

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

FINANCIAL REPORT

YEARS ENDED JUNE 30, 2012 AND 2011

AMERICAN LUNG ASSOCIATION OF THE SOUTHEAST, INC.

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LBA Certified Public Accountants, PA

Report of Independent Certified Public Accountants

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

We have audited the accompanying statements of financial position of American Lung Association of the Southeast, Inc., (a not-for-profit organization) (the “Association”) as of June 30, 2012 and 2011, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Association’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Lung Association of the Southeast, Inc. as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2012, on our consideration of American Lung Association of the Southeast, Inc.’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of American Lung Association of the Southeast, Inc. taken as a whole. The accompanying schedule of State Financial Assistance – Georgia, for the year ended June 30, 2012, is presented for purposes of additional analysis as required by Title 50, Chapter 20, Rules of the Auditor General of the State of

Georgia and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

LBA Certified Public Accountants, P.A.

October 1, 2012

AMERICAN LUNG ASSOCIATION OF THE SOUTHEAST, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2012

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

AMERICAN LUNG ASSOCIATION OF THE SOUTHEAST, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
Assets:				
Current assets:				
Cash	\$ 240,457	\$ -	\$ -	\$ 240,457
Accounts receivable	498,720	-	-	498,720
Contribution receivable, net	-	-	40,677	40,677
Interest receivable	32,930	-	-	32,930
Prepaid expenses and other assets	<u>102,890</u>	<u>-</u>	<u>-</u>	<u>102,890</u>
Total current assets	874,997	-	40,677	915,674
Investments	7,383,660	1,722,005	746,204	9,851,869
Beneficial interest in perpetual trust	-	-	320,000	320,000
Trust assets, net	35,352	-	-	35,352
Property and equipment, net	3,767,842	-	-	3,767,842
Investment in LLC	<u>590,420</u>	<u>-</u>	<u>-</u>	<u>590,420</u>
Total assets	<u>\$ 12,652,271</u>	<u>\$ 1,722,005</u>	<u>\$ 1,106,881</u>	<u>\$ 15,481,157</u>
Liabilities:				
Current liabilities:				
Payable to national office	\$ 125,715	\$ -	\$ -	\$ 125,715
Accounts payable	264,081	-	-	264,081
Accrued expenses	232,641	-	-	232,641
Deferred revenue	<u>140,347</u>	<u>-</u>	<u>-</u>	<u>140,347</u>
Total current liabilities	762,784	-	-	762,784
Accrued pension cost	<u>1,868,536</u>	<u>-</u>	<u>-</u>	<u>1,868,536</u>
Total liabilities	<u>2,631,320</u>	<u>-</u>	<u>-</u>	<u>2,631,320</u>
Total net assets	<u>10,020,951</u>	<u>1,722,005</u>	<u>1,106,881</u>	<u>12,849,837</u>
Total liabilities and net assets	<u>\$ 12,652,271</u>	<u>\$ 1,722,005</u>	<u>\$ 1,106,881</u>	<u>\$ 15,481,157</u>

See accompanying notes to financial statements.

AMERICAN LUNG ASSOCIATION OF THE SOUTHEAST, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
Public support and revenue:				
Contributions and donations:				
Direct response:				
Christmas seals	\$ 677,341	\$ -	\$ -	\$ 677,341
Other direct response	<u>1,595,214</u>	<u>-</u>	<u>-</u>	<u>1,595,214</u>
Total direct mail	<u>2,272,555</u>	<u>-</u>	<u>-</u>	<u>2,272,555</u>
Vehicle donation program	<u>57,603</u>	<u>-</u>	<u>-</u>	<u>57,603</u>
Special events:				
Special events gross revenue	2,593,113	-	-	2,593,113
Special events direct expenses	<u>(658,060)</u>	<u>-</u>	<u>-</u>	<u>(658,060)</u>
Special events, net	<u>1,935,053</u>	<u>-</u>	<u>-</u>	<u>1,935,053</u>
Other contributions:				
Combined federal campaign	16,577	-	-	16,577
Workplace giving	68,400	-	-	68,400
Memorials	128,542	-	-	128,542
Bequests	1,019,508	54,813	-	1,074,321
Individual/major gifts and campaigns	170,163	-	-	170,163
Corporate gifts	75,869	-	-	75,869
Foundation gifts	22,207	-	-	22,207
Endowment gifts	<u>-</u>	<u>-</u>	<u>13,100</u>	<u>13,100</u>
Total other contributions	<u>1,501,266</u>	<u>54,813</u>	<u>13,100</u>	<u>1,569,179</u>
Other revenue:				
Corporate grants	106,885	-	-	106,885
Foundation grants	240,853	-	-	240,853
Government grants/contracts	859,540	-	-	859,540
Grants from ALA	20,098	-	-	20,098
Interest and dividends	192,100	31,686	-	223,786
Program service fees	192,162	-	-	192,162
Dues	1,675	-	-	1,675
Rental income	23,533	-	-	23,533
Other revenue	<u>135,464</u>	<u>-</u>	<u>-</u>	<u>135,464</u>
Total other revenue	<u>1,772,310</u>	<u>31,686</u>	<u>-</u>	<u>1,803,996</u>
Total public support and revenue	<u>7,538,787</u>	<u>86,499</u>	<u>13,100</u>	<u>7,638,386</u>
Net assets released from restrictions	<u>197,932</u>	<u>(197,932)</u>	<u>-</u>	<u>-</u>

