

AMERICAN LUNG ASSOCIATION OF THE MOUNTAIN PACIFIC

FINANCIAL STATEMENTS
With Independent Auditor's Report

YEARS ENDED JUNE 30, 2015 AND 2014



AMERICAN LUNG ASSOCIATION OF THE MOUNTAIN PACIFIC

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014

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INDEPENDENT AUDITOR'S REPORT

November 6, 2015

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, 2015 and 2014, 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. 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 in the first paragraph of this letter present fairly, in all material respects, the financial position of American Lung Association of the Mountain Pacific as of June 30, 2015 and 2014, 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.

Jacobson Jarvis & Co, PLLC

Jacobson Jarvis & Co, PLLC

AMERICAN LUNG ASSOCIATION OF THE MOUNTAIN PACIFIC

BALANCE SHEETS

JUNE 30, 2015 AND 2014

	2015				2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<u>ASSETS</u>								
Current Assets								
Cash	\$ 1,041,029	\$ -	\$ -	\$ 1,041,029	\$ 820,697	\$ -	\$ -	\$ 820,697
Current receivables								
Accounts receivable	36,017	-	-	36,017	43,580	-	-	43,580
Grants receivable	156,432	-	-	156,432	153,971	-	-	153,971
Promises to give	1,323,330	-	-	1,323,330	1,386,878	40,475	-	1,427,353
Total Current Receivables	1,515,779	-	-	1,515,779	1,584,429	40,475	-	1,624,904
Prepaid expenses and other assets								
Prepaid expense	118,134	-	-	118,134	85,066	-	-	85,066
Property held for sale	102,879	-	-	102,879	-	-	-	-
Total Current Assets	2,777,821	-	-	2,777,821	2,490,192	40,475	-	2,530,667
Non-Current Assets								
Other non-current prepaids	26,749	-	-	26,749	20,998	-	-	20,998
Non-current receivables	67,132	29,287	-	96,419	-	396,242	-	396,242
Beneficial interest in charitable trusts	-	-	502,106	502,106	-	-	522,464	522,464
Investments	5,112,293	722,145	49,805	5,884,243	4,991,029	710,296	49,805	5,751,130
Funds held for others	86,875	-	-	86,875	103,554	-	-	103,554
Property and equipment								
Equipment	177,357	-	-	177,357	177,357	-	-	177,357
Leasehold improvements	28,470	-	-	28,470	19,691	-	-	19,691
Buildings	-	-	-	-	270,918	-	-	270,918
Land	-	-	-	-	3,000	-	-	3,000
Accumulated depreciation	(186,844)	-	-	(186,844)	(343,286)	-	-	(343,286)
Property and equipment, net	18,983	-	-	18,983	127,680	-	-	127,680
Total Non-Current Assets	5,312,032	751,432	551,911	6,615,375	5,243,261	1,106,538	572,269	6,922,068
Total Assets	\$ 8,089,853	\$ 751,432	\$ 551,911	\$ 9,393,196	\$ 7,733,453	\$ 1,147,013	\$ 572,269	\$ 9,452,735

AMERICAN LUNG ASSOCIATION OF THE MOUNTAIN PACIFIC

BALANCE SHEETS (Continued)

JUNE 30, 2015 AND 2014

	2015				2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
LIABILITIES AND NET ASSETS								
Current Liabilities								
Accounts payable and accrued expenses								
Payable to National	\$ 64,508	\$ -	\$ -	\$ 64,508	\$ 50,492	\$ -	\$ -	\$ 50,492
Accounts payable	328,398	-	-	328,398	233,497	-	-	233,497
Accrued liabilities	108,957	-	-	108,957	156,218	-	-	156,218
Deferred revenue	119,534	-	-	119,534	126,697	-	-	126,697
Accrued vacation	85,091	-	-	85,091	85,550	-	-	85,550
Total Current Liabilities	706,488	-	-	706,488	652,454	-	-	652,454
Non-Current Liabilities								
Funds held for others	86,875	-	-	86,875	103,553	-	-	103,553
Annuity fund obligations	21,220	-	-	21,220	19,012	-	-	19,012
Total Non-Current Liabilities	108,095	-	-	108,095	122,565	-	-	122,565
Total Liabilities	814,583	-	-	814,583	775,019	-	-	775,019
Net Assets	7,275,270	751,432	551,911	8,578,613	6,958,434	1,147,013	572,269	8,677,716
Total Liabilities and Net Assets	\$ 8,089,853	\$ 751,432	\$ 551,911	\$ 9,393,196	\$ 7,733,453	\$ 1,147,013	\$ 572,269	\$ 9,452,735

