

AMERICAN LUNG ASSOCIATION OF THE MOUNTAIN PACIFIC

FINANCIAL STATEMENTS
With Independent Auditor's Report

YEARS ENDED JUNE 30, 2014 AND 2013



AMERICAN LUNG ASSOCIATION OF THE MOUNTAIN PACIFIC

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2014 AND 2013

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INDEPENDENT AUDITOR'S REPORT

October 30, 2014

Board of Directors
American Lung Association of the Mountain Pacific
Seattle, Washington

We have audited the accompanying financial statements of American Lung Association of the Mountain Pacific (a nonprofit corporation), which comprise the balance sheets as of June 30, 2014 and 2013, 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.

Auditors' 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 from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Lung Association of the Mountain Pacific as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2014 on our consideration of American Lung Association of the Mountain Pacific'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 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 American Lung Association of the Mountain Pacific's internal control over financial reporting and compliance.



Jacobson Jarvis & Co, PLLC

AMERICAN LUNG ASSOCIATION OF THE MOUNTAIN PACIFIC

BALANCE SHEETS

JUNE 30, 2014 AND 2013

	2014				2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
ASSETS								
Current Assets								
Cash	\$ 820,697	\$ -	\$ -	\$ 820,697	\$ 393,963	\$ -	\$ -	\$ 393,963
Current receivables								
Accounts receivable	43,580	-	-	43,580	45,404	-	-	45,404
Receivable from ALA National	-	-	-	-	257,548	-	-	257,548
Grants receivable	153,971	-	-	153,971	84,673	-	-	84,673
Promises to give	1,386,878	40,475	-	1,427,353	270,939	37,500	-	308,439
Total Current Receivables	1,584,429	40,475	-	1,624,904	658,564	37,500	-	696,064
Prepaid expenses and other assets								
Prepaid expense	85,066	-	-	85,066	91,784	-	-	91,784
Total Current Assets	2,490,192	40,475	-	2,530,667	1,144,311	37,500	-	1,181,811
Non-Current Assets								
Other non-current prepaids	20,998	-	-	20,998	16,416	-	-	16,416
Non-current receivables	-	396,242	-	396,242	-	80,241	-	80,241
Beneficial interest in charitable trusts	-	-	522,464	522,464	-	-	392,980	392,980
Investments	4,991,029	710,296	49,805	5,751,130	3,892,448	712,459	49,805	4,654,712
Funds held for others	103,554	-	-	103,554	86,932	-	-	86,932
Property and equipment								
Equipment	177,357	-	-	177,357	172,913	-	-	172,913
Leasehold improvements	19,691	-	-	19,691	19,691	-	-	19,691
Buildings	270,918	-	-	270,918	270,918	-	-	270,918
Land	3,000	-	-	3,000	3,000	-	-	3,000
Accumulated depreciation	(343,286)	-	-	(343,286)	(328,062)	-	-	(328,062)
Property and equipment, net	127,680	-	-	127,680	138,460	-	-	138,460
Total Non-current Assets	5,243,261	1,106,538	572,269	6,922,068	4,134,256	792,700	442,785	5,369,741
Total Assets	\$ 7,733,453	\$ 1,147,013	\$ 572,269	\$ 9,452,735	\$ 5,278,567	\$ 830,200	\$ 442,785	\$ 6,551,552

AMERICAN LUNG ASSOCIATION OF THE MOUNTAIN PACIFIC

BALANCE SHEETS (Continued)

JUNE 30, 2014 AND 2013

	2014				2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<u>LIABILITIES AND NET ASSETS</u>								
Current Liabilities								
Accounts payable and accrued expenses								
Payable to National	\$ 50,492	\$ -	\$ -	\$ 50,492	\$ 269,940	\$ -	\$ -	\$ 269,940
Accounts payable	233,497	-	-	233,497	153,300	-	-	153,300
Accrued liabilities	156,218	-	-	156,218	142,768	-	-	142,768
Deferred revenue	126,697	-	-	126,697	58,911	-	-	58,911
Accrued vacation	85,550	-	-	85,550	83,293	-	-	83,293
Total Current Liabilities	<u>652,454</u>	<u>-</u>	<u>-</u>	<u>652,454</u>	<u>708,212</u>	<u>-</u>	<u>-</u>	<u>708,212</u>
Non-Current Liabilities								
Funds held for others	103,553	-	-	103,553	86,932	-	-	86,932
Annuity fund obligations	19,012	-	-	19,012	16,767	-	-	16,767
Total Non-Current Liabilities	<u>122,565</u>	<u>-</u>	<u>-</u>	<u>122,565</u>	<u>103,699</u>	<u>-</u>	<u>-</u>	<u>103,699</u>
Total Liabilities	775,019	-	-	775,019	811,911	-	-	811,911
Net Assets	<u>6,958,434</u>	<u>1,147,013</u>	<u>572,269</u>	<u>8,677,716</u>	<u>4,466,656</u>	<u>830,200</u>	<u>442,785</u>	<u>5,739,641</u>
Total Liabilities and Net Assets	<u>\$ 7,733,453</u>	<u>\$ 1,147,013</u>	<u>\$ 572,269</u>	<u>\$ 9,452,735</u>	<u>\$ 5,278,567</u>	<u>\$ 830,200</u>	<u>\$ 442,785</u>	<u>\$ 6,551,552</u>