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
Expenses:				
Program services	\$ 5,932,549	\$ -	\$ -	\$ 5,932,549
Supporting services	1,480,059	-	-	1,480,059
Payments to national headquarters	<u>739,602</u>	<u>-</u>	<u>-</u>	<u>739,602</u>
Total expenses	<u>8,152,210</u>	<u>-</u>	<u>-</u>	<u>8,152,210</u>
Change in net assets from operations	(415,491)	(111,433)	13,100	(513,824)
Non-operating activities:				
Loss on disposal of assets	(1,075)	-	-	(1,075)
Unrealized gain on investments, net	57,906	21,329	-	79,235
Realized loss on investments	(88,314)	(14,510)	-	(102,824)
Loss on investment in LLC	(86,797)	-	-	(86,797)
Pension plan liability adjustment	<u>(808,539)</u>	<u>-</u>	<u>-</u>	<u>(808,539)</u>
Total non-operating activities	<u>(926,819)</u>	<u>6,819</u>	<u>-</u>	<u>(920,000)</u>
Change in net assets	<u>(1,342,310)</u>	<u>(104,614)</u>	<u>13,100</u>	<u>(1,433,824)</u>
Net assets, beginning	<u>10,020,951</u>	<u>1,722,005</u>	<u>1,106,881</u>	<u>12,849,837</u>
Net assets, ending	<u>\$ 8,678,641</u>	<u>\$ 1,617,391</u>	<u>\$ 1,119,981</u>	<u>\$ 11,416,013</u>

See accompanying notes to financial statements.

AMERICAN LUNG ASSOCIATION OF THE SOUTHEAST, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
Public support and revenue:				
Contributions and donations:				
Direct response:				
Christmas seals	\$ 707,209	\$ -	\$ -	\$ 707,209
Other direct response	<u>1,934,201</u>	-	-	<u>1,934,201</u>
Total direct mail	<u>2,641,410</u>	-	-	<u>2,641,410</u>
Golf privilege card	<u>2,500</u>	-	-	<u>2,500</u>
Vehicle donation program	<u>76,027</u>	-	-	<u>76,027</u>
Special events:				
Special events gross revenue	2,715,377	-	-	2,715,377
Special events direct expenses	<u>(757,830)</u>	-	-	<u>(757,830)</u>
Special events, net	<u>1,957,547</u>	-	-	<u>1,957,547</u>
Other contributions:				
Combined federal campaign	13,851	-	-	13,851
Workplace giving	85,965	-	-	85,965
Memorials	136,563	-	-	136,563
Bequests	1,737,253	241,140	-	1,978,393
Individual/major gifts and campaigns	136,421	32,863	-	169,284
Corporate gifts	93,286	-	-	93,286
Foundation gifts	61,512	-	-	61,512
Endowment gifts	-	-	28,152	28,152
Total other contributions	<u>2,264,851</u>	<u>274,003</u>	<u>28,152</u>	<u>2,567,006</u>
Other revenue:				
Corporate grants	156,882	-	-	156,882
Foundation grants	225,915	-	-	225,915
Government grants/contracts	882,610	-	-	882,610
Grants from ALA	23,200	-	-	23,200
Interest and dividends	239,981	21,513	-	261,494
Program service fees	236,041	-	-	236,041
Dues	2,865	-	-	2,865
Rental income	19,099	-	-	19,099
Other revenue	<u>8,196</u>	-	-	<u>8,196</u>
Total other revenue	<u>1,794,789</u>	<u>21,513</u>	-	<u>1,816,302</u>
Total public support and revenue	<u>8,737,124</u>	<u>295,516</u>	<u>28,152</u>	<u>9,060,792</u>
Net assets released from restrictions	<u>210,162</u>	<u>(210,162)</u>	-	-