AMERICAN LUNG ASSOCIATION OF THE MOUNTAIN PACIFIC

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2015 AND 2014

	2015				2014			
	<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>
Operating Activities								
Public Support and Revenue								
Contributions and donations								
Direct mail								
Direct mail	\$ 1,441,335	\$ -	\$ -	\$ 1,441,335	\$ 1,557,883	\$ -	\$ -	\$ 1,557,883
Residential campaign	-	-	-	-	13,996	-	-	13,996
Total Direct Mail	1,441,335	-	-	1,441,335	1,571,879	-	-	1,571,879
Vehicle donation program	6,510	-	-	6,510	4,774	-	-	4,774
Special events								
Special events gross revenue	1,787,178	-	-	1,787,178	1,412,481	-	-	1,412,481
Special events direct expenses	(403,532)	-	-	(403,532)	(337,135)	-	-	(337,135)
Net Special Events	1,383,646	-	-	1,383,646	1,075,346	-	-	1,075,346
Other contributions								
Workplace giving	38,170	400	-	38,570	36,134	-	-	36,134
Memorials	48,703	1,475	-	50,178	57,967	-	-	57,967
Individual/major gifts	103,984	10,557	-	114,541	77,720	10,780	-	88,500
Bequests	816,378	9,352	-	825,730	3,218,604	515,182	99,435	3,833,221
Corporate gifts	18,004	74,771	-	92,775	29,916	43,140	-	73,056
In-kind contributions	272,910	-	-	272,910	258,107	-	-	258,107
Foundation gifts	13,439	62,750	-	76,189	13,346	69,500	-	82,846
Total Other Contributions	1,311,588	159,305	-	1,470,893	3,691,794	638,602	99,435	4,429,831
Total Contributions and Donations	4,143,079	159,305	-	4,302,384	6,343,793	638,602	99,435	7,081,830
Revenues								
Corporate grants	194,615	-	-	194,615	164,014	-	-	164,014
Foundation grants	150,998	-	-	150,998	152,326	-	-	152,326
Government grants	1,081,391	-	-	1,081,391	1,302,559	-	-	1,302,559
Interest and dividends	139,766	-	-	139,766	149,260	-	-	149,260
Program service fees	166,517	-	-	166,517	120,607	-	-	120,607
Sale of materials	32,864	-	-	32,864	25,176	-	-	25,176
Other revenue	7,356	-	-	7,356	7,041	-	-	7,041
Total Revenues	1,773,507	-	-	1,773,507	1,920,983	-	-	1,920,983
Total Public Support and Revenues								
Before Net Asset Releases	5,916,586	159,305	-	6,075,891	8,264,776	638,602	99,435	9,002,813

See notes to financial statements.

AMERICAN LUNG ASSOCIATION OF THE MOUNTAIN PACIFIC

STATEMENTS OF ACTIVITIES (Continued)

