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**AMERICAN LUNG ASSOCIATION IN CALIFORNIA**  
**(formerly American Lung Association of California)**

**AUDITED FINANCIAL STATEMENTS**  
**AND**  
**INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

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**AMERICAN LUNG ASSOCIATION IN CALIFORNIA**

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**INDEPENDENT AUDITOR'S REPORT**

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

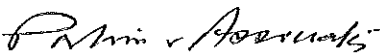
We have audited the accompanying statements of financial position of American Lung Association in California (a Non-Profit Organization) as of June 30, 2010 and June 30, 2009, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of American Lung Association in 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 in California as of June 30, 2010 and June 30, 2009, 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 28, 2010 on our consideration of American Lung Association in 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 in California taken as a whole. The supplementary information on pages 17 through 19 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 28, 2010

**AMERICAN LUNG ASSOCIATION IN CALIFORNIA**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2010**

<b>ASSETS</b>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	
				<u>2010</u>	<u>2009</u>
<b>Current assets:</b>					
Cash (Note 1)	\$ (21,502)	\$ 356,799	\$	\$ 335,297	\$ 237,681
Accounts receivable - other (Note 2)	1,833,522			1,833,522	2,477,178
Prepaid expenses and deposits	<u>93,329</u>			<u>93,329</u>	<u>65,063</u>
<b>Total current assets</b>	<u>1,905,349</u>	<u>356,799</u>		<u>2,262,148</u>	<u>2,779,922</u>
<b>Noncurrent assets:</b>					
Certificate of deposit			1,015	1,015	1,015
Long-term investments (Note 3)	6,987,826		22,280	7,010,106	6,193,933
Beneficial interest in perpetual trust (Note 5)			12,071,675	12,071,675	11,581,131
Security deposits	28,529			28,529	29,129
Property and equipment, net (Note 6)	<u>2,672,725</u>			<u>2,672,725</u>	<u>2,684,632</u>
<b>Total noncurrent assets</b>	<u>9,689,080</u>		<u>12,094,970</u>	<u>21,784,050</u>	<u>20,489,840</u>
<b>Total assets</b>	<u>\$ 11,594,429</u>	<u>\$ 356,799</u>	<u>\$ 12,094,970</u>	<u>\$ 24,046,198</u>	<u>\$ 23,269,762</u>
 <b>LIABILITIES AND NET ASSETS</b>					
<b>Current liabilities:</b>					
Accounts payable - ALA	\$ 159,387	\$	\$	\$ 159,387	\$ 701,598
Accounts payable - other	698,782			698,782	858,705
Accrued leave	228,685			228,685	310,003
Deferred revenue	438,023			438,023	624,031
Borrowings (Note 7)	1,650,000			1,650,000	
Accrued unemployment					<u>71,714</u>
<b>Total current liabilities</b>	<u>3,174,877</u>			<u>3,174,877</u>	<u>2,566,051</u>
Accrued pension (Note 10)	<u>728,898</u>			<u>728,898</u>	<u>1,926,044</u>
<b>Total liabilities</b>	<u>3,903,775</u>			<u>3,903,775</u>	<u>4,492,095</u>
<b>Net assets</b>	<u>7,690,654</u>	<u>356,799</u>	<u>12,094,970</u>	<u>20,142,423</u>	<u>18,777,667</u>
<b>Total liabilities and net assets</b>	<u>\$ 11,594,429</u>	<u>\$ 356,799</u>	<u>\$ 12,094,970</u>	<u>\$ 24,046,198</u>	<u>\$ 23,269,762</u>