AMERICAN LUNG ASSOCIATION OF THE SOUTHEAST, INC.
STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED JUNE 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Expenses:				
Program services	\$ 7,024,254	\$ -	\$ -	\$ 7,024,254
Supporting services	1,641,433	-	-	1,641,433
Payments to national headquarters	<u>875,559</u>	<u>-</u>	<u>-</u>	<u>875,559</u>
Total expenses	<u>9,541,246</u>	<u>-</u>	<u>-</u>	<u>9,541,246</u>
Change in net assets from operations	(593,960)	85,354	28,152	(480,454)
Non-operating activities:				
Loss on disposal of assets	(2,154)	-	-	(2,154)
Unrealized (loss) gain on investments, net	(156,875)	48,978	-	(107,897)
Realized gain on investments	984,617	153,405	-	1,138,022
Loss on investment in LLC	(80,125)	-	-	(80,125)
Pension plan liability adjustment	<u>407,851</u>	<u>-</u>	<u>-</u>	<u>407,851</u>
Total non-operating activities	<u>1,153,314</u>	<u>202,383</u>	<u>-</u>	<u>1,355,697</u>
Change in net assets	<u>559,354</u>	<u>287,737</u>	<u>28,152</u>	<u>875,243</u>
Net assets, beginning	<u>9,461,597</u>	<u>1,434,268</u>	<u>1,078,729</u>	<u>11,974,594</u>
Net assets, ending	<u>\$ 10,020,951</u>	<u>\$ 1,722,005</u>	<u>\$ 1,106,881</u>	<u>\$ 12,849,837</u>

See accompanying notes to financial statements.

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

	Program Services						Supporting Services		Total All Funds 2012
	Environmental Health	Smoking Education	Asthma	Lung Disease	Community Health Programs	Research	Fund Raising	Administrative and General Expenses	
Salaries	\$ 187,735	\$ 509,932	\$ 467,711	\$ 619,940	\$ 184,579	\$ -	\$ 231,695	\$ 95,516	\$ 2,297,108
Professional fees and contract payments	71,893	129,086	103,434	278,933	56,481	-	125,264	31,782	796,873
Payroll taxes	16,813	44,325	41,022	55,019	16,752	-	20,371	8,145	202,447
Employee benefits	54,782	149,598	137,212	181,871	54,150	-	67,972	27,699	673,284
Business insurance	6,404	18,277	16,726	22,318	7,409	-	8,511	4,663	84,308
Building occupancy	19,768	46,584	48,115	66,617	22,610	-	25,577	13,701	242,972
Telephone	9,297	13,446	18,374	28,474	9,620	-	12,055	6,313	97,579
Travel	2,304	16,314	6,672	18,202	2,029	-	13,222	4,836	63,579
Meetings, conferences, major trips	5,937	26,147	12,940	89,259	5,697	-	7,419	6,184	153,583
Office and cleaning supplies	4,807	6,063	11,369	8,904	1,968	-	5,278	2,787	41,176
Printing and publications	48,633	161,499	133,194	179,646	56,824	-	440,437	1,523	1,021,756
Postage and shipping	27,594	75,272	69,650	99,914	31,190	-	228,725	2,620	534,965
Media	6,244	17,050	15,639	20,729	6,172	-	7,747	3,156	76,737
Office equipment	10,789	16,882	24,780	38,551	12,953	-	14,435	9,942	128,332
Dues and subscriptions	388	1,106	1,012	1,351	448	-	515	283	5,103
Miscellaneous expenses	5,790	10,332	12,764	18,207	5,657	-	30,008	1,273	84,031
Awards and grants - research	-	-	-	-	-	379,468	-	-	379,468
Assistance to individual patients	-	-	129,815	255,886	-	-	-	-	385,701
Depreciation	11,685	31,908	29,266	38,792	11,550	-	14,498	5,907	143,606
	490,863	1,273,821	1,279,695	2,022,613	486,089	379,468	1,253,729	226,330	7,412,608
Payments to national headquarters	56,111	153,568	141,755	183,100	56,111	78,694	11,390	58,873	739,602
Total functional expenses	\$ 546,974	\$ 1,427,389	\$ 1,421,450	\$ 2,205,713	\$ 542,200	\$ 458,162	\$ 1,265,119	\$ 285,203	\$ 8,152,210

