AMERICAN LUNG ASSOCIATION

FINANCIAL STATEMENTS AND INDEPENDENT
AUDITOR'S REPORT

For the Years Ended June 30, 2021 and 2020

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AMERICAN LUNG ASSOCIATION
TABLE OF CONTENTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
American Lung Association

Report on the Financial Statements

We have audited the accompanying financial statements of American Lung Association (Association), which comprise the Statements of Financial Position as of June 30, 2021 and 2020, and the related Statements of Activities, Functional Expenses, and Cash Flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 as of June 30, 2021 and 2020, 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2021, on our consideration of the Association'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Association's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control over financial reporting and compliance.

Sikich LLP

Springfield, Illinois
December 22, 2021

FINANCIAL STATEMENTS

AMERICAN LUNG ASSOCIATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2021 and 2020

ASSETS

	2021	2020
Cash and cash equivalents	$ 30,341,221	$ 26,666,244
Receivables:		
Accounts and grants receivable, net	10,646,065	12,375,137
Notes receivable	306,570	930,884
Prepaid expenses and other assets:		
Prepaid expenses	968,114	1,438,374
Inventories	51,376	82,091
Investments	138,016,242	109,548,506
Other assets	1,068,778	898,813
Land, buildings, and equipment, net	9,820,065	10,181,521
Beneficial interest in gift annuities	1,490,145	1,374,905
Beneficial interest in charitable and perpetual trusts	40,105,247	33,087,269
TOTAL ASSETS	$ 232,813,823	$ 196,583,744

LIABILITIES AND NET ASSETS

	2021	2020
LIABILITIES		
Accounts payable and accrued expenses		
Accounts payable - general	$ 11,029,182	$ 11,419,216
Accounts payable - awards and grants	12,436,934	10,525,000
Deferred revenue	694,698	1,856,038
Unearned grant advances	15,228,815	13,939,791
PPP refundable grant advance	8,028,215	-
Amounts held on behalf of others	1,234,963	1,053,657
Accrued pension and postretirement plan liabilities	13,952,105	12,573,770
Gift annuities obligations	994,974	935,831
Other liabilities	775,196	1,475,318
Total liabilities	64,375,082	53,778,621
NET ASSETS		
Without donor restrictions	118,316,552	100,169,178
With donor restrictions		
Perpetual in nature	44,977,098	38,284,201
Purpose and time restrictions	5,145,091	4,351,744
	50,122,189	42,635,945
Total net assets	168,438,741	142,805,123
TOTAL LIABILITIES AND NET ASSETS	$ 232,813,823	$ 196,583,744

See accompanying notes to the financial statements.

AMERICAN LUNG ASSOCIATION

STATEMENT OF ACTIVITIES

Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE			
Public support:			
Direct mail	$ 18,276,022	$ -	$ 18,276,022
Contributions	8,008,589	83,681	8,092,270
Contributed media services and materials	35,208,027	-	35,208,027
Bequests and trust income	13,099,220	7,000	13,106,220
Special events	12,556,560	-	12,556,560
Less direct donor benefits	(1,466,270)	-	(1,466,270)
Total public support	85,682,148	90,681	85,772,829
Other revenue:			
Corporate support	13,520,391	-	13,520,391
Foundation support	2,011,215	29,000	2,040,215
Government grants	24,405,257	-	24,405,257
Interest and dividends	3,344,618	179,367	3,523,985
Research co-funding	656,510	-	656,510
Program service fees	1,036,881	-	1,036,881
Other	480,073	-	480,073
Gain on sale of land, buildings, and equipment	223,709	-	223,709
Total other revenue	45,678,654	208,367	45,887,021
Net assets released from restrictions	1,100,648	(1,100,648)	-
Total revenue	132,461,450	(801,600)	131,659,850
EXPENSES			
Program services	119,800,937	-	119,800,937
Supporting services	13,907,323	-	13,907,323
Total expenses	133,708,260	-	133,708,260
Changes in net assets from operating activities	(1,246,810)	(801,600)	(2,048,410)
OTHER CHANGES IN NET ASSETS			
Net realized gains on investments	2,758,577	132,498	2,891,075
Net unrealized gains on investments	21,000,241	1,055,337	22,055,578
Change in fair value of beneficial interest in trusts & other	120,074	7,100,009	7,220,083
Change in value of split-interest agreements	60,285	-	60,285
Change in value of equity method investments	(160,801)	-	(160,801)
Other pension and postretirement plan changes	(4,384,192)	-	(4,384,192)
Total other changes in net assets	19,394,184	8,287,844	27,682,028
CHANGE IN NET ASSETS	18,147,374	7,486,244	25,633,618
NET ASSETS - BEGINNING OF YEAR	100,169,178	42,635,945	142,805,123
NET ASSETS - END OF YEAR	$ 118,316,552	$ 50,122,189	$ 168,438,741

See accompanying notes to the financial statements.

AMERICAN LUNG ASSOCIATION

STATEMENT OF ACTIVITIES

Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE			
Public support:			
Direct mail	$ 16,358,601	$ -	$ 16,358,601
Contributions	6,267,393	6,100	6,273,493
Contributed media services and materials	25,651,193	-	25,651,193
Bequests and trust income	18,657,707	7,000	18,664,707
Special events	11,801,848	-	11,801,848
Less direct donor benefits	(1,599,096)	-	(1,599,096)
Total public support	77,137,646	13,100	77,150,746
Other revenue:			
Corporate support	14,062,589	-	14,062,589
Foundation support	2,707,434	33,000	2,740,434
Government grants	27,070,896	-	27,070,896
Interest and dividends	3,507,724	248,880	3,756,604
Research co-funding	976,927	-	976,927
Program service fees	1,374,357	-	1,374,357
Other	604,557	-	604,557
Gain on sale of land, buildings, and equipment	435,809	-	435,809
Total other revenue	50,740,293	281,880	51,022,173
Net assets released from restrictions	280,137	(280,137)	-
Total revenue	128,158,076	14,843	128,172,919
EXPENSES			
Program services	117,405,007	-	117,405,007
Supporting services	14,075,717	-	14,075,717
Total expenses	131,480,724	-	131,480,724
Changes in net assets from operating activities	(3,322,648)	14,843	(3,307,805)
OTHER CHANGES IN NET ASSETS			
Net realized gains on investments	1,542,244	180,329	1,722,573
Net unrealized losses on investments	(4,704,515)	(469,728)	(5,174,243)
Change in fair value of beneficial interest in trusts & other	131,230	(1,598,697)	(1,467,467)
Change in value of split-interest agreements	(29,385)	-	(29,385)
Change in value of equity method investments	(169,828)	-	(169,828)
Other pension and postretirement plan changes	(2,000,925)	-	(2,000,925)
Total other changes in net assets	(5,231,179)	(1,888,096)	(7,119,275)
CHANGE IN NET ASSETS	(8,553,827)	(1,873,253)	(10,427,080)
NET ASSETS - BEGINNING OF YEAR	108,723,005	44,509,198	153,232,203
NET ASSETS - END OF YEAR	$ 100,169,178	$ 42,635,945	$ 142,805,123

