
AMERICAN LUNG ASSOCIATION OF CALIFORNIA
AUDITED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

AMERICAN LUNG ASSOCIATION OF CALIFORNIA

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INDEPENDENT AUDITOR'S REPORT

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

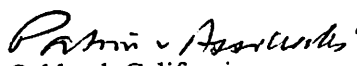
We have audited the accompanying statements of financial position of American Lung Association of California (a Non-Profit Organization) as of June 30, 2009 and June 30, 2008, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of American Lung Association of California's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Lung Association of California as of June 30, 2009 and June 30, 2008, 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 21, 2009 on our consideration of American Lung Association of California's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of American Lung Association of California taken as a whole. The supplementary information on pages 16 through 18 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Also, the accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.


Oakland, California
October 21, 2009

AMERICAN LUNG ASSOCIATION OF CALIFORNIA
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2009

ASSETS	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	
				<u>2009</u>	<u>2008</u>
Current assets:					
Cash (Note 1)	\$ (605,595)	\$ 843,276	\$	\$ 237,681	\$ 851,452
Accounts receivable - other (Note 2)	2,477,178			2,477,178	3,163,452
Prepaid expenses and deposits	<u>65,063</u>			<u>65,063</u>	<u>93,068</u>
Total current assets	<u>1,936,646</u>	<u>843,276</u>		<u>2,779,922</u>	<u>4,107,972</u>
Noncurrent assets:					
Certificate of deposit			1,015	1,015	1,015
Long-term investments (Note 3)	6,159,521		34,412	6,193,933	9,419,455
Beneficial interest in perpetual trust (Note 5)			11,581,131	11,581,131	4,622,724
Security deposits	29,129			29,129	26,128
Property and equipment, net (Note 6)	<u>2,684,632</u>			<u>2,684,632</u>	<u>2,869,809</u>
Total noncurrent assets	<u>8,873,282</u>		<u>11,616,558</u>	<u>20,489,840</u>	<u>16,939,131</u>
Total assets	<u>\$ 10,809,928</u>	<u>\$ 843,276</u>	<u>\$ 11,616,558</u>	<u>\$ 23,269,762</u>	<u>\$ 21,047,103</u>
 LIABILITIES AND NET ASSETS					
Current liabilities:					
Accounts payable - ALA	\$ 701,598	\$	\$	\$ 701,598	\$ 171,447
Accounts payable - other	858,705			858,705	1,147,000
Accrued leave	310,003			310,003	351,454
Deferred revenue	624,031			624,031	546,546
Accrued unemployment	<u>71,714</u>			<u>71,714</u>	
Total current liabilities	<u>2,566,051</u>			<u>2,566,051</u>	<u>2,216,447</u>
Accrued pension (Note 9)	<u>1,926,044</u>			<u>1,926,044</u>	<u>691,915</u>
Total liabilities	<u>4,492,095</u>			<u>4,492,095</u>	<u>2,908,362</u>
Net assets	<u>6,317,833</u>	<u>843,276</u>	<u>11,616,558</u>	<u>18,777,667</u>	<u>18,138,741</u>
Total liabilities and net assets	<u>\$ 10,809,928</u>	<u>\$ 843,276</u>	<u>\$ 11,616,558</u>	<u>\$ 23,269,762</u>	<u>\$ 21,047,103</u>