AMERICAN LUNG ASSOCIATION OF THE MOUNTAIN PACIFIC

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2014 AND 2013

	2014				2013			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public Support and Revenue								
Contributions and donations								
Direct mail								
Direct mail	\$ 1,557,883	\$ -	\$ -	\$ 1,557,883	\$ 1,640,747	\$ -	\$ -	\$ 1,640,747
Residential campaign	13,996	-	-	13,996	18,173	-	-	18,173
Total Direct Mail	1,571,879	-	-	1,571,879	1,658,920	-	-	1,658,920
Vehicle donation program	4,774	-	-	4,774	13,275	-	-	13,275
Special events								
Special events gross revenue	1,412,481	-	-	1,412,481	1,461,180	-	-	1,461,180
Special events direct expenses	(337,135)	-	-	(337,135)	(362,292)	-	-	(362,292)
Net Special Events	1,075,346	-	-	1,075,346	1,098,888	-	-	1,098,888
Other contributions								
Workplace giving	36,134	-	-	36,134	53,881	-	-	53,881
Memorials	57,967	-	-	57,967	40,927	1,000	-	41,927
Individual/major gifts	77,720	10,780	-	88,500	55,802	5,985	-	61,787
Bequests	3,188,555	515,182	129,484	3,833,221	472,527	-	-	472,527
Corporate gifts	29,916	43,140	-	73,056	23,952	47,000	-	70,952
In-kind contributions	258,107	-	-	258,107	216,754	-	-	216,754
Foundation gifts	13,346	69,500	-	82,846	7,704	78,000	-	85,704
Total Other Contributions	3,661,745	638,602	129,484	4,429,831	871,547	131,985	-	1,003,532
Total Contributions and Donations	6,313,744	638,602	129,484	7,081,830	3,642,630	131,985	-	3,774,615
Revenues								
Corporate grants	164,014	-	-	164,014	32,524	-	-	32,524
Foundation grants	152,326	-	-	152,326	176,045	-	-	176,045
Government grants	1,302,559	-	-	1,302,559	729,825	4,900	-	734,725
Interest and dividends	149,260	-	-	149,260	150,588	-	-	150,588
Program service fees	120,607	-	-	120,607	141,944	-	-	141,944
Sale of materials	25,176	-	-	25,176	36,885	-	-	36,885
Other revenue	7,041	-	-	7,041	13,477	-	-	13,477
Total Revenues	1,920,983	-	-	1,920,983	1,281,288	4,900	-	1,286,188
Total Public Support and Revenues								
Before Net Asset Releases	8,234,727	638,602	129,484	9,002,813	4,923,918	136,885	-	5,060,803

AMERICAN LUNG ASSOCIATION OF THE MOUNTAIN PACIFIC

STATEMENTS OF ACTIVITIES (Continued)

YEARS ENDED JUNE 30, 2014 AND 2013

	2014				2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets released from restriction								
Asthma Camp donations	\$ 88,220	\$ (88,220)	\$ -	\$ -	\$ 10,637	\$ (10,637)	\$ -	\$ -
Time restricted releases	3,292	(3,292)	-	-	-	-	-	-
Other	249,296	(249,296)	-	-	245,596	(245,596)	-	-
Total Net Assets Released from Restriction	340,808	(340,808)	-	-	256,233	(256,233)	-	-
Total Public Support and Revenues	8,575,535	297,794	129,484	9,002,813	5,180,151	(119,348)	-	5,060,803
Expenses								
Program services	3,602,186	-	-	3,602,186	2,980,639	-	-	2,980,639
Supporting services	2,050,651	-	-	2,050,651	1,883,532	-	-	1,883,532
Assessments to National	731,910	-	-	731,910	411,639	-	-	411,639
Total Expenses	6,384,747	-	-	6,384,747	5,275,810	-	-	5,275,810
Change in Net Assets from Operations	2,190,788	297,794	129,484	2,618,066	(95,659)	(119,348)	-	(215,007)
Non-operating Activities								
Realized gain on investments	78,343	-	-	78,343	45,030	-	-	45,030
Unrealized gain on investments	235,082	19,019	-	254,101	13,603	10,585	48,411	72,599
Minimum pension asset adjustment	(12,435)	-	-	(12,435)	(58,761)	-	-	(58,761)
Total Non-operating Activities	300,990	19,019	-	320,009	(128)	10,585	48,411	58,868
Change in Net Assets	2,491,778	316,813	129,484	2,938,075	(95,787)	(108,763)	48,411	(156,139)
Net Assets - beginning of year	4,466,656	830,200	442,785	5,739,641	4,562,443	938,963	394,374	5,895,780
Net Assets - end of year	\$ 6,958,434	\$ 1,147,013	\$ 572,269	\$ 8,677,716	\$ 4,466,656	\$ 830,200	\$ 442,785	\$ 5,739,641