See accompanying notes to the financial statements.

AMERICAN LUNG ASSOCIATION

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2021

	Program Services				
	Lung Cancer, Asthma, COPD and Lung Disease	Research	Advocacy and Environment	Tobacco Control	Total Program Services
Salaries	$ 9,269,404	$ 3,344,891	$ 6,546,844	$ 9,973,655	$ 29,134,794
Payroll taxes and benefits	2,394,659	858,015	1,723,190	2,666,902	7,642,766
Total compensation	11,664,063	4,202,906	8,270,034	12,640,557	36,777,560
Awards and grants, net	-	12,606,840	-	-	12,606,840
Program consulting	3,165,530	39,937	4,264,595	8,494,047	15,964,109
Professional fees	3,354,462	850,531	1,029,767	3,648,109	8,882,869
Media and advertising	169,576	128,289	88,165	87,645	473,675
In-kind media	14,635,055	1,077,022	942,394	16,521,652	33,176,123
Occupancy	1,097,202	291,487	863,534	993,727	3,245,950
Office supplies and equipment	545,537	235,945	335,849	439,553	1,556,884
Printing	22,121	13,734	13,550	14,633	64,038
Postage and shipping	32,804	18,972	24,125	25,652	101,553
Travel	24,724	8,911	9,219	30,477	73,331
Conferences	1,268	535	602	624	3,029
Miscellaneous	89,654	50,159	41,782	49,512	231,107
Direct mail - materials and professional fees	3,594,224	2,069,402	435,664	544,579	6,643,869
Total functional expenses before direct donor benefits	38,396,220	21,594,670	16,319,280	43,490,767	119,800,937
Percentage of total	29%	16%	12%	33%	90%
Direct donor benefits					
Site rental/food/entertainment	-	-	-	-	-
Total functional expenses and direct donor benefits	$ 38,396,220	$ 21,594,670	$ 16,319,280	$ 43,490,767	$ 119,800,937

This statement continued on the following page.

AMERICAN LUNG ASSOCIATION

STATEMENT OF FUNCTIONAL EXPENSES (Continued)

Year Ended June 30, 2021

	Supporting Services			
	Management and General	Fundraising	Total Supporting Services	Total
Salaries	$ 840,491	$ 3,116,809	$ 3,957,300	$ 33,092,094
Payroll taxes and benefits	188,994	796,813	985,807	8,628,573
Total compensation	1,029,485	3,913,622	4,943,107	41,720,667
Awards and grants, net	-	-	-	12,606,840
Program consulting	-	-	-	15,964,109
Professional fees	332,336	1,090,136	1,422,472	10,305,341
Media and advertising	246	92,529	92,775	566,450
In-kind media	-	1,077,022	1,077,022	34,253,145
Occupancy	730,802	540,240	1,271,042	4,516,992
Office supplies and equipment	173,552	306,441	479,993	2,036,877
Printing	1,676	20,462	22,138	86,176
Postage and shipping	4,834	25,928	30,762	132,315
Travel	1,481	9,122	10,603	83,934
Conferences	540	467	1,007	4,036
Miscellaneous	202,726	105,958	308,684	539,791
Direct mail - materials and professional fees	544,579	3,703,139	4,247,718	10,891,587
Total functional expenses before direct donor benefits	3,022,257	10,885,066	13,907,323	133,708,260
Percentage of total	2%	8%	10%	100%
Direct donor benefits				
Site rental/food/entertainment	-	-	1,466,270	1,466,270
Total functional expenses and direct donor benefits	$ 3,022,257	$ 10,885,066	$ 15,373,593	$ 135,174,530

See accompanying notes to the financial statements.

AMERICAN LUNG ASSOCIATION

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2020

	Program Services				
	Lung Cancer, Asthma, COPD and Lung Disease	Research	Advocacy and Environment	Tobacco Control	Total Program Services
Salaries	$ 10,380,104	$ 3,724,681	$ 6,713,368	$ 10,288,153	$ 31,106,306
Payroll taxes and benefits	2,672,972	920,118	1,795,144	2,695,075	8,083,309
Total compensation	13,053,076	4,644,799	8,508,512	12,983,228	39,189,615
Awards and grants, net	-	11,549,914	-	-	11,549,914
Program consulting	3,053,506	92,414	5,951,310	11,437,682	20,534,912
Professional fees	4,082,837	969,551	1,221,083	1,294,331	7,567,802
Media and advertising	273,379	201,491	170,397	150,742	796,009
In-kind media	24,261,256	92,016	80,514	80,514	24,514,300
Occupancy	1,013,491	266,749	794,923	1,131,884	3,207,047
Office supplies and equipment	557,948	244,817	351,063	463,111	1,616,939
Printing	69,103	44,146	42,508	43,928	199,685
Postage and shipping	36,448	21,362	26,337	28,065	112,212
Travel	371,710	91,791	181,057	415,713	1,060,271
Conferences	63,099	31,306	40,608	41,605	176,618
Miscellaneous	153,810	76,249	84,821	100,754	415,634
Direct mail - materials and professional fees	3,566,372	2,006,084	334,348	557,245	6,464,049
Total functional expenses before direct donor benefits	50,556,035	20,332,689	17,787,481	28,728,802	117,405,007
Percentage of total	38%	15%	14%	22%	89%
Direct donor benefits					
Site rental/food/entertainment	-	-	-	-	-
Total functional expenses and direct donor benefits	$ 50,556,035	$ 20,332,689	$ 17,787,481	$ 28,728,802	$ 117,405,007

This statement continued on the following page.