The accompanying notes are an integral part of these financial statements

AMERICAN LUNG ASSOCIATION OF CALIFORNIA
STATEMENTS OF ACTIVITIES
YEAR ENDED JUNE 30, 2009

PUBLIC SUPPORT AND REVENUES	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	
				<u>2009</u>	<u>2008</u>
Contributions and donations:					
Direct mail:					
Other direct mail	\$ 3,819,259	\$ _____	\$ _____	\$ 3,819,259	\$ 4,276,605
	3,819,259			3,819,259	4,276,605
Special events, net of \$396,618 direct expenses (Note 8)	1,029,793			1,029,793	958,501
Other contributions:					
Workplace giving	124,348			124,348	123,936
Memorials	65,322			65,322	98,334
Planned giving	267,556			267,556	252,627
Bequests	2,222,729			2,222,729	2,461,536
Other donations	244,781			244,781	142,909
Individual gifts	376,980			376,980	460,764
Total contributions and donations	<u>8,150,768</u>			<u>8,150,768</u>	<u>8,775,212</u>
Revenues:					
Foundation grants	214,711	186,187		400,897	504,546
Government grants	4,144,305	92,746		4,237,051	5,086,315
Corporation grants	529,134	91,328		620,461	630,406
Grants from ALA	101,634	4,919		106,553	102,900
Interest and dividends	405,200			405,200	406,557
Additional donation from affiliates/other revenue	35			35	7,778
Sale of material	33,855			33,855	13,896
Program service fees and sales	303,670			303,670	299,444
Shareable income	285,507			285,507	222,649
Membership dues	50,501			50,501	35,330
Change in value of trust and gift annuity					(578,366)
Other revenue	133,227			133,227	145,442
Total revenues	<u>6,201,776</u>	<u>375,180</u>		<u>6,576,956</u>	<u>6,876,897</u>
Net assets released from restrictions					
Foundation, Corporations and grants from ALA	626,794	(605,977)	(20,816)		
	<u>626,794</u>	<u>(605,977)</u>	<u>(20,816)</u>		
Total public support and revenues	<u>14,979,338</u>	<u>(230,798)</u>	<u>(20,816)</u>	<u>14,727,724</u>	<u>15,652,109</u>
EXPENSES					
Program services:					
Asthma	3,677,887			3,677,887	3,884,796
Environmental health	927,279			927,279	1,247,848
Tobacco control	6,100,007			6,100,007	6,466,053
Community health services	251,035			251,035	233,723
Other lung diseases	1,470,683			1,470,683	2,006,079
Research	2,163,363			2,163,363	1,534,293
Total program services	<u>14,590,254</u>			<u>14,590,254</u>	<u>15,372,792</u>
Supporting services:					
Management and general	1,184,085			1,184,085	1,178,802
Fundraising	1,292,693			1,292,693	1,262,387
Total supporting services	<u>2,476,778</u>			<u>2,476,778</u>	<u>2,441,189</u>
Payments to national office	613,416			613,416	750,568
Total expenses	<u>17,680,449</u>			<u>17,680,449</u>	<u>18,564,549</u>
Change in net assets from operations	(2,701,111)	(230,798)	(20,816)	(2,952,725)	(2,912,440)
NON-OPERATING ACTIVITIES					
Investments:					
Change in value of trust and gift annuity	2,456,090		6,958,407	9,414,497	
Realized gain/(loss) on investments	(554,271)			(554,271)	625,248
Unrealized loss on investments	(4,057,395)			(4,057,395)	(1,045,666)
Additional minimum pension liability	(1,211,180)			(1,211,180)	(67,896)
Change in net assets	(6,067,867)	(230,798)	6,937,591	638,926	(3,400,754)
Net assets, beginning	12,385,700	1,074,074	4,678,967	18,138,741	21,539,495
Net assets, ending	<u>\$ 6,317,833</u>	<u>\$ 843,276</u>	<u>\$ 11,616,558</u>	<u>\$ 18,777,667</u>	<u>\$ 18,138,741</u>