YEARS ENDED JUNE 30, 2015 AND 2014

	2015				2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets released from restriction								
Asthma programs	\$ 232	\$ (232)	\$ -	\$ -	\$ 88,220	\$ (88,220)	\$ -	\$ -
Time restricted releases	312,295	(312,295)	-	-	3,292	(3,292)	-	-
Other	245,714	(245,714)	-	-	249,296	(249,296)	-	-
Total Net Assets Released from Restriction	558,241	(558,241)	-	-	340,808	(340,808)	-	-
Total Public Support and Revenues	6,474,827	(398,936)	-	6,075,891	8,605,584	297,794	99,435	9,002,813
Expenses								
Program services	3,452,120	-	-	3,452,120	3,602,186	-	-	3,602,186
Supporting services	2,169,911	-	-	2,169,911	2,050,651	-	-	2,050,651
Assessments to National	538,173	-	-	538,173	731,910	-	-	731,910
Total Expenses	6,160,204	-	-	6,160,204	6,384,747	-	-	6,384,747
Change in Net Assets from Operations	314,623	(398,936)	-	(84,313)	2,220,837	297,794	99,435	2,618,066
Non-operating Activities								
Realized gain on investments	148,580	-	-	148,580	78,343	-	-	78,343
Unrealized (loss) gain on investments	(146,367)	3,355	(20,358)	(163,370)	205,033	19,019	30,049	254,101
Minimum pension asset adjustment	-	-	-	-	(12,435)	-	-	(12,435)
Change in Net Assets from Non-operating Activities	2,213	3,355	(20,358)	(14,790)	270,941	19,019	30,049	320,009
Total Change in Net Assets	316,836	(395,581)	(20,358)	(99,103)	2,491,778	316,813	129,484	2,938,075
Net Assets - beginning of year	6,958,434	1,147,013	572,269	8,677,716	4,466,656	830,200	442,785	5,739,641
Net Assets - end of year	\$ 7,275,270	\$ 751,432	\$ 551,911	\$ 8,578,613	\$ 6,958,434	\$ 1,147,013	\$ 572,269	\$ 8,677,716

AMERICAN LUNG ASSOCIATION OF THE MOUNTAIN PACIFIC

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2015

	Program Services				Total Program Services	Supporting Services		
	Lung Disease	Environmental Health	Tobacco Control	Research		Fundraising	Management and General	Total
Salaries	\$ 292,256	\$ 237,835	\$ 747,681	\$ -	\$ 1,277,772	\$ 544,712	\$ 93,717	\$ 1,916,201
Payroll taxes	26,241	21,371	67,185	-	114,797	48,947	8,421	172,165
Employee benefits	31,370	25,550	80,321	-	137,241	58,516	10,067	205,824
Total Salaries and Related Expenses	349,867	284,756	895,187	-	1,529,810	652,175	112,205	2,294,190
Direct mail	299,647	40,861	40,861	163,444	544,813	295,089	46,838	886,740
Professional fees	49,277	53,095	401,754	-	504,126	271,861	49,335	825,322
Occupancy	52,810	35,655	107,644	-	196,109	60,391	104,053	360,553
Shared services provided by National	35,028	3,776	11,380	209,048	259,232	77,498	790	337,520
Donated goods and services	5,707	2,029	6,119	-	13,855	253,131	5,924	272,910
Travel, transportation, lodging and meals	34,320	18,615	52,902	-	105,837	22,091	7,683	135,611
Media and advertising	2,899	15,947	20,706	-	39,552	75,607	-	115,159
Equipment	9,994	8,228	33,615	-	51,837	13,051	18,549	83,437
Conferences and meetings	42,196	2,561	18,140	-	62,897	9,745	892	73,534
Office supplies	3,540	18,769	33,994	-	56,303	3,769	1,666	61,738
Printing	9,382	1,336	24,891	-	35,609	23,157	504	59,270
Insurance	6,089	4,111	12,390	-	22,590	6,951	11,996	41,537
Postage and shipping	1,359	3,547	3,248	-	8,154	22,446	1,536	32,136
Depreciation	2,139	1,445	4,354	-	7,938	2,443	4,216	14,597
Miscellaneous	1,863	1,258	3,791	-	6,912	2,930	3,134	12,976
Dues and subscriptions	127	77	1,675	-	1,879	5,524	82	7,485
Training and development	2,246	487	1,934	-	4,667	1,972	677	7,316
Total Expenses before Assessments to National	908,490	496,553	1,674,585	372,492	3,452,120	1,799,831	370,080	5,622,031
Assessments to National	111,656	55,828	41,872	282,294	491,650	18,609	27,914	538,173
	<u>\$ 1,020,146</u>	<u>\$ 552,381</u>	<u>\$ 1,716,457</u>	<u>\$ 654,786</u>	<u>\$ 3,943,770</u>	<u>\$ 1,818,440</u>	<u>\$ 397,994</u>	<u>\$ 6,160,204</u>

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
Direct mail	171,293	94,305	280,566	-	546,164	313,889	52,389	912,442
Professional fees	98,916	29,495	500,713	-	629,124	271,994	29,041	930,159
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
Conferences and meetings	32,798	2,075	14,935	-	49,808	7,146	2,065	59,019
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
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
Depreciation	2,668	1,469	4,370	-	8,507	3,225	3,492	15,224
Miscellaneous	968	590	7,239	-	8,797	6,429	1,299	16,525
Dues and subscriptions	176	50	1,513	-	1,739	5,151	119	7,009
Training and development	1,230	168	11,365	-	12,763	2,670	283	15,716
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