AMERICAN LUNG ASSOCIATION

STATEMENT OF FUNCTIONAL EXPENSES (Continued)

Year Ended June 30, 2020

	Supporting Services			
	Management and General	Fundraising	Total Supporting Services	Total
Salaries	$ 829,454	$ 3,468,998	$ 4,298,452	$ 35,404,758
Payroll taxes and benefits	299,634	959,214	1,258,848	9,342,157
Total compensation	1,129,088	4,428,212	5,557,300	44,746,915
Awards and grants, net	-	-	-	11,549,914
Program consulting	-	-	-	20,534,912
Professional fees	445,593	1,053,892	1,499,485	9,067,287
Media and advertising	15,398	145,158	160,556	956,565
In-kind media	-	92,017	92,017	24,606,317
Occupancy	718,887	493,383	1,212,270	4,419,317
Office supplies and equipment	184,927	301,110	486,037	2,102,976
Printing	10,097	44,620	54,717	254,402
Postage and shipping	5,414	24,631	30,045	142,257
Travel	21,477	63,365	84,842	1,145,113
Conferences	15,839	25,178	41,017	217,635
Miscellaneous	41,185	135,383	176,568	592,202
Direct mail - materials and professional fees	668,695	4,012,168	4,680,863	11,144,912
Total functional expenses before direct donor benefits	3,256,600	10,819,117	14,075,717	131,480,724
Percentage of total	3%	8%	11%	100%
Direct donor benefits				
Site rental/food/entertainment	-	-	1,599,096	1,599,096
Total functional expenses and direct donor benefits	$ 3,256,600	$ 10,819,117	$ 15,674,813	$ 133,079,820

See accompanying notes to the financial statements.

AMERICAN LUNG ASSOCIATION

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ 25,633,618	$ (10,427,080)
Adjustments to reconcile changes in net assets to net cash from operating activities		
Depreciation and amortization	356,353	378,287
Forgiveness of notes receivable	624,314	703,353
Gain on sale of land, buildings, and equipment	(223,709)	(435,809)
Net realized and unrealized (gain) loss on investments	(24,946,653)	3,451,670
Distribution of assets held in trusts	162,876	174,979
Change in fair value of beneficial interest in trusts and other	(7,180,854)	1,435,302
Change in fair value of beneficial interest in gift annuities	(115,240)	83,236
Change in valuation of investment in LLC	160,801	169,828
Changes in operating assets and liabilities:		
Receivables	1,729,072	(1,333,626)
Prepaid expenses	470,260	(71,148)
Inventory	30,715	43,398
Other assets	(169,965)	(89,227)
Accounts payable and accrued expenses	(390,034)	747,614
Awards and grants payable	1,911,934	2,643,330
Deferred revenue	(1,161,340)	1,234,868
Unearned grant advances	1,289,024	(2,231,766)
PPP refundable grant advance	8,028,215	-
Amounts held on behalf of others	181,306	50,363
Accrued pension and postretirement plan liabilities	1,378,335	(970,603)
Gift annuities obligations	59,143	(32,758)
Other liabilities	(700,122)	(700,756)
Net cash from operating activities	7,128,049	(5,176,545)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(36,810,856)	(34,126,088)
Sale of investments	33,128,972	30,368,734
Advances on notes receivable	-	(40,000)
Purchase of property and equipment	(14,032)	(286,786)
Proceeds from sale of property and equipment	242,844	502,050
Net cash from investing activities	(3,453,072)	(3,582,090)
CHANGE IN CASH AND CASH EQUIVALENTS	3,674,977	(8,758,635)
CASH AND CASH EQUIVALENTS, BEGINNING	26,666,244	35,424,879
CASH AND CASH EQUIVALENTS, END	$ 30,341,221	$ 26,666,244
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
PPP loan proceeds	$ 8,028,215	$ -

See accompanying notes to the financial statements.

1. NATURE OF BUSINESS

American Lung Association (the Association or ALA) is a not-for-profit voluntary health organization incorporated in the State of Maine. The mission of the Association is to prevent lung disease and promote lung health. The Association sponsors education, services, and advocacy related to asthma and other lung diseases, tobacco control, and indoor and outdoor air quality. Programs include education and public information programs about indoor and outdoor environmental and air quality issues, community and school programs about tobacco control, asthma and comprehensive health education, smoking cessation and prevention programs for teens and adults, asthma camps, support groups for children and adults with lung diseases, conferences and public information. The Association also provides grants and awards for research and for the training of researchers. The Association has an advocacy function to promote awareness in the above areas by the appropriate government agencies in order to assist them in achieving better health and environmental conditions for the public. The Association is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP).

Net assets are classified based on the existence or absence of donor-imposed restrictions.

The following is a description of each class:

Without Donor Restrictions

Net assets available for use in general operations and not subject to donor restrictions.

With Donor Restrictions

Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates the resources be maintained in perpetuity. Generally, the donors of these assets permit the Association to use all or part of the income earned on related investments for general or specified purposes. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operations

Revenues received and expenses incurred in conducting the programs and services of the Association are presented in the financial statements as operating activities. Nonoperating results include investment income return, change in value of beneficial interest in trusts and split-interest agreements, change in value of equity method investments and other pension and postretirement plan changes.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates include the determination of allowances for doubtful accounts; the pension and life insurance benefit obligations; the fair values assigned to certain financial instruments, in-kind contributions, the useful lives assigned to property and equipment and the allocation of functional expenses. Actual results could differ from those estimates.

Cash Equivalents

Cash equivalents include highly liquid investments, including money market funds with original maturities of three months or less at the date of purchase. The Association has classified any cash or money market accounts held by external investment managers as investments as these funds are not intended for current operations.

Receivables and Allowances for Doubtful Accounts

Receivables are primarily related to grants and program service contracts. The Association provides an allowance for uncollectible accounts based upon prior experience and management's assessment of the collectability of specific accounts. Receivables are reflected on the accompanying Statements of Financial Position net of allowance for doubtful accounts of $20,000 and $198,345 as of June 30, 2021 and 2020, respectively.