AMERICAN LUNG ASSOCIATION OF THE MOUNTAIN PACIFIC

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2014

	Program Services				Total Program Services	Supporting Services		
	Lung Disease	Environmental Health	Tobacco Control	Research		Fundraising	Management and General	Total
Salaries	\$ 301,596	\$ 229,905	\$ 681,012	\$ -	\$ 1,212,513	\$ 421,234	\$ 148,120	\$ 1,781,867
Payroll taxes	27,768	21,181	62,740	-	111,689	38,060	13,669	163,418
Employee benefits	39,661	30,253	89,612	-	159,526	54,361	19,522	233,409
Total Salaries and Related Expenses	369,025	281,339	833,364	-	1,483,728	513,655	181,311	2,178,694
Professional fees	98,916	29,495	500,713	-	629,124	271,994	29,041	930,159
Direct mail	171,293	94,305	280,566	-	546,164	313,889	52,389	912,442
Occupancy	61,637	33,930	102,279	-	197,846	74,485	80,663	352,994
Shared services provided by National	35,232	3,191	9,493	226,600	274,516	68,236	644	343,396
Donated goods and services	6,027	-	-	-	6,027	252,080	-	258,107
Travel, transportation, lodging and meals	44,182	16,804	67,161	-	128,147	28,080	14,316	170,543
Media and advertising	47,264	27	23,876	-	71,167	40,419	64	111,650
Equipment	11,901	6,525	38,296	-	56,722	16,675	15,429	88,826
Office supplies	5,544	17,583	33,591	-	56,718	6,588	2,281	65,587
Printing	9,213	545	29,637	-	39,395	25,115	447	64,957
Conferences and meetings	32,798	2,075	14,935	-	49,808	7,146	2,065	59,019
Insurance	6,816	3,752	11,163	-	21,731	8,238	8,921	38,890
Postage and shipping	2,694	3,094	3,499	-	9,287	12,422	1,390	23,099
Miscellaneous	968	590	7,239	-	8,797	6,429	1,299	16,525
Training and development	1,230	168	11,365	-	12,763	2,670	283	15,716
Depreciation	2,668	1,469	4,370	-	8,507	3,225	3,492	15,224
Dues and subscriptions	176	50	1,513	-	1,739	5,151	119	7,009
Total Expenses before Assessments to National	907,584	494,942	1,973,060	226,600	3,602,186	1,656,497	394,154	5,652,837
Assessments to National	375,985	63,288	48,683	199,599	687,555	17,742	26,613	731,910
	<u>\$ 1,283,569</u>	<u>\$ 558,230</u>	<u>\$ 2,021,743</u>	<u>\$ 426,199</u>	<u>\$ 4,289,741</u>	<u>\$ 1,674,239</u>	<u>\$ 420,767</u>	<u>\$ 6,384,747</u>

AMERICAN LUNG ASSOCIATION OF THE MOUNTAIN PACIFIC

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2013

	Program Services				Total Program Services	Supporting Services		
	Lung Disease	Environmental Health	Tobacco Control	Research		Fundraising	Management and General	Total
Salaries	\$ 343,281	\$ 234,955	\$ 496,648	\$ -	\$ 1,074,884	\$ 425,204	\$ 118,881	\$ 1,618,969
Payroll taxes	34,312	23,484	49,641	-	107,437	42,500	11,613	161,550
Employee benefits	41,250	28,233	59,680	-	129,163	51,095	13,962	194,220
Total Salaries and Related Expenses	418,843	286,672	605,969	-	1,311,484	518,799	144,456	1,974,739
Professional fees	149,848	26,114	87,671	-	263,633	161,715	20,267	445,615
Direct mail	281,104	82,902	211,160	-	575,166	317,999	57,987	951,152
Occupancy	72,319	37,002	80,461	-	189,782	80,116	81,176	351,074
Shared services provided by National	30,944	4,386	12,557	104,652	152,539	81,956	1,005	235,500
Donated goods and services	6,795	172	377	-	7,344	206,034	376	213,754
Travel, transportation, lodging and meals	59,284	14,377	44,424	26	118,111	23,576	11,030	152,717
Media and advertising	112,699	8	4,312	-	117,019	40,472	17	157,508
Equipment	13,129	7,404	23,022	-	43,555	14,185	14,419	72,159
Office supplies	6,201	23,233	31,343	-	60,777	4,691	2,375	67,843
Printing	7,472	653	13,874	-	21,999	28,042	221	50,262
Conferences and meetings	54,682	947	9,089	-	64,718	9,487	734	74,939
Insurance	7,641	3,880	8,498	-	20,019	8,304	8,440	36,763
Postage and shipping	2,894	4,391	3,333	-	10,618	14,430	1,249	26,297
Miscellaneous	2,819	470	7,831	-	11,120	11,991	985	24,096
Training and development	724	368	805	-	1,897	3,496	799	6,192
Depreciation	3,946	2,004	4,389	-	10,339	4,289	4,360	18,988
Dues and subscriptions	80	190	249	-	519	3,967	87	4,573
Total Expenses before Assessments to National	1,231,424	495,173	1,149,364	104,678	2,980,639	1,533,549	349,983	4,864,171
Assessments to National	162,958	48,059	122,411	41,164	374,592	12,349	24,698	411,639
	<u>\$ 1,394,382</u>	<u>\$ 543,232</u>	<u>\$ 1,271,775</u>	<u>\$ 145,842</u>	<u>\$ 3,355,231</u>	<u>\$ 1,545,898</u>	<u>\$ 374,681</u>	<u>\$ 5,275,810</u>