The accompanying notes are an integral part of these financial statements

**AMERICAN LUNG ASSOCIATION IN CALIFORNIA**  
**STATEMENTS OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2010**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	
				<u>2010</u>	<u>2009</u>
<b>PUBLIC SUPPORT AND REVENUES</b>					
Contributions and donations:					
Direct mail:					
Other direct mail	\$ 3,576,841	\$ _____	\$ _____	\$ 3,576,841	\$ 3,819,259
Special events, net of \$224,809 direct expenses (Note 9)	1,148,096			1,148,096	1,029,793
Other contributions:					
Workplace giving	118,804			118,804	124,348
Memorials	133,801			133,801	65,322
Planned giving	257,012			257,012	267,556
Bequests	2,268,889			2,268,889	2,222,729
Other donations	186,605			186,605	244,781
Individual gifts	311,196			311,196	376,980
Total contributions and donations	<u>8,001,244</u>			<u>8,001,244</u>	<u>8,150,768</u>
Revenues:					
Foundation grants	335,718	301,730		637,448	400,897
Government grants	4,109,339			4,109,339	4,237,051
Corporation grants	432,198	96,214		528,412	620,461
Grants from ALA	92,251	21,760		114,011	106,553
Interest and dividends	292,953			292,953	405,200
Additional donation from affiliates/other revenue	1,300			1,300	35
Sale of material	8,352			8,352	33,855
Program service fees and sales	319,816			319,816	303,670
Shareable income	304,418			304,418	285,507
Membership dues	44,740			44,740	50,501
Other revenue	687,428			687,428	133,227
Total revenues	<u>6,628,513</u>	<u>419,704</u>		<u>7,048,217</u>	<u>6,576,957</u>
Net assets released from restrictions					
Grants from foundations, corporations and other sources	918,313	(918,493)			
	<u>918,313</u>	<u>(918,493)</u>			
Total public support and revenues	<u>15,548,070</u>	<u>(498,789)</u>		<u>15,049,461</u>	<u>14,727,724</u>
<b>EXPENSES</b>					
Program services:					
Asthma	3,841,128			3,841,128	3,677,887
Environmental health	621,367			621,367	927,279
Tobacco control	6,434,954			6,434,954	6,100,007
Community health services	14,895			14,895	251,035
Other lung diseases	970,210			970,210	1,470,683
Research	734,590			734,590	2,163,363
Total program services	<u>12,617,144</u>			<u>12,617,144</u>	<u>14,590,254</u>
Supporting services:					
Management and general	1,694,211			1,694,211	1,184,085
Fundraising	478,971			478,971	1,292,693
Total supporting services	<u>2,173,182</u>			<u>2,173,182</u>	<u>2,476,778</u>
Payments to national office					
Total expenses	<u>712,091</u>			<u>712,091</u>	<u>613,417</u>
Total expenses	<u>15,502,417</u>			<u>15,502,417</u>	<u>17,680,449</u>
Change in net assets from operations	45,653	(498,789)		(452,956)	(2,952,725)
<b>NON-OPERATING ACTIVITIES</b>					
Investments:					
Change in value of trust and gift annuity	(490,544)		490,544		9,414,497
Realized loss on investments	(102,641)			(102,641)	(554,271)
Unrealized gain (loss) on investments	723,207	12,312	(12,312)	723,207	(4,057,395)
Minimum pension liability	1,197,146			1,197,146	(1,211,180)
Change in net assets	1,372,821	(486,477)	478,232	1,364,756	638,926
Net assets, beginning	6,317,833	843,276	11,616,558	18,777,667	18,138,741
Net assets, ending	<u>\$ 7,690,654</u>	<u>\$ 356,799</u>	<u>\$ 12,094,790</u>	<u>\$ 20,142,423</u>	<u>\$ 18,777,667</u>

