions are invested in various variable annuity contracts at the direction of the individual and are stated at fair value. The total amount was paid in the year 2008.

NOTE 5: PROPERTY AND EQUIPMENT

A summary of property and equipment is as follows:

	2008	2007
Land	\$ 1,599,135	\$ 1,559,135
Building and improvements	996,459	996,459
Leasehold improvements	777,756	765,458
Office furniture and equipment	1,467,875	1,477,496
Vehicles	<u>423,362</u>	<u>423,362</u>
Total	5,264,587	5,221,910
Less: Accumulated depreciation	<u>(2,394,778)</u>	<u>(2,363,203)</u>
Total	<u>\$ 2,869,809</u>	<u>\$ 2,858,707</u>

NOTE 6: BENEFICIAL INTEREST IN PERPETUAL TRUST

Valley Lode is one of the residual beneficiaries of a trust agreement dated June 1966. The residual assets in the trust will be held in a perpetual trust after the death of all noncharitable beneficiaries. Income from the trust assets will be distributed to five charitable beneficiaries. The beneficial interest has been valued at fair value.

NOTE 7: LEASE COMMITMENTS

Non-Cancellable Operating Leases

ALAC State Office leases the land, on which it has constructed its building, from the Port of Oakland. The lease runs for 50 years from April 1, 1964 with total payments aggregating \$91,350. Lease payments for the year ended June 30, 2008 were \$1,827.

ALAC leases office space in Sacramento, California. The lease is for 5 years with Association of California School Administrators commencing from October 2007 to December 2012. Lease expenses for the year ended June 30, 2008 were \$35,463.

California Thoracic Society leases office space in Tustin, California. The term of the lease is from August 1, 2006 to July 31, 2009. Lease payments for the year ended June 30, 2008 were \$11,197.

The Bakersfield Office leases office space in Bakersfield, California. The lease period ends in September 2009. Lease payments for the year ended June 30, 2008 were \$37,584.

The Santa Rosa Office leases office space in Santa Rosa, California. The term of the lease is for five years, ending on September 30, 2008 and starting October 1, 2008 on a month to month basis. Lease payments for the year ended June 30, 2008 were \$25,693.

The Superior Office previously leased office space in two separate locations in Chico, California. ALAC combined the two locations on May 1, 2002 by signing a three year lease ending on April 30, 2005, which was subsequently extended for another three years and afterwards to a month-to-month payment. Lease payments for the year ended June 30, 2008 were \$26,898.

The Valley Lode Office leases office space in Stockton, California. The term of the lease is for 5 years, starting October 1, 2002 and ending September 30, 2007. Since October 2007 the Valley Lode Office leases office space in two separate locations in Modesto and Stockton, California. The term of the lease for Modesto office is on a month to month basis \$358.05 payable monthly in advance, starting October 15, 2007. The term of lease for Stockton office is 5 years from November 2007 to October 2012. Lease payments for the year ended June 30, 2008 were \$19,832.

The East Bay office leases space under a lease agreement. Monthly base rent varies due to escalating clauses. The term of the lease is for 5 years, starting on October 1, 2003 and ending on January, 2011. The lease payments for the year ended June 30, 2008 were \$190,714.

The Los Angeles Office leases office space in Los Angeles, California. The term of lease is for 5 years, starting on July 1, 2007 and ending June 30, 2012. The lease payments for the year ended June 30, 2008 were \$70,776.

ALAC leases equipment as follows:

<u>Location</u>	<u>Monthly Payments</u>	<u>Expiration Date</u>
State office	\$ 1,974	September, 2006
Inland	253	March, 2011
East Bay	680	January, 2012
Santa Rosa	239	March, 2001
Fresno	268	November, 2011
Los Angeles	256	December, 2010
Orange	297	October, 2012

Minimum future rental payments under noncancelable operating leases having remaining terms in excess of one year as of June 30, 2008, for each of the next five years and in the aggregate are:

<u>Years Ending June 30,</u>	<u>State Office</u>	<u>CTS</u>	<u>Kern</u>	<u>Los Angeles</u>	<u>Stockton</u>	<u>Inland</u>	<u>Fresno</u>	<u>East Bay</u>	<u>Sacramento</u>	<u>Orange</u>
2009	\$ 1,827	\$11,556	\$38,016	\$ 69,167	\$11,388	\$3,036	\$ 3,216	\$189,610	\$ 88,958	\$ 3,564
2010	1,827	963	6,336	69,167	11,388	3,036	3,216	189,610	91,269	3,564
2011	1,827			67,931	11,607	2,277	3,216	189,610	93,579	3,564
2012	1,827			66,695	11,826		1,340	4,020	95,890	3,564
2013	1,827				2,957				48,552	891
Thereafter	<u>1,368</u>									
	<u>\$10,503</u>	<u>\$12,519</u>	<u>\$44,352</u>	<u>\$272,960</u>	<u>\$49,166</u>	<u>\$8,349</u>	<u>\$10,988</u>	<u>\$572,850</u>	<u>\$418,248</u>	<u>\$15,147</u>

NOTE 8: NET ASSETS

Net assets are as follows:

	<u>Unrestricted</u>			<u>Restricted</u>		<u>Total</u>	
	<u>Desig-nated</u>	<u>Other</u>	<u>Total</u>	<u>Tempora-ri-ly</u>	<u>Permane-ntly</u>	<u>2008</u>	<u>2007</u>
ALAC general	\$ 1,470,116	\$ 211,614	\$ 1,681,730	\$ 240,160	\$	\$ 1,921,890	\$ 2,900,993
CTS		428,811	428,811			428,811	499,295
Service Area 1		5,730,650	5,730,650	365,802	21,831	6,118,283	6,292,990
Service Area 2		193,568	193,568	24,601	4,622,724	4,840,893	5,843,989
Service Area 3		(308,479)	(308,479)	145,446	6,000	(157,033)	916,186
Service Area 4		4,659,420	4,659,420	298,065	28,412	4,985,897	5,086,042
	<u>\$ 1,470,116</u>	<u>\$ 10,915,584</u>	<u>\$ 12,385,700</u>	<u>\$ 10,74,074</u>	<u>\$ 4,678,967</u>	<u>\$ 18,138,741</u>	<u>\$ 21,539,495</u>

NOTE 9: SPECIAL EVENTS - NET OF DIRECT EXPENSES

The following is a summary of special events income by service areas:

	<u>General</u>	<u>Service Area 1</u>	<u>Service Area 2</u>	<u>Service Area 3</u>	<u>Service Area 4</u>	<u>2008</u>	<u>2007</u>
Gross revenue	\$ 200	\$ 820,523	\$ 219,530	\$ 138,106	\$ 345,801	\$1,524,160	\$1,377,299
Direct expenses	—	(184,607)	(123,178)	(62,085)	(195,789)	(565,659)	(631,331)
	\$ <u>200</u>	\$ <u>635,916</u>	\$ <u>96,352</u>	\$ <u>76,021</u>	\$ <u>150,012</u>	\$ <u>958,501</u>	\$ <u>745,968</u>

NOTE 10: PENSION PLAN

ALAC has a non-contributory defined benefit plan covering all employees who meet the eligibility requirements. To be eligible, an employee must be 21 years of age but less than 60 years at hire and have completed one year of service. Plan assets primarily consist of listed securities. Changes in these values attributable to differences between actual and assumed returns on plan assets are deferred as unrecognized gains or losses and amortized in the determination of net pension expense over time. The measurement date used to determine the pension measurements for the majority of plan assets and benefit obligations was March 31 of each year.

The following table, as provided by the Plan's outside administrator, sets forth the Plan's funded status and amounts recognized in ALAC's financial statements at June 30, 2008 and June 30, 2007.