AMERICAN LUNG ASSOCIATION OF THE SOUTHEAST, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2011

	Program Services					Supporting Services			Total All Funds 2011
	Environmental Health	Smoking Education	Asthma	Lung Disease	Community Health Programs	Research	Fund Raising	Administrative and General Expenses	
Salaries	\$ 162,028	\$ 550,297	\$ 588,262	\$ 766,875	\$ 306,679	\$ -	\$ 289,516	\$ 119,794	\$ 2,783,451
Professional fees and contract payments	82,482	155,594	134,126	209,729	92,320	-	92,797	17,510	784,558
Payroll taxes	14,541	46,522	49,883	66,004	26,351	-	23,439	9,698	236,438
Employee benefits	44,891	152,463	162,981	211,508	84,967	-	80,212	33,186	770,208
Business insurance	17,350	17,366	23,697	34,176	17,740	-	2,275	1,137	113,741
Building occupancy	26,617	36,628	43,857	79,189	29,415	-	6,529	1,702	223,937
Telephone	13,399	20,107	25,848	40,618	14,884	-	1,863	281	117,000
Travel	3,515	25,535	16,261	30,392	3,314	-	5,627	174	84,818
Meetings, conferences, major trips	11,197	34,313	20,043	109,662	12,607	-	12,513	5,935	206,270
Office and cleaning supplies	3,189	19,117	15,564	17,823	3,485	-	4,163	215	63,556
Printing and publications	47,678	161,930	163,745	214,044	90,243	-	561,248	5,152	1,244,040
Postage and shipping	25,196	85,574	86,534	113,635	47,690	-	291,172	3,101	652,902
Media	6,050	20,547	20,777	27,116	11,451	-	13,184	4,707	103,832
Office equipment	14,555	24,949	34,645	56,762	17,919	-	-	1,658	150,488
Dues and subscriptions	751	2,383	2,152	2,159	779	-	1,095	44	9,363
Miscellaneous expenses	3,645	12,190	17,457	20,258	6,807	-	25,552	1,834	87,743
Awards and grants - research	-	-	-	-	-	432,539	-	-	432,539
Assistance to individual patients	158	594	166,349	282,953	-	-	-	-	450,054
Depreciation	9,045	30,150	30,150	40,702	16,582	-	18,090	6,030	150,749
	486,287	1,396,259	1,602,331	2,323,605	783,233	432,539	1,429,275	212,158	8,665,687
Payments to national headquarters	48,710	165,433	167,288	218,065	92,196	78,800	17,512	87,555	875,559
Total functional expenses	<u>\$ 534,997</u>	<u>\$ 1,561,692</u>	<u>\$ 1,769,619</u>	<u>\$ 2,541,670</u>	<u>\$ 875,429</u>	<u>\$ 511,339</u>	<u>\$ 1,446,787</u>	<u>\$ 299,713</u>	<u>\$ 9,541,246</u>

See accompanying notes to financial statements.

AMERICAN LUNG ASSOCIATION OF THE SOUTHEAST, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
Cash flows from operating activities:		
Change in net assets	\$ (1,433,824)	\$ 875,243
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation	143,606	150,749
Loss on disposal of assets	1,075	2,154
Realized loss (gain) on investments	102,824	(1,138,022)
Unrealized (gain) loss on investments	(79,235)	107,897
Loss on investment in LLC	86,797	80,125
Net changes in:		
Receivables, net	83,443	(24,975)
Prepaid expenses and other assets	(16,780)	29,107
Trust assets, net	10,057	(21,881)
Payables and accrued expenses	(216,911)	(218,328)
Deferred revenue	32,220	(63,745)
Accrued pension cost	382,282	(320,581)
Net cash used in operating activities	(904,446)	(542,257)
Cash flows from investing activities:		
Proceeds from sale of investments	2,815,399	13,033,473
Purchases of investments	(1,919,729)	(12,488,283)
Proceeds from sale of property and equipment	1,008	1,250
Purchases of property and equipment	(9,315)	(38,162)
Additional investment in LLC	(65,449)	(59,376)
Net cash provided by investing activities	821,914	448,902
Net decrease in cash	(82,532)	(93,355)
Cash, beginning	240,457	333,812
Cash, ending	\$ 157,925	\$ 240,457

See accompanying notes to financial statements.