The accompanying notes are an integral part of these financial statements

**AMERICAN LUNG ASSOCIATION IN CALIFORNIA**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2010**

	Program Services							Supporting Services			Total	
	Asthma	Environmental	Tobacco	Community	Other	Research	Total	Management	Fund	Total	2010	2009
		Health	Control	Health	Lung			and	Raising			
				Services	Diseases		General					
Personnel	\$ 1,961,168	\$ 346,358	\$ 3,185,565	\$ 7,078	\$ 511,784	\$ 85,370	\$ 6,097,323	\$ 970,067	\$ 84,755	\$ 1,054,822	\$ 7,152,145	\$ 8,686,186
Program	71,462	5,417	143,484		7,170	252,291	479,824		(1,317)	(1,317)	478,507	545,317
Professional fees	510,159	87,579	909,168	4,674	86,487	44,653	1,642,720	148,346	66,248	214,594	1,857,314	1,763,076
Interest	146						146	38,333		38,333	38,479	151
Supplies	119,886	3,660	79,760	68	8,146	2,334	213,854	4,994	2,547	7,541	221,395	207,584
Telephone	34,437	4,182	61,091	94	12,886	3,607	116,297	9,914	6,418	16,332	132,629	174,074
Postage and shipping	275,765	43,563	463,667	1,009	69,567	153,552	1,007,123	177,936	48,919	226,855	1,233,978	1,462,541
Occupancy	128,060	20,430	271,109	491	61,693	16,790	498,573	83,176	17,309	100,485	599,058	679,269
Maintenance and repairs	13,517	2,123	22,317	51	3,549	1,745	43,302	15,615	1,799	17,414	60,716	65,158
Equipment rental	17,960	3,564	51,214	55	5,546	1,867	80,206	9,298	1,925	11,223	91,429	85,327
Conferences, conventions and meetings	120,492	19,611	267,167	210	20,154	7,175	434,809	598	7,532	8,130	442,939	612,313
Printing and publications	314,790	49,082	514,139	883	74,179	155,580	1,108,653	175,457	49,465	224,922	1,333,575	1,575,057
Dues and subscriptions	4,385	661	11,756	16	1,717	543	19,078	3,937	1,560	5,497	24,575	26,861
Depreciation	44,138	7,056	74,162	170	11,229	5,799	142,554	15,456	5,978	21,434	163,988	180,280
Miscellaneous	224,763	28,081	380,355	96	96,103	3,284	732,682	41,084	185,833	226,917	959,599	1,003,838
	<u>3,841,128</u>	<u>621,367</u>	<u>6,434,954</u>	<u>14,895</u>	<u>970,210</u>	<u>734,590</u>	<u>12,617,144</u>	<u>1,694,211</u>	<u>478,971</u>	<u>2,173,182</u>	<u>14,790,326</u>	<u>17,067,032</u>
Payments to national office	106,345	8,062	213,526		10,670	375,448	714,051		(1,960)	(1,960)	712,091	613,417
Total expenses	<u>\$ 3,947,473</u>	<u>\$ 629,429</u>	<u>\$ 6,648,480</u>	<u>\$ 14,895</u>	<u>\$ 980,880</u>	<u>\$ 1,110,038</u>	<u>\$ 13,331,195</u>	<u>\$ 1,694,211</u>	<u>\$ 477,011</u>	<u>\$ 2,171,222</u>	<u>\$ 15,502,417</u>	<u>\$ 17,680,449</u>
Percent of total functional expenses	<u>25%</u>	<u>4%</u>	<u>43%</u>	<u>0%</u>	<u>6%</u>	<u>7%</u>	<u>86%</u>	<u>11%</u>	<u>3%</u>	<u>14%</u>	<u>100%</u>	<u>100%</u>