Land, Buildings, and Equipment

Land, buildings, and equipment are recorded at fair value at the date of receipt, and expenditures for land, buildings and equipment in excess of $5,000 are capitalized and stated at cost, less accumulated depreciation.

Depreciation is computed using the straight-line method over the estimated useful lives (5-40 years for buildings and improvements; 3 years for computer hardware and software; 3-15 years for furniture, fixtures and equipment; and 3-5 years for vehicles). Leasehold improvements are amortized over the shorter of the life of the lease or estimated life of the asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred revenue

Deferred revenue consists of special event fundraising income for which events will occur in a future year.

Unearned Grant Advances

Unearned grant advances consist of amounts received from funding sources for which the Association has not yet fulfilled its obligations. Such amounts are reflected as revenues when the related conditions have been met.

Investments and Related Income

The Association carries its investments at fair value with the related gains and losses included in the Statement of Activities. The fair value of equity securities, debt securities, and mutual funds with readily determinable fair values approximates quoted market prices. All investment income is reported as without donor restriction unless otherwise restricted by the donor. All appreciation/depreciation earned on investments is reported as a change in net assets without donor restrictions unless otherwise restricted by the donor. Investment income is reported in net assets without donor restrictions when the restrictions are met in the same reporting period as the investment income is recognized. Interest and dividend income from the Association's investments are included in operating activities on the Statement of Activities as those investments are used for the Association's daily cash management activities. All other investment return is considered nonoperating. Investment income is reported net of external and direct internal investment expenses.

Direct Mail, Contributions, Bequests and Trust Income

All unconditional monetary gifts collected through direct mail, online contributions, special events, bequests and trusts are recorded when received or when notified through probate. All contributions are considered available for the general programs of the Association, unless specifically restricted by the donor. The Association reports monetary gifts as donor restricted support if they are received with donor stipulations that limit their use or are subject to time restrictions. A donor restriction expires when a stipulated time restriction ends or when a purpose restriction is accomplished. Upon expiration of the restriction, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

Grants

A portion of the Association's grant revenue is derived from cost-reimbursable federal, state and private grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Association has incurred expenditures in compliance with specific grant provisions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants (Continued)

Amounts received prior to incurring qualifying expenditures are reported as unearned grant advances and PPP refundable grant advance in the Statements of Financial Position. The Association received cost-reimbursable grants of $23,234,617 and $13,913,706 that have not been recognized at June 30, 2021 and 2020, respectively, because qualifying expenditures have not yet been incurred. As of June 30, 2021 and 2020, the Association had conditional grant awards of $25,168,087 and $11,437,934, respectively. These awards are conditional upon incurring allowable expenditures under the grants.

Grant revenue is classified as income without donor restrictions unless the use of the income is limited by donor restrictions. If a restriction is fulfilled in the same time period in which the grant is received, the grant revenue is reported as net assets without donor restriction.

Revenue recognition

The Association recognizes revenue from exchange transactions in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers,* as amended. ASU No. 2014-09 applies to exchange transactions with customers that are bound by contacts or similar arrangements and establishes a performance obligation approach to revenue recognition.

The Association records the following exchange transaction revenue in its Statements of Activities for the years ended June 30, 2021 and 2020: *Special events, program service fees and licensing and royalties revenue*.

Special events and program service fees - The Association records special events revenue equal to the fair value of direct benefit to donors, and contribution income for the excess received at the point in time which is when the event takes place. Program service fees results in registration fees paid for events and activities and from event exhibitors. Revenue for such activities is recognized at a point in time when the event occurs. Any amounts received prior to the event date are recorded as deferred revenue. The special events and program service fee revenue from contracts with customers as described above does not include variable consideration estimated by the Association. The timing of revenue recognition, billings and cash collections results in billed accounts receivable on the statement of financial position. Accounts receivable related to contracts from customers was $466,232, $274,352 and $358,119 at June 30, 2021, 2020, and 2019, respectively. Contract liabilities recorded as deferred revenue were $466,003, $1,591,985 and $466,378 as of June 30, 2021, 2020, and 2019, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Licensing Fees and Royalties – The Association receives licensing fees from corporations who become part of the American Lung Association Health Partners (Health Partners) program, under either educational partner agreements or license agreements. Health Partners pay fees for use of the American Lung Association logo and approved informational content under strict usage terms that require the Association's approvals on all of the corporate partners' marketing materials. The term of these agreements typically range from one to three years. Fees are paid either annually, semiannually or quarterly depending on the terms of the respective contract.

In certain affinity contracts, royalties are derived from fees paid and reported to the Association by the corporate partner on a quarterly basis based on the number of applications, renewals, the volume of charges or some other formula based on activity generated by the program.

The Association records revenue from licensing fees and royalties as increases to net assets without donor restrictions to the extent the earnings process is complete based on the performance obligations. Revenue is earned ratably over the period of the agreements. Receivables are expected to be collected within one year and are recorded at net realizable value. Licensing fees and royalties are reported as corporate support revenue on the Statements of Activities.

Disaggregation of Revenue from Contracts with Customers

	2021	2020
Special event revenue and program service fees – point in time	$ 4,471,954	$ 2,257,401
Licensing fees and royalties – over time	$ 1,057,779	$ 913,845

Significant Judgements

There were no significant judgements involved in the methodology used by the Association to recognize revenue from contracts with customers.

Contributed Media, Services and Materials

The Association recognizes advertising costs when incurred. The Association received $34,253,145 and $24,606,317 of billboard, print, and TV and radio advertisement space during the years ended June 30, 2021 and 2020, respectively. The value of such contributed media, based upon information provided by third-party media services, is reflected on the Statement of Activities as contributed media services and materials and on the Statement of Functional Expenses as in-kind media.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributed Media, Services and Materials (Continued)

The Association recognizes contributions of services if such services (a) create or enhance nonfinancial assets, or (b) require specialized skills, and are provided by individuals possessing those skills and would typically need to be purchased if not contributed. Contributed services recognized related to consulting work was $814,145 and $915,350 for the years ended June 30, 2021 and 2020, respectively. The Association also recognizes contributions of materials and facility space at their estimated fair value at the date of donation. Donated materials and facility space was $140,737 and $129,526 for the years ended June 30, 2021 and 2020, respectively.

