

**AMERICAN LUNG ASSOCIATION
OF THE MID-ATLANTIC**

FINANCIAL REPORT

JUNE 30, 2013

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
American Lung Association of the Mid-Atlantic
Camp Hill, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the American Lung Association of the Mid-Atlantic (a nonprofit organization), which comprise the statements of financial position as of June 30, 2013 and 2012, the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the American Lung Association of the Mid-Atlantic as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The financial statement schedules listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated September 29, 2013, on our consideration of American Lung Association of the Mid-Atlantic'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering American Lung Association of the Mid-Atlantic's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Boyer & Fitter". The signature is written in black ink and is centered on the page.

Camp Hill, Pennsylvania
September 29, 2013

AMERICAN LUNG ASSOCIATION OF THE MID-ATLANTIC

STATEMENTS OF FINANCIAL POSITION

June 30, 2013 and 2012

ASSETS	2013	2012
Current Assets		
Cash and cash equivalents	\$ 462,726	\$ 733,338
Investments (Note 3)	1,110,589	1,117,074
Accounts receivable (Note 4)	2,380,011	1,507,301
Prepaid expenses	37,124	15,605
Literature and inventories	9,783	23,431
Security deposits	18,473	20,867
Total current assets	4,018,706	3,417,616
Fixed Assets		
Land, buildings and building improvements	762,333	762,333
Furniture, fixtures and equipment	677,367	652,184
Vehicles	23,552	23,552
	1,463,252	1,438,069
Less accumulated depreciation	(862,844)	(838,022)
Total fixed assets - net	600,408	600,047
Other Assets		
Long-term investments - gift annuities (Note 3)	155,480	173,703
Contributions receivable - charitable remainder trusts (Note 5)	216,813	216,813
Total other assets	372,293	390,516
Total assets	\$ 4,991,407	\$ 4,408,179

See Notes to Financial Statements.

LIABILITIES AND NET ASSETS	2013	2012
Current Liabilities		
Accounts payable - trade	\$ 799,911	\$ 732,119
Accounts payable - National	94,467	118,596
Accrued expenses	147,794	60,798
Deferred income	82,913	102,658
Total current liabilities	1,125,085	1,014,171
Long-Term Liabilities		
Annuity liability	87,182	93,951
Accrued pension (Note 7)	1,150,674	1,376,049
Accrued employee benefits (Note 8)	31,123	31,123
Total long-term liabilities	1,268,979	1,501,123
Total liabilities	2,394,064	2,515,294
Net Assets		
Unrestricted	2,292,542	1,485,639
Temporarily restricted (Note 10)	294,100	396,545
Permanently restricted (Note 10)	10,701	10,701
Total net assets	2,597,343	1,892,885
Total liabilities and net assets	\$ 4,991,407	\$ 4,408,179

AMERICAN LUNG ASSOCIATION OF THE MID-ATLANTIC

STATEMENT OF ACTIVITIES

Year Ended June 30, 2013 (with comparative totals for 2012)

	2013			Total	2012 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Public Support and Revenue					
Contributions and donations					
Direct mail					
Christmas seals	\$ 947,691	\$ -	\$ -	\$ 947,691	\$ 1,050,440
Other direct mail	1,909,193	-	-	1,909,193	1,961,079
Residential campaign					
Gross revenue	55,902	-	-	55,902	63,507
Total direct mail	2,912,786	-	-	2,912,786	3,075,026
Vehicle donation program	20,413	-	-	20,413	42,176
Other promotions	49,190	-	-	49,190	50,322
Special events					
Gross revenue (Note 13)	1,696,344	-	-	1,696,344	1,488,208
Direct costs (Note 13)	(662,947)	-	-	(662,947)	(533,691)
Special events - net	1,033,397	-	-	1,033,397	954,517
Other contributions					
Workplace giving	102,312	-	-	102,312	67,215
Memorials	216,225	-	-	216,225	217,214
Bequests	1,310,144	-	-	1,310,144	830,539
Individual gifts	75,779	-	-	75,779	68,586
Corporate gifts	96,985	-	-	96,985	63,633
Foundation gifts	54,888	-	-	54,888	25,964
Donated rent (Note 14)	-	-	-	-	1,320
Miscellaneous contributions	1,800	-	-	1,800	-
Revenue					
Government grants	4,641,596	-	-	4,641,596	4,593,412
Other grants	118,724	-	-	118,724	79,000
Interest and dividends (net)	14,117	-	-	14,117	16,914
Program service fees	27,052	-	-	27,052	32,555
Dues	453	-	-	453	293
Sale of materials	80,100	-	-	80,100	71,823
Miscellaneous revenue	4,748	-	-	4,748	7,166
Net assets released from restrictions:					
Grantor restrictions	40,267	(40,267)	-	-	-
Donor restrictions	62,178	(62,178)	-	-	-
Total public support and revenue	10,863,154	(102,445)	-	10,760,709	10,197,675