The accompanying notes are an integral part of these financial statements

**AMERICAN LUNG ASSOCIATION IN CALIFORNIA**  
**STATEMENTS OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2010**

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,364,756	\$ 638,926
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and write-offs	163,988	552,038
Unrealized/realized loss (gain) on investments	(620,566)	4,611,666
(Increase) decrease in:		
Accounts receivable	643,656	686,274
Prepaid expenses	(28,266)	28,005
Value of trusts	(490,544)	(6,958,407)
Security deposits	600	(3,002)
Increase (decrease) in:		
Accounts payable and accrued leave	(783,452)	200,405
Deferred revenue	(186,008)	77,485
Accrued unemployment	(71,714)	
Accrued pension	(1,197,146)	1,305,843
	<u>(1,204,696)</u>	<u>1,139,233</u>
Net cash provided by (used in) operating activities		
Cash flows from investing activities:		
Purchases of equipment, net of disposals	(152,081)	(366,860)
Purchases of investments, net of disposals	(195,607)	(1,386,144)
	<u>(347,688)</u>	<u>(1,753,004)</u>
Net cash used by investing activities		
Cash flows from financing activities:		
Proceeds from borrowings	<u>1,650,000</u>	
	<u>1,650,000</u>	
Net cash provided by financing activities		
Net increase (decrease) in cash	97,616	(613,771)
Cash at beginning of the year	<u>237,681</u>	<u>851,452</u>
Cash at end of the year	\$ <u><u>335,297</u></u>	\$ <u><u>237,681</u></u>
Supplemental disclosure:		
Cash paid for interest	\$ <u><u>38,479</u></u>	

The accompanying notes are an integral part of these financial statements

**AMERICAN LUNG ASSOCIATION IN CALIFORNIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization:**

The American Lung Association in 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.

In May 2010, ALAC changed its name from American Lung Association of California to American Lung Association in California.

**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.

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

**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. At June 30, 2010, cash balance amounted to \$335,297. It is the opinion of the management that the solvency of the financial institution is not of particular concern at this time.

**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 were 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 in accordance with FASB Accounting Standards Codification 820 *Fair Value Measurements and Disclosures* (ASC 820). ASC 820 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, 2009, from which summarized information was derived.

### NOTE 2: ACCOUNTS RECEIVABLE - OTHER

A summary of accounts receivable - other is as follows:

	<u>2010</u>	<u>2009</u>
Tuberculosis grants	\$ 169,085	\$ 83,529
Tobacco grants	796,809	1,042,261
Asthma grant	163,588	444
Contribution receivable		267,000
Miscellaneous	<u>704,040</u>	<u>1,083,944</u>
Total	<u>\$ 1,833,522</u>	<u>\$ 2,477,178</u>

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

### NOTE 3: LONG TERM INVESTMENTS

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

	<u>2010</u>			<u>2009</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Net Gains</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Net Losses</u>
Investments:						
Money Funds	\$ 19,468	\$ 19,468	\$	\$ 36,186	\$ 36,186	\$
Equity funds	<u>5,858,186</u>	<u>6,968,358</u>	<u>1,110,172</u>	<u>7,561,679</u>	<u>6,131,279</u>	<u>(1,430,400)</u>
Total	5,877,654	6,987,826	1,110,172	7,597,865	6,167,465	(1,430,400)
Investment in San Diego Foundation	<u>22,280</u>	<u>22,280</u>	<u></u>	<u>26,468</u>	<u>26,468</u>	<u></u>
Total	<u>\$ 5,899,934</u>	<u>\$ 7,010,106</u>	<u>\$ 1,110,172</u>	<u>\$ 7,624,333</u>	<u>\$ 6,193,933</u>	<u>\$ (1,430,400)</u>

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, 2010 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	\$ 19,468	\$ 19,468	\$	\$
Equity funds	6,968,358	6,968,358		
Investments in San Diego Foundation	22,280	22,280		
Beneficial interests in perpetual trusts	<u>12,071,675</u>	<u></u>	<u></u>	<u>12,071,675</u>
Total assets	<u>\$ 19,081,781</u>	<u>\$ 7,010,106</u>	<u>\$</u>	<u>\$ 12,071,675</u>

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 perpetual 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:

<u>Beneficial interests in perpetual trusts</u>	
July 1, 2009	\$ 11,581,131
Net increase in beneficial interests in perpetual trusts	<u>490,544</u>
June 30, 2010	<u>\$ 12,071,675</u>

**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>2010</u>	<u>2009</u>
Land	\$ 1,599,135	\$ 1,599,135
Building and improvements	985,509	994,921
Leasehold improvements	820,006	779,296
Office furniture and equipment	1,312,402	1,278,276
Vehicles	<u>183,826</u>	<u>423,362</u>
Total	4,900,878	5,074,990
Less: Accumulated depreciation	<u>(2,228,153)</u>	<u>(2,390,358)</u>
Total	<u>\$ 2,672,725</u>	<u>\$ 2,684,632</u>