Research Awards and Grants

The Association makes awards and grants for research and for the training of researchers. The Association's funding for research is derived from a portion of its overall revenue and contractual agreements with affiliates restricted to the Association's Airways Clinical Research Centers (ACRC) Network. The ACRC Network consists of over 35 airways clinical research centers throughout the United States. Additional funding is provided through investment earnings on endowments and by corporate and foundation grants. Recipients are required to meet certain qualifications and to provide accountability to the Association for funds disbursed. The liability and related expense for awards and grants are recognized at the time of award and notification to, and acceptance by, the recipient. Outstanding awards and grant commitments at June 30, 2021 and 2020, are all payable within one year.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, payroll taxes and benefits, occupancy, office supplies and equipment, printing, postage and shipping, travel and conferences, which are allocated on the basis of estimates of time and effort. Direct mail – materials and professional fees are allocated on the basis of the direct response mailing of solicitation materials.

Income Taxes

The Association is designated as a non-profit organization and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. It has been classified as an organization that is not a private foundation. Therefore, charitable contributions are tax deductible.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentrations of Credit Risk

Cash, cash equivalents and investments are exposed to various risks, such as interest rate, market and credit risks. To minimize such risks, the Association has diversified investment portfolios managed by independent investment managers in a variety of asset classes. The Association regularly evaluates its investments including performance thereof. Due to inherent risks and potential volatility in investment valuations, the amounts reported on the accompanying financial statements can vary substantially from year to year. The Association maintains its cash and cash equivalents in various bank deposit accounts which, at times may exceed federally insured limits. At June 30, 2021 and 2020, the Association's cash accounts exceeded federally insured limits by $29,202,480 and $26,661,694, respectively. The Association's cash and investment accounts were placed with high credit quality financial institutions and accordingly, the Association does not expect nonperformance.

3. NOTES RECEIVABLE

The Association received several grants to provide gas stations with funding to provide E-85 fueling. The funds were advanced to the gas stations upon completion of the project and the Association executed a note agreement with each station. The total amount advanced to gas stations was $0 and $40,000 during the years ended June 30, 2021 and 2020, respectively. The notes are forgivable over a two to five-year period, providing the E-85 fueling capacity remains intact. For the years ended June 30, 2021 and 2020, $624,314 and $703,353 of the notes receivable was forgiven.

4. LAND, BUILDINGS AND EQUIPMENT, NET

Land, buildings and equipment, net, consists of the following at June 30, 2021 and 2020:

	2021	2020
Land	$ 2,718,386	$ 2,732,294
Buildings and improvements	13,114,652	13,258,213
Computer hardware and software	351,583	351,583
Furniture, fixtures and equipment	3,360,145	3,360,145
Vehicles	88,644	98,844
Leasehold improvements	448,114	448,114
Total property and equipment	20,081,524	20,249,193
Less: accumulated depreciation and amortization	10,261,459	10,067,672
Property and equipment, net	$ 9,820,065	$ 10,181,521

Depreciation expense for the years ended June 30, 2021 and 2020 totaled $356,353 and $378,287, respectively.

5. FAIR VALUE MEASUREMENTS

GAAP establishes a framework for measuring fair value. That framework uses a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. GAAP requires the Association to maximize the use of observable inputs when measuring fair value. The hierarchy describes three levels of inputs, which are as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities.
Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.
Level 3: Significant unobservable inputs.

In many cases, a valuation technique used to measure fair value includes inputs from more than one level of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy. The categorization of an investment within the hierarchy reflects the relative ability to observe the fair value measure and does not necessarily correspond to the perceived risk of that investment.

If an investment that is measured using net asset value (NAV) has a readily determinable fair value (that is, it can be traded at the measurement date at its published NAV), it is included in Level 1 of the hierarchy. Otherwise, investments measured using NAVs are not included in Level 1, 2, or 3, but are separately reported.

Valuation Techniques

Following is a description of the valuation techniques used for assets and liabilities measured at fair value on a recurring basis. There have been no changes to the techniques used during the years ended June 30, 2021 and 2020.

- Common stock: Valued at the closing quoted price in an active market.
- Mutual funds, exchange-traded and closed-end funds and real estate investment trusts: Valued at the NAV of shares on the last trading day of the fiscal year.
- U.S. government securities: U.S. Treasury notes and bonds in which the Association invests are usually “off the run” on the measurement date. Thus, they are valued by a pricing service using a model that incorporates market observable data such as reported sales of similar securities, broker quotes, yields, bids, offers, and reference data. U.S. Treasury notes and bonds that are “on the run” are measured at quoted prices in active markets for the same security.
- U.S. agency bonds: Valued by a pricing service using a model that incorporates market observable data such as reported sales of similar securities, broker quotes, yields, bids, offers, and reference data.

5. FAIR VALUE MEASUREMENTS (Continued)

Valuation Techniques (Continued)

- Corporate and foreign bonds: The investment grade corporate bonds held by the Association generally do not trade in active markets on the measurement date. Therefore, corporate bonds are valued using inputs including yields currently available on comparable securities of issuers with similar credit ratings, recent market price quotations (where observable), bond spreads, and fundamental data relating to the issuer.
- Interest in assets held by Community Foundations: Valued at NAV per unit as reported by the Community Foundation.
- Beneficial interest in charitable trusts and gift annuities: Valued using the fair value of the assets held in the trust reported by the trustee as of June 30, 2021 and 2020. The Association considers the measurement of its beneficial interest in trusts and gift annuities to be a Level 2 measurement within the hierarchy because the measurement is based on the unadjusted fair value of trust assets reported by the trustee and the Association will receive those assets in a future period.
- Beneficial interest in perpetual trusts: Valued using the fair value of the assets held in the trust reported by the trustee as of June 30, 2021 and 2020. The Association considers the measurement of its beneficial interest in perpetual charitable trust to be a Level 3 measurement within the hierarchy because even though that measurement is based on the unadjusted fair value of trust assets reported by the trustee, the Association will never receive those assets or have the ability to direct the trustee to redeem them.
- Gift annuities obligations: Valued based on the present value of discounted expected cash flows and life expectancies. The present value was calculated using a discount rate of 3%. These are categorized as Level 2.