	<u>2008</u>	<u>2007</u>
Change in Benefit Obligation		
Benefit obligation at beginning of year	\$ 3,525,110	\$ 5,534,313
Service cost	372,994	379,196
Interest cost	321,590	297,125
Actuarial loss/(gain)	(216,173)	(241,313)
Benefits paid	(183,673)	(16,213)
Business combinations and (divestitures)	1,880,065	
Benefit obligation at end of year	\$ <u>5,699,913</u>	\$ <u>5,953,108</u>
Change in Plan Assets		
Fair value of plan assets at beginning of year	\$ 3,306,388	\$ 4,701,967
Actual return on plan assets	(208,074)	337,191
Employer Contributions	382,000	359,000
Benefits paid	(183,673)	(16,213)
Expenses paid	(51,243)	(52,857)
Business combinations and (divestitures)	1,762,600	
Fair Value of assets at end of year	\$ <u>5,007,998</u>	\$ <u>5,329,088</u>
Funded status at end of year	\$ (691,915)	\$ (624,020)
Amount recognized in the statement of financial position consist of :		
Non-current liabilities	(691,915)	(624,020)

Accumulated benefit obligation at end of year		5,174,727
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Information for pension plans with an accumulated benefit obligation in excess of plan assets

Projected benefit obligation	5,699,913	5,953,108
Accumulated benefit obligation	4,808,775	5,174,727
Fair value of plan assets	5,007,998	5,329,088

Components of Net periodic Benefit Cost

Service Cost	372,994	379,196
Interest cost	321,590	297,125
Expected return on plan assets	(419,428)	(346,694)
Recognized net loss/(gain)	<u>373,729</u>	<u>13,967</u>
Net periodic benefit cost	\$ <u>648,885</u>	\$ <u>343,594</u>

Weighted Average assumptions used to determine benefit obligation as of June 30,

Discount rate	6.25%	6%
Rate of compensation increase	3%	3%

Weighted Average assumptions used to determine net periodic benefit costs for the year ended June 30,

Discount rate	6%	6%
Rate of compensation increase	3%	3%
Expected return on plan assets	8.25%	8.25%

Asset Allocation

Asset Category		
Equity Securities	50.91%	64.84%
Debt securities	41.94%	29.51%
Cash and cash equivalents	<u>7.25%</u>	<u>5.65%</u>
	<u>100%</u>	<u>100%</u>

Benefits expected to be paid for fiscal year beginning July 1

2008	\$ 1,476,556	\$
2009	888,023	
2010	78,750	
2011	531,898	
2012	303,795	
2013-2016	2,610,803	

Estimated amortization amount in next fiscal year

Amortization net loss/(gain)	7,490	14,202
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Rate of Return on Assets Assumption:

The expected long term rate of return on assets assumption is 8.25%. As defined in FAS 87, this assumption represents the rate of return on plan assets reflecting the average rate of earnings expected on the funds invested or to be invested to provide for the benefits included in the benefit obligation. The assumption has been determined by reflecting expectations regarding future rates of return for the investment portfolio, with consideration given to the distribution of investments by asset class and historical rates of return for each individual asset class.

Investment strategy:

In order to meet its needs, the investment strategy of the Association emphasizes total return; that is, the aggregate return from capital appreciation, dividend income, and interest income.

Specifically, the primary objective in the investment management for the plan is:

Income and growth – To achieve a balanced return of current income and appropriate growth of principal.

The secondary objective in the investment management of assets is:

Preservation of Purchasing Power after Spending – To achieve returns in excess of rate of inflation plus spending over the investment horizon in order to preserve the purchasing power of plan assets.

Additional objectives for the Association are preservation of capital and minimization of costs.

Risk control is an important element in the investment of plan assets and is achieved through a diversified target allocation and the prohibition of investing in derivative instruments, private placements, limited partnerships, and venture capital investments. In addition short selling and margin transactions are prohibited.

Investments in companies that derive their revenue from the manufacture and sale of tobacco products are strictly prohibited.

NOTE 11: ALLOCATION OF JOINT COSTS OF INFORMATIONAL MATERIAL AND ACTIVITIES ASSOCIATED WITH FUND RAISING APPEALS

Included in functional expenses are joint costs of activities, which are allocated as follows:

To program services to the extent they are intended to inform or educate the public concerning respiratory health.

To supporting services including fund raising to the extent they are intended to induce the contribution of financial resources or enhance the image of ALAC.

The following is an allocation of these costs:

	<u>2008</u>	<u>2007</u>
Program services	\$ 1,275,047	\$ 1,556,439
Support services:		
Management and general	353,478	305,973
Fundraising	<u>1,241,383</u>	<u>1,177,324</u>
	<u>1,594,861</u>	<u>1,483,297</u>
Total	\$ <u>2,869,908</u>	\$ <u>3,039,736</u>

NOTE 12: RELATED PARTY TRANSACTIONS:

ALAC carries out the mission of American Lung Association (ALA) in the state of California. Some of the board members of ALAC are also on the Board of the American Lung Association.

ALAC has entered into an agreement with the ALA. ALAC pays 13% of the shareable income to finance ALA office and program activities.

ALAC paid \$339,535 and \$382,466 in shareable income fees for the year 2008 and 2007.

SUPPLEMENTARY INFORMATION

**AMERICAN LUNG ASSOCIATION OF CALIFORNIA
GENERAL FUND
SCHEDULES OF FINANCIAL POSITION
JUNE 30, 2008**

ASSETS	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>	
			<u>2008</u>	<u>2007</u>
Current assets				
Cash	\$ (4,995,158)	\$ 240,160	\$ (4,754,998)	\$ (2,817,687)
Accounts receivable - affiliates				33,390
Accounts receivable - other	1,117,208		1,117,208	911,221
Prepaid expenses and deposits	69,170		69,170	68,274
Interfund receivable/(payable)	<u>3,893,994</u>		<u>3,893,994</u>	<u>2,858,757</u>
Total current assets	<u>85,214</u>	<u>240,160</u>	<u>325,374</u>	<u>1,053,955</u>
Noncurrent assets				
Long-term investments	2,282,568		2,282,568	2,623,074
Security deposit	700		700	2,200
Property and equipment, net	<u>181,755</u>		<u>181,755</u>	<u>72,223</u>
Total noncurrent assets	<u>2,465,023</u>		<u>2,465,023</u>	<u>2,697,497</u>
Total assets	<u>\$ 2,550,237</u>	<u>\$ 240,160</u>	<u>\$ 2,790,397</u>	<u>\$ 3,751,452</u>
 LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable - ALA	\$ 58,318	\$	\$ 58,318	\$ 4,984
Accounts payable - other	607,205		607,205	752,138
Accrued leave	<u>117,143</u>		<u>117,143</u>	<u>71,164</u>
Total current liabilities	<u>782,666</u>		<u>782,666</u>	<u>828,286</u>
Accrued pension	<u>85,842</u>		<u>85,842</u>	<u>22,173</u>
Total liabilities	<u>868,508</u>		<u>868,508</u>	<u>850,459</u>
Net assets	<u>1,681,729</u>	<u>240,160</u>	<u>1,921,889</u>	<u>2,900,993</u>
Total liabilities and net assets	<u>\$ 2,550,237</u>	<u>\$ 240,160</u>	<u>\$ 2,790,397</u>	<u>\$ 3,751,452</u>

See Auditor's Report

**AMERICAN LUNG ASSOCIATION OF CALIFORNIA
GENERAL FUND
SCHEDULES OF ACTIVITIES
YEAR ENDED JUNE 30, 2008**

	Unrestricted	Temporarily Restricted	Total	
			2008	2007
PUBLIC SUPPORT AND REVENUES				
Contributions and donations:				
Direct mail:				
Other direct mail	\$ _____	\$ _____	\$ _____	\$ 1,194
Special events, net of direct expenses	200		200	
Other contributions:				
Workplace giving	6,679		6,679	5,595
Memorials	22,095		22,095	50
Bequests	545,198		545,198	12,600
Other donations				4,030
Individual gifts	26,588		26,588	107,318
	<u>600,760</u>		<u>600,760</u>	<u>130,787</u>
Revenues				
Foundation grants	14,296	150,000	164,296	225,645
Government grants	1,470,555	74,765	1,545,320	1,195,962
Corporation grants	10,000		10,000	10,000
Grant from ALA	450		450	
Interest and dividends	120,442		120,442	87,478
Program service fees and sales	76,061		76,061	40,941
Shareable from affiliates	1,506,879		1,506,879	1,585,046
Additional donation from Affiliates/other revenue	7,778		7,778	3,624
Sale of material				55,967
Other revenue	27,643		27,643	13,105
	<u>3,234,104</u>	<u>224,765</u>	<u>3,458,869</u>	<u>3,217,768</u>
Net assets released from restrictions				
Foundation grants	175,678	(175,678)		
Total public support and revenues	<u>4,010,542</u>	<u>49,087</u>	<u>4,059,629</u>	<u>3,348,555</u>
EXPENSES				
Program services:				
Asthma	1,496		1,496	221,484
Environmental health	335,439		335,439	265,591
Tobacco control	2,704,417		2,704,417	1,403,760
Community health services	32		32	149,985
Other lung diseases	380,851		380,851	208,177
Research	343,531		343,531	328,704
Total program services	<u>3,765,766</u>		<u>3,765,766</u>	<u>2,577,701</u>
Supporting services:				
Management and general	661,722		661,722	636,361
Fundraising	7,722		7,722	36,025
Total supporting services	<u>669,444</u>		<u>669,444</u>	<u>672,386</u>
Payments to national office	434,540		434,540	400,211
Total expenses	<u>4,869,750</u>		<u>4,869,750</u>	<u>3,650,298</u>
Change in net assets from operations	<u>(859,208)</u>	<u>49,087</u>	<u>(810,121)</u>	<u>(301,743)</u>
NON-OPERATING ACTIVITIES				
Investments:				
Realized gain on investments	290,008		290,008	169,396
Unrealized gains/(loss) on investments	(397,869)		(397,869)	132,827
Additional minimum pension liability	(61,122)		(61,122)	73,237
Change in net assets	<u>(1,028,191)</u>	<u>49,087</u>	<u>(979,104)</u>	<u>73,717</u>
Net assets, beginning	<u>2,709,920</u>	<u>191,073</u>	<u>2,900,993</u>	<u>2,827,276</u>
Net assets, ending	<u>\$ 1,681,729</u>	<u>\$ 240,160</u>	<u>\$ 1,921,889</u>	<u>\$ 2,900,993</u>