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (99,103)	\$ 2,938,075
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	14,597	15,224
Realized and unrealized loss (gain) on investments	14,790	(332,444)
Contribution of beneficial interest in charitable trusts	-	(401,777)
Changes in assets and liabilities		
Accounts receivable	7,563	1,824
Grants receivable	(2,461)	(69,298)
Promises to give	406,366	(1,118,914)
Receivable from ALA National	-	257,548
Prepaid expenses and other assets	(38,819)	2,136
Payable to National	14,016	(219,448)
Accounts payable	94,901	80,197
Accrued liabilities and accrued vacation payable	(47,720)	15,707
Deferred revenue	<u>(7,163)</u>	<u>67,786</u>
Cash Provided by Operating Activities	<u>356,967</u>	<u>1,236,616</u>
Cash Flows from Investing Activities		
Purchase of investments	(2,190,150)	(5,062,553)
Proceeds from sale of investments	2,062,294	4,257,115
Purchase of property and equipment	<u>(8,779)</u>	<u>(4,444)</u>
Cash Used by Investing Activities	<u>(136,635)</u>	<u>(809,882)</u>
Change in Cash	220,332	426,734
Cash - beginning of year	<u>820,697</u>	<u>393,963</u>
Cash - end of year	<u>\$ 1,041,029</u>	<u>\$ 820,697</u>

AMERICAN LUNG ASSOCIATION OF THE MOUNTAIN PACIFIC

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014

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.

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 merged into the Washington entity. The name of the Association remains American Lung Association of the Mountain Pacific, and the federal tax identification number and mission remains the same.

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.

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. 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.

AMERICAN LUNG ASSOCIATION OF THE MOUNTAIN PACIFIC

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 \$2,838 and \$4,154, respectively, was recorded to account for the estimated uncollectible promises at June 30, 2015 and 2014. The estimated uncollectible amount was based on historical data and detailed review of the specific outstanding pledged balances. At June 30, 2015, 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 \$1,242,029 and \$1,337,249 were recorded at June 30, 2015 and 2014, 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 \$24,164 and \$16,932 was in accounts receivable at June 30, 2015 and 2014, respectively.

Property held for sale

In March 2015, the Association listed the building it owns at 825 Helena Ave in Helena, Montana for sale. The Association no longer has employees in Helena to utilize the offices and the proceeds could support the mission work throughout the region.

AMERICAN LUNG ASSOCIATION OF THE MOUNTAIN PACIFIC

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

In August 2015, an offer was received and the sale closed on September 15, with a sales price of \$186,200. Net proceeds after commissions/fees were \$174,022.

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 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

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 reported in the statements of activities 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. Absent explicit donor stipulations about how long those assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

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>2015</u>	<u>2014</u>
Marketing, advertising and design services	\$ 207,544	\$ 179,163
Goods used in support of events	<u>65,366</u>	<u>78,944</u>
	<u>\$ 272,910</u>	<u>\$ 258,107</u>

AMERICAN LUNG ASSOCIATION OF THE MOUNTAIN PACIFIC

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014

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 and other fundraising activities. The costs of conducting these activities that are not specifically attributable to particular components of activities amounted to \$983,040 and \$1,002,004 for the years ended June 30, 2015 and 2014, respectively. Those joint costs were allocated as follows for the years ended June 30:

	<u>2015</u>	<u>2014</u>
Fundraising	\$ 372,129	\$ 385,539
Tobacco control	50,761	289,773
Environmental health	44,183	97,395
Management and general	46,838	52,389
Lung cancer, asthma, COPD and other lung disease	<u>469,129</u>	<u>176,908</u>
	<u>\$ 983,040</u>	<u>\$ 1,002,004</u>

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.

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.

Reclassification

Certain accounts in the 2014 financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. These reclassifications had no effect on the net assets or change in net assets as of or for the year ended June 30, 2014.