AMERICAN LUNG ASSOCIATION OF THE MOUNTAIN PACIFIC

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Cash Flows from Operating Activities		
Changes in net assets	\$ 2,938,075	\$ (156,139)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities		
Depreciation	15,224	18,988
Realized and unrealized gain on investments	(734,221)	(114,496)
Changes in assets and liabilities		
Accounts receivable	1,824	6,246
Promises to give	(1,118,914)	(168,614)
Grants receivable	(69,298)	(27,852)
Receivable from ALA National	257,548	13,382
Prepaid expenses and other assets	2,136	51,913
Payable to National	(219,448)	(40,279)
Accounts payable	80,197	50,997
Accrued liabilities and accrued vacation payable	15,707	23,670
Deferred revenue	<u>67,786</u>	<u>(144,492)</u>
Cash Provided (Used) by Operating Activities	<u>1,236,616</u>	<u>(486,676)</u>
Cash Flows from Investing Activities		
Purchase of investments	(5,062,553)	(1,939,207)
Proceeds from sale of investments	4,257,115	1,790,935
Purchase of property and equipment	<u>(4,444)</u>	<u>(7,593)</u>
Cash Used by Investing Activities	<u>(809,882)</u>	<u>(155,865)</u>
Change in Cash	426,734	(642,541)
Cash - beginning of year	<u>393,963</u>	<u>1,036,504</u>
Cash - end of year	<u>\$ 820,697</u>	<u>\$ 393,963</u>

AMERICAN LUNG ASSOCIATION OF THE MOUNTAIN PACIFIC

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2014 AND 2013

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The mission of the American Lung Association of the Mountain Pacific (the Association) is to save lives by improving lung health and preventing lung disease through education, advocacy and research. The charter covers the seven states of Alaska, Hawaii, Idaho, Montana, Oregon, Washington and Wyoming.

Basis of presentation

In accordance with financial accounting standards, the Association is required to report 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 are available without restriction for support of the Association's operations.

Temporarily restricted net assets are restricted by the donor to be used for certain purposes or future periods.

Permanently restricted net assets are endowment gifts given with the intent that the principal will be maintained intact in perpetuity, and the income may be used for current operations or specific purposes.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent 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.

Cash

Cash consists of general checking and savings accounts. The Association maintains cash in bank accounts that may exceed federally insured limits at times during the year. The Association has not experienced any losses in these accounts, and management does not believe it is exposed to any significant credit risk.

Fair value measurements

In accordance with financial accounting standards, a three-tiered hierarchy of input levels is used for measuring fair value. Financial accounting standards define fair value as 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. Valuation techniques utilized to determine fair value are consistently applied.

AMERICAN LUNG ASSOCIATION OF THE MOUNTAIN PACIFIC

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2014 AND 2013

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

The three tiers of inputs used for fair value measurements are as follows:

Level 1: Fair values are based on quoted prices in active markets for identical assets and liabilities.

Level 2: Fair values are based on observable inputs that include: quoted market prices for similar assets or liabilities; quoted market prices that are not in an active market; or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the assets.

Level 3: Fair values are calculated by the use of pricing models and/or discounted cash flow methodologies, and may require significant management judgment or estimation. These methodologies may result in a significant portion of the fair value being derived from unobservable data.

Receivables

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Conditional promises to give are recognized when the conditions on which they depend are substantially met. An allowance for uncollectible promises to give of \$4,154 and \$5,520, respectively, was recorded to account for the estimated uncollectible promises at June 30, 2014 and 2013. The estimated uncollectible amount was based on historical data and detailed review of the specific outstanding pledged balances. At June 30, 2014, all promises to give were due within one year.

Bequest revenue is recorded as a receivable when management is confident of the amount of the distribution based on information provided by the trustee of the estate. Bequests receivable of \$1,337,249 and \$197,639 were recorded at June 30, 2014 and 2013, respectively, and are included in promises to give.

Accounts receivable are stated at the amount management expects to collect from outstanding balances. An allowance for doubtful accounts for accounts receivable is not maintained, as historically losses related to nonpayment have been low as a percentage of public support and revenue. Typically, management does not require security for receivable balances.

Investments

Investments are recorded at fair value. Realized and unrealized gains and losses are reflected in the statement of activities as non-operating activity. Interest is recorded as earned. Dividend income is recorded on the ex-dividend date. Accrued investment income of \$16,932 and \$32,237 was in accounts receivable at June 30, 2014 and 2013, respectively.

AMERICAN LUNG ASSOCIATION OF THE MOUNTAIN PACIFIC

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2014 AND 2013

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and equipment

Property and equipment are recorded at cost or fair value at the date of donation. Depreciation is computed using the straight-line method over estimated useful lives ranging from 5 to 40 years. The Association follows a policy whereby it capitalizes purchases of property and equipment over a specified threshold of \$2,000 and that provide benefits over a period longer than one year.

Deferred revenue and revenue recognition

Unearned grant revenues are recorded as deferred revenue and recognized as services are performed.