See Auditor's Report

**AMERICAN LUNG ASSOCIATION OF CALIFORNIA
GENERAL FUND
SCHEDULES OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2008**

	Program Services						Supporting Services			Total		
	<u>Asthma</u>	<u>Environmental Health</u>	<u>Tobacco Control</u>	<u>Community Health Services</u>	<u>Other Lung Diseases</u>	<u>Research</u>	<u>Total</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>	<u>2008</u>	<u>2007</u>
Personnel expenses	\$	\$ 274,830	\$ 1,383,707	\$	\$ 241,633	\$	\$ 1,900,170	\$ 376,208	\$	\$ 376,208	\$ 2,276,378	\$ 1,485,972
Program expenses		208	1,253		447	312,297	314,205	15,607		15,607	329,812	331,763
Professional fees		34,966	652,259		3,064		690,289	128,408	6,000	134,408	824,697	646,414
Interest expense												166
Supplies	20	1,584	57,102		5,108		63,814	10,646	228	10,874	74,688	94,998
Telephone		2,486	31,982		2,661		37,129	9,745	577	10,322	47,451	41,828
Postage & shipping	130	160	3,215	27	29,767	601	33,900	9,954	192	10,146	44,046	42,477
Occupancy	26	5,799	32,269	5	12,055	53	50,207	31,447	27	31,474	81,681	73,606
Maintenance & repairs								22,508		22,508	22,508	20,468
Equipment rental			9,690		886		10,576	21,220		21,220	31,796	33,034
Conferences, conventions & meetings	1,320	8,022	431,461		21,825	2,249	464,877	6,757		6,757	471,634	300,305
Printing & publications			33,241		57,044		90,285	1,406		1,406	91,691	72,616
Dues & subscriptions		126	7,038		4,062	1,568	12,794	655		655	13,449	10,881
Depreciation								15,715		15,715	15,715	14,859
Miscellaneous		7,258	61,200		2,299	26,763	97,520	11,446	698	12,144	109,664	80,700
	<u>1,496</u>	<u>335,439</u>	<u>2,704,417</u>	<u>32</u>	<u>380,851</u>	<u>343,531</u>	<u>3,765,766</u>	<u>661,722</u>	<u>7,722</u>	<u>669,444</u>	<u>4,435,210</u>	<u>3,250,087</u>
Payments to national office	<u>28,245</u>	<u>26,507</u>	<u>59,532</u>	<u>12,167</u>	<u>49,103</u>	<u>160,345</u>	<u>335,899</u>	<u>48,669</u>	<u>49,972</u>	<u>98,641</u>	<u>434,540</u>	<u>400,211</u>
Total expenses	\$ <u>29,741</u>	\$ <u>361,946</u>	\$ <u>2,763,949</u>	\$ <u>12,199</u>	\$ <u>429,954</u>	\$ <u>503,876</u>	\$ <u>4,101,665</u>	\$ <u>710,391</u>	\$ <u>57,694</u>	\$ <u>768,085</u>	\$ <u>4,869,750</u>	\$ <u>3,650,298</u>
Percentage of total functional expenses	<u>1%</u>	<u>7%</u>	<u>57%</u>	<u>0%</u>	<u>9%</u>	<u>10%</u>	<u>84%</u>	<u>15%</u>	<u>1%</u>	<u>16%</u>	<u>100%</u>	<u>100%</u>

See Auditor's Report

**AMERICAN LUNG ASSOCIATION OF CALIFORNIA
SERVICE AREA 1
SCHEDULES OF FINANCIAL POSITION
JUNE 30, 2008**

ASSETS	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>	
				<u>2008</u>	<u>2007</u>
Current assets					
Cash	\$ 1,313,495	\$ 365,802	\$	\$ 1,679,297	\$ 1,110,594
Accounts receivable	893,989			893,989	1,016,529
Prepaid expenses and deposits	3,700			3,700	4,270
Interfund receivable/(payable)	<u>(593,702)</u>			<u>(593,702)</u>	<u>(590,610)</u>
Total current assets	<u>1,617,482</u>	<u>365,802</u>		<u>1,983,284</u>	<u>1,540,783</u>
Noncurrent assets					
Certificate of deposit			1,015	1,015	1,015
Long-term investments	4,754,958		20,816	4,775,774	5,714,354
Security deposits	1,500			1,500	1,500
Property and equipment, net	<u>37,313</u>			<u>37,313</u>	<u>54,990</u>
Total noncurrent assets	<u>4,793,771</u>		<u>21,831</u>	<u>4,815,602</u>	<u>5,771,859</u>
Total assets	<u>\$ 6,411,253</u>	<u>\$ 365,802</u>	<u>\$ 21,831</u>	<u>\$ 6,798,886</u>	<u>\$ 7,312,642</u>
LIABILITIES AND NET ASSETS					
Current liabilities					
Accounts payable - ALA	\$ 32,681	\$	\$	\$ 32,681	\$ 224,812
Accounts payable - other	237,430			237,430	249,461
Deferred revenue	137,259			137,259	111,264
Deferred compensation					165,380
Accrued leave	<u>70,950</u>			<u>70,950</u>	<u>74,122</u>
Total current liabilities	<u>478,320</u>			<u>478,320</u>	<u>825,039</u>
Accrued pension	<u>202,283</u>			<u>202,283</u>	<u>194,614</u>
Total liabilities	<u>680,603</u>			<u>680,603</u>	<u>1,019,653</u>
Net assets	<u>5,730,650</u>	<u>365,802</u>	<u>21,831</u>	<u>6,118,283</u>	<u>6,292,989</u>
Total liabilities and net assets	<u>\$ 6,411,253</u>	<u>\$ 365,802</u>	<u>\$ 21,831</u>	<u>\$ 6,798,886</u>	<u>\$ 7,312,642</u>

See Auditor's Report

**AMERICAN LUNG ASSOCIATION OF CALIFORNIA
SERVICE AREA 1
SCHEDULES OF ACTIVITIES
YEAR ENDED JUNE 30, 2008**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	
				<u>2008</u>	<u>2007</u>
PUBLIC SUPPORT AND REVENUES					
Contributions and donations:					
Direct mail:					
Other direct mail	\$ 1,236,723	\$ _____	\$ _____	\$ 1,236,723	\$ 1,099,625
	1,236,723			1,236,723	1,099,625
Special events, net of \$184,607 direct expenses	635,916			635,916	432,139
Other contributions:					
Workplace giving	23,909			23,909	31,208
Memorials	24,351			24,351	33,258
Bequest	373,373			373,373	451,333
Other donations	3,762			3,762	9,705
Individual gifts	175,568			175,568	98,402
	<u>2,473,602</u>			<u>2,473,602</u>	<u>2,155,670</u>
Revenues					
Government grants	1,618,536			1,618,536	1,992,189
Foundation grants	97,256	175,445		272,701	61,638
Corporation grant	120,893	37,590		158,483	
Grant from ALA	31,668			31,668	23,500
Interest and dividends	192,042			192,042	161,386
Additional donation from affiliates/other revenue					6
Sale of material	5,026			5,026	2,633
Membership dues					413
Program service fees and sales	1,531			1,531	37,276
Other revenue	77,439			77,439	49,976
	<u>2,144,391</u>	<u>213,035</u>		<u>2,357,426</u>	<u>2,329,017</u>
Net assets released from restrictions					
Foundation grants	104,311	(104,311)			
Total public support and revenues	<u>4,722,304</u>	<u>108,724</u>		<u>4,831,028</u>	<u>4,484,687</u>
EXPENSES					
Asthma	1,523,675			1,523,675	1,347,891
Environmental health	69,814			69,814	178,976
Tobacco control	1,783,503			1,783,503	1,570,735
Community health services	41,878			41,878	227,117
Other lung diseases	122,051			122,051	210,389
Research	328,656			328,656	10,715
Total program services	<u>3,869,577</u>			<u>3,869,577</u>	<u>3,545,823</u>
Supporting services:					
Management and general	117,646			117,646	496,658
Fundraising	196,101			196,101	406,580
Total supporting services	<u>313,747</u>			<u>313,747</u>	<u>903,238</u>
Payments to national office	128,538			128,538	186,009
Payments to constituent	427,049			427,049	325,568
Total expenses	<u>4,738,911</u>			<u>4,738,911</u>	<u>4,960,638</u>
Change in net assets from operations	(16,607)	108,724		92,117	(475,951)
NON-OPERATING ACTIVITIES					
Investments:					
Realized gain on investments	218,598			218,598	112,670
Unrealized gains on investments	(477,752)			(477,752)	446,788
Additional minimum pension liability	(7,669)			(7,669)	(139,773)
Change in net assets	<u>(283,430)</u>	<u>108,724</u>		<u>(174,706)</u>	<u>(56,266)</u>
Net assets, beginning	<u>6,014,080</u>	<u>257,078</u>	<u>21,831</u>	<u>6,292,989</u>	<u>6,349,255</u>
Net assets, ending	<u>\$ 5,730,650</u>	<u>\$ 365,802</u>	<u>\$ 21,831</u>	<u>\$ 6,118,283</u>	<u>\$ 6,292,989</u>