(Continued)

	2013			2012	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Expenses and Losses					
Program services					
Asthma	1,368,228	-	-	1,368,228	1,009,876
Environmental health	250,915	-	-	250,915	275,546
Tobacco control	5,482,725	-	-	5,482,725	5,341,194
Community health services	488,816	-	-	488,816	752,547
Other lung disease	677,768	-	-	677,768	704,028
Research	253,493	-	-	253,493	254,712
Total program services	8,521,945	-	-	8,521,945	8,337,903
Supporting services					
Fundraising	1,122,089	-	-	1,122,089	1,348,942
Management and general	480,130	-	-	480,130	391,640
Total supporting services	1,602,219	-	-	1,602,219	1,740,582
Total expenses	10,124,164	-	-	10,124,164	10,078,485
Changes in net assets from operations	738,990	(102,445)	-	636,545	119,190
Non-Operating Activities					
Realized gain on sale of investments	-	-	-	-	2,438
Unrealized gain (loss) on investments	(7,271)	-	-	(7,271)	5,694
Changes in unfunded accrued pension costs	86,639	-	-	86,639	(710,531)
Net loss on gift annuity contracts	(11,455)	-	-	(11,455)	(13,879)
Total non-operating activities	67,913	-	-	67,913	(716,278)
Changes in net assets	806,903	(102,445)	-	704,458	(597,088)
Net Assets - July 1, 2012	1,485,639	396,545	10,701	1,892,885	2,489,973
Net Assets - June 30, 2013	\$ 2,292,542	\$ 294,100	\$ 10,701	\$ 2,597,343	\$ 1,892,885

See Notes to Financial Statements.

AMERICAN LUNG ASSOCIATION OF THE MID-ATLANTIC

STATEMENT OF ACTIVITIES

Year Ended June 30, 2012

	2012			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Public Support and Revenue				
Contributions and donations				
Direct mail				
Christmas seals	\$ 1,050,440	\$ -	\$ -	\$ 1,050,440
Other direct mail	1,961,079	-	-	1,961,079
Residential campaign				
Gross revenue	63,507	-	-	63,507
Total direct mail	3,075,026	-	-	3,075,026
Golf privilege card	-	-	-	-
Vehicle donation program	42,176	-	-	42,176
Other promotions	50,322	-	-	50,322
Special events				
Gross revenue (Note 13)	1,488,208	-	-	1,488,208
Direct costs (Note 13)	(533,691)	-	-	(533,691)
Special events - net	954,517	-	-	954,517
Other contributions				
Workplace giving	67,215	-	-	67,215
Memorials	217,214	-	-	217,214
Bequests	830,539	-	-	830,539
Individual gifts	68,586	-	-	68,586
Corporate gifts	63,633	-	-	63,633
Foundation gifts	25,964	-	-	25,964
Donated rent (Note 14)	1,320	-	-	1,320
Revenue				
Government grants	4,593,412	-	-	4,593,412
Other grants	79,000	-	-	79,000
Interest and dividends (net)	16,914	-	-	16,914
Program service fees	32,555	-	-	32,555
Dues	293	-	-	293
List leasing	71,823	-	-	71,823
Miscellaneous revenue	7,166	-	-	7,166

(Continued)

AMERICAN LUNG ASSOCIATION OF THE MID-ATLANTIC

STATEMENT OF ACTIVITIES (Continued)
Year Ended June 30, 2012

	2012			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Public Support and Revenue (Continued)				
Net assets released from restrictions:				
Grantor restrictions	-	-	-	-
Donor restrictions	25,702	(25,702)	-	-
Total public support and revenue	10,223,377	(25,702)	-	10,197,675
Expenses and Losses				
Program services				
Asthma	1,009,876	-	-	1,009,876
Environmental health	275,546	-	-	275,546
Tobacco control	5,341,194	-	-	5,341,194
Community health services	752,547	-	-	752,547
Other lung disease	704,028	-	-	704,028
Research	254,712	-	-	254,712
Total program services	8,337,903	-	-	8,337,903
Supporting services				
Fundraising	1,348,942	-	-	1,348,942
Management and general	391,640	-	-	391,640
Total supporting services	1,740,582	-	-	1,740,582
Total expenses	10,078,485	-	-	10,078,485
Changes in net assets from operations	144,892	(25,702)	-	119,190
Non-Operating Activities				
Realized gain on sale of investments	2,438	-	-	2,438
Unrealized loss on investments	5,694	-	-	5,694
Changes in unfunded accrued pension costs	(710,531)	-	-	(710,531)
Loss on gift annuity contracts	(13,879)	-	-	(13,879)
Total non-operating activities	(716,278)	-	-	(716,278)
Changes in net assets	(571,386)	(25,702)	-	(597,088)
Net Assets - July 1, 2011	2,057,025	422,247	10,701	2,489,973
Net Assets - June 30, 2012	\$ 1,485,639	\$ 396,545	\$ 10,701	\$ 1,892,885

See Notes to Financial Statements.