5. FAIR VALUE MEASUREMENTS (Continued)

Recurring Measurements

Assets and liabilities measured at fair value on a recurring basis as of June 30, 2021 are as follows:

	Level 1	Level 2	Level 3	Total
ASSETS				
Investments:				
Common stock	$ 8,000	$ -	$ -	$ 8,000
Mutual funds	119,218,918	-	-	119,218,918
Exchange-traded & closed-end funds	3,601,941	-	-	3,601,941
United States Agency bonds	-	565	-	565
Corporate bonds	-	272,121	-	272,121
Assets held at Community Foundations	-	61,929	149,219	211,148
Cash and cash equivalents*				13,915,451
Other investments (cost)*				788,098
Total investments	$ 122,828,859	$ 334,615	$ 149,219	$ 138,016,242
Other Assets:				
Beneficial interest in charitable and perpetual trusts	-	2,287,164	37,818,083	40,105,247
Beneficial interest in gift annuities	-	1,490,145	-	1,490,145
Total other assets	$ -	$ 3,777,309	$ 37,818,083	$ 41,595,392
LIABILITIES				
Gift annuities obligations	$ -	$ 994,974	$ -	$ 994,974

* Cash and cash equivalents and other investments are recorded at cost and are not based on Level 1, 2, or 3 inputs.

Assets and liabilities measured at fair value on a recurring basis as of June 30, 2020 are as follows:

	Level 1	Level 2	Level 3	Total
ASSETS				
Investments:				
Common stock	$ 5,206	$ -	$ -	$ 5,206
Mutual funds	95,323,253	-	-	95,323,253
Exchange-traded & closed-end funds	2,863,998	-	-	2,863,998
United States Agency bonds	-	762	-	762
Corporate bonds	-	273,658	-	273,658
Assets held at Community Foundations	-	29,230	142,689	171,919
Cash and cash equivalents*				9,960,811
Other investments (cost)*				948,899
Total investments	$ 98,192,457	$ 303,650	$ 142,689	$ 109,548,506
Other Assets:				
Beneficial interest in charitable and perpetual trusts	-	1,926,042	31,161,227	33,087,269
Beneficial interest in gift annuities	-	1,374,905	-	1,374,905
Total other assets	$ -	$ 3,300,947	$ 31,161,227	$ 34,462,174
LIABILITIES				
Gift annuities obligations	$ -	$ 935,831	$ -	$ 935,831

* Cash and cash equivalents and other investments are recorded at cost and are not based on Level 1, 2, or 3 inputs.

5. FAIR VALUE MEASUREMENTS (Continued)

The following table presents a reconciliation of Level 3 assets measured at fair value on a recurring basis for the years ended June 30, 2021 and 2020.

	Beneficial Interest in Perpetual Trusts 2021	Beneficial Interest in Perpetual Trusts 2020
Balance, beginning of the year	$ 31,161,227	$ 32,625,769
Total gains (losses) included in change in net assets	6,656,856	(1,464,542)
Balance, end of the year	$ 37,818,083	$ 31,161,227

	Assets held at Community Foundations 2021	Assets held at Community Foundations 2020
Balance, beginning of the year	$ 142,689	$ 143,661
Total gains (losses) included in change in net assets	6,530	(972)
Balance, end of the year	$ 149,219	$ 142,689

6. CHARITABLE TRUSTS, PERPETUAL TRUSTS AND GIFT ANNUITIES

The Association is a beneficiary of charitable and perpetual trusts administered by independent organizations. Under the terms of the trusts, the Association has irrevocable rights to receive portions of the income earned on the trust assets. Portions of income earned on the perpetual trusts is earned in perpetuity. The Association's beneficial interest in charitable and perpetual trusts, at fair value, totaled $39,399,333 and $32,336,922 at June 30, 2021 and 2020, respectively.

The Association is the beneficiary of charitable remainder unit trusts which are held by independent organizations. Upon the death of the donors, the Association will receive a portion of the remaining assets in the trust. The value at June 30, 2021 and 2020, was $705,914 and $750,347, respectively.

The Association also has charitable gift annuity arrangements in which donors have contributed assets to the Association in exchange for a promise to pay a fixed amount for a specified period of time back to the donor. Gift annuity obligations represent the present value of future cash flows expected to be paid by the Association to the donors under these arrangements. Assets held for the gift annuities at June 30, 2021 and 2020 are $1,490,145 and $1,374,905, respectively.

Gift annuity liabilities of $994,974 and $935,831 at June 30, 2021 and 2020, respectively, are reported as their own line on the Statement of Financial Position.

7. LINE OF CREDIT

The Association had a $5,000,000 secured revolving line of credit with a bank that matured on March 31, 2020. Any amounts borrowed under the line of credit would bear interest at a rate of 2% plus the one-month LIBOR then in effect. Amounts borrowed were secured by the Association's investment portfolio. During the year ended June 30, 2020, no amounts were borrowed under the line of credit. The line of credit was not renewed upon the maturity on March 31, 2020.

8. DEFINED BENEFIT PENSION PLAN

The Association has a noncontributory defined benefit pension plan (Retirement Plan D) comprising substantially all of its employees after one year of service. Benefits paid to retirees are based on their age at retirement, years of credited service and average compensation. The Association's Board of Directors voted to freeze this plan effective July 1, 2011. The Association uses a June 30 measurement date for the Retirement Plan D.

All of Retirement Plan D's investments are in a trust that was established for the investment of assets of the American Lung Association Retirement Plan D. The assets of the trust are held by First State Trust Company.