The accompanying notes are an integral part of these financial statements

AMERICAN LUNG ASSOCIATION OF CALIFORNIA
STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2009

	Program Services							Supporting Services			Total	
	Asthma	Environmental Health	Tobacco Control	Community Health	Other Lung Diseases	Research	Total	Management and General	Fund Raising	Total	2009	2008
				Services								
Personnel expenses	\$ 2,134,151	\$ 534,225	\$ 3,441,378	\$ 93,543	\$ 688,936	\$ 331,435	\$ 7,223,668	\$ 706,314	\$ 756,205	\$ 1,462,519	\$ 8,686,186	\$ 8,577,511
Program expenses	99,668	28,750	113,903	24,378	15,362	246,366	528,427	714	16,175	16,889	545,317	792,675
Professional fees	436,001	54,493	794,678	21,254	85,889	152,193	1,544,508	164,306	54,262	218,568	1,763,076	1,832,436
Interest expense	32	3	101	3			138		13	13	151	25
Supplies	114,591	5,921	49,775	1,110	12,644	1,393	185,434	10,008	12,142	22,150	207,584	280,060
Telephone	35,779	8,230	74,101	1,146	12,128	6,484	137,868	19,530	16,676	36,206	174,074	153,433
Postage & shipping	125,412	92,123	247,653	46,989	198,434	661,991	1,372,602	74,021	15,917	89,939	1,462,541	1,438,549
Occupancy	133,992	27,979	321,535	6,207	61,928	8,131	559,772	59,470	60,028	119,498	679,269	617,999
Maintenance & repairs	23,525	2,774	11,976	428	3,199	70	41,972	16,054	7,132	23,186	65,158	85,688
Equipment rental	21,832	3,767	32,030	1,492	6,017	1,218	66,356	9,850	9,121	18,971	85,327	109,768
Conferences, conventions & meetings	107,922	26,504	318,700	3,640	76,418	33,616	566,800	8,850	36,663	45,513	612,313	843,779
Printing & publications	157,755	94,087	315,590	47,014	205,193	659,025	1,478,663	66,177	30,217	96,394	1,575,057	1,654,086
Dues & subscriptions	5,168	826	10,432	198	2,470	1,018	20,112	4,741	2,008	6,749	26,861	31,390
Depreciation	66,563	9,418	50,261	1,949	9,776	9,374	147,340	13,099	19,841	32,940	180,280	168,732
Miscellaneous	215,497	38,179	317,895	1,686	92,289	51,047	716,594	30,951	256,294	287,244	1,003,838	1,227,850
	<u>3,677,887</u>	<u>927,279</u>	<u>6,100,007</u>	<u>251,035</u>	<u>1,470,683</u>	<u>2,163,363</u>	<u>14,590,254</u>	<u>1,184,085</u>	<u>1,292,693</u>	<u>2,476,778</u>	<u>17,067,033</u>	<u>17,813,981</u>
Payments to national office	<u>46,620</u>	<u>38,645</u>	<u>93,853</u>	<u>20,243</u>	<u>81,584</u>	<u>287,692</u>	<u>568,637</u>	<u>44,779</u>		<u>44,779</u>	<u>613,416</u>	<u>750,568</u>
Total expenses	<u>\$ 3,724,507</u>	<u>\$ 965,924</u>	<u>\$ 6,193,860</u>	<u>\$ 271,278</u>	<u>\$ 1,552,267</u>	<u>\$ 2,451,056</u>	<u>\$ 15,158,891</u>	<u>\$ 1,228,864</u>	<u>\$ 1,292,693</u>	<u>\$ 2,521,558</u>	<u>\$ 17,680,449</u>	<u>\$ 18,564,549</u>
Percent of total functional expenses	<u>21%</u>	<u>5%</u>	<u>35%</u>	<u>2%</u>	<u>9%</u>	<u>14%</u>	<u>86%</u>	<u>7%</u>	<u>7%</u>	<u>14%</u>	<u>100%</u>	<u>100%</u>

The accompanying notes are an integral part of these financial statements

AMERICAN LUNG ASSOCIATION OF CALIFORNIA
STATEMENTS OF CASH FLOWS
YEAR ENDED JUNE 30, 2009

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Change in net assets	\$ 638,926	\$ (3,400,754)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and write-offs	552,038	176,587
Realized and unrealized loss/(gain) on investments	(4,611,666)	420,418
(Increase) decrease in:		
Accounts receivable	686,274	(590,635)
Prepaid expenses	28,005	(13,916)
Value of trusts	(6,958,407)	578,366
Security deposits	(3,001)	(12,326)
Pledge receivable		19,940
Increase (decrease) in:		
Accounts payable and accrued leave	200,405	(538,639)
Deferred revenue	77,485	263,622
Accrued pension and unemployment	1,305,843	
Deferred compensation		(165,380)
	<u>(8,084,099)</u>	<u>(3,262,717)</u>
Net cash used in operating activities		
Cash flows from investing activities:		
Purchase of equipment	(366,860)	(187,688)
Proceeds from sale of investments - net	<u>7,837,188</u>	<u>1,156,161</u>
	<u>7,470,328</u>	<u>968,473</u>
Net cash provided by investing activities		
Net decrease in cash	(613,771)	(2,294,244)
Cash at beginning of the year	<u>851,452</u>	<u>3,145,696</u>
Cash at end of the year	\$ <u><u>237,681</u></u>	\$ <u><u>851,452</u></u>

The accompanying notes are an integral part of these financial statements

**AMERICAN LUNG ASSOCIATION OF CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization:

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

ALAC includes the following components:

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

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

A. Basis of Accounting

The financial statements of ALAC have been prepared on the accrual basis of accounting.

B. Financial Statement Presentation

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

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

C. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

D. Concentration of Cash

ALAC maintains its cash balances in financial institution located in Northern California. All time and savings deposits (which include NOW accounts, money market deposit accounts and other interest-bearing checking accounts) maintained in an insured depository institution are insured up to \$250,000 per bank by the Federal Deposit Insurance Corporation (FDIC) depending upon the type of deposit and the location of the insured depository institution. ALAC's aggregate deposits were below the FDIC's insurance limit.