AMERICAN LUNG ASSOCIATION OF THE MID-ATLANTIC

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2013

	Program			
	Asthma	Environmental Health	Tobacco Control	Community Health Services
Salaries	\$ 424,883	\$ 46,554	\$ 1,133,195	\$ 48,809
Payroll taxes and benefits	106,113	13,426	327,022	15,491
Awards and grants, research	-	-	-	-
Professional fees/tobacco control program subcontractors	59,497	57,529	553,250	66,701
Occupancy	40,832	6,032	110,362	9,025
Business insurance	12,342	1,577	32,175	2,728
Equipment rental/maint.	18,501	19,670	38,756	151,960
Furniture/equipment	92	12	20,371	17,623
Supplies	40,902	22,556	83,591	8,232
Postage/shipping	87,641	24,258	239,828	19,042
Printing, publications and media	179,727	28,790	484,657	78,468
Telephone	6,857	579	24,427	21,154
Travel and meetings	21,705	9,222	90,358	12,665
Program/event expenses	244,209	4,768	2,000,519	3,589
Affiliations/subscriptions	344	45	2,065	1,410
Miscellaneous	647	83	16,448	4,547
Interest	8	1	22	2
Depreciation	3,653	467	12,220	807
Total before assessments to National	1,247,953	235,569	5,169,266	462,253
Total assessments to National	120,275	15,346	313,459	26,563
	\$ 1,368,228	\$ 250,915	\$ 5,482,725	\$ 488,816

See Notes to Financial Statements.

Services		Supporting Activities		Total
Other Lung Disease	Research	Fundraising	Management and General	All Funds
\$ 162,073	\$ -	\$ 219,026	\$ 183,606	\$ 2,218,146
41,780	-	68,863	58,120	630,815
-	190,548	-	-	190,548
138,317	-	101,004	25,643	1,001,941
28,759	-	40,209	33,951	269,170
14,447	-	12,155	10,264	85,688
10,947	-	15,738	12,743	268,315
10,026	-	91	77	48,292
6,532	-	2,595	2,156	166,564
24,567	-	206,295	37,999	639,630
49,789	-	405,322	70,070	1,296,823
5,179	-	4,299	3,581	66,076
653	-	2,227	454	137,284
148,321	-	11,722	-	2,413,128
976	-	439	286	5,565
149	-	9,616	369	31,859
2	-	8	7	50
1,040	-	3,597	3,037	24,821
643,557	190,548	1,103,206	442,363	9,494,715
34,211	62,945	18,883	37,767	629,449
<u>\$ 677,768</u>	<u>\$ 253,493</u>	<u>\$ 1,122,089</u>	<u>\$ 480,130</u>	<u>\$ 10,124,164</u>

AMERICAN LUNG ASSOCIATION OF THE MID-ATLANTIC

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2012

	Program			
	Asthma	Environmental Health	Tobacco Control	Community Health Services
Salaries	\$ 437,299	\$ 50,122	\$ 1,101,898	\$ 64,893
Payroll taxes and benefits	108,952	13,707	292,492	24,008
Awards and grants, research	-	-	-	-
Professional fees/tobacco control program subcontractors	40,468	55,420	443,821	61,702
Occupancy	45,895	5,231	111,210	12,363
Business insurance	10,897	1,290	25,735	3,048
Equipment rental/maint.	20,128	7,641	38,731	149,506
Furniture/equipment	408	44	15,126	10,589
Supplies	15,714	36,967	38,930	3,867
Postage/shipping	28,728	21,842	219,934	16,293
Printing, publications and media	82,694	33,631	654,252	83,421
Telephone	7,421	665	33,700	15,757
Travel and meetings	10,499	30,516	89,884	22,389
Program/event expenses	125,559	3,788	2,101,466	5,107
Affiliations/subscriptions	363	484	1,738	1,488
Miscellaneous	1,324	100	7,664	3,146
Interest	5	53	53	15
Depreciation	4,861	576	14,302	1,360
Total before assessments to National	941,215	262,077	5,190,936	478,952
Total assessments to National	68,661	13,469	150,258	273,595
	\$ 1,009,876	\$ 275,546	\$ 5,341,194	\$ 752,547

See Notes to Financial Statements.