See Auditor's Report

**AMERICAN LUNG ASSOCIATION OF CALIFORNIA
SERVICE AREA 1
SCHEDULES OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2008**

	Program Services							Supporting Services			Total	
	Asthma	Environmental Health	Tobacco Control	Community Health Services	Other Lung Diseases	Research	Total	Management and General	Fund Raising	Total	2008	2007
Personnel expenses	\$ 820,521	\$ 935	\$ 1,128,184	\$ 3,284	\$ 954	\$	\$ 1,953,878	\$ 54	\$ 80	\$ 134	\$ 1,954,012	\$ 2,206,262
Program expenses	204,119		169,525	6,698			380,342		20	20	380,362	525,601
Professional fees	220,554	4,532	134,025	2,146	9,936	22,495	393,688	7,154	15,352	22,506	416,194	307,679
Interest expense												33
Supplies	38,166	81	8,473	23	644	278	47,665	101	1,080	1,181	48,846	64,075
Telephone	7,103	273	21,777	71	450	816	30,490	268	907	1,175	31,665	30,910
Postage & shipping	35,300	24,132	63,733	11,043	45,112	145,509	324,829	44,166	49,480	93,646	418,475	403,195
Occupancy	75,158	9,329	119,204	4,303	13,184	13,792	234,970	4,009	5,696	9,705	244,675	229,852
Maintenance & repairs	1,188	484	603	84	756	802	3,917	82	122	204	4,121	5,377
Equipment rental	9,559	586	8,295	122	935	1,281	20,778	288	445	733	21,511	21,763
Conferences, conventions & meetings	36,361	5,338	44,503	310	3,592	4	90,108	1	384	385	90,493	122,191
Printing & publications	53,519	24,064	66,376	13,521	46,420	143,613	347,513	43,698	52,742	96,440	443,953	371,752
Dues & subscriptions	1,911	37	2,869	7	57	66	4,947	10	15	25	4,972	4,940
Depreciation								17,677		17,677	17,677	17,685
Miscellaneous	20,216	23	15,936	266	11		36,452	138	69,778	69,916	106,368	137,746
	<u>1,523,675</u>	<u>69,814</u>	<u>1,783,503</u>	<u>41,878</u>	<u>122,051</u>	<u>328,656</u>	<u>3,869,577</u>	<u>117,646</u>	<u>196,101</u>	<u>313,747</u>	<u>4,183,324</u>	<u>4,449,061</u>
Payments to constituent	27,758	26,050	58,506	11,957	48,257	157,581	330,109	47,829	49,111	96,940	427,049	325,568
Payments to national office	8,355	7,841	17,610	3,599	14,524	47,431	99,360	14,396	14,782	29,178	128,538	186,009
	<u>36,113</u>	<u>33,891</u>	<u>76,116</u>	<u>15,556</u>	<u>62,781</u>	<u>205,012</u>	<u>429,469</u>	<u>62,225</u>	<u>63,893</u>	<u>126,118</u>	<u>555,587</u>	<u>511,577</u>
Total expenses	\$ <u>1,559,788</u>	\$ <u>103,705</u>	\$ <u>1,859,619</u>	\$ <u>57,434</u>	\$ <u>184,832</u>	\$ <u>533,668</u>	\$ <u>4,299,046</u>	\$ <u>179,871</u>	\$ <u>259,994</u>	\$ <u>439,865</u>	\$ <u>4,738,911</u>	\$ <u>4,960,638</u>
Percent of total functional expenses	<u>33%</u>	<u>2%</u>	<u>39%</u>	<u>1%</u>	<u>4%</u>	<u>11%</u>	<u>91%</u>	<u>4%</u>	<u>5%</u>	<u>9%</u>	<u>100%</u>	<u>100%</u>

See Auditor's Report

AMERICAN LUNG ASSOCIATION OF CALIFORNIA
SERVICE AREA 2
SCHEDULES OF FINANCIAL POSITION
JUNE 30, 2008

ASSETS	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>	
				<u>2008</u>	<u>2007</u>
Current assets					
Cash	\$ 814,886	\$ 24,601	\$	\$ 839,487	\$ 1,383,794
Accounts receivable	572,115			572,115	225,514
Prepaid expenses and deposits	12,535			12,535	432
Interfund receivable/(payable)	<u>(1,474,444)</u>			<u>(1,474,444)</u>	<u>(1,232,804)</u>
Total current assets	<u>(74,908)</u>	<u>24,601</u>		<u>(50,307)</u>	<u>376,936</u>
Noncurrent assets					
Certificate of deposit					
Long-term investments	302,413			302,413	341,671
Beneficial interest in perpetual trust			4,622,724	4,622,724	5,201,090
Security deposits	16,826			16,826	3,000
Property and equipment net	<u>202,739</u>			<u>202,739</u>	<u>208,822</u>
Total noncurrent assets	<u>521,978</u>		<u>4,622,724</u>	<u>5,144,702</u>	<u>5,754,583</u>
Total assets	<u>\$ 447,070</u>	<u>\$ 24,601</u>	<u>\$ 4,622,724</u>	<u>\$ 5,094,395</u>	<u>\$ 6,131,519</u>
LIABILITIES AND NET ASSETS					
Current liabilities					
Accounts payable - ALA	\$ 6,087	\$	\$	\$ 6,087	\$ 75,655
Accounts payable - other	61,564			61,564	52,469
Deferred revenue	69,705			69,705	37,234
Accrued leave	<u>45,879</u>			<u>45,879</u>	<u>64,521</u>
Total current liabilities	<u>183,235</u>			<u>183,235</u>	<u>229,879</u>
Accrued pension	<u>70,267</u>			<u>70,267</u>	<u>57,651</u>
Total liabilities	<u>253,502</u>			<u>253,502</u>	<u>287,530</u>
Net assets	<u>193,568</u>	<u>24,601</u>	<u>4,622,724</u>	<u>4,840,893</u>	<u>5,843,989</u>
Total liabilities and net assets	<u>\$ 447,070</u>	<u>\$ 24,601</u>	<u>\$ 4,622,724</u>	<u>\$ 5,094,395</u>	<u>\$ 6,131,519</u>