Restricted and unrestricted support

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the year in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When restrictions expire (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 as net assets released from restrictions.

Gifts of equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support.

In-kind goods and services

Contributed materials have been recorded on the basis of rates that otherwise would have been paid for similar goods. Donated services are recorded as in-kind contributions and are recognized as revenue at estimated values at the date of receipt if they (a) create or enhance non-financial assets, or (b) require specialized skills and would need to be purchased if not provided by donation. Corresponding expenses are recognized as the assets and services are utilized.

For the years ended June 30, in-kind contributions consisted of the following:

	<u>2014</u>	<u>2013</u>
Marketing, advertising and design services	\$ 179,163	\$ 157,218
Goods used in support of events	78,944	56,536
Property and equipment	-	3,000
	<u>\$ 258,107</u>	<u>\$ 216,754</u>

AMERICAN LUNG ASSOCIATION OF THE MOUNTAIN PACIFIC

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2014 AND 2013

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional allocation of expenses

The cost of providing the various programs and other activities has been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Joint costs

In accordance with financial accounting standards, the Association conducts activities that include requests for contributions. These activities consist of direct mail campaigns, special events and other fundraising activities. The costs of conducting these activities that are not specifically attributable to particular components of activities amounted to \$1,002,004 and \$1,052,360 for the years ended June 30, 2014 and 2013, respectively. Those joint costs were allocated as follows for the years ended June 30:

	<u>2014</u>	<u>2013</u>
Fundraising	\$ 385,539	\$ 398,966
Tobacco control	289,773	337,411
Environmental health	97,395	127,006
Management and general	52,389	57,986
Lung cancer, asthma, COPD and other lung disease	<u>176,908</u>	<u>130,991</u>
	<u>\$ 1,002,004</u>	<u>\$ 1,052,360</u>

Advertising

The Association uses advertising to promote its special events, programs and to educate its audience on issues critical to its mission. Advertising costs are expensed as incurred.

Income taxes

The Internal Revenue Service has recognized the Association as exempt from federal income taxes under provision of Section 501(a) of the Internal Revenue Code as an entity described in Section 501(c)(3) and not as a private foundation.

NOTE B - GIFT ANNUITIES

The Association received three gift annuities in 1997 totaling \$42,775 through American Lung Association National (ALA National). The liability has been estimated and recorded at \$19,012. The annuity program is managed by ALA National, and the funds will be held by them until the payments to the beneficiaries cease.

AMERICAN LUNG ASSOCIATION OF THE MOUNTAIN PACIFIC

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2014 AND 2013

NOTE C - FAIR VALUE MEASUREMENTS

Fair value of assets and (liabilities) measured on a recurring basis are as follows:

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
As of June 30, 2014:				
Money market funds	\$ 277,360	\$ -	\$ -	\$ 277,360
Fixed income	-	1,677,989	-	1,677,989
Common Stock	2,884,878	-	-	2,884,878
Mutual funds	892,049	-	-	892,049
REIT	-	18,854	-	18,854
Investments	4,054,287	1,696,843	-	5,751,130
Gift annuities - liability	-	-	(19,012)	(19,012)
Beneficial interest in charitable trusts	-	-	522,464	522,464
Total shown measured at fair value	<u>\$4,054,287</u>	<u>\$1,696,843</u>	<u>\$ 503,452</u>	<u>\$6,254,582</u>

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
As of June 30, 2013:				
Money market funds	\$ 341,971	\$ -	\$ -	\$ 341,971
Fixed income	-	2,869,356	-	2,869,356
Common Stock	998,953	-	-	998,953
Mutual funds	388,948	-	-	388,948
REIT	-	55,484	-	55,484
Investments	1,729,872	2,924,840	-	4,654,712
Gift annuities - liability	-	-	(16,767)	(16,767)
Beneficial interest in charitable trusts	-	-	392,980	392,980
Total shown measured at fair value	<u>\$1,729,872</u>	<u>\$2,924,840</u>	<u>\$ 376,213</u>	<u>\$5,030,925</u>

AMERICAN LUNG ASSOCIATION OF THE MOUNTAIN PACIFIC

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2014 AND 2013

NOTE C - FAIR VALUE MEASUREMENTS (Continued)

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	Beneficial <u>Interest</u>	Pension <u>Asset</u>	Gift Annuity <u>Asset</u>	Gift Annuity <u>Liability</u>
Fair value as of June 30, 2012	\$ 344,569	\$ 35,146	\$ 144	\$ (14,489)
Additions	-	-	-	-
Total gains/losses (realized and unrealized) included in change in net assets	<u>48,411</u>	<u>(35,146)</u>	<u>(144)</u>	<u>(2,278)</u>
Fair value as of June 30, 2013	392,980	-	-	(16,767)
Additions	-	-	-	-
Total gains/losses (realized and unrealized) included in change in net assets	<u>129,484</u>	<u>-</u>	<u>-</u>	<u>(2,245)</u>
Fair value as of June 30, 2014	<u>\$ 522,464</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (19,012)</u>

Assets and liabilities carried at fair value on a nonrecurring basis using level 2 inputs generally include donated goods, facilities and services. Long-term promises to give are valued on a nonrecurring basis using the net present value of future cash flows discounted at a risk-free rate of return which is a level 3 input. The Association also uses fair value concepts to test various long-lived assets for impairment.