Services		Supporting Activities		Total
Other Lung Disease	Research	Fundraising	Management and General	All Funds
\$ 174,322	\$ -	\$ 196,799	\$ 194,677	\$ 2,220,010
39,332	-	58,617	57,976	595,084
-	184,836	-	-	184,836
158,912	-	94,670	11,105	866,098
28,444	-	37,117	36,715	276,975
7,033	-	9,246	9,145	66,394
10,635	-	14,914	14,153	255,708
102	-	316	313	26,898
8,646	-	1,611	1,758	107,493
25,535	-	226,570	2,820	541,722
74,293	-	674,523	(181)	1,602,633
5,448	-	5,012	4,743	72,746
1,723	-	1,679	1,126	157,816
149,464	-	2,880	4	2,388,268
99	-	808	305	5,285
225	-	9,939	621	23,019
1	-	4	4	135
1,329	-	4,124	4,080	30,632
685,543	184,836	1,338,829	339,364	9,421,752
18,485	69,876	10,113	52,276	656,733
<u>\$ 704,028</u>	<u>\$ 254,712</u>	<u>\$ 1,348,942</u>	<u>\$ 391,640</u>	<u>\$ 10,078,485</u>

AMERICAN LUNG ASSOCIATION OF THE MID-ATLANTIC

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2013 and 2012

	2013	2012
Cash Flows From Operating Activities		
Changes in net assets	\$ 704,458	\$ (597,088)
Adjustments to reconcile changes in net assets to net cash used in operating activities		
Depreciation	24,821	30,632
Net realized and unrealized loss on investments and gift annuity contracts	18,726	5,747
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(872,710)	136,328
Prepaid expenses and security deposits	(19,125)	23,285
Literature and inventories	13,648	7,357
(Decrease) increase in:		
Accounts payable - Trade and National	43,663	(76,651)
Accrued expenses	86,996	(84,197)
Deferred income	(19,745)	(14,673)
Accrued pension and employee benefits	(225,375)	414,671
Net cash used in operating activities	(244,643)	(154,589)
Cash Flows From Investing Activities		
Purchase of investments	(14,118)	(498,000)
Proceeds from liquidation of investments	13,331	481,183
Purchase of fixed assets	(25,182)	(12,839)
Net cash used in investing activities	(25,969)	(29,656)
Decrease in cash and cash equivalents	(270,612)	(184,245)
Cash and Cash Equivalents:		
Beginning	733,338	917,583
Ending	\$ 462,726	\$ 733,338
Supplementary Disclosures of Cash Flow Information		
Cash payments for interest	\$ 50	\$ 146

See Notes to Financial Statements.

AMERICAN LUNG ASSOCIATION OF THE MID-ATLANTIC

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities

The American Lung Association of the Mid-Atlantic (Association) is a nonprofit voluntary health agency dedicated to the conquest of lung disease and the promotion of lung health. The Association's principal program areas include: Asthma - education on asthma, Environmental Health - education on air pollution and occupational health; Tobacco Control - education on smoking prevention and cessation; Community Health Services - programs for the improvement of community health practices and facilities; Other Lung Disease - education on the prevention of other lung diseases, support for individuals who have other lung diseases, and Research into the causes and cures of lung disease. The Association participates in nationally directed fundraising activities as well as conducting its own local events.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation: These financial statements, which are prepared on the accrual basis of accounting, have been prepared to focus on the Association as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions, in accordance with accounting principles generally accepted in the United States of America. Accounting principles generally accepted in the United States of America require the reporting of total assets, liabilities and net assets in a Statement of Financial Position; reporting the change in net assets in a Statement of Activities and reporting the source and use of cash and cash equivalents in a Statement of Cash Flows. Net assets and revenue, gains, expenses and losses are classified as unrestricted, temporarily restricted or permanently restricted based on the existence or absence of donor-imposed restrictions as follows:

Permanently restricted - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Association. Generally, the donors of these assets permit the Association to use all or part of the income earned on these assets.

Temporarily restricted - Net assets whose use by the Association is subject to donor-imposed stipulations that can be fulfilled by actions of the Association pursuant to those stipulations or that expire by the passage of time.

Unrestricted - Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

AMERICAN LUNG ASSOCIATION OF THE MID-ATLANTIC

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued): Revenue is reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are generally reported as decreases in unrestricted net assets. Expirations of donor-imposed stipulations that simultaneously increase one class of net assets and decrease another are reported as reclassifications between applicable classes of net assets.

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

Cash and Cash Equivalents: For purposes of the Statements of Cash Flows, the Association considers all highly-liquid debt instruments purchased with original maturities of three months or less to be cash equivalents.

Concentrations of Credit Risk: The Association maintains cash accounts that, at times, may exceed federally insured limits. The Association has not experienced any losses from maintaining cash accounts in excess of federally insured limits. Management believes it is not exposed to any significant credit risks on its cash accounts.

Trade Receivables: Trade receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a regular basis. Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables and considering a customer's financial condition, credit history and current economic conditions. Trade receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received. Trade receivables are considered to be past due based on how payments are received compared to the customer's payment history. Interest is not generally charged on trade receivables.

Investments and Income Recognition and Fair Value: Investments consist of certificates of deposits, corporate and government bonds, stocks and shares of mutual funds. Management determines the appropriate classification of the investments at the time they are acquired and evaluates the appropriateness of the classification at each balance sheet date.