See Auditor's Report

AMERICAN LUNG ASSOCIATION OF CALIFORNIA
SERVICE AREA 2
SCHEDULES OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	
				<u>2008</u>	<u>2007</u>
PUBLIC SUPPORT AND REVENUES					
Contributions and donations:					
Direct mail:					
Other direct mail	\$ 715,152	\$ _____	\$ _____	\$ 715,152	\$ 722,922
	715,152			715,152	722,922
Special events, net of \$123,178 direct expenses	96,352			96,352	89,249
Other contributions:					
Workplace giving	15,123			15,123	18,680
Memorials	12,856			12,856	12,960
Bequests	462,608			462,608	252,190
Other donations	23,150			23,150	22,165
Individual gifts	639	29,750		30,389	15,669
	<u>1,325,880</u>	<u>29,750</u>		<u>1,355,630</u>	<u>1,133,835</u>
Revenues					
Government grants	765,111			765,111	966,863
Foundation grant	5,660	6,854		12,514	12,500
Corporation grant	16,839			16,839	21,463
Grants from ALA	24,221			24,221	7,000
Interest and dividend income	14,320			14,320	23,228
Sale of material	5,544			5,544	2,751
Program service fees and sales	31,271			31,271	7,421
Other revenue	18,763			18,763	19,126
Change in value of trust and gift annuity			(578,366)	(578,366)	472,462
	<u>881,729</u>	<u>6,854</u>	<u>(578,366)</u>	<u>310,217</u>	<u>1,532,814</u>
Net assets released from restrictions:					
Foundation grants	93,265	(93,265)			
Total public support and revenues	<u>2,300,874</u>	<u>(56,661)</u>	<u>(578,366)</u>	<u>1,665,847</u>	<u>2,666,649</u>
EXPENSES					
Program services:					
Asthma	297,917			297,917	626,129
Environmental health	119,614			119,614	62,540
Tobacco control	751,783			751,783	563,040
Community health services	29,771			29,771	30,525
Other lung diseases	666,301			666,301	414,479
Research program	278,032			278,032	7,058
Total program services	<u>2,143,418</u>			<u>2,143,418</u>	<u>1,703,771</u>
Supporting services:					
Management and general	110,349			110,349	260,293
Fundraising	265,574			265,574	268,492
Total supporting services	<u>375,923</u>			<u>375,923</u>	<u>528,785</u>
Payments to national office	20,833			20,833	54,360
Payments to constituent	167,955			167,955	194,683
Total expenses	<u>2,708,129</u>			<u>2,708,129</u>	<u>2,481,599</u>
Change in net assets from operations	(407,255)	(56,661)	(578,366)	(1,042,282)	185,050
NON-OPERATING ACTIVITIES					
Investments:					
Realized gain on investments	13,838			13,838	30,626
Unrealized gain on investments	37,963			37,963	9,927
Additional minimum pension liability	(12,615)			(12,615)	(10,776)
Change in net assets	<u>(368,069)</u>	<u>(56,661)</u>		<u>(1,003,096)</u>	<u>214,827</u>
Net assets, beginning	561,637	81,262	5,201,090	5,843,989	5,629,162
Net assets, ending	<u>\$ 193,568</u>	<u>\$ 24,601</u>	<u>\$ 4,622,724</u>	<u>\$ 4,840,893</u>	<u>\$ 5,843,989</u>

See Auditor's Report

**AMERICAN LUNG ASSOCIATION OF CALIFORNIA
SERVICE AREA 2
SCHEDULES OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2008**

	Program Services							Supporting Services			Total	
	Asthma	Environmental Health	Tobacco Control	Community Health Services	Other Lung Diseases	Research	Total	Management and General	Fund Raising	Total	2008	2007
Personnel expenses	\$ 175,300	\$ 53,566	\$ 468,524	\$ 1,569	\$ 363,319	\$ 16,199	\$ 1,078,477	\$ 12,535	\$ 124,097	\$ 136,632	\$ 1,215,109	\$ 1,133,649
Program expenses	16,178	11,360	715	7,309	6,446		42,008		37	37	42,045	15,754
Professional fees	8,042	3,199	27,887	1,376	75,783	17,918	134,205	5,495	10,369	15,864	150,069	160,657
Interest expense	17	2	3		1		23		3	3	26	9,028
Supplies	3,848	810	7,535	747	11,630	339	24,909	3,099	812	3,911	28,820	32,279
Telephone	2,728	1,072	12,124	56	9,816	635	26,431	238	2,756	2,994	29,425	18,439
Postage & shipping	18,782	17,022	40,650	7,745	37,150	102,155	223,504	30,960	33,153	64,113	287,617	257,312
Occupancy	25,269	1,556	37,179	265	54,974	2,989	122,232	7,395	6,152	13,547	135,779	118,436
Maintenance & repairs	1,107	215	1,171	38	4,597	413	7,541	132	384	516	8,057	7,774
Equipment rental	4,280	304	1,926	48	8,198	479	15,235	145	462	607	15,842	17,432
Conferences, conventions & meetings	7,394	6,700	72,377	340	28,907	1,615	117,333	943	5,181	6,124	123,457	105,118
Printing & publications	31,215	23,693	68,574	10,262	55,684	135,218	324,646	41,082	44,828	85,910	410,556	309,271
Dues & subscriptions	1,757	83	50	7	3,905	55	5,857	17	121	138	5,995	2,065
Depreciation								8,292		8,292	8,292	5,428
Miscellaneous	2,000	32	13,068	9	5,891	17	21,017	16	37,219	37,235	58,252	39,914
	<u>297,917</u>	<u>119,614</u>	<u>751,783</u>	<u>29,771</u>	<u>666,301</u>	<u>278,032</u>	<u>2,143,418</u>	<u>110,349</u>	<u>265,574</u>	<u>375,923</u>	<u>2,519,341</u>	<u>2,232,556</u>
Payments to constituent	10,917	10,245	23,010	4,703	18,979	61,975	129,829	18,811	19,315	38,126	167,955	194,683
Payments to national office	1,354	1,271	2,854	583	2,354	7,688	16,104	2,333	2,396	4,729	20,833	54,360
	<u>12,271</u>	<u>11,516</u>	<u>25,864</u>	<u>5,286</u>	<u>21,333</u>	<u>69,663</u>	<u>145,933</u>	<u>21,144</u>	<u>21,711</u>	<u>42,855</u>	<u>188,788</u>	<u>249,043</u>
Total expenses	\$ <u>310,188</u>	\$ <u>131,130</u>	\$ <u>777,647</u>	\$ <u>35,057</u>	\$ <u>687,634</u>	\$ <u>347,695</u>	\$ <u>2,289,351</u>	\$ <u>131,493</u>	\$ <u>287,285</u>	\$ <u>418,778</u>	\$ <u>2,708,129</u>	\$ <u>2,481,599</u>
Percent of total functional expenses	<u>11%</u>	<u>5%</u>	<u>29%</u>	<u>1%</u>	<u>25%</u>	<u>13%</u>	<u>84%</u>	<u>5%</u>	<u>11%</u>	<u>16%</u>	<u>100%</u>	<u>100%</u>

See Auditor's Report

**AMERICAN LUNG ASSOCIATION OF CALIFORNIA
SERVICE AREA 3
SCHEDULES OF FINANCIAL POSITION
JUNE 30, 2008**

ASSETS	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>	
				<u>2008</u>	<u>2007</u>
Current assets					
Cash	\$ (561,769)	\$ 145,446	\$	\$ (416,323)	\$ 510,022
Accounts receivable - other	78,468			78,468	35,558
Prepaid expenses and deposits	3,150			3,150	3,150
Interfund receivable (payable)	<u>(519,550)</u>			<u>(519,550)</u>	<u>(262,452)</u>
Total current assets	<u>(999,701)</u>	<u>145,446</u>		<u>(854,255)</u>	<u>286,278</u>
Noncurrent assets					
Long-term investments	896,222		6,000	902,222	1,014,952
Security deposit	7,102			7,102	7,102
Property and equipment net	<u>36,328</u>			<u>36,328</u>	<u>45,096</u>
Total noncurrent assets	<u>939,652</u>		<u>6,000</u>	<u>945,652</u>	<u>1,067,150</u>
Total assets	<u>\$ (60,049)</u>	<u>\$ 145,446</u>	<u>\$ 6,000</u>	<u>\$ 91,397</u>	<u>\$ 1,353,428</u>
 LIABILITIES AND NET ASSETS					
Current liabilities					
Accounts payable - ALA	\$ 14,214	\$	\$	\$ 14,214	\$ 272,584
Accounts payable - other	35,148			35,148	22,739
Deferred income	72,218			72,218	6,082
Accrued leave	<u>28,499</u>			<u>28,499</u>	<u>21,110</u>
Total current liabilities	<u>150,079</u>			<u>150,079</u>	<u>322,515</u>
Accrued pension	<u>98,351</u>			<u>98,351</u>	<u>114,727</u>
Total liabilities	<u>248,430</u>			<u>248,430</u>	<u>437,242</u>
Net assets	<u>(308,479)</u>	<u>145,446</u>	<u>6,000</u>	<u>(157,033)</u>	<u>916,186</u>
Total liabilities and net assets	<u>\$ (60,049)</u>	<u>\$ 145,446</u>	<u>\$ 6,000</u>	<u>\$ 91,397</u>	<u>\$ 1,353,428</u>