**NOTE 7: BORROWINGS**

- (a) ALAC has a short-term secured line of credit for a total amount of \$1,250,000, of which the entire amount was outstanding as of June 30, 2010. The line of credit bears interest at the rate of 4.25% per annum.
- (b) ALAC is obligated on a margin loan dated May 2010 margined against ALAC's investment assets, in the amount of \$400,000, payable to Fidelity Investments. The loan bears interest at the rate of 3.5% per annum. The loan is open-ended with no maturity date, until the balance is paid off.

**NOTE 8: 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	\$ 1,979	April, 2014
Sacramento	\$ 99,163	December, 2012
Tustin	\$ 10,655	Month to month basis
Bakersfield	\$ 21,912	August, 2014
Santa Rosa	\$ 30,130	September, 2011
Chico	\$ 15,600	Month to month basis
Modesto	\$ 1,969	Month to month basis
East Bay	\$ 172,536	January, 2012
Los Angeles	\$ 78,149	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, 2010, 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>	<u>Total</u>
2011	\$ 1,827	\$ 66,695	\$ 25,856	\$ 190,760	\$ 91,269	\$ 27,534	\$ 403,941
2012	1,827	66,695	25,856	111,277	91,269	6,884	303,808
2013	1,827		25,856		45,634		73,317
2014	1,368		25,856				27,224
2015			4,309				4,309
	<u>\$ 6,849</u>	<u>\$ 133,390</u>	<u>\$ 107,733</u>	<u>\$ 302,037</u>	<u>\$ 228,172</u>	<u>\$ 34,418</u>	<u>\$ 812,599</u>

**NOTE 9: SPECIAL EVENTS - NET OF DIRECT EXPENSES**

The following is a summary of special events income:

	<u>2010</u>	<u>2009</u>
Gross revenue	\$ 1,372,905	\$ 1,426,411
Direct expenses	<u>(224,809)</u>	<u>(396,618)</u>
	<u>\$ 1,148,096</u>	<u>\$ 1,029,793</u>

**NOTE 10: PENSION PLAN**

ALAC has a non-contributory defined benefit plan (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 June 30 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, 2010 and June 30, 2009.

	<u>2010</u>	<u>2009</u>
<b>Change in benefit obligation</b>		
Benefit obligation at beginning of year	\$ 6,300,111	\$ 5,699,913
Service cost		534,191
Interest cost	305,497	471,412
Amendments	118,958	
Actuarial loss	(60,413)	(249,041)
Benefits paid	258,378)	(156,364)
Curtailments, settlements, and special termination benefits	(929,175)	
	<u>5,476,600</u>	<u>6,300,111</u>
Benefit obligation at end of year	\$ <u>5,476,600</u>	\$ <u>6,300,111</u>
<b>Change in plan assets</b>		
Fair value of plan assets at beginning of year	\$ 4,374,067	\$ 5,007,998
Actual return on plan assets	590,726	(400,860)
Employer contributions	124,242	
Benefits paid	(248,378)	(156,364)
Expenses paid	(92,955)	(76,707)
	<u>4,747,702</u>	<u>4,374,067</u>
Fair value of assets at end of year	\$ <u>4,747,702</u>	\$ <u>4,374,067</u>
Funded status at end of year	\$ (728,898)	\$ (1,926,044)
Amount recognized in the statement of financial position consist of :		
Non-current liabilities	(728,898)	(1,926,044)
Accumulated benefit obligation at end of year	5,476,600	5,315,580
<b>Information for pension plans with an accumulated benefit obligation in excess of plan assets</b>		
Projected benefit obligation	5,476,600	6,300,111
Accumulated benefit obligation	5,476,600	5,315,580
Fair value of plan assets	4,747,702	4,374,067
<b>Components of net periodic benefit cost</b>		
Service cost		427,353
Interest cost	305,497	382,351
Expected return on plan assets	(326,222)	(395,887)
Recognized net loss	(1,042,179)	727,703
	<u>(1,062,904)</u>	<u>1,141,520</u>
Net periodic benefit cost	\$ <u>(1,062,904)</u>	\$ <u>1,141,520</u>
<b>Weighted average assumptions used to determine benefit obligation as of June 30,</b>		
Discount rate	5.50%	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%	6.25%
Rate of compensation increase	3%	3%
Expected return on plan assets	7.50%	8%