E. Property and Equipment

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

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

F. Investments

Generally accepted accounting principles require that non-profit organizations report certain investments at fair value. In accordance with that guidance ALAC accounts for its equity securities that have readily determinable market values by recording and reporting those securities at fair value. Information about the fair value of investments and the unrealized gains and losses is discussed in Note 3.

G. Grants and Contract Revenue Recognition

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

H. Restricted and Unrestricted Revenue

Contributions including unconditional promise to give are recognized as revenues in the period the promise is received. Contributions, bequests, investment income and gains that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other

donor-restricted contributions, bequests, investment income and gains are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

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

I. Bequests

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

J. Donated Materials and Services

Donated services are recognized as contributions if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by ALAC. A substantial number of volunteers have contributed significant amounts of time to ALAC. Amounts for these contributed services are not reflected in the accompanying financial statements since the above criteria is not met. Donated materials are reported at fair market value at the date the contribution is received.

K. Fair Value of Financial Instruments

ALAC believes that the carrying value of its financial instruments approximates their fair values.

ALAC adopted Financial Accounting Standard Board Statement No. 157, *Fair Value Measurements* (FAS 157), at the beginning of the 2009 fiscal year. FAS 157 applies to all financial assets and liabilities that are being measured and reported on a fair value basis and requires such assets and liabilities to be classified and disclosed in one of the following three categories to enable readers of the financial statements to assess the inputs used to develop those measurement:

Level 1 Quoted market prices unadjusted in active markets for identical assets or liabilities.

Level 2 Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3 Unobservable inputs that are not corroborated by market data.

The financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. In determining fair value, ALAC uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible, as well as considers nonperformance risk in its assessment of fair value.

The methods described above may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while ALAC 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 estimate of fair value at the reporting date. See Note 4.

L. Income Taxes

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

M. Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with ALAC's financial statements for the year ended June 30, 2008, from which summarized information was derived.

Certain accounts in fiscal year 2008 were reclassified to conform with the fiscal year 2009 financial statement presentation.

N. New Accounting Pronouncement

Financial Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48), was issued in July 2006 and establishes standards for the recognition of income taxes for tax positions taken in income tax returns. In December 2008, a FASB Staff Position deferred the effective date for exempt organizations, permitting adoption for years beginning after December 15, 2008. ALAC is currently evaluating the impact of FIN 48 on its financial statements but does not anticipate that any impact would be significant.

NOTE 2: ACCOUNTS RECEIVABLE - OTHER

A summary of accounts receivable - other is as follows:

	<u>2009</u>	<u>2008</u>
Tuberculosis grants	\$ 83,529	\$ 118,725
Tobacco grants	1,042,261	1,620,959
Asthma grant	444	143,107
Contribution receivable	267,000	370,000
Miscellaneous	<u>1,083,944</u>	<u>910,661</u>
Total	<u>\$ 2,477,178</u>	<u>\$ 3,163,452</u>

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

NOTE 3: LONG TERM INVESTMENTS

Investments in marketable securities are recorded at fair value. The historical cost and fair value are summarized as follows:

	2009			2008		
	Cost	Fair Value	Unrealized Losses	Cost	Fair Value	Unrealized Gains
Investments:						
Money Funds	\$ 36,186	\$ 36,186	\$	\$ 63,182	\$ 63,182	\$
Corporate Bonds				118,231	119,236	1,005
Equity funds	7,561,679	6,131,279	(1,430,400)	9,016,304	9,208,625	192,321
Total	7,597,865	6,167,465	(1,430,400)	9,197,717	9,391,043	193,326
Investment in San Diego Foundation	26,468	26,468		28,412	28,412	
Total	\$ 7,624,333	\$ 6,193,933	\$ (1,430,400)	\$ 9,226,129	\$ 9,419,455	\$ 193,326

ALAC has investments in the San Diego Foundation, which are classified as permanently restricted as the investments must be maintained in perpetuity. The funds held at San Diego Foundation are invested in a "Balanced Pool" portfolio, which is structured for long term total return.