See Auditor's Report

AMERICAN LUNG ASSOCIATION OF CALIFORNIA
SERVICE AREA 3
SCHEDULES OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				<u>2008</u>	<u>2007</u>
PUBLIC SUPPORT AND REVENUES					
Contributions and donations:					
Direct mail:					
Other direct mail	\$ 1,174,655	\$ _____	\$ _____	\$ 1,174,655	\$ 705,448
Total direct mail	1,174,655			1,174,655	705,448
Special events, net of \$62,085 direct expenses	76,021			76,021	58,695
Other contributions:					
Workplace giving	14,363			14,363	14,743
Memorials	19,696			19,696	11,060
Bequests	107,523			107,523	16,900
Other donation	9,223			9,223	8,734
Individual gifts	39,148			39,148	16,269
	<u>1,440,629</u>			<u>1,440,629</u>	<u>831,849</u>
Revenues					
Government grants	116,157			116,157	67,297
Foundation grants	13,006	20,784		33,790	27,000
Corporation grant	19,905	15,000		34,905	
Grants from ALA	38,925			38,925	22,700
Interest and dividends	27,479			27,479	16,072
Additional donation from affiliates/other revenue					554
Membership dues					(300)
Sale of material	300			300	
Program service fees and sales	5,185			5,185	1,925
Other revenue	20,037			20,037	37,682
	<u>240,994</u>	<u>35,784</u>		<u>276,778</u>	<u>172,930</u>
Net assets released from restrictions:					
Foundation grants	73,320	(73,320)			
Total public support and revenues	<u>1,754,943</u>	<u>(37,536)</u>		<u>1,717,407</u>	<u>1,004,779</u>
EXPENSES					
Program services:					
Asthma	595,805			595,805	336,145
Environmental health	284,763			284,763	66,702
Tobacco control	451,061			451,061	211,385
Community health services	66,470			66,470	44,293
Other lung diseases	288,000			288,000	183,092
Research program	324,533			324,533	15,119
Total program services	<u>2,010,632</u>			<u>2,010,632</u>	<u>856,736</u>
Supporting services:					
Management and general	171,517			171,517	258,391
Fundraising	311,752			311,752	329,474
Total supporting services	<u>483,269</u>			<u>483,269</u>	<u>587,865</u>
Payments to national office	27,329			27,329	13,409
Payments to constituent	265,644			265,644	138,983
Total expenses	<u>2,786,874</u>			<u>2,786,874</u>	<u>1,596,993</u>
Change in net assets from operations	(1,031,931)	(37,536)		(1,069,467)	(592,214)
NON-OPERATING ACTIVITIES					
Investments:					
Realized gain on investments	41,128			41,128	110,397
Unrealized gain on investments	(61,255)			(61,255)	18,773
Additional minimum pension liability	16,375			16,375	(114,726)
Change in net assets	<u>(1,035,683)</u>	<u>(37,536)</u>		<u>(1,073,219)</u>	<u>(577,770)</u>
Net assets, beginning	<u>727,204</u>	<u>182,982</u>	<u>6,000</u>	<u>916,186</u>	<u>1,493,956</u>
Net assets, ending	\$ <u>(308,479)</u>	\$ <u>145,446</u>	\$ <u>6,000</u>	\$ <u>(157,033)</u>	\$ <u>916,186</u>

See Auditor's Report

**AMERICAN LUNG ASSOCIATION OF CALIFORNIA
SERVICE AREA 3
SCHEDULES OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2008**

	Program Services							Supporting Services			Total	
	Asthma	Environmental Health	Tobacco Control	Community Health Services	Other Lung Diseases	Research	Total	Management and General	Fund Raising	Total	2008	2007
Personnel expenses	\$ 307,845	\$ 204,627	\$ 242,041	\$ 19,652	\$ 105,293	\$ 9,436	\$ 888,894	\$ 61,134	\$ 158,476	\$ 219,610	\$ 1,108,504	\$ 578,019
Program expenses	19,996	1	2,804	8,234	1	2	31,038				31,038	7,590
Professional fees	104,060	3,339	56,942	2,971	19,338	18,527	205,177	6,946	21,133	28,079	233,256	136,701
Interest expense												82
Supplies	40,104	577	1,391	329	5,837	1,581	49,819	6,031	2,089	8,120	57,939	13,869
Telephone	6,099	1,672	1,011	773	3,205	878	13,638	143	773	916	14,554	10,554
Postage & shipping	27,976	24,130	52,696	11,079	46,815	141,130	303,826	42,783	51,291	94,074	397,900	257,583
Occupancy	22,633	8,984	13,852	10,366	37,751	5,800	99,386	4,537	3,606	8,143	107,529	27,478
Maintenance & repairs	842	222	550	40	633	383	2,670	33	69	102	2,772	1,022
Equipment rental	4,959	393	5,968	149	1,558	841	13,868	4,440	290	4,730	18,598	19,144
Conferences, conventions & meetings	15,591	15,280	16,461	1,136	7,304	424	56,196	389	7,782	8,171	64,367	26,032
Printing & publications	40,283	24,590	53,833	11,341	57,701	144,670	332,418	43,907	56,951	100,858	433,276	353,973
Dues & subscriptions	417	153	263	308	543	167	1,851	23	293	316	2,167	902
Depreciation	2,733	504	1,689	79	1,936	694	7,635	1,132		1,132	8,767	9,259
Miscellaneous	2,267	291	1,560	13	85		4,216	19	8,999	9,018	13,234	2,393
	<u>595,805</u>	<u>284,763</u>	<u>451,061</u>	<u>66,470</u>	<u>288,000</u>	<u>324,533</u>	<u>2,010,632</u>	<u>171,517</u>	<u>311,752</u>	<u>483,269</u>	<u>2,493,901</u>	<u>1,444,601</u>
Payments to constituent	17,267	16,204	36,393	7,438	30,018	98,023	205,343	29,752	30,549	60,301	265,644	138,983
Payments to national office	1,776	1,667	3,744	765	3,088	10,085	21,125	3,061	3,143	6,204	27,329	13,409
	<u>19,043</u>	<u>17,871</u>	<u>40,137</u>	<u>8,203</u>	<u>33,106</u>	<u>108,108</u>	<u>226,468</u>	<u>32,813</u>	<u>33,692</u>	<u>66,505</u>	<u>292,973</u>	<u>152,392</u>
Total expenses	\$ <u>614,848</u>	\$ <u>302,634</u>	\$ <u>491,198</u>	\$ <u>74,673</u>	\$ <u>321,106</u>	\$ <u>432,641</u>	\$ <u>2,237,100</u>	\$ <u>204,330</u>	\$ <u>345,444</u>	\$ <u>549,774</u>	\$ <u>2,786,874</u>	\$ <u>1,596,993</u>
Percent of total functional expenses	<u>22%</u>	<u>11%</u>	<u>18%</u>	<u>3%</u>	<u>12%</u>	<u>15%</u>	<u>81%</u>	<u>7%</u>	<u>12%</u>	<u>19%</u>	<u>100%</u>	<u>100%</u>

See Auditor's Report

**AMERICAN LUNG ASSOCIATION OF CALIFORNIA
SERVICE AREA 4
SCHEDULES OF FINANCIAL POSITION
JUNE 30, 2008**

ASSETS	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	
				<u>2008</u>	<u>2007</u>
Current assets					
Cash	\$ 3,212,815	\$ 298,065	\$	\$ 3,510,880	\$ 2,931,698
Accounts receivable - other	501,672			501,672	350,605
Prepaid expenses and deposits	4,436			4,436	3,026
Interfund receivable (payable)	<u>(1,340,372)</u>			<u>(1,340,372)</u>	<u>(789,100)</u>
Total current assets	<u>2,378,551</u>	<u>298,065</u>		<u>2,676,616</u>	<u>2,496,229</u>
Noncurrent assets					
Long-term investments	690,250		28,412	718,662	822,550
Pledge receivable					19,940
Property and equipment, net	<u>2,409,600</u>			<u>2,409,600</u>	<u>2,475,096</u>
Total noncurrent assets	<u>3,099,850</u>		<u>28,412</u>	<u>3,128,262</u>	<u>3,317,586</u>
Total assets	<u>\$ 5,478,401</u>	<u>\$ 298,065</u>	<u>\$ 28,412</u>	<u>\$ 5,804,878</u>	<u>\$ 5,813,815</u>
LIABILITIES AND NET ASSETS					
Current liabilities					
Accounts payable - ALA	\$ 60,147	\$	\$	\$ 60,147	\$ 164,929
Accounts payable - other	200,584			200,584	141,422
Deferred revenue	251,620			251,620	114,109
Accrued leave	<u>76,676</u>			<u>76,676</u>	<u>73,304</u>
Total current liabilities	<u>589,027</u>			<u>589,027</u>	<u>493,764</u>
Accrued pension	<u>229,954</u>			<u>229,954</u>	<u>234,009</u>
Total liabilities	<u>818,981</u>			<u>818,981</u>	<u>727,773</u>
Net assets	<u>4,659,420</u>	<u>298,065</u>	<u>28,412</u>	<u>4,985,897</u>	<u>5,086,042</u>
Total liabilities and net assets	<u>\$ 5,478,401</u>	<u>\$ 298,065</u>	<u>\$ 28,412</u>	<u>\$ 5,804,878</u>	<u>\$ 5,813,815</u>