NOTE D - BENEFICIAL INTEREST IN CHARITABLE TRUSTS

The Association is the beneficiary of certain irrevocable charitable remainder trusts. One such trust was established for a term of 50 years, during which time 5.0% of the trust assets valued annually may be distributed in the form of scholarships at the discretion of the trustees. Upon the termination of this trust in 2023, the Association will receive 25% of the remaining assets of the trust. Total fair value of trust assets of this trust at June 30, 2014 and 2013 was \$585,199 and \$529,677, respectively. A temporarily restricted asset of \$93,899 and \$80,241 is recorded at June 30, 2014 and 2013, respectively, representing the present value of the estimated future cash flows using a discount rate of 4%, based on estimated investment earnings.

During the year ended June 30, 2014, the Association was notified that they are a 20% remainder beneficiary of the William Rudolph Testamentary Trust. The primary beneficiary received the greater of \$150,000 or annual income from the trust for their lifetime. Total fair value of trust assets at June 30, 2014 was \$2,179,489. A temporarily restricted asset of \$302,343 was recorded at June 30, 2014, representing the present value of the estimated future cash flows using a discount rate of 4%, based on estimated investment earnings and life expectancy of the primary beneficiary.

AMERICAN LUNG ASSOCIATION OF THE MOUNTAIN PACIFIC

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2014 AND 2013

NOTE D - BENEFICIAL INTEREST IN CHARITABLE TRUSTS (Continued)

The Association is the beneficiary of the Trainor Charitable Remainder Trust, a perpetual trust of which the Association holds a 50% interest. Total fair value of trust assets at June 30, 2014 and 2013 was \$740,607 and \$688,301, respectively. A permanently restricted asset of \$370,303 and \$344,151 recorded at June 30, 2014 and 2013, respectively, representing the Association's interest in this trust. The trust distributed \$13,074 and \$0 of investment income to the Association during the fiscal years ended June 30, 2014 and 2013, respectively.

The Association is the beneficiary of the Hudson Charitable Trust, a perpetual trust of which the Association holds a 2.11% interest. Total fair value of the trust assets at June 30, 2014 and 2013 was \$918,118 and \$858,828, respectively. A permanently restricted asset of \$19,329 and \$18,081 was recorded at June 30, 2014 and 2013, respectively, representing the Association's estimated interest in this trust. The trust distributed \$738 and \$790 of investment income to the Association during the fiscal years ended June 30, 2014 and 2013, respectively.

The Association is the beneficiary of the Celia Grau Charitable Foundation Trust, a perpetual trust of which the Association holds a 5% interest. Total fair value of trust assets at June 30, 2014 and 2013 was \$667,909 and \$614,965, respectively. A permanently restricted asset of \$33,395 and \$30,748 was recorded at June 30, 2014 and 2013, respectively, representing the Association's estimated interest in the trust. The trust distributed \$1,494 and \$1,675 of investment income to the Association during the fiscal years ended June 30, 2014 and 2013, respectively.

During the year ended June 30, 2014, Association was notified that they are a beneficiary of the Curtis Templin Charitable Trust Under Will, a trust of which the Association holds a 6.667% interest. Base value of trust assets at June 30, 2014 was \$1,490,798. A permanently restricted asset of \$99,436 was recorded at June 30, 2014, representing the Association's estimated interest in the trust.

The Association is named as a beneficiary of another charitable remainder trust for which no estimated remainder interest has been reflected in the financial statements as the Association does not have access to adequate information to quantify its interest. If and when such information becomes available the remainder interest will be recorded.

AMERICAN LUNG ASSOCIATION OF THE MOUNTAIN PACIFIC

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2014 AND 2013

NOTE E - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for purposes stipulated by donors. Temporarily restricted net assets consist of the following as of June 30:

	<u>2014</u>	<u>2013</u>
Future operations	\$ 401,211	\$ 80,532
Research	423,184	325,745
Asthma camps	21,814	86,997
Lung disease education & prevention	7,675	28,127
Tuberculosis activities	19,892	21,740
Tobacco programs	236,547	229,118
Environmental health	36,690	57,941
	<u>\$ 1,147,013</u>	<u>\$ 830,200</u>

NOTE F - ENDOWMENTS

The Association has four endowment funds whose corpus has been permanently restricted by donors and whose income is restricted to expenditure on lecturers. For each of the states that the Association operates in, they have interpreted that state's adoption of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the Association to adopt investment and spending policies that preserve the fair value of the original endowment gift as of the date of the gift, absent explicit donor restrictions to the contrary. Although the Association has a long-term fiduciary duty to the donor (and others) for a fund of perpetual duration, the preservation of an endowment's purchasing power is only one of several factors that are considered in managing and investing these funds.

Furthermore, in accordance with UPMIFA, a portion of an endowment's historic dollar value may be appropriated for expenditure in support of the designated purposes of the endowment if this is consistent with a spending policy that otherwise satisfies the requisite standard of prudence under UPMIFA. As a result of this interpretation, the Association classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) subsequent gifts to the endowment, and (3) accumulations made pursuant to the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Any investment return classified as permanently restricted net assets represents only those amounts required to be retained permanently as a result of explicit donor stipulations.