AMERICAN LUNG ASSOCIATION OF THE MOUNTAIN PACIFIC

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014

NOTE B - FAIR VALUE MEASUREMENTS

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

	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	<u>Total</u>
As of June 30, 2015:				
Money market funds	\$ 183,547	\$ -	\$ -	\$ 183,547
Debt Instruments	-	1,859,649	-	1,859,649
U.S. Large Cap Equities	1,914,522	-	-	1,914,522
U.S. Mid Cap Equities	419,806	-	-	419,806
U.S. Small Cap Equities	355,128	-	-	355,128
International Equities	720,167	-	-	720,167
Emerging Markets	115,107	-	-	115,107
Mutual funds	271,570	-	-	271,570
REIT	-	44,747	-	44,747
Investments	<u>3,979,847</u>	<u>1,904,396</u>	-	<u>5,884,243</u>
Gift annuities - liability	-	-	(21,220)	(21,220)
Beneficial interest in charitable trusts	-	-	502,106	502,106
Total shown measured at fair value	<u>\$3,979,847</u>	<u>\$1,904,396</u>	<u>\$ 480,886</u>	<u>\$6,365,129</u>
	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	<u>Total</u>
As of June 30, 2014:				
Money market funds	\$ 277,360	\$ -	\$ -	\$ 277,360
Debt Instruments	-	1,677,989	-	1,677,989
U.S. Large Cap Equities	2,143,846	-	-	2,143,846
U.S. Mid Cap Equities	391,534	-	-	391,534
U.S. Small Cap Equities	387,814	-	-	387,814
International Equities	497,553	-	-	497,553
Emerging Markets	95,985	-	-	95,985
Mutual funds	260,195	-	-	260,195
REIT	-	18,854	-	18,854
Investments	<u>4,054,287</u>	<u>1,696,843</u>	-	<u>5,751,130</u>
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>

AMERICAN LUNG ASSOCIATION OF THE MOUNTAIN PACIFIC

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014

NOTE B - FAIR VALUE MEASUREMENTS (Continued)

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

	Beneficial <u>Interest</u>	Gift Annuity <u>Liability</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>(2,245)</u>
Fair value as of June 30, 2014	522,464	(19,012)
Additions	-	-
Total gains/losses (realized and unrealized) included in change in net assets	<u>(20,358)</u>	<u>(2,208)</u>
Fair value as of June 30, 2015	<u>\$ 502,106</u>	<u>\$ (21,220)</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 C - 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 \$21,220. The annuity program is managed by ALA National, and the funds will be held by them until the payments to the beneficiaries cease.

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, 2015 and 2014 was \$571,582 and \$585,199, respectively. A temporarily restricted asset of \$96,419 and \$93,899 was recorded at June 30, 2015 and 2014, respectively, representing the present value of the estimated future cash flows, using a discount rate of 3.89%, based on estimated investment earnings.

AMERICAN LUNG ASSOCIATION OF THE MOUNTAIN PACIFIC

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014

NOTE D - BENEFICIAL INTEREST IN CHARITABLE TRUSTS (Continued)

The Association is a beneficiary of the William Rudolph Testamentary Trust, a trust of which the Association holds a 20% interest. Total fair value of trust assets at June 30, 2015 and June 30, 2014 was \$2,043,289 and \$2,179,489 respectively. A temporarily restricted asset of \$302,343 was recorded at June 30, 2014, representing the Association's estimated interest in the trust. The Association was notified that the trust would be paying out imminently and the estimated fair value of the asset of \$347,359 was moved to a pledge receivable at June 30, 2015.

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, 2015 and 2014 was \$711,505 and \$740,607, respectively. A permanently restricted asset of \$355,753 and \$370,303 recorded at June 30, 2015 and 2014, respectively, representing the Association's interest in this trust. The trust distributed \$11,296 and \$13,074 of investment income to the Association during the fiscal years ended June 30, 2015 and 2014, 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, 2015 and 2014 was \$871,257 and \$918,118, respectively. A permanently restricted asset of \$18,342 and \$19,329 was recorded at June 30, 2015 and 2014, respectively, representing the Association's estimated interest in this trust. The trust distributed \$819 and \$738 of investment income to the Association during the fiscal years ended June 30, 2015 and 2014, 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, 2015 and 2014 was \$637,364 and \$667,909, respectively. A permanently restricted asset of \$31,868 and \$33,395 was recorded at June 30, 2015 and 2014, respectively, representing the Association's estimated interest in the trust. The trust distributed \$1,634 and \$1,494 of investment income to the Association during the fiscal years ended June 30, 2015 and 2014, respectively.