NOTE 4: FAIR VALUE MEASUREMENTS

Information related to ALAC's assets measured at fair value on a recurring basis at June 30, 2009 is as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Long-term investments:				
Money funds	\$ 36,186	\$ 36,186	\$	\$
Equity funds	6,131,279	6,131,279		
Investments in San Diego Foundation	26,468	26,468		
Beneficial interests in perpetual trusts	11,581,131			11,581,131
Total assets	\$ 17,775,064	\$ 6,193,933	\$	\$ 11,581,131

Fair values for investments, are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair values for the interests in beneficial trusts are determined by calculating the present values of estimated future distributions expected to be received, over the expected terms of the agreements, using discount rates ranging from 20% to 54%.

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

Beneficial interests in perpetual trusts

July 1, 2008	\$ 4,622,724
Net increase on beneficial interests in perpetual trusts	6,958,407
June 30, 2009	\$ 11,581,131

The net increase in beneficial interests in perpetual trusts included in the change in permanently restricted net assets in the statement of activities is net of \$2.4 million attributable to net unrealized losses on the investments held in the trust.

NOTE 5: BENEFICIAL INTEREST IN PERPETUAL TRUST

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

NOTE 6: PROPERTY AND EQUIPMENT

A summary of property and equipment is as follows:

	<u>2009</u>	<u>2008</u>
Land	\$ 1,599,135	\$ 1,599,135
Building and improvements	994,921	996,459
Leasehold improvements	779,296	777,756
Office furniture and equipment	1,278,276	1,467,875
Vehicles	<u>423,362</u>	<u>423,362</u>
Total	5,074,990	5,264,587
Less: Accumulated depreciation	<u>(2,390,358)</u>	<u>(2,394,778)</u>
Total	\$ <u><u>2,684,632</u></u>	\$ <u><u>2,869,809</u></u>

NOTE 7: LEASE COMMITMENTS

Non-Cancellable Operating Leases

ALAC has non-cancellable operating leases for its office spaces at various locations in California. Details are as follows:

<u>Location</u>	<u>Annual Lease Payments</u>	<u>Expiration Date</u>
State office	\$ 1,827	April, 2014
Sacramento	\$ 91,269	December, 2012
Tustin	\$ 11,558	July, 2009
Bakersfield	\$ 25,856	August, 2014
Santa Rosa	\$ 27,534	September, 2011
Chico	\$	Month to month basis
Modesto	\$	Month to month basis
East Bay	\$ 190,760	December, 2011
Los Angeles	\$ 66,695	June, 2012

ALAC also leases equipment as follows:

<u>Location</u>	<u>Monthly Payments</u>	<u>Expiration Date</u>
State office	\$ 1,301	December, 2011
Inland	\$ 758	March, 2011
East Bay	\$ 748	January, 2012
Santa Rosa	\$ 495	March, 2011
Fresno	\$ 576	November, 2011
Los Angeles	\$ 510	December, 2010
Orange	\$ 614	October, 2012
San Diego	\$ 1,801	December, 2011
Modesto	\$ 268	December, 2011
Sacramento	\$ 578	December, 2011

Minimum future annual rental payments under non-cancelable operating leases (for office spaces) having remaining terms in excess of one year as of June 30, 2009, for each of the next five years and in the aggregate are:

<u>Fiscal Years Ending June 30</u>	<u>State Office</u>	<u>Los Angeles</u>	<u>Bakersfield</u>	<u>East Bay</u>	<u>Sacramento</u>	<u>Santa Rosa</u>
2010	\$ 1,827	\$ 66,695	\$ 25,856	\$ 190,760	\$ 91,269	\$ 27,534
2011	1,827	66,695	25,856	190,760	91,269	27,534
2012	1,827	66,695	25,856	111,277	91,269	6,884
2013	1,827		25,856		45,634	
2014	1,368		25,856			
2015			4,309			
	<u>\$ 8,676</u>	<u>\$ 200,085</u>	<u>\$ 133,589</u>	<u>\$ 492,797</u>	<u>\$ 319,441</u>	<u>\$ 61,952</u>

NOTE 8: SPECIAL EVENTS - NET OF DIRECT EXPENSES

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

	<u>General</u>	<u>Service Area 1</u>	<u>Service Area 2</u>	<u>Service Area 3</u>	<u>Service Area 4</u>	<u>2009</u>	<u>2008</u>
Gross revenue	\$ 167	\$ 722,450	\$ 218,216	\$ 164,674	\$ 320,904	\$ 1,426,411	\$ 1,524,160
Direct expenses		(126,831)	(77,620)	(49,221)	(142,946)	(396,618)	(565,659)
	<u>\$ 167</u>	<u>\$ 595,619</u>	<u>\$ 140,596</u>	<u>\$ 115,453</u>	<u>\$ 177,958</u>	<u>\$ 1,029,793</u>	<u>\$ 958,501</u>

NOTE 9: PENSION PLAN

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

The following table, as provided by the Plan's outside administrator, sets forth the Plan's funded status and amounts recognized in ALAC's financial statements at June 30, 2009 and June 30, 2008.