**Asset allocation**

Asset category		
Equity securities	10.69%	22.82%
Debt securities	66.74%	70.20%
Real estate	5.35%	5.16%
Cash and cash equivalents	17.22%	1.82%
	<u>100%</u>	<u>100%</u>

**Benefits expected to be paid for fiscal Year beginning July 1**

2010	\$ 1,082,567
2011	\$ 609,223
2012	\$ 296,939
2013	\$ 801,868
2014	\$ 449,230
2015-2019	\$ 1,354,520

The following are the major categories of plan assets at fair value as of June 30, 2010:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total
Cash and cash equivalents	\$ 817,554	\$	\$ 817,554
Equity securities	507,530		507,530
Debt securities		3,168,616	3,168,616
Real estate		254,002	254,002
Total	\$ <u>1,325,084</u>	\$ <u>3,422,618</u>	\$ <u>4,747,702</u>

**Rate of return on assets assumption:**

Effective July 1, 2010, the expected long term rate of return on assets assumption is 6.5%. As defined in ASC 715 *Compensation - Retirement Benefits*, 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.

**Freeze of Plan Benefit Accruals:**

In May 2009, ALAC's management decided to implement a freeze of future Plan benefit accruals effective June 30, 2009 in light of ALAC's current financial situation, the reductions in staff, and the organizational structure. As set forth in the Plan's funded status as of June 30, 2010, benefit obligation decreased by approximately \$800,000 during fiscal year 2010.

**NOTE 11: 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>2010</u>	<u>2009</u>
Program services	\$ <u>1,741,394</u>	\$ <u>1,346,905</u>
Support services:		
Management and general	370,885	214,681
Fundraising	<u>470,287</u>	<u>799,496</u>
	<u>841,172</u>	<u>1,014,177</u>
Total	\$ <u><u>2,582,566</u></u>	\$ <u><u>2,361,082</u></u>

**NOTE 12: 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 \$712,091 and \$291,978 in shareable income fees for fiscal years 2010 and 2009, respectively.

**NOTE 13: EVALUATION OF SUBSEQUENT EVENTS**

The management of ALAC have reviewed the results of operations for the period of time from its year end June 30, 2010 through October 28, 2010, the date the financial statements were available to be issued and have determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.

**SUPPLEMENTARY INFORMATION**

**AMERICAN LUNG ASSOCIATION IN CALIFORNIA  
CALIFORNIA THORACIC SOCIETY (CTS)  
SCHEDULES OF FINANCIAL POSITION  
JUNE 30, 2010**

<b>ASSETS</b>	<u>Unrestricted</u>	<u>Total</u>	
		<u>2010</u>	<u>2009</u>
Current assets			
Cash	\$ (147,299)	\$ (147,299)	\$ (77,056)
Interfund receivable	<u>28,454</u>	<u>28,454</u>	<u>46,011</u>
Total current assets	<u>(118,845)</u>	<u>(118,845)</u>	<u>(31,045)</u>
Noncurrent assets			
Other receivables	335	335	
Long-term investments	362,823	362,823	312,961
Property and equipment, net	<u>1,251</u>	<u>1,251</u>	<u>1,656</u>
Total noncurrent assets	<u>364,409</u>	<u>364,409</u>	<u>314,617</u>
Total assets	<u>\$ 245,564</u>	<u>\$ 245,564</u>	<u>\$ 283,572</u>
 <b>LIABILITIES AND NET ASSETS</b>			
Current liabilities			
Accounts payable - ALA	\$ 798	\$ 798	\$ 1,174
Accounts payable - other	798	798	2,565
Deferred revenue			9,750
Accrued leave			<u>7,284</u>
Total current liabilities	<u>798</u>	<u>798</u>	<u>20,773</u>
Accrued pension	<u>28,083</u>	<u>28,083</u>	<u>28,167</u>
Total liabilities	<u>28,881</u>	<u>28,881</u>	<u>48,940</u>
Net assets	<u>216,683</u>	<u>216,683</u>	<u>234,632</u>
Total liabilities and net assets	<u>\$ 245,564</u>	<u>\$ 245,564</u>	<u>\$ 283,572</u>