AMERICAN LUNG ASSOCIATION OF THE MOUNTAIN PACIFIC

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2014 AND 2013

NOTE F - ENDOWMENTS (Continued)

Endowment net assets consist of the following at June 30, 2014:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Donor restricted endowment funds				
Conklin Lectureship Fund	\$ -	\$ 961	\$ 11,294	\$ 12,255
Tuhy Lectureship Fund	(727)	-	15,875	15,148
Cohen-Fisher Lectureship Fund	-	2,346	20,000	22,346
Antonovich Lectureship Fund	-	310	2,636	2,946
Total donor restricted	<u>\$ (727)</u>	<u>\$ 3,617</u>	<u>\$ 49,805</u>	<u>\$ 52,695</u>

In addition, the Association has \$522,464 in permanently restricted assets as of June 30, 2014 that represent interest in various trusts as outlined in Note D.

Changes in endowment net assets for the year ended June 30, 2014:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ (1,409)	\$ 1,257	\$ 49,805	\$ 49,653
Investment return:				
Investment income	682	5,360	-	6,042
Net appreciation (realized and unrealized)	-	-	-	-
Total investment return	682	5,360	-	6,042
Contributions	-	-	-	-
Expenditures	-	(3,000)	-	(3,000)
Endowment net assets, end of year	<u>\$ (727)</u>	<u>\$ 3,617</u>	<u>\$ 49,805</u>	<u>\$ 52,695</u>

Endowment net assets consist of the following at June 30, 2013:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Donor restricted endowment funds				
Conklin Lectureship Fund	\$ -	\$ 443	\$ 11,294	\$ 11,737
Tuhy Lectureship Fund	(1,409)	-	15,875	14,466
Cohen-Fisher Lectureship Fund	-	814	20,000	20,814
Antonovich Lectureship Fund	-	-	2,636	2,636
Total donor restricted	<u>\$ (1,409)</u>	<u>\$ 1,257</u>	<u>\$ 49,805</u>	<u>\$ 49,653</u>

AMERICAN LUNG ASSOCIATION OF THE MOUNTAIN PACIFIC

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2014 AND 2013

NOTE F - ENDOWMENTS (Continued)

In addition, the Association had \$392,980 in permanently restricted assets as of June 30, 2013 that represent interest in various trusts as outlined in Note D.

Changes in endowment net assets for the year ended June 30, 2013:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ (1,409)	\$ 2,439	\$ 49,805	\$ 50,835
Investment return:				
Investment income	-	2,818	-	2,818
Net appreciation (realized and unrealized)	-	-	-	-
Total investment return	-	2,818	-	2,818
Contributions	-	-	-	-
Expenditures	-	(4,000)	-	(4,000)
Endowment net assets, end of year	<u>\$ (1,409)</u>	<u>\$ 1,257</u>	<u>\$ 49,805</u>	<u>\$ 49,653</u>

NOTE G - RELATED PARTY TRANSACTIONS

As a Charter of ALA National, the Association is required to remit an assessed amount in addition to 30% of the net proceeds from National-controlled direct mail income for the year ended June 30, 2014, and 13% of any bequests for estates established prior to July 1, 2009. In addition to these assessments, the Association purchases certain professional services from ALA National and contributes to research and joint projects. The Association entered into the following transactions with ALA National during the years ended June 30:

	<u>2014</u>	<u>2013</u>
Purchases of professional services, research, membership fee, and development of joint projects	\$1,273,555	\$1,186,652
Shared income and other assessments	731,910	411,639
	<u>\$2,005,465</u>	<u>\$1,598,291</u>

NOTE H - 401(K) RETIREMENT PLAN

The Association has a 401(k) plan for eligible employees. Employees who have completed at least six consecutive months of work and have worked 1,000 or more hours annually may elect to make voluntary contributions to the plan on a pre-tax basis, up to the limits allowed by law. The Association may make discretionary matching contributions to the plan up to 3% of the annual compensation of each eligible employee. Contributions to the plan from both employees and the Association vest as accrued. The Association did not make any matching contributions to the plan for the years ended June 30, 2014 and 2013.

AMERICAN LUNG ASSOCIATION OF THE MOUNTAIN PACIFIC

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2014 AND 2013

NOTE I - PENSION PLAN

The Association had contributory defined benefit pension plans (the Plans) managed by ALA National. Termination paperwork has been filed with the IRS and the plans were completely terminated subsequent to year end with all distributions made by September 30, 2014.

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 dates used to determine the pension measurements for the majority of plan assets and benefit obligations was June 30, 2014 and 2013. The Plan's funded status is as follows at June 30:

	<u>2014</u>	<u>2013</u>
Projected benefit obligation	\$ (43,483)	\$ (113,954)
Fair value of plan assets	<u>7,433</u>	<u>90,339</u>
Funded status	<u>\$ (36,050)</u>	<u>\$ (23,615)</u>
Prepaid pension cost (liability) included in the balance sheet	<u>\$ (36,050)</u>	<u>\$ (23,615)</u>
Benefit (credit) cost	<u>\$ -</u>	<u>\$ -</u>
Employer contributions	<u>\$ -</u>	<u>\$ -</u>
Plan participants' contributions	<u>\$ -</u>	<u>\$ -</u>
Benefits paid	<u>\$ -</u>	<u>\$ -</u>
Minimum pension asset adjustment	<u>\$ 12,435</u>	<u>\$ 58,761</u>
Weighted-average assumptions		
Discount rate	4.75%	4.25%
Expected return on plan assets	5.50%	5.00%

The expected long-term rate of return on assets assumption is 5.5% and 5.0% in 2014 and 2013, respectively. 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 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 even to the distribution of investments by asset class and historical rates of return for each individual asset class.