	<u>2009</u>	<u>2008</u>
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 5,699,913	\$ 3,525,110
Service cost	534,191	372,994
Interest cost	471,412	321,590
Actuarial gain	(249,041)	(216,173)
Benefits paid	(156,364)	(183,673)
Business combinations and (divestitures)		1,880,065
Benefit obligation at end of year	<u>\$ 6,300,111</u>	<u>\$ 5,699,913</u>
Change in plan assets		
Fair value of plan assets at beginning of year	\$ 5,007,998	\$ 3,306,388
Actual return on plan assets	(400,860)	(208,074)
Employer contributions		382,000
Benefits paid	(156,364)	(183,673)
Expenses paid	(76,707)	(51,243)
Business combinations and (divestitures)		1,762,600
Fair value of assets at end of year	<u>\$ 4,374,067</u>	<u>\$ 5,007,998</u>
Funded status at end of year	\$ (1,926,044)	\$ (691,915)
Amount recognized in the statement of financial position consist of :		
Non-current liabilities	(1,926,044)	(691,915)
Accumulated benefit obligation at end of year	5,315,580	4,808,775
Information for pension plans with an accumulated benefit obligation in excess of plan assets		
Projected benefit obligation	6,300,111	5,699,913
Accumulated benefit obligation	5,315,580	4,808,775
Fair value of plan assets	4,374,067	5,007,998
Components of net periodic benefit cost		
Service cost	427,353	372,994
Interest cost	382,351	321,590
Expected return on plan assets	(395,887)	(419,428)
Recognized net loss	<u>727,703</u>	<u>373,729</u>
Net periodic benefit cost	<u>\$ 1,141,520</u>	<u>\$ 648,885</u>

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

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

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

Discount rate	6.25%	6%
Rate of compensation increase	3%	3%
Expected return on plan assets	8%	8.25%

Asset allocation

Asset category		
Equity securities	22.82%	50.91%
Debt securities	70.20%	41.94%
Real estate	5.16%	
Cash and cash equivalents	1.82%	7.25%
	<u>100%</u>	<u>100%</u>

Benefits expected to be paid for fiscal year beginning July 1

2009	\$	2,057,461
2010	\$	66,437
2011	\$	536,954
2012	\$	377,571
2013	\$	761,783
2014-2018	\$	2,096,038

Estimated amortization amount in next fiscal year

Amortization net loss	\$	48,374
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Rate of return on assets assumption:

Effective July 1, 2009, the expected long term rate of return on assets assumption is 7.5%. As defined in FAS 87, this assumption represents the rate of return on plan assets reflecting the average rate of earnings expected on the funds invested or to be invested to provide for the benefits included in the benefit obligation. The assumption has been determined by reflecting expectations regarding future rates of return for the investment portfolio, with consideration given to the distribution of investments by asset class and historical rates of return for each individual asset class.

Investment strategy:

In order to meet its needs, the investment strategy of ALAC 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 ALAC are preservation of capital and minimization of costs.

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

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

NOTE 10: ALLOCATION OF JOINT COSTS OF INFORMATIONAL MATERIAL AND ACTIVITIES ASSOCIATED WITH FUND RAISING APPEALS

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

- To program services to the extent they are intended to inform or educate the public concerning respiratory health.
- To supporting services including fund raising to the extent they are intended to induce the contribution of financial resources or enhance the image of ALAC.

The following is an allocation of these costs:

	<u>2009</u>	<u>2008</u>
Program services	\$ 1,346,905	\$ 1,275,047
Support services:		
Management and general	214,681	353,478
Fundraising	<u>799,496</u>	<u>1,241,383</u>
	<u>1,014,177</u>	<u>1,594,861</u>
Total	<u>\$ 2,361,082</u>	<u>\$ 2,869,908</u>

NOTE 11: RELATED PARTY TRANSACTIONS

ALAC carries out the mission of American Lung Association (ALA) in the state of California. Some of the board members of ALAC are also on the Board of ALA. ALAC has entered into an agreement with ALA. ALAC pays 13% of the shareable income to finance ALA office and program activities. ALAC paid \$291,978 and \$339,535 in shareable income fees for fiscal years 2009 and 2008, respectively.