See Auditor's Report

AMERICAN LUNG ASSOCIATION OF CALIFORNIA
SERVICE AREA 4
SCHEDULES OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	
				<u>2008</u>	<u>2007</u>
PUBLIC SUPPORT AND REVENUES					
Contributions and donations:					
Direct mail:					
Other direct mail	\$ 1,150,050	\$ _____	\$ _____	\$ 1,150,050	\$ 1,805,371
Total direct mail	1,150,050			1,150,050	1,805,371
Special events, net of \$195,789 direct expenses	150,012			150,012	165,885
Other contributions:					
Workplace giving	63,862			63,862	61,702
Memorials	19,336			19,336	34,477
Planned giving	252,627			252,627	
Bequests	972,834			972,834	2,080,925
Other donations	105,936			105,936	115,520
Individual gifts	188,048			188,048	205,239
	<u>2,902,705</u>			<u>2,902,705</u>	<u>4,469,119</u>
Revenues					
Foundation grants	21,245			21,245	56,864
Government grants	779,635	261,556		1,041,191	1,061,656
Corporation grant	237,950	139,229		377,179	151,198
Grant from ALA	7,636			7,636	33,000
Interest and dividends	42,388			42,388	56,709
Share in profit from Affiliates					9,516
Sale of material	3,026			3,026	345
Membership dues	100			100	
Program service fees and sales	11,546			11,546	13,435
Other revenue	1,561			1,561	99,049
	<u>1,105,087</u>	<u>400,785</u>		<u>1,505,872</u>	<u>1,481,772</u>
Net assets released from restrictions	268,354	(268,354)			
Total public support and revenues	<u>4,276,146</u>	<u>132,431</u>		<u>4,408,577</u>	<u>5,950,891</u>
EXPENSES					
Program services:					
Asthma	1,490,405			1,490,405	1,106,980
Environmental health	449,778			449,778	415,363
Tobacco control	778,927			778,927	651,313
Community health services	102,217			102,217	167,957
Other lung diseases	234,358			234,358	399,065
Research program	261,637			261,637	4,283
Total program services	<u>3,317,322</u>			<u>3,317,322</u>	<u>2,744,961</u>
Supporting services:					
Management and general	110,806			110,806	702,451
Fundraising	481,244			481,244	854,271
Total supporting services	<u>592,050</u>			<u>592,050</u>	<u>1,556,722</u>
Payments to national office	139,328			139,328	273,037
Payments to constituent	423,582			423,582	515,679
Total expenses	<u>4,472,282</u>			<u>4,472,282</u>	<u>5,090,399</u>
Change in net assets from operations	(196,136)	132,431		(63,705)	860,492
NON-OPERATING ACTIVITIES					
Investments:					
Realized gains on investments	31,482			31,482	27,358
Unrealized gains on investments	(65,057)			(65,057)	42,352
Additional minimum pension liability	(2,865)			(2,865)	(6,695)
Change in net assets	<u>(232,576)</u>	<u>132,431</u>		<u>(100,145)</u>	<u>923,507</u>
Net assets, beginning	4,891,996	165,634	28,412	5,086,042	4,162,535
Net assets, ending	<u>\$ 4,659,420</u>	<u>\$ 298,065</u>	<u>\$ 28,412</u>	<u>\$ 4,985,897</u>	<u>\$ 5,086,042</u>

See Auditor's Report

AMERICAN LUNG ASSOCIATION OF CALIFORNIA
 SERVICE AREA 4
 SCHEDULES OF FUNCTIONAL EXPENSES
 YEAR ENDED JUNE 30, 2008

	Program Services							Supporting Services			Total	
	Asthma	Environmental Health	Tobacco Control	Community Health Services	Other Lung Diseases	Research	Total	Management and General	Fund Raising	Total	2008	2007
Personnel expenses	\$ 958,319	\$ 291,031	\$ 511,843	\$ 44,567	\$ 108,065	\$ 8,464	\$ 1,922,289	\$ 35,633	\$ 271,795	\$ 307,428	\$ 2,229,717	\$ 2,140,667
Program expenses	40,385	36,629	(51)	7,248	3,339		87,550	39		39	87,589	61,007
Professional fees	148,359	14,991	60,505	1,780	21,391	17,062	264,088	13,453	12,406	25,859	289,947	398,469
Interest								3		3	3	
Supplies	48,398	5,814	9,088	5,040	921	239	69,500	3,382	5,887	9,269	78,769	92,229
Telephone	9,137	4,638	13,571	1,639	1,430	962	31,377	1,815	2,564	4,379	35,756	44,258
Postage & shipping	28,201	21,343	49,187	9,625	39,024	123,467	270,847	37,578	45,153	82,731	353,578	575,282
Occupancy	27,409	8,863	6,874	5,209	6,319	4,340	59,014	2,422	2,255	4,677	63,691	95,508
Maintenance & repairs	18,581	1,926	9,154	11,524	7,275	3,258	51,718	(19,830)	20,331	501	52,219	39,117
Equipment rental	14,617	1,130	4,029	1,830	1,689	356	23,651	1,858	1,392	3,250	26,901	28,607
Conferences, conventions & meetings	59,648	18,917	21,025	1,781	1,463	96	102,930	1,613	12,932	14,545	117,475	93,461
Printing & publications	37,480	22,022	50,889	9,048	36,427	103,202	259,068	32,248	58,846	91,094	350,162	511,008
Dues & subscriptions	4,079	15	87	7	78	91	4,357	59	219	278	4,635	5,392
Depreciation	66,831	18,507	31,109	2,897	6,319	67	125,730				125,730	157,707
Miscellaneous	28,961	3,952	11,617	22	618	33	45,203	533	47,464	47,997	93,200	58,971
	<u>1,490,405</u>	<u>449,778</u>	<u>778,927</u>	<u>102,217</u>	<u>234,358</u>	<u>261,637</u>	<u>3,317,322</u>	<u>110,806</u>	<u>481,244</u>	<u>592,050</u>	<u>3,909,372</u>	<u>4,301,683</u>
Payments to constituent	27,533	25,838	58,031	11,860	47,865	156,302	327,429	47,441	48,712	96,153	423,582	515,679
Payments to national office	9,056	8,499	19,088	3,901	15,744	51,412	107,700	15,605	16,023	31,628	139,328	273,037
	<u>36,589</u>	<u>34,337</u>	<u>77,119</u>	<u>15,761</u>	<u>63,609</u>	<u>207,714</u>	<u>435,129</u>	<u>63,046</u>	<u>64,735</u>	<u>127,781</u>	<u>562,910</u>	<u>788,716</u>
Total expenses	<u>\$ 1,526,994</u>	<u>\$ 484,115</u>	<u>\$ 856,046</u>	<u>\$ 117,978</u>	<u>\$ 297,967</u>	<u>\$ 469,351</u>	<u>\$ 3,752,451</u>	<u>\$ 173,852</u>	<u>\$ 545,979</u>	<u>\$ 719,831</u>	<u>\$ 4,472,282</u>	<u>\$ 5,090,399</u>
Percent of total functional expenses	<u>34%</u>	<u>11%</u>	<u>19%</u>	<u>3%</u>	<u>7%</u>	<u>10%</u>	<u>84%</u>	<u>4%</u>	<u>12%</u>	<u>16%</u>	<u>100%</u>	<u>100%</u>

See Auditor's Report

**AMERICAN LUNG ASSOCIATION OF CALIFORNIA
CALIFORNIA THORACIC SOCIETY (CTS)
SCHEDULES OF FINANCIAL POSITION
JUNE 30, 2008**

ASSETS	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	
				<u>2008</u>	<u>2007</u>
Current assets					
Cash	\$ (6,891)	\$	\$	\$ (6,891)	\$ 27,275
Prepaid expenses and deposits	77			77	
Interfund receivable (payable)	<u>34,074</u>			<u>34,074</u>	<u>15,442</u>
Total current assets	<u>27,260</u>			<u>27,260</u>	<u>42,717</u>
Noncurrent assets					
Long-term investments	437,816			437,816	479,433
Property and equipment, net	<u>2,074</u>			<u>2,074</u>	<u>2,480</u>
Total noncurrent assets	<u>439,890</u>			<u>439,890</u>	<u>481,913</u>
Total assets	<u>\$ 467,150</u>	<u>\$</u>	<u>\$</u>	<u>\$ 467,150</u>	<u>\$ 524,630</u>
LIABILITIES AND NET ASSETS					
Current liabilities					
Accounts payable - other	\$ 5,069		\$	\$ 5,069	\$ 5,204
Deferred revenue	15,745			15,745	14,235
Accrued leave	<u>12,307</u>			<u>12,307</u>	<u>5,050</u>
Total current liabilities	<u>33,121</u>			<u>33,121</u>	<u>24,489</u>
Accrued pension	<u>5,218</u>			<u>5,218</u>	<u>846</u>
Total liabilities	<u>38,339</u>			<u>38,339</u>	<u>25,335</u>
Net assets	<u>428,811</u>			<u>428,811</u>	<u>499,295</u>
Total liabilities and net assets	<u>\$ 467,150</u>	<u>\$</u>	<u>\$</u>	<u>\$ 467,150</u>	<u>\$ 524,630</u>