The Association is a beneficiary of the Curtis Templin Trust, a trust of which the Association holds a 6.67% interest. Total respective fair values of trust assets at June 30, 2015 and June 30, 2014 was \$1,441,423 and \$1,490,798. A temporarily restricted asset of \$96,143 and \$99,436 was recorded at June 30, 2015 and June 30, 2014 respectively, 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, 2015 AND 2014

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>2015</u>	<u>2014</u>
Future operations	\$ 97,371	\$ 401,211
Research	337,036	423,184
Asthma programs	22,039	21,814
Lung disease education & prevention	9,344	7,675
Tuberculosis activities	19,738	19,892
Tobacco programs	234,406	236,547
Environmental health	31,498	36,690
	<u>\$ 751,432</u>	<u>\$ 1,147,013</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, 2015 AND 2014

NOTE F - ENDOWMENTS (Continued)

Endowment net assets consist of the following at June 30, 2015:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Donor restricted endowment funds				
Conklin Lectureship Fund	\$ -	\$ 252	\$ 11,294	\$ 11,546
Tuhy Lectureship Fund	(405)	-	15,875	15,470
Cohen-Fisher Lectureship Fund	-	581	20,000	20,581
Antonovich Lectureship Fund	-	119	2,636	2,755
Total donor restricted	<u>\$ (405)</u>	<u>\$ 952</u>	<u>\$ 49,805</u>	<u>\$ 50,352</u>

In addition, the Association has \$502,106 in permanently restricted assets as of June 30, 2015 that represent interest in various trusts as outlined in Note D.

Changes in endowment net assets for the year ended June 30, 2015:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ (727)	\$ 3,617	\$ 49,805	\$ 52,695
Investment return	322	835	-	1,157
Contributions	-	-	-	-
Expenditures	-	(3,500)	-	(3,500)
Endowment net assets, end of year	<u>\$ (405)</u>	<u>\$ 952</u>	<u>\$ 49,805</u>	<u>\$ 50,352</u>

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 had \$522,464 in permanently restricted assets as of June 30, 2014 that represent interest in various trusts as outlined in Note D.

AMERICAN LUNG ASSOCIATION OF THE MOUNTAIN PACIFIC

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014

NOTE F - ENDOWMENTS (Continued)

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	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>

NOTE G - 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, 2015 or 2014.

NOTE H - COMMITMENTS

The Association has operating lease agreements for office facilities and certain equipment. Rent expense under operating leases was \$325,076 and \$292,030 for the years ended June 30, 2015 and 2014, respectively. Minimum annual payments are as follows:

Years ending June 30,	
2016	\$ 284,918
2017	230,035
2018	115,099
2019	29,354
Thereafter	-
	<u>\$ 659,406</u>

NOTE I - 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, 2015, 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.

AMERICAN LUNG ASSOCIATION OF THE MOUNTAIN PACIFIC

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014

NOTE I - RELATED PARTY TRANSACTIONS (Continued)

The Association entered into the following transactions with ALA National during the years ended June 30:

	<u>2015</u>	<u>2014</u>
Purchases of professional services, research, membership fee, and development of joint projects	\$1,162,842	\$1,255,838
Shared income and other assessments	<u>538,173</u>	<u>731,910</u>
	<u>\$ 1,701,015</u>	<u>\$ 1,987,748</u>

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.

NOTE L - SUBSEQUENT EVENTS

Management has evaluated events occurring subsequent to June 30, 2015 through November 6, 2015, 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, 2015, including the estimates inherent in the processing of financial statements. The following events arose after June 30, 2015 relating to conditions that did not exist as of June 30, 2015.

In July 2015, the Association entered into a 63 month lease agreement for its Tigard, Oregon office facility commencing September 2015 and a 60 month lease agreement for a copier in its Tigard office commencing October 2015. Minimum annual payments under these new leases are as follows:

Years ending June 30,	
2016	\$ 41,428
2017	51,079
2018	52,519
2019	53,998
2020	55,531
2021	<u>22,778</u>
	<u>\$ 277,333</u>