SUPPLEMENTARY INFORMATION

**AMERICAN LUNG ASSOCIATION OF CALIFORNIA
CALIFORNIA THORACIC SOCIETY (CTS)
SCHEDULES OF FINANCIAL POSITION
JUNE 30, 2009**

ASSETS	<u>Unrestricted</u>	<u>Total</u>	
		<u>2009</u>	<u>2008</u>
Current assets			
Cash	\$ (77,056)	\$ (77,056)	\$ (6,891)
Prepaid expenses and deposits			77
Interfund receivable	<u>46,011</u>	<u>46,011</u>	<u>34,074</u>
Total current assets	<u>(31,045)</u>	<u>(31,045)</u>	<u>27,260</u>
Noncurrent assets			
Long-term investments	312,961	312,961	437,816
Property and equipment, net	<u>1,656</u>	<u>1,656</u>	<u>2,074</u>
Total noncurrent assets	<u>314,617</u>	<u>314,617</u>	<u>439,890</u>
Total assets	<u>\$ 283,572</u>	<u>\$ 283,572</u>	<u>\$ 467,150</u>
 LIABILITIES AND NET ASSETS			
Current liabilities			
Accounts payable - ALA	\$ 1,174	\$ 1,174	\$ 5,069
Accounts payable - other	2,565	2,565	15,745
Deferred revenue	9,750	9,750	12,307
Accrued leave	<u>7,284</u>	<u>7,284</u>	<u>33,121</u>
Total current liabilities	<u>20,773</u>	<u>20,773</u>	<u>33,121</u>
Accrued pension	<u>28,167</u>	<u>28,167</u>	<u>5,218</u>
Total liabilities	<u>48,940</u>	<u>48,940</u>	<u>38,339</u>
Net assets	<u>234,632</u>	<u>234,632</u>	<u>428,811</u>
Total liabilities and net assets	<u>\$ 283,572</u>	<u>\$ 283,572</u>	<u>\$ 467,150</u>

See Auditor's Report

**AMERICAN LUNG ASSOCIATION OF CALIFORNIA
CALIFORNIA THORACIC SOCIETY (CTS)
SCHEDULES OF ACTIVITIES
YEAR ENDED JUNE 30, 2009**

	<u>Unrestricted</u>	<u>Total</u>	
		<u>2009</u>	<u>2008</u>
PUBLIC SUPPORT AND REVENUES			
Contributions and donations:			
Direct mail:			
Other direct mail	\$	\$	\$ 25
Total direct mail			25
Other contributions:			
Other donations	228	228	838
Individual gifts	887	887	1,023
	<u>1,115</u>	<u>1,115</u>	<u>1,886</u>
Revenues:			
Corporation grant	4,000	4,000	33,000
Interest and dividends	10,863	10,863	9,886
Membership fees	32,149	32,149	35,230
Program service fees and sales	171,064	171,064	173,850
Other revenue	50,005	50,005	50,000
	<u>268,081</u>	<u>268,081</u>	<u>301,966</u>
Total public support and revenues	<u>269,196</u>	<u>269,196</u>	<u>303,852</u>
EXPENSES			
Program services:			
Other lung diseases	335,239	335,239	315,954
Total program services	<u>335,239</u>	<u>335,239</u>	<u>315,954</u>
Supporting services:			
Management and general	14,418	14,418	6,880
Total supporting services	<u>14,418</u>	<u>14,418</u>	<u>6,880</u>
Total expenses	<u>349,657</u>	<u>349,657</u>	<u>322,834</u>
Change in net assets from operations	(80,461)	(80,461)	(18,982)
NON-OPERATING ACTIVITIES			
Investments:			
Realized gains on investments	3,943	3,943	30,194
Unrealized loss on investments	(117,661)	(117,661)	(81,696)
Change in net assets	(194,179)	(194,179)	(70,484)
Net assets, beginning	<u>428,811</u>	<u>428,811</u>	<u>499,295</u>
Net assets, ending	\$ <u>234,632</u>	\$ <u>234,632</u>	\$ <u>428,811</u>