Funds are invested to provide for benefits included in the benefit obligation. The assumptions have 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. There were no employer contributions during 2014 or 2013. There are no employer contributions expected for the fiscal year beginning July 1, 2014.

AMERICAN LUNG ASSOCIATION OF THE MOUNTAIN PACIFIC

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2014 AND 2013

NOTE I - PENSION PLAN (Continued)

Benefits expected to be paid in each of the next five fiscal years and thereafter:

2014	\$ 42,209
2015	-
2016	-
2017	-
Thereafter	-
	<u>\$ 42,209</u>

Asset allocation as of June 30, 2014 is as follows:

	<u>2014</u>	<u>Target</u>
Allocation of plan assets		
Equity securities (Level 1)	23.9%	30.0%
Debt securities (Level 2)	65.6%	67.0%
Real estate (Level 2)	8.0%	0.0%
Cash and equivalents (Level 1)	<u>2.5%</u>	<u>3.0%</u>
Total	<u>100.0%</u>	<u>100.0%</u>

In order to meet its needs, the investment strategy of the Association emphasized 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 to achieve a balanced return of current income and appropriate growth of principal. The secondary objective in the investment management of assets is to achieve returns in excess of the 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 at a minimization of costs.

Risk control is an important element in the investment plan and is achieved through a diversified target allocation and the prohibition of investing in derivative investments, private placements, limited partnerships, and venture-capital investments. In addition, short selling and margin transactions are prohibited. The Association also prohibits investments in companies that derive their revenue from the manufacture and sale of tobacco products.

NOTE J - FUNDS HELD FOR OTHERS

The Association serves as the administrator for the Sadie Orr Dunbar Nursing Education Fund (the Fund). Disbursements are made from the Fund by the Association in accordance with the wishes of the Board of Trustees for the Fund. One member of the Association's Board sits on the Board of Trustees. The Association also holds funds for the Washington Thoracic Society. As the Association lacks control of these funds, they have been recorded as both an asset and an off-setting liability. Activity in the Fund is not recorded as income or expense for the Association.

AMERICAN LUNG ASSOCIATION OF THE MOUNTAIN PACIFIC

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2014 AND 2013

NOTE K - COMMITMENTS

The Association has operating lease agreements for office facilities and certain equipment. Rent expense under operating leases was \$292,030 and \$356,062 for the years ended June 30, 2014 and 2013, respectively. Minimum annual payments approximate:

Years ending June 30,	
2015	\$ 303,271
2016	298,502
2017	249,248
2018	98,744
2019	20,811
Thereafter	-
	<u>\$ 970,576</u>

NOTE L - SUBSEQUENT EVENTS

Management has evaluated events occurring subsequent to June 30, 2014 through October 30, 2014, which is the date the financial statements were available to be issued and has recognized in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at June 30, 2014, including the estimates inherent in the processing of financial statements. The following events arose after June 30, 2014 relating to conditions that did not exist as of June 30, 2014.

In July 2014, the Association entered into a 36 month lease agreement for its Wasilla office facility commencing August 2014. Also in July 2014, the Association entered into a 36 month lease agreement for its Fairbanks office facility commencing July 2014. Minimum annual payments under these new leases are as follows:

Years ending June 30,	Wasilla	Fairbanks
2015	\$ 7,502	\$ 5,414
2016	8,184	5,920
2017	8,184	6,216
2018	682	260
	<u>\$ 24,552</u>	<u>\$ 17,810</u>

The Association Board voted to change the state of incorporation of the Association from Oregon to Washington. A corporation was formed in Washington and has received 501(c)(3) status from the Internal Revenue Service. Effective January 1, 2015, the Oregon entity will merge into the Washington entity. The name of the Association will remain American Lung Association of the Mountain Pacific, and the federal tax identification number and mission will remain the same.

SUPPLEMENTARY INFORMATION

INDEPENDENT AUDITOR'S REPORT
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

October 30, 2014

Board of Directors
American Lung Association of the Mountain Pacific
Seattle, Washington

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 Mountain Pacific, which comprise the balance sheet as of June 30, 2014, and the related statements 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 30, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered American Lung Association of the Mountain Pacific'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 statements, but not for the purpose of expressing an opinion on the effectiveness of American Lung Association of the Mountain Pacific's internal control. Accordingly, we do not express an opinion on the effectiveness of American Lung Association of the Mountain Pacific'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 American Lung Association of the Mountain Pacific's financial statements are free from 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 American Lung Association of the Mountain Pacific's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering American Lung Association of the Mountain Pacific's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Jacobson Jarvis & Co, PLLC