See Auditor's Report

**AMERICAN LUNG ASSOCIATION IN CALIFORNIA  
CALIFORNIA THORACIC SOCIETY (CTS)  
SCHEDULES OF ACTIVITIES  
YEAR ENDED JUNE 30, 2010**

	<u>Unrestricted</u>	<u>Board Designated</u>	<u>Total</u>	
			<u>2010</u>	<u>2009</u>
<b>PUBLIC SUPPORT AND REVENUES</b>				
Contributions and donations:				
Direct mail:				
Other direct mail	\$	\$	\$	\$
Total direct mail				
Other contributions:				
Other donations				228
Individual gifts	910		910	887
Total contributions and donations	910		910	1,115
Revenues:				
Corporation grant	1,000		1,000	4,000
Interest and dividends	7,968		7,968	10,863
Membership fees	36,740		36,740	32,149
Program service fees and sales	184,414		184,414	171,064
Other revenue	832		832	50,005
Total revenues	230,954		230,954	268,081
Net assets released from restrictions	1,721	(1,721)		
Total public support and revenues	233,585	(1,721)	231,864	269,196
<b>EXPENSES</b>				
Program services:				
Other lung diseases	289,252		289,252	335,239
Total program services	289,252		289,252	335,239
Supporting services:				
Management and general	2,455		2,455	14,418
Total supporting services	2,455		2,455	14,418
Total expenses	291,707		291,707	349,657
Change in net assets from operations	(58,122)	(1,721)	(59,843)	(80,461)
<b>NON-OPERATING ACTIVITIES</b>				
Investments:				
Realized gains on investment	37,580		37,580	3,943
Unrealized gain (loss) on investments	4,314		4,314	(117,661)
Change in net assets	(16,228)	(1,721)	(17,949)	(194,179)
Net assets, beginning	234,632		234,632	428,811
Net assets, ending	\$ 218,404	\$ (1,721)	\$ 216,683	\$ 234,632

See Auditor's Report

**AMERICAN LUNG ASSOCIATION IN CALIFORNIA  
STATEMENT OF EXPENDITURES FOR COUNTY OF ALAMEDA GRANTS  
FOR THE YEAR ENDED JUNE 30, 2010**