The Association follows the provisions of Financial Accounting Standards Board, *Fair Value Measurements and Disclosures Topic*, of the Accounting Standards Codification (ASC) for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. This Standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Standard also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

AMERICAN LUNG ASSOCIATION OF THE MID-ATLANTIC

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (Continued)

Office Furniture, Fixtures and Equipment: Office furniture, fixtures and equipment are recorded at cost. Depreciation is provided on the straight-line method over the estimated useful lives of the individual assets. The Association follows the practice of capitalizing expenditures for property and equipment with useful lives greater than one year and generally costing in excess of \$500. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. The cost of maintenance and repairs is charged against operations as incurred, whereas significant renewals and betterments are capitalized.

Functional Allocation of Expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Functional Expenses. Costs have been allocated among the programs and supporting services benefited based upon time analysis.

Contributions: Contributions, including unconditional promises to give, must be recognized as revenue in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

Donated Materials and Services: The Association records the value of the donated goods or services when there is an objective basis to measure their value. Donated marketable securities and other noncash donations are recorded as contributions in the financial statements at their estimated value at the date of donation. Donated services that create or enhance nonfinancial assets or require specialized skills, provided by individuals possessing those skills, and that would typically be purchased if not provided by donation, are recorded as contributions in the financial statements.

Advertising Costs: The Association expenses all advertising costs as incurred.

Income Taxes: The Internal Revenue Service has determined that the Association is an exempt organization under Section 501 (c)(3) and is exempt from Federal income tax on all activities related to its exempt purpose. Accordingly, no provision for income tax has been made in the financial statements.

The Association follows the provisions of *Risks and Uncertainties Topic* of the ASC which requires an assessment of the Association's exposure to income taxes at the entity level as a result of uncertain tax positions taken in current and previously-filed tax returns. Examples of tax positions taken at the entity level include continuing qualification as a tax-exempt organization and whether there is any taxable unrelated business income activities conducted. Any tax benefits associated with uncertain tax positions that are in excess of a realization threshold must be recorded as a liability for unrecognized tax benefits in the financial statements, along with any associated interest and penalties. Presently, management believes that it is more likely than not that its tax positions will be sustained upon examination, including any appeals and litigation, and therefore believes that the Organization has no exposure to income taxes from uncertain tax positions. With few exceptions, the Association is no longer subject to tax examinations by tax authorities for years before 2010.

AMERICAN LUNG ASSOCIATION OF THE MID-ATLANTIC

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (Continued)

Defined Benefit Pension Plan: Under the ASC's *Compensation - Retirement Benefits - Defined Benefit Plans - Pension Topic*, employers are required to (1) recognize in their statements of financial position an asset for a plan's overfunded status or liability for a plan's underfunded status; (2) measure a plan's assets and its obligations that determined its funded status as of the end of the employer's fiscal year (eliminating the alternative of a measurement date that could be up to three months earlier under prior standards); and (3) recognize changes in the funded status of a plan through changes in net assets in the year in which the changes occur.

The ASC requires information about certain effects on net periodic benefit cost for the next fiscal year that arise from delayed recognition of the gains for losses, prior service cost or credits, and transition asset or obligation.

Subsequent Events: The Association had evaluated subsequent events through September 29, 2013, the date the financial statements were available to be issued.

Note 3. Investments

Investments, reported at fair value (See Note 6), consist of the following at June 30:

	2013		2012	
	Market Value	Aggregate Cost	Market Value	Aggregate Cost
Money Market	\$ 892,760	\$ 892,760	\$ 627,467	\$ 627,468
Certificates of Deposit	-	-	248,763	249,000
Common Stocks	6,123	2,486	4,673	2,478
Government Securities	57,765	52,583	67,276	57,464
Corporate Bonds	135,620	81,181	152,722	93,130
Annuities	155,480	222,306	173,703	222,306
Mutual Funds	18,321	18,321	16,173	16,173
	<u>\$ 1,266,069</u>	<u>\$ 1,269,637</u>	<u>\$ 1,290,777</u>	<u>\$ 1,268,019</u>

AMERICAN LUNG ASSOCIATION OF THE MID-ATLANTIC

NOTES TO FINANCIAL STATEMENTS

Note 3. Investments (Continued)

Investment activity consists of the following at June 30:

	2013	2012
Investments, at beginning of year	\$ 1,290,777	\$ 1,279,707
Investment Returns		
Interest and dividends	14,267	16,914
Net unrealized (losses)	(25,494)	(8,185)
Net realized gains	-	2,438
Fees	(150)	-
Distributions	(13,331)	(97)
Investments, at end of year	<u>\$ 1,266,069</u>	<u>\$ 1,290,777</u>

Investments, reported by Custodian:

	2013		2012	
	Market Value	Aggregate Cost	Market Value	Aggregate Cost
Merrill Lynch				
Money Market	\$ 877,260	\$ 877,260	\$ 598,774	\$ 598,775
Certificates of Deposit	-	-	248,763	249,000
Common Stocks	6,123	2,486	4,673	2,478
Government Securities	57,765	52,583	67,276	57,464
Corporate Bonds	135,620	81,181	152,722	93,130
Mutual Funds	18,321	18,321	16,173	16,173
PNC Bank				
Money Market	-	-	13,319	13,319
American Lung Association				
Annuities	155,480	222,306	173,703	222,306
First Investors				
Money Market	15,500	15,500	15,374	15,374
	<u>\$1,266,069</u>	<u>\$1,269,637</u>	<u>\$1,290,777</u>	<u>\$1,268,019</u>

AMERICAN LUNG ASSOCIATION OF THE MID-ATLANTIC

NOTES TO FINANCIAL STATEMENTS

Note 4. Accounts Receivable

Accounts receivable consist of the following at June 30:

	2013	2012
Grants	\$ 1,204,185	\$ 959,688
Bequests and Trusts	888,474	257,013
Direct mail (including residential campaign)	266,809	214,921
Workplace giving	-	106
Special events	14,038	63,307
Sales of program literature	6,246	8,501
Other	259	3,765
	<u>\$ 2,380,011</u>	<u>\$ 1,507,301</u>

Note 5. Charitable Remainder Trusts

		2013	2012
Verna M. Dissinger Charitable Remainder Trust	(A)	\$ 58,424	\$ 58,424
Virginia Guarino Charitable Remainder Trust	(B)	50,000	50,000
Margaret Workman Charitable Remainder Trust	(C)	32,800	32,800
Edmund Champane Charitable Remainder Trust	(D)	75,589	75,589
		<u>\$ 216,813</u>	<u>\$ 216,813</u>

(A) Under the will of Verna M. Dissinger, deceased, a trust was established with two income beneficiaries upon whose death, the principal will be distributed to various charitable organizations in accordance with the will. The Association has a one-sixth remainder interest in the principal of the trust.

(B) Under the will of Virginia Guarino, deceased, a trust was established with one income beneficiary upon whose death, the principal will be distributed to various charitable organizations in accordance with the will. The Association has a one-twelfth remainder interest in the principal of the trust.

AMERICAN LUNG ASSOCIATION OF THE MID-ATLANTIC

NOTES TO FINANCIAL STATEMENTS

Note 5. Charitable Remainder Trusts (Continued)

(C) Under the will of Margaret Workman, deceased, a trust was established with one income beneficiary upon whose death, the principal will be distributed to various charitable organizations in accordance with the will. The Association has a five percent remainder interest in the principal of the trust.

(D) Under the will of Edmund Champagne, deceased, a trust was established with one income beneficiary upon whose death, the principal will be distributed to various charitable organizations in accordance with the will. The Association has a twenty-five percent remainder interest in the principal of the trust after his son is deceased.

Note 6. Fair Value Measurements

The *Fair Value Measurements and Disclosures Topic* of the ASC establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under the ASC are described below:

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets the plan has the ability to access.
Level 2	Inputs to the valuation methodology include: <ul style="list-style-type: none">• Quoted prices for similar assets or liabilities in active markets• Quoted prices for identical or similar assets or liabilities in inactive markets• Inputs other than quoted prices that are observable for the asset or liability• Inputs that are derived principally from or corroborated by observable market data by correlation or other means If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

AMERICAN LUNG ASSOCIATION OF THE MID-ATLANTIC

NOTES TO FINANCIAL STATEMENTS

Note 6. Fair Value Measurements (Continued)

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

The table below presents the balances of assets and liabilities measured at fair value as of June 30, 2013:

Assets at Fair Value as of June 30, 2013

	Level 1	Level 2	Level 3	Total
Investments				
Money Market	\$ 892,760	\$ -	\$ -	\$ 892,760
Common Stocks	6,123	-	-	6,123
Government Securities	-	57,765	-	57,765
Corporate Bonds	-	135,620	-	135,620
Annuities	-	-	155,480	155,480
Mutual Funds	18,321	-	-	18,321
	<u>917,204</u>	<u>193,385</u>	<u>155,480</u>	<u>1,266,069</u>
Contributions receivable - charitable remainder trusts	-	-	216,813	216,813
Annuity Liability	-	-	(87,182)	(87,182)
	<u>-</u>	<u>-</u>	<u>(87,182)</u>	<u>(87,182)</u>
Total financial assets and liabilities, net at fair value	<u>\$ 917,204</u>	<u>\$ 193,385</u>	<u>\$ 285,111</u>	<u>\$ 1,395,700</u>