See Auditor's Report

**AMERICAN LUNG ASSOCIATION OF CALIFORNIA
CALIFORNIA THORACIC SOCIETY (CTS)
SCHEDULES OF ACTIVITIES
YEAR ENDED JUNE 30, 2008**

	<u>Unrestricted</u>	<u>Total</u>	
		<u>2008</u>	<u>2007</u>
PUBLIC SUPPORT AND REVENUES			
Contributions and donations:			
Direct mail:			
Other direct mail	\$ 25	\$ 25	\$
Total direct mail	<u>25</u>	<u>25</u>	<u></u>
Other contributions:			
Other donations	838	838	625
Individual gifts	<u>1,023</u>	<u>1,023</u>	<u>1,052</u>
	<u>1,886</u>	<u>1,886</u>	<u>1,677</u>
Revenues:			
Corporation grant	33,000	33,000	39,902
Interest and dividends	9,886	9,886	8,562
Membership fees	35,230	35,230	30,340
Program service fees and sales	173,850	173,850	180,610
Other revenue	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>
	<u>301,966</u>	<u>301,966</u>	<u>309,414</u>
Total public support and revenues	<u>303,852</u>	<u>303,852</u>	<u>311,091</u>
EXPENSES			
Program services:			
Asthma			74,797
Other lung diseases	<u>315,954</u>	<u>315,954</u>	<u>226,364</u>
Total program services	<u>315,954</u>	<u>315,954</u>	<u>301,161</u>
Supporting services:			
Management and general	6,880	6,880	(265)
Fundraising			<u>355</u>
Total supporting services	<u>6,880</u>	<u>6,880</u>	<u>90</u>
Total expenses	<u>322,834</u>	<u>322,834</u>	<u>301,251</u>
Change in net assets from operations	(18,982)	(18,982)	9,840
NON-OPERATING ACTIVITIES			
Investments:			
Realized gains on investments	30,194	30,194	14,133
Unrealized gains on investments	(81,696)	(81,696)	43,614
Additional minimum pension liability			<u>(845)</u>
Change in net assets	(70,484)	(70,484)	66,742
Net assets, beginning	<u>499,295</u>	<u>499,295</u>	<u>432,553</u>
Net assets, ending	<u>\$ 428,811</u>	<u>\$ 428,811</u>	<u>\$ 499,295</u>

See Auditor's Report

**AMERICAN LUNG ASSOCIATION OF CALIFORNIA
STATEMENT OF EXPENDITURES FOR COUNTY OF ALAMEDA GRANTS
FOR THE YEAR ENDED JUNE 30, 2008**

Master Contract: Consolidated PHSVC 4282

Contract Number:	C930727	C930727	PHSVC-0000002696	PHSVC-0000002695	
Encumbrance/File Number:	*	*	*	*	
Contract Period:	7/1/07-6/30/08	7/1/07-6/30/08	7/1/07-6/30/08	7/1/07-6/30/08	
	Tobacco Coalition <u>2502</u>	Tobacco Community <u>2503</u>	Tobacco Policy <u>2501</u>	Tobacco Cessation <u>2504</u>	Total
Contract Amount	\$ 41,202	\$ 219,470	\$ 16,000	\$ 80,000	\$ 356,672
Salaries	28,331	39,654	11,867	52,834	132,686
Fringe benefits and payroll taxes	9,795	7,543	3,099	15,270	35,707
Consultants		147,034			147,034
Communications	1,455	1,384		1,200	4,039
Staff and volunteer travel	45	202		548	795
Conferences, conventions, and meetings	1,010	2,337			3,347
Printing and publications	290	1,465		131	1,886
Postage	325	650		112	1,087
Website		600			600
Office supplies	74	1,050		78	1,202
Program and training supplies	220	516		53	789
Equipment rental and maintenance	4	514			518
Promotional Items/Incentives		1,231			1,231
Indirect (admin) cost	<u>6,224</u>	<u>7,509</u>	<u>1,498</u>	<u>10,520</u>	<u>25,751</u>
Total expenses	<u>47,773</u>	<u>211,689</u>	<u>16,464</u>	<u>80,746</u>	<u>356,672</u>
Amount reimbursed by the County of Alameda	<u>\$ 29,143</u>	<u>\$ 184,560</u>	<u>\$ 10,781</u>	<u>\$ 57,098</u>	<u>\$ 281,581</u>

**AMERICAN LUNG ASSOCIATION OF CALIFORNIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Health and Human Services:</u>			
Direct Program			
Community Programs to improve Minority Health	93.137		\$ <u>181,851</u>
Total Direct			<u>181,851</u>
Pass-Through Programs From:			
California Department of Health Services			
County of Riverside - Health Services Agency			
Tuberculosis Prevention and Control - I	93.116	FEDS67ISIT	192,095
Tuberculosis Prevention and Control - I	93.116	FEDS56ISIT	128,594
Tuberculosis Prevention and Control - refugee health	93.576	07-33-90840-1	72,067
Tuberculosis Prevention and Control - refugee health	93.576	REFHEA-56-33	151,126
University of California, Berkeley, School of Public Health			
Controlling Asthma in American Cities	93.283	U59/CCU923264-04-01	<u>615,747</u>
Total Pass-Through			<u>1,159,629</u>
Total U.S. Department of Health and Human Services			<u>1,341,480</u>
<u>U.S. Environmental Protection Agency</u>			
Open Airways	66.034		6,315
Indoor Air Quality - Tools for Schools	66.034		10,200
Open Airways	66.034		12,886
Asthma Grant	66.034		<u>5,479</u>
Total U.S. Environmental Protection Agency			<u>34,880</u>
Total Expenditures of Federal Awards			\$ <u><u>1,376,360</u></u>

Note: Basis of Presentation

The above schedule of expenditures of federal awards includes the federal grant activity of American Lung Association of California and is presented on an accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**INDEPENDENT AUDITOR'S 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**

The Board of Directors
American Lung Association of California
Oakland, California

We have audited the financial statements of American Lung Association of California (a Nonprofit Organization) as of and for the year ended June 30, 2008, and have issued our report thereon dated October 20, 2008. We conducted our audit 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 Controller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered American Lung Association of California's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of American Lung Association of California's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of American Lung Association of California's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects American Lung Association of California's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of American Lung Association of California's financial statements that is more than inconsequential will not be prevented or detected by American Lung Association of California's internal control.


A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by American Lung Association of California's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and other Matters

As part of obtaining reasonable assurance about whether American Lung Association of California'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*.

This report is intended solely for the information and use of management, audit committee, the board of directors, others within the organization, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


Oakland, California
October 20, 2008

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Board of Directors
American Lung Association of California
Oakland, California

Compliance

We have audited the compliance of American Lung Association of California with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. American Lung Association of California's major federal programs are identified in the summary of auditor's result section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of American Lung Association of California's management. Our responsibility is to express an opinion on American Lung Association of California's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about American Lung Association of California's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of American Lung Association of California's compliance with those requirements.

In our opinion, American Lung Association of California complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of American Lung Association of California is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered American Lung Association of California's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to

determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of American Lung Association of California's internal control over compliance.

A *control deficiency* in American Lung Association of California's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects American Lung Association of California's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by American Lung Association of California's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by American Lung Association of California's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, audit committee, the board of directors, others within the organization, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Pamela A. Assouline

Oakland, California

October 20, 2008

**AMERICAN LUNG ASSOCIATION OF CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

SECTION 1 - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	<i>Unqualified</i>
Internal control over financial reporting:	
<ul style="list-style-type: none"> • Material weaknesses identified? No • Significant deficiencies identified that are not considered to be material weaknesses? None reported 	
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
<ul style="list-style-type: none"> • Material weaknesses identified? No • Significant deficiencies identified that are not considered to be material weaknesses? None reported 	
Type of auditor's report issued on compliance for major programs:	<i>Unqualified</i>
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
93.116	Tuberculosis Prevention and Control - I
93.576	Tuberculosis Prevention and Control - refugee health
93.137	Community Programs to Improve Minority Health

Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

**AMERICAN LUNG ASSOCIATION OF CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

SECTION II - FINANCIAL STATEMENTS FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

**AMERICAN LUNG ASSOCIATION OF CALIFORNIA
STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008**

Finding:

Status:

Fixed Assets:

We could not match details of opening fixed assets with the audit report of prior year.

Implemented

Grant Billing:

Grant documents were not centralized and kept at the state office as per policy. There were inconsistencies in grant billing.

Implemented

Payroll:

We found instances of timesheets not signed by supervisors, missing I-9's and incomplete personnel files.

Implemented