See Auditor's Report

**AMERICAN LUNG ASSOCIATION OF CALIFORNIA
STATEMENT OF EXPENDITURES FOR COUNTY OF ALAMEDA GRANTS
FOR THE YEAR ENDED JUNE 30, 2009**

Master Contract: Consolidated PHSVC 900246

Contract Number:	900246	900246	900246	900246	
Encumbrance/File Number:	*	*	*	*	
Contract Period:	7/1/08-6/30/09	7/1/08-6/30/09	7/1/08-6/30/09	7/1/08-6/30/09	
	Tobacco Coalition <u>2502</u>	Tobacco Community <u>2503</u>	Social Justice <u>2511</u>	Tobacco Cessation <u>2504</u>	<u>Total</u>
Contract Amount	\$ 42,000	\$ 138,000	\$ 25,000	\$ 80,000	\$ 285,000
Salaries	26,119	32,135	10,364	51,081	119,699
Fringe benefits and payroll taxes	7,530	5,163	1,953	16,091	30,737
Consultants/Community grants		90,574	4,000		94,574
Communications	600	600	240	840	2,280
Staff and volunteer travel	199	257	904	589	1,949
Conferences, conventions, and meetings	234	298	1,199	547	2,278
Printing and publications	200	1,854	1,000	480	3,534
Postage	250	293	849	101	1,493
Website	600				600
Office supplies	213	379	346	190	1,128
Program and training supplies	264		118	213	595
Promotional Items/Incentives	166	202	272	133	773
Indirect (admin) cost	<u>5,456</u>	<u>6,177</u>	<u>3,187</u>	<u>10,540</u>	<u>25,360</u>
Total expenses	<u>41,831</u>	<u>137,932</u>	<u>24,432</u>	<u>80,805</u>	<u>285,000</u>
Amount reimbursed by the County of Alameda	<u>\$ 30,420</u>	<u>\$ 78,838</u>	<u>\$ 11,833</u>	<u>\$ 59,119</u>	<u>\$ 180,210</u>

**AMERICAN LUNG ASSOCIATION OF CALIFORNIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Health and Human Services:</u>			
Direct Program			
Community Programs to improve Minority Health	93.137		\$ <u>264,097</u>
Total Direct			<u>264,097</u>
Pass-Through Programs From:			
County of Riverside - Health Services Agency			
Tuberculosis Control Programs	93.116	FEDS78ISIT	133,546
Tuberculosis Control Programs	93.116	FEDS89ISIT	173,657
Tuberculosis Prevention and Control - refugee health	93.576	07-33-90840-1	31,455
Tuberculosis Prevention and Control - refugee health	93.576	08-33-90840-1	50,874
University of California, Berkeley, School of Public Health Controlling Asthma in American Cities	93.283	U59/CCU923264-04-01	<u>45,762</u>
Total Pass-Through			<u>435,294</u>
Total U.S. Department of Health and Human Services			<u>699,391</u>
<u>U.S. Environmental Protection Agency</u>			
Open Airways - San Diego	66.034		4,411
Asthma Grant	66.034		<u>16,578</u>
Total U.S. Environmental Protection Agency			<u>20,989</u>
Total Expenditures of Federal Awards			\$ <u><u>720,380</u></u>

Note: Basis of Presentation

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

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of American Lung Association of California (a Non-Profit Organization) as of and for the year ended June 30, 2009, and have issued our report thereon dated October 21, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Controller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects American Lung Association of California's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of American Lung Association of California's financial statements that is more than inconsequential will not be prevented or detected by American Lung Association of California's internal control.


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

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

Compliance and other Matters

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

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



Oakland, California

October 21, 2009

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

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

Compliance

We have audited the compliance of American Lung Association of California with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. American Lung Association of California's major federal programs are identified in the summary of auditor's result section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of American Lung Association of California's management. Our responsibility is to express an opinion on American Lung Association of California's compliance based on our audit.

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

In our opinion, American Lung Association of California complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

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

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

A *control deficiency* in American Lung Association of California's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects American Lung Association of California's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by American Lung Association of California's internal control.

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

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

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

Pwmi - Associates
Oakland, California
October 21, 2009

**AMERICAN LUNG ASSOCIATION OF CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009**

SECTION 1 - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Federal Awards

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

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
93.116	Tuberculosis Control Programs

Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

**AMERICAN LUNG ASSOCIATION OF CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009**

SECTION II - FINANCIAL STATEMENTS FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

**AMERICAN LUNG ASSOCIATION OF CALIFORNIA
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2009**

No matters were reported.