AMERICAN LUNG ASSOCIATION OF THE MID-ATLANTIC

NOTES TO FINANCIAL STATEMENTS

Note 6. Fair Value Measurements (Continued)

The table below presents the balances of assets and liabilities measured at fair value as of June 30, 2012:

Assets at Fair Value as of June 30, 2012

	Level 1	Level 2	Level 3	Total
Investments				
Money Market	\$ 627,467	\$ -	\$ -	\$ 627,467
Certificates of Deposit	-	248,763	-	248,763
Common Stocks	4,673	-	-	4,673
Government Securities	-	67,276	-	67,276
Corporate Bonds	-	152,722	-	152,722
Annuities	-	-	173,703	173,703
Mutual Funds	16,173	-	-	16,173
	<u>648,313</u>	<u>468,761</u>	<u>173,703</u>	<u>1,290,777</u>
Contributions receivable - charitable remainder trusts	-	-	216,813	216,813
Annuity Liability	-	-	(93,951)	(93,951)
Total financial assets and liabilities, net at fair value	<u>\$ 648,313</u>	<u>\$ 468,761</u>	<u>\$ 296,565</u>	<u>\$ 1,413,639</u>

Following is a description of the valuation methodologies used for the financial assets and liabilities measured at fair value. There have been no changes in the methodologies in use at June 30, 2013 and 2012.

Level 1

Money Market Funds, Common Stocks and Mutual Funds: The fair value of money market funds, common stocks and mutual funds is based on closing market prices for the identical security as reported in active markets.

Level 2

Certificates of Deposit: The fair value of certificates of deposit is based upon quoted market prices for similar investment vehicles having identical or similar interest rates and/or yield-to-maturity curves.

Government Securities and Corporate Bonds: Fixed income securities do not always trade on a daily basis so the fair values of each security are dependent upon various pricing models that incorporate benchmark yields, interest rates, credit risk, broker-dealer quotes and other valuation processes.

AMERICAN LUNG ASSOCIATION OF THE MID-ATLANTIC

NOTES TO FINANCIAL STATEMENTS

Note 6. Fair Value Measurements (Continued)

Level 3

Contributions Receivable - Charitable Remainder Trusts: The fair value of the Association's interest in charitable remainder trusts reflects the anticipated benefit of irrevocable trust assets for which the Association is a beneficiary. As beneficiary payments are made to third parties, the Association evaluates various inputs including the life expectancy of the beneficiary, discount rates, and the fair market value of the underlying investments which comprise the irrevocable trust assets. The fair market value of the underlying investments is determined based on the nature of the assets, which are typically investments such as money market funds, fixed income securities, equity securities, etc.

Annuities and Annuity Liability: The Association, through a program established and coordinated by the National office, issues annuity agreements to donors as part of its fund-raising efforts. The fair value of the annuity assets is the market value determined by the Trustee and is based on the undistributed remaining gift amount, life expectancy of the gift annuitant and discount rates. The fair value of the Association's annuity liabilities is determined by the Trustee's actuaries and is based on a 3.2% rate and the 2000CM mortality table.

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

The following table sets forth a summary of changes in the fair value of the Association's Level 3 financial assets and liabilities for the year ended June 30, 2013:

	Annuities	Annuity Liability	Contribution Receivable Charitable Remainder Trusts
Beginning balance, July 1, 2012	\$ 173,703	\$ (93,951)	\$ 216,813
Realized and unrealized gains (losses)	(18,223)	6,769	-
Ending balance, June 30, 2013	<u>\$ 155,480</u>	<u>\$ (87,182)</u>	<u>\$ 216,813</u>

AMERICAN LUNG ASSOCIATION OF THE MID-ATLANTIC

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan

The Association participates in the American Lung Association Retirement Plan D (the Plan), a multiple-employer pension plan. The Plan is a defined benefit pension plan covering approximately 80% of the Association's full-time employees. The benefits are based on years of service and the employee's compensation during the last five years of employment. Under the aggregate liability funding method used by the Association, the entire unfunded cost of future pension benefits (based on both past and future service) will be spread over the average future lives of active employees. The policy of the Association is to contribute the maximum allowable under ERISA and the Internal Revenue Code.

Effective June 30, 2010, the Association froze the defined benefit pension plan.