AMERICAN LUNG ASSOCIATION OF THE SOUTHEAST, INC.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012 AND 2011

1. Nature of Organization

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

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

2. Summary of Significant Accounting Policies

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

Use of Estimates

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

Basis of Presentation

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

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

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

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

AMERICAN LUNG ASSOCIATION OF THE SOUTHEAST, INC.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012 AND 2011

2. Summary of Significant Accounting Policies (Continued)

Investments

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

Investment in LLC

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

Split Interest Agreements

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

Endowment Investment and Spending Policies

The Association follows the Uniform Management of Institutional Funds Act of 1972 (UMIFA) and its own governing documents. UMIFA requires the preservation of the historical dollar amount (HDA) of donor-restricted funds when the donor restrictions include such a provision. In the absence of donor restrictions relative to HDA, the net appreciation of a donor-restricted endowment fund is spendable under UMIFA.

The Association's management and the Board of Directors have determined that the majority of the contributions received by the Association are subject to the terms and conditions of its governing documents. Certain contributions are received subject to other gift instruments, or are subject to specific agreements with the Association.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Association in a manner consistent with the standards of prudence prescribed by the endowment.

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

AMERICAN LUNG ASSOCIATION OF THE SOUTHEAST, INC.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012 AND 2011

2. **Summary of Significant Accounting Policies** (Continued)

Accounts Receivable

The Association determines the allowance on its accounts receivable based on historical experience and a review of specific accounts. The Association charges off delinquent accounts when it exhausts its normal collection procedures and it is probable that collection is unlikely. The allowance for doubtful accounts was zero at June 30, 2012 and 2011.

Contributions Receivable

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

Contributions

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

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

Contribution of Services

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

Property and Equipment

Property and equipment are recorded at cost. Donations of property and equipment are recorded as contributions at their estimated fair market value. Maintenance and repairs are charged to expense as incurred. When items of property and equipment are sold or otherwise disposed of, the asset and related accumulated depreciation accounts are eliminated, and any gain or loss is included in operations.

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

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

AMERICAN LUNG ASSOCIATION OF THE SOUTHEAST, INC.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012 AND 2011

2. Summary of Significant Accounting Policies (Continued)

Income Taxes

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

The Association follows authoritative guidance which requires the Association to evaluate its tax positions for any uncertainties based on the technical merits of the position taken. The Association recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be upheld on examination by taxing authorities.

Allocation of Revenues and Expenses

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

Allocation of Joint Costs

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

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

	<u>2012</u>	<u>2011</u>
Environmental health	\$ 110,612	\$ 68,650
Tobacco control	279,694	233,155
Asthma	231,446	235,770
Other lung disease	318,870	347,120
Community health programs	103,842	129,937
Fundraising	758,944	953,998
	<u>\$ 1,803,408</u>	<u>\$ 1,968,630</u>

AMERICAN LUNG ASSOCIATION OF THE SOUTHEAST, INC.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012 AND 2011

2. **Summary of Significant Accounting Policies** (Continued)

Subsequent Events

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

3. **Contributions Receivable**

Contributions receivable consist of the following at June 30:

	2012	2011
Unconditional promises expected to be collected in:		
Less than one year	\$ 21,500	\$ 21,500
Between one to five years	2,500	23,000
	24,000	44,500
Less: discount to present value	(1,545)	(3,823)
Contributions receivable, net	\$ 22,455	\$ 40,677

4. **Fair Value Measurements**

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

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

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

AMERICAN LUNG ASSOCIATION OF THE SOUTHEAST, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012 AND 2011

4. Fair Value Measurements (Continued)

There have been no changes in the methodologies used at June 30, 2012 and 2011. Following is a description of the valuation methodologies used for assets measured at fair value:

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

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

AMERICAN LUNG ASSOCIATION OF THE SOUTHEAST, INC.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012 AND 2011

4. Fair Value Measurements (Continued)

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
Money market funds	\$ 363,861	\$ -	\$ -	\$ 363,861
Total mutual funds	<u>363,861</u>	<u>-</u>	<u>-</u>	<u>363,861</u>
Common stocks:				
Consumer discretionary	507,136	-	-	507,136
Consumer staples	468,108	-	-	468,108
Energy	544,997	-	-	544,997
Financials	521,270	-	-	521,270
Healthcare	395,178	-	-	395,178
Industrials	625,064	-	-	625,064
IT	596,788	-	-	596,788
Materials	317,221	-	-	317,221
Telecommunications	293,133	-	-	293,133
Utilities	<u>243,289</u>	<u>-</u>	<u>-</u>	<u>243,289</u>
Total common stocks	<u>4,512,184</u>	<u>-</u>	<u>-</u>	<u>4,512,184</u>
Bonds:				
Government	-	2,515,103	-	2,515,103
Corporate	<u>-</u>	<u>1,568,189</u>	<u>-</u>	<u>1,568,189</u>
Total bonds	<u>-</u>	<u>4,083,292</u>	<u>-</u>	<u>4,083,292</u>
Beneficial interests in perpetual trusts	-	-	293,273	293,273
Trust assets, net	<u>-</u>	<u>-</u>	<u>25,295</u>	<u>25,295</u>
Total assets at fair value	<u>\$ 4,876,045</u>	<u>\$ 4,083,292</u>	<u>\$ 318,568</u>	<u>\$ 9,277,905</u>

AMERICAN LUNG ASSOCIATION OF THE SOUTHEAST, INC.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012 AND 2011

4. Fair Value Measurements (Continued)

The following table sets forth by level, within the fair value hierarchy, the Association's financial instruments at fair value as of June 30, 2011:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
Money market funds	\$ 410,440	\$ -	\$ -	\$ 410,440
Total mutual funds	<u>410,440</u>	<u>-</u>	<u>-</u>	<u>410,440</u>
Common stocks:				
Consumer discretionary	544,654	-	-	544,654
Consumer staples	519,947	-	-	519,947
Energy	737,974	-	-	737,974
Financials	542,770	-	-	542,770
Healthcare	459,706	-	-	459,706
Industrials	752,205	-	-	752,205
IT	598,572	-	-	598,572
Materials	485,608	-	-	485,608
Telecommunications	260,272	-	-	260,272
Utilities	<u>256,693</u>	<u>-</u>	<u>-</u>	<u>256,693</u>
Total common stocks	<u>5,158,401</u>	<u>-</u>	<u>-</u>	<u>5,158,401</u>
Bonds:				
Government	-	3,015,214	-	3,015,214
Corporate	<u>-</u>	<u>1,277,277</u>	<u>-</u>	<u>1,277,277</u>
Total bonds	<u>-</u>	<u>4,292,491</u>	<u>-</u>	<u>4,292,491</u>
Beneficial interests in perpetual trusts	-	-	310,537	310,537
Trust assets, net	<u>-</u>	<u>-</u>	<u>35,352</u>	<u>35,352</u>
Total assets at fair value	<u>\$ 5,568,841</u>	<u>\$ 4,292,491</u>	<u>\$ 345,889</u>	<u>\$ 10,207,221</u>

The non-equity portion of the investment portfolio at June 30, 2012, consists of bonds that mature as follows:

2013	\$ 141,292
2014	1,253,357
2015	864,289
2016	538,752
2017	139,496
Thereafter	<u>1,146,106</u>
	<u>\$ 4,083,292</u>

AMERICAN LUNG ASSOCIATION OF THE SOUTHEAST, INC.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012 AND 2011

4. Fair Value Measurements (Continued)

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

	<u>2012</u>	<u>2011</u>
Balance, beginning of year	\$ 345,889	\$ 282,832
Unrealized (loss) gain	<u>(27,321)</u>	<u>63,057</u>
Balance, end of year	<u>\$ 318,568</u>	<u>\$ 345,889</u>

5. Endowment Net Assets

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

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

Endowment net asset composition consisted of the following at June 30, 2011:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Endowment net assets, beginning of year	\$ 553,562	\$ 632,375	\$ 1,022,535	\$ 2,208,472
Contributions, net	-	-	43,669	43,669
Investment income, net of fees	15,833	21,513	-	37,346
Change in market value	148,920	202,383	-	351,303
Expenses meeting donor restriction	-	<u>(138,823)</u>	-	<u>(138,823)</u>
Endowment net assets, end of year	<u>\$ 718,315</u>	<u>\$ 717,448</u>	<u>\$ 1,066,204</u>	<u>\$ 2,501,967</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor requires the Association to retain as a fund of perpetual donation. In accordance with authoritative guidance, deficiencies of this nature are reported in unrestricted net assets. These deficiencies can result from unfavorable market fluctuations that can

AMERICAN LUNG ASSOCIATION OF THE SOUTHEAST, INC.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012 AND 2011

5. Endowment Net Assets (Continued)

occur shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that were deemed prudent by the Board of Directors. Subsequent gains that restored the fair value of assets of the endowment fund to the required level were classified as an increase in unrestricted net assets. At June 30, 2012 and 2011, the deficiencies relating to permanently restricted endowment investments were \$26,727 and \$9,463, respectively.