**Master Contract: Consolidated PHSVC 900665**

<b>Contract Number:</b>	<b>900665</b>	<b>900665</b>	<b>900665</b>	<b>900665</b>	
<b>Encumbrance/File Number:</b>	*	*	*	*	
<b>Contract Period:</b>	<b>09/1/09-6/30/10</b>	<b>09/1/09-6/30/10</b>	<b>09/1/09-6/30/10</b>	<b>09/1/09-6/30/10</b>	
	<b>Tobacco Coalition <u>2502</u></b>	<b>Tobacco Community <u>2503</u></b>	<b>Social Justice <u>2511</u></b>	<b>Tobacco Cessation <u>2504</u></b>	<b><u>Total</u></b>
Contract Amount	\$ <u>42,000</u>	\$ <u>138,000</u>	\$ <u>25,000</u>	\$ <u>80,000</u>	\$ <u>285,000</u>
Salaries	26,533	29,144	10,941	51,238	117,856
Fringe benefits and payroll taxes	6,231	7,152	3,506	13,117	30,006
Consultants/Community grants		95,000	4,000		99,000
Communications	649	449	260	910	2,268
Staff and volunteer travel	98	694	325	477	1,594
Conferences, conventions, and meetings	372	548	1,057	446	2,423
Printing and publications	83	292	1,075	448	1,898
Postage	150	400	844	101	1,495
Website	600				600
Office supplies	100	200	156	161	617
Health education materials			25	199	224
Promotional Items/Incentives		401	363	90	854
Indirect (admin) cost	<u>5,419</u>	<u>6,112</u>	<u>3,338</u>	<u>10,435</u>	<u>25,304</u>
 Total expenses	 <u>40,235</u>	 <u>140,392</u>	 <u>25,890</u>	 <u>77,622</u>	 <u>284,139</u>
 Amount reimbursed by the County of Alameda	 <u>\$ 32,470</u>	 <u>\$ 104,219</u>	 <u>\$ 18,402</u>	 <u>\$ 63,435</u>	 <u>\$ 218,526</u>

**AMERICAN LUNG ASSOCIATION IN CALIFORNIA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2010**

<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>
<b><u>U.S. Department of Health and Human Services:</u></b>			
<b>Direct Program</b>			
Community Partnerships to Eliminate Health Disparities	93.137		\$ <u>276,648</u>
Total Direct Program			<u>276,648</u>
<b>Pass-Through Programs From:</b>			
County of Riverside - Health Services Agency			
Tuberculosis Control Programs	93.116	1936002309	481,904
Tuberculosis Prevention and Control - refugee health	93.576	1936002309	79,487
Tuberculosis and HIV testing	93.Unknown	1936002309	<u>5,553</u>
Total Pass-Through			<u>566,944</u>
Total U.S. Department of Health and Human Services			<u>843,592</u>
<b><u>U.S. Environmental Protection Agency</u></b>			
Open Airways - San Diego	66.034		2,703
Asthma Grant	66.034		<u>3,487</u>
Total U.S. Environmental Protection Agency			<u>6,190</u>
Total Expenditures of Federal Awards			\$ <u><u>849,782</u></u>

Note: Basis of Presentation

The above schedule of expenditures of federal awards includes the federal grant activity of American Lung Association in 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 in California  
Oakland, California

We have audited the financial statements of American Lung Association in California (a Non-Profit Organization) as of and for the year ended June 30, 2010, and have issued our report thereon dated October 28, 2010. 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 in California's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of American Lung Association in California's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of American Lung Association in California'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 American Lung Association in 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.

*PwC*  
Oakland, California  
October 28, 2010

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

**Compliance**

We have audited the compliance of American Lung Association in California with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. American Lung Association in California's major federal programs are identified in the summary of auditor's results 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 in California's management. Our responsibility is to express an opinion on American Lung Association in 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 OMB Circular A-133. 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 in 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 in California's compliance with those requirements.

In our opinion, American Lung Association in California complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

**Internal Control Over Compliance**

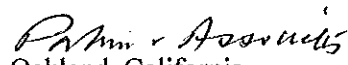
Management of American Lung Association in California is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered American Lung Association in California's internal control over compliance with the

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 in California's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance 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 compliance that might be deficiencies, 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.

  
Oakland, California  
October 28, 2010

**AMERICAN LUNG ASSOCIATION IN CALIFORNIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2010**

**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?	None reported
Noncompliance material to financial statements noted?	No

***Federal Awards***

Internal control over major programs:	
• Material weaknesses identified?	No
• Significant deficiencies identified?	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
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Auditee qualified as low-risk auditee?	Yes
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**AMERICAN LUNG ASSOCIATION IN CALIFORNIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2010**

**SECTION II - FINANCIAL STATEMENTS FINDINGS**

No matters were reported.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported.

**AMERICAN LUNG ASSOCIATION IN CALIFORNIA  
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED JUNE 30, 2010**

No matters were reported.