Information as of and for the years ended June 30, 2021 and 2020, regarding the Association's Retirement Plan D follows:

	2021	2020
Change in benefit obligation:		
Benefit obligation, beginning of year	$ 48,075,252	$ 48,417,194
Interest cost	1,717,726	1,849,553
Actuarial loss	5,845,602	2,090,160
Settlements	(2,520,481)	(2,615,553)
Benefits paid	(1,675,975)	(1,666,102)
Benefit obligation, end of year	$ 51,442,124	$ 48,075,252

	2021	2020
Change in plan assets:		
Fair value of plan assets, beginning of year	$ 35,572,528	$ 35,037,395
Actual return on plan assets	3,179,136	1,938,788
Employer contributions	3,000,000	2,878,000
Settlements	(2,520,481)	(2,615,553)
Benefits paid	(1,675,975)	(1,666,102)
Fair value of plan assets, end of year	$ 37,555,208	$ 35,572,528
Funded status, end of year	$ (13,886,916)	$ (12,502,724)

8. DEFINED BENEFIT PENSION PLAN (Continued)

Amounts that have not yet been recognized as a component of net periodic benefit cost, but are included in net assets without donor restrictions, consist of net actuarial loss of $22,434,854 and $19,518,690 as of June 30, 2021 and 2020, respectively. The estimated net loss that will be amortized from changes in net assets without donor restrictions into net periodic benefit cost in fiscal year ending June 30, 2022 is $616,642.

	2021	2020
Components of net periodic benefit cost:		
Interest cost	$ 1,717,726	$ 1,849,553
Expected return on plan assets	(1,880,088)	(1,852,638)
Recognized loss due to settlements	1,099,228	1,061,922
Amortization of net actuarial loss	531,162	489,483
Net periodic benefit cost	$ 1,468,028	$ 1,548,320
Benefit-related changes other than net periodic benefit cost:		
Net actuarial loss arising during the year	$ 4,546,554	$ 2,004,010
Amortization of net actuarial loss	(1,630,390)	(1,551,405)
Total benefit-related changes other than net periodic benefit cost	$ 2,916,164	$ 452,605

The following is the weighted-average assumptions used to determine benefit obligations as of June 30, 2021 and 2020:

	2021	2020
Discount rate	3.00%	3.75%
Rate of compensation increase	N/A	N/A

The following are the weighted-average assumptions used to determine net periodic benefit cost for the years ended June 30, 2021 and 2020:

	2021	2020
Discount rate	3.75%	4.00%
Rate of compensation increase	N/A	N/A
Expected rate of return on plan assets	5.50%	5.50%

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

8. DEFINED BENEFIT PENSION PLAN (Continued)

The Association's investment strategy emphasizes total return; that is, the aggregate return from capital appreciation, dividend income, and interest income. Specifically, the primary objective in the investment management for the plan is income and growth – to achieve a balanced return of current income and appropriate growth of principal. The secondary objective in the investment management of assets is preservation of purchasing power after spending – to achieve returns in excess of 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 and minimization of costs.

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

The target allocation and actual allocation of plan assets as of June 30, 2021 and 2020 are as follows:

	Target Allocation	2021	2020
Equity securities	30.00%	24.48%	25.12%
Debt securities	67.00%	66.12%	74.88%
Cash and cash equivalents	3.00%	9.40%	0.00%
Total	100.00%	100.00%	100.00%

The following pension benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

2022	$ 4,570,132
2023	4,633,539
2024	4,131,215
2025	3,399,675
2026	3,680,710
2027 – 2031	14,504,712
Total	$ 34,919,983

9. RETIREMENT PLAN

The Association currently sponsors multiple defined contribution employee retirement plans that match employee contributions. Some of the plans also allow for a discretionary contribution regardless of an employee's participation in the matching portion of the plan. All full-time employees and most part-time employees are eligible to participate based on date of hire. The Association's expense totaled $1,085,948 and $1,352,240 for the matching contribution and $1,367,085 and $1,479,170 for discretionary contributions for the years ended June 30, 2021 and 2020, respectively.

10. NET ASSETS WITH DONOR RESTRICTIONS

As of June 30, 2021 and 2020, the Association has net assets with donor restrictions as follows:

	2021	2020
Research	$ 894,728	$ 791,511
Programs	3,303,396	2,607,755
Time restrictions	899,410	904,920
Operations	47,558	47,558
Beneficial interest in charitable and perpetual trusts	37,818,083	31,161,227
Investments in Community Foundations	149,219	142,689
Endowment funds	7,009,795	6,980,285
Total	$ 50,122,189	$ 42,635,945

11. ENDOWMENTS

The Association's endowment program consists of donor-restricted endowment funds, and does not include any funds designated by the Board of Directors to function as endowments.

The Association follows the provisions of *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds* of the Accounting Standards Codification. This standard provides guidance on classifying the net assets associated with donor-restricted endowment funds held by organizations subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and also requires additional disclosures about endowments for both donor-restricted funds and board-designated funds.

The Association has interpreted the relevant UPMIFA as requiring the preservation of the fair value of the original gift, as of the gift date of the donor-restricted endowment fund, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Association classifies as net assets with donor restrictions: (a) the original value of gifts donated to its permanent endowment, (b) the original value of subsequent gifts to its permanent endowment; and, (c) accumulations to its permanent endowment made in accordance with the direction of the applicable donor gift instrument, at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment funds that is not retained in perpetuity are subject to appropriation for expenditure by the Association in a manner consistent with the standard of prudence prescribed by UPMIFA.

11. ENDOWMENTS (Continued)

In accordance with UPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: the purpose, duration, and preservation of the endowment fund; expected total return of investments; general economic conditions; the possible effects of inflation and deflation; other resources of the Association; and, the investment policy of the Association.

To satisfy its long-term objectives, the Association relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Association targets a diverse asset allocation that places an emphasis on both equity and fixed income investments to achieve its long-term return objectives within prudent risk constraints.

Endowment net assets as of June 30, 2021 and 2020 were as follows:

	2021	2020
	With Donor Restriction	With Donor Restriction
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	$ 7,009,795	$ 6,980,285
Accumulated investment gains	2,007,133	1,620,567
Total funds	$ 9,016,928	$ 8,600,852

The following table summarizes the changes in the Association's endowment net assets which consists of donor restricted net assets and excludes its beneficial interest in perpetual trusts for which the Association is not the trustee, and the changes in the endowment funds for the years then ended June 30, 2021 and 2020:

	2021	2020
	With Donor Restriction	With Donor Restriction
Endowment net assets, beginning of year	$ 8,600,852	$ 8,779,996
New gifts	5,000	6,100
Interest and Dividends	177,790	246,848
Realized gains, net	132,498	177,427
Unrealized gains (losses), net	1,016,154	(465,065)
Appropriation for expenditure	(915,366)	(144,454)
Endowment net assets, end of year	$ 9,016,928	$ 8,600,852

11. ENDOWMENTS (Continued)

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or state law requires the Association to retain as a fund or perpetual duration. Deficiencies of this nature are reported in net assets with donor restrictions. During the year ended June 30, 2020, one endowment fund listed above fell below the original endowment gift of $1,000,000 by $14,005 as of June 30, 2020. There was no deficiency as of June 30, 2021.