6. Property and Equipment

Property and equipment consisted of the following June 30:

	<u>2012</u>	<u>2011</u>
Land	\$ 503,509	\$ 503,509
Buildings and improvements	4,231,241	4,228,503
Office furniture and equipment	1,365,834	1,380,241
Vehicles	<u>35,873</u>	<u>35,873</u>
Total property and equipment	6,136,457	6,148,126
Less: accumulated depreciation	<u>(2,504,989)</u>	<u>(2,380,284)</u>
Net property and equipment	<u>\$ 3,631,468</u>	<u>\$ 3,767,842</u>

7. Line of Credit

The Association had a line of credit with a bank with a limit of \$1,100,000, bearing interest at prime plus 5.9%. The line of credit expires on October 12, 2012.

8. Restricted Net Assets

At June 30, 2012 and 2011, temporarily restricted net assets of \$1,617,391 and \$1,722,005, respectively, include investments and amounts related to services/special events to be provided/sponsored by the Association in the future.

At June 30, 2012 and 2011, permanently restricted net assets of \$1,119,981 and \$1,106,881 include a gift of \$500,000 that has been contributed by a donor with the stipulation that the gift be invested in perpetuity. The primary purpose of the fund is to provide assistance to individual patients with lung diseases, and/or their families as referred by the local medical community and within the funding criteria set by the Association. The annual earnings and growth of the fund over and above the principle sum of the endowment, net of fees and expenses, will be committed, granted and expended only for purposes set forth by the donor.

Permanently restricted net assets also include \$320,000 of a beneficial interest in a perpetual trust, from which the income is unrestricted, \$139,430 in additional contributions from which the income is temporarily restricted for Tuberculosis related matters in South Carolina and \$119,299 in contributions of which the earnings are unrestricted. In 2012 and 2011, additional contributions of \$13,100 and \$28,152, were made to endowment funds, of which the earnings are unrestricted.

AMERICAN LUNG ASSOCIATION OF THE SOUTHEAST, INC.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012 AND 2011

9. Share of Revenue to National Association

As described in Note 2, the National Association receives 30% of the Association's direct response revenue less direct response expense and 13% of all unrestricted bequests where the donor died or the bequest became irrevocable prior to July 1, 2009. For the years ended June 30, 2012 and 2011, 79% are allocated to program services, 11% and 9% are allocated to research activities, 8% and 10% are allocated to general operations, and 2% are allocated to fundraising, respectively.

For the years ended June 30, 2012 and 2011, the Association functionalized 100% of the share of income based on percentages provided by the National Association. The share of income to the National Association for the years ended June 30, 2012 and 2011 is allocated as follows:

	<u>2012</u>	<u>2011</u>
Program services	\$ 584,286	\$ 691,692
Research activities	81,356	78,800
General operations	59,168	87,555
Fund raising	14,792	17,512
	<u>\$ 739,602</u>	<u>\$ 875,559</u>

10. Contributions In-Kind

During the years ended June 30, 2012 and 2011, the Association received the following non-cash contributions:

	<u>2012</u>	<u>2011</u>
Special events - media	\$ 131,616	\$ 187,433
Special events - fundraising supplies	399,970	140,602
Other	8,642	23,832
	<u>\$ 540,228</u>	<u>\$ 351,867</u>

11. Pension Plan

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

AMERICAN LUNG ASSOCIATION OF THE SOUTHEAST, INC.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012 AND 2011

11. Pension Plan (Continued)

The following table sets forth the Plan's funded status and amounts recognized in the Association's financial statements at June 30, 2012 and 2011, after the adoption of recognition and measurement date provision of applicable authoritative guidance:

	<u>2012</u>	<u>2011</u>
Benefit obligation:		
Benefit obligation at end of year	\$ 8,124,607	\$ 6,774,021
Plan assets:		
Fair value of assets at end of year	<u>5,873,789</u>	<u>4,905,485</u>
Funded status at end of year (accrued pension cost)	<u>\$ (2,250,818)</u>	<u>\$ (1,868,536)</u>
Amounts recognized in the statement of financial position consist of:		
Non-current liabilities	<u>\$ (2,250,818)</u>	<u>\$ (1,868,536)</u>
Amounts recognized in statement of activities:		
Transition asset	\$ (4,391)	\$ (5,534)
Prior service cost	122,769	136,870
Net actuarial loss	<u>2,123,239</u>	<u>1,301,742</u>
Total	<u>\$ 2,241,617</u>	<u>\$ 1,433,078</u>
Information for pension plans with an accumulated benefit obligation in excess of plan assets:		
Employer contributions during year	<u>\$ 741,740</u>	<u>\$ 254,700</u>
Benefits paid	<u>\$ 143,891</u>	<u>\$ 489,747</u>
Projected benefit obligation	<u>\$ 8,124,607</u>	<u>\$ 6,774,021</u>
Accumulated benefit obligation	<u>\$ 7,640,486</u>	<u>\$ 6,179,474</u>
Fair value of plan assets	<u>\$ 5,873,789</u>	<u>\$ 4,905,485</u>
Net Periodic Benefit Cost and Other Changes in Unrestricted Net Assets:		
Net period benefit cost	<u>\$ 315,483</u>	<u>\$ 361,557</u>
Net gain (loss)	887,211	(366,555)
Recognized loss	(65,714)	(47,925)
Recognized prior service cost (credit)	(14,101)	(14,101)
Recognized net initial asset	<u>1,143</u>	<u>1,143</u>
Total of other changes in unrestricted net assets	<u>808,539</u>	<u>(427,438)</u>
Total amounts recognized as changes in unrestricted net assets arising from defined benefit plan	<u>\$ 1,124,022</u>	<u>\$ (65,881)</u>

AMERICAN LUNG ASSOCIATION OF THE SOUTHEAST, INC.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012 AND 2011

11. Pension Plan (Continued)

The weighted average discount rate used to determine net periodic benefit cost was 5.75% and 5.50% for the years ended June 30, 2012 and 2011, respectively. The weighted average discount rate used to determine net benefit obligation was 4.25% and 5.75% for the years ended June 30, 2012 and 2011, respectively. The rate of increase in future compensation levels used in determining the actuarial present value of the net periodic benefit cost and benefit obligation was 3.00% for the years ended June 30, 2012 and 2011. The expected long-term rate of return on assets was 6.00% and 6.50% for 2012 and 2011, respectively.

The Plan's asset allocations at June 30, 2012 and 2011 by asset category were as follows:

	<u>2012</u>	<u>2011</u>
Equity securities	15.46%	17.11%
Debt securities	78.63	76.52
Real estate	3.36	5.10
Cash and cash equivalents	2.55	1.27
	<u>100.00%</u>	<u>100.00%</u>

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

2013	\$ 639,745
2014	466,685
2015	598,178
2016	1,036,093
2017	719,033
2018 – 2022	2,547,403

12. Commitments

The Association leases office space and office equipment under non-cancelable operating leases. Rental expense under these operating leases was \$172,694 and \$141,297 for the years ended June 30, 2012 and 2011, respectively. Future minimum lease payments on operating leases with initial or remaining lease terms of 12 months or more as of June 30, 2012 are as follows:

2013	\$ 85,142
2014	57,800
2015	1,646
2016	823
	<u>\$ 145,411</u>

LBA Certified Public Accountants, PA

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

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

We have audited the financial statements of American Lung Association of the Southeast, Inc. (a nonprofit organization) (the “Association”) as of and for the years ended June 30, 2012 and 2011, and have issued our report thereon dated October 1, 2012. 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.

Internal Control Over Financial Reporting

Management of the Association is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Association’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Association’s internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

This report is intended solely for the information and use of the American Lung Association of the Southeast, Inc.'s management, the Board of Directors, federal and state awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than those specified parties.

LBA Certified Public Accountants, P.A.

October 1, 2012

OTHER FINANCIAL INFORMATION

AMERICAN LUNG ASSOCIATION OF THE SOUTHEAST, INC.
SCHEDULE OF STATE FINANCIAL ASSISTANCE - GEORGIA
YEAR ENDED JUNE 30, 2012

<u>State Program Name</u>	<u>CFDA/Contract Number</u>	<u>Revenues</u>	<u>Expenses</u>	<u>Receivable at June 30, 2012</u>
Statewide Short-term Housing and Case Management Services for Infectious Homeless TB Patients	41900-046-11110294	\$ 280,258	\$ 280,258	\$ 49,718
Statewide Short-term Housing and Case Management Services for Non-Infectious Homeless Patients	41900-046-11110298	183,015	183,015	36,108