12. LEASES

The Association has operating lease agreements for office space and equipment. Future annual minimum lease payments due under noncancelable leases as of June 30, 2021 are as follows:

The minimum annual rental payments due related to all office leases are as follows:

2022	$1,951,606
2023	1,579,293
2024	1,276,847
2025	882,472
2026	771,538
Thereafter	595,330
Total	$7,057,086

Total operating lease expense was $3,077,059 and $2,809,645 for the years ended June 30, 2021 and 2020, respectively.

13. ALLOCATION OF JOINT COSTS

The Association conducts joint activities (activities benefiting multiple programs and/or supporting services) that include fundraising appeals. Those activities primarily include direct mail campaigns for the years ended June 30, 2021 and 2020. These costs were allocated as follows:

	2021	2020
Program	$ 6,643,869	$ 6,464,049
Management and general	544,579	668,695
Fundraising	3,703,139	4,012,168
	$ 10,891,587	$ 11,144,912

14. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Association regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Association has various sources of liquidity at its disposal, including cash and cash equivalents, marketable debt and equity securities, and a line of credit.

The Association receives significant contributions by donors and other funders, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Association manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged

As of June 30, 2021 and 2020, financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	2021	2020
Cash and cash equivalents	$ 30,341,221	$ 26,666,244
Investments	138,016,242	109,548,506
Accounts and grants receivable, net	10,646,065	12,375,137
Notes receivable	306,570	930,884
Total financial assets	$179,310,098	$149,520,771
Donor-imposed funds subject to time restrictions	$ (193,496)	$ (154,573)
Donor-imposed funds subject to purpose restrictions	(850,795)	(805,136)
Donor-imposed endowments	(9,016,928)	(8,600,852)
Perpetual trusts held with Community Foundations	(149,219)	(142,689)
Amounts invested in building partnerships	(788,098)	(948,899)
Amounts held on behalf of others	(1,234,963)	(1,053,657)
Financial assets available to meet cash needs for general expenditures within one year	$167,076,599	$137,814,965

15. FUTURE ACCOUNTING PRONOUNCEMENTS

In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*, to increase the transparency and comparability about leases among entities. The new guidance requires lessees to recognize a lease liability and a corresponding lease asset for virtually all lease contracts. It also requires additional disclosures about leasing arrangements. ASU No. 2016-02 as amended by ASU No. 2020-05 is effective for nonpublic entities for fiscal years beginning after December 15, 2021 and interim periods within fiscal years beginning after December 15, 2022. ASU No. 2016-02 originally specified a modified retrospective transition method which requires the entity to initially apply the new leases standard at the beginning of the earliest period presented in the financial statements. In July 2018, FASB issued ASU No. 2018-11, *Leases (Topic 842): Targeted Improvements*, providing a second, optional transition method which allows the entity to apply the new standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of net assets in the period of adoption. The Association is currently assessing the impact of this new standard, including the two optional transition methods.

In September 2020, the FASB issued ASU 2020-07 on Topic 958, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets.* This standard requires nonprofits to change their financial statement presentation and disclosure of contributed nonfinancial assets, or gift-in-kind. The standard is effective for annual reporting periods beginning after June 15, 2021, and interim periods within annual reporting periods beginning after June 15, 2022. The Association is currently assessing the impact of this new standard.

16. COMMITMENTS AND CONTINGENCIES

During fiscal year 2019, the Association was notified that Breathe California of Los Angeles County (a California not-for-profit organization) appealed a prior court ruling and Consent Judgment regarding ownership of bequests and gifts. As a result of the appeal, the First Appellate District court reversed the trial court's order as to the interpretation of the Consent Judgment and remanded for a determination as to whether this reversal has any effect on the initial Consent Judgment ruling regarding payment and ownership of bequests and gifts.

Breathe California of Los Angeles County is seeking $1,500,000 of bequests and gift income, including interest, from the Association related to prior year bequests and gifts received by the Association and determined by the Consent Judgment to belong to the Association. Breathe California of Los Angeles County is also seeking collection of pro bono attorney fees from the Association.

On August 7, 2019, a three-day trial commenced to determine the issue. As of June 30, 2021 and the report date, the matter is being appealed by Breathe California of Los Angeles. The Association has accrued a liability for the $1,500,000 claim for bequest and gift income and interest. The accrued liability is included in the Accounts Payable – General line on the Statements of Financial Position. The Association has not accrued for potential attorney fees as the amount is unknown.

17. PAYCHECK PROTECTION PROGRAM

The Association applied for and was approved on March 31, 2021 for a second round loan under the Paycheck Protection Program (PPP) of the Consolidated Appropriations Act. The PPP Round 2 is a low-interest Small Business Administration (SBA) loan and can be used to fund payroll costs, including benefits and can also be used to pay for mortgage interest, rent, worker protection costs related to COVID-19 and certain other specified expenses for operations. The Association was approved for a loan under this program in the amount of $8,028,215 with an interest rate of 1% and a maturity date of March 31, 2026. As of the report date, loan forgiveness requirements had not been met, however management anticipates meeting the requirements of forgiveness within the eligible timeframe and under the requirements of the Program. As of June 30, 2021 the conditions of the program had not been met and the Association has classified the amount as a refundable grant advance on the Statement of Financial Position.

18. RISKS AND UNCERTAINTIES

Beginning around March 2020, the Covid-19 virus has been declared a global pandemic as it continues to spread rapidly. Business continuity, Association programs and funding sources could be severely impacted for months or beyond as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. No adjustments have been made to these financial statements as a result of this uncertainty.

19. SUBSEQUENT EVENTS

The Association evaluated subsequent events through December 22, 2021, which was the date that these financial statements were available for issuance and determined that there were no additional significant non-recognized subsequent events through that date.