The Association uses a June 30 measurement date for its defined benefit pension plan for the years ended June 30, 2013 and 2012, respectively. The following table sets forth the defined benefit pension plan's funded status at June 30:

	2013	2012
Obligations and funded status:		
Projected benefit obligation	\$ (4,632,875)	\$ (4,709,262)
Fair value of plan assets	3,482,201	3,333,213
	<u>\$ (1,150,674)</u>	<u>\$ (1,376,049)</u>
Funded status		
Amounts recognized in the Statements of Financial Position consist of:		
Accrued benefit liability - noncurrent	<u>\$ (1,150,674)</u>	<u>\$ (1,376,049)</u>

The following table sets forth the defined benefit pension plan's obligations at June 30:

	2013	2012
Amounts recognized in the Statements of Activities consist of:		
Net loss (income)	<u>\$ (86,639)</u>	<u>\$ 710,531</u>
	<u>\$ (86,639)</u>	<u>\$ 710,531</u>
Net amount recognized		
Accumulated Benefit Obligation (ABO) at June 30	<u>\$ 4,632,875</u>	<u>\$ 4,709,262</u>

AMERICAN LUNG ASSOCIATION OF THE MID-ATLANTIC

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (Continued)

The components of the Plan's net periodic benefit cost are as follows for the years ended June 30:

	2013	2012
Interest cost	\$ 185,564	\$ 220,189
Expected return on plan assets	(152,621)	(186,849)
Amortization of net loss	16,321	-
Net periodic benefit cost	<u>\$ 49,264</u>	<u>\$ 33,340</u>

The components of other changes in plan assets and benefit obligations recognized in the changes in net assets are as follows for the years ended June 30:

	2013	2012
Other changes in plan assets recognized as changes in unrestricted net assets arising from a defined benefit plan but not yet included in net periodic benefit cost:		
New net loss (gain)	\$ (70,318)	\$ 710,531
Amortization of net loss	(16,321)	-
Total recognized in changes in net assets	<u>\$ (86,639)</u>	<u>\$ 710,531</u>
Total recognized in net periodic benefit cost and changes in net assets	<u>\$ (37,375)</u>	<u>\$ 743,871</u>

AMERICAN LUNG ASSOCIATION OF THE MID-ATLANTIC

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (Continued)

The following table summarizes the change in the Projected Benefit Obligation and plan assets for the years ended June 30:

	2013	2012
Benefit obligation at beginning of year	\$ 4,709,262	\$ 3,866,675
Interest cost	185,564	220,189
Actuarial (gain) loss	(212,550)	722,112
Benefit payments	(49,401)	(99,714)
Benefit obligation at end of year	<u>\$ 4,632,875</u>	<u>\$ 4,709,262</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	\$ 3,333,213	\$ 2,909,297
Employer contribution	188,000	325,200
Actual return on plan assets	10,389	198,430
Benefits paid	(49,401)	(99,714)
Fair value of plan assets at end of year	<u>\$ 3,482,201</u>	<u>\$ 3,333,213</u>

The following are weighted-average assumptions used to determine net periodic benefit cost and benefit obligations at June 30:

	2013	2012
Discount rate*	4.25%	5.75%
Annual compensation increases	3.00%	3.00%
Expected return on plan assets	5.00%	6.00%

*-The actual discount rate for the year's ended June 30, 2013 and 2012, was 4.75% and 4.25% respectively.

The expected long-term rate of return on assets 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.

AMERICAN LUNG ASSOCIATION OF THE MID-ATLANTIC

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (Continued)

The Association's asset allocation, by asset category, is as follows at June 30:

Asset Category	2013	2012
Equity securities	19.4%	15.5%
Debt securities	72.4%	78.6%
Real estate	3.7%	3.4%
Cash and cash equivalents	4.5%	2.5%
	<u>100.0%</u>	<u>100.0%</u>

In order to meet its needs, the investment strategy of the Association 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 is Preservation of Purchasing Power after Spending. This objective is 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 of the Association are preservation of capital and minimization of costs.

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

The Association expects to contribute to the pension plan during the fiscal year of July 1, 2013 through June 30, 2014; anticipated contributions are approximately \$175,000.

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

Year	Amount
July 1, 2013 - June 30, 2014	\$ 236,726
July 1, 2014 - June 30, 2015	87,317
July 1, 2015 - June 30, 2016	248,937
July 1, 2016 - June 30, 2017	208,308
July 1, 2018 - June 30, 2022	1,602,499
	<u>\$ 2,383,787</u>

AMERICAN LUNG ASSOCIATION OF THE MID-ATLANTIC

NOTES TO FINANCIAL STATEMENTS

Note 8. Postretirement Benefits Other than Pensions

Certain prior affiliates of the Association offered life insurance, hospitalization and medical insurance for full-time employees who retired, based upon years of service. Upon the merger of these affiliates, the Association assumed the obligations of this plan. These benefits do not extend to current employees of the Association after the date of the previous mergers. Prior to the year ended June 30, 2008, these benefits were provided via the American Lung Association's Post-Retirement Life Insurance Plan. During the year ended June 30, 2008, the Association terminated the plan. The Association remains committed in providing these benefits despite termination. The Association has established a reserve of \$31,123 for each of the years ended June 30, 2013 and 2012, to cover these anticipated costs.

Note 9. 403(b) Retirement Plan

The Association maintains a 403(b) pension plan. All employees, except those who normally work less than 20 hours per week, are eligible to participate in the Plan. Employees are eligible to participate in salary reduction contributions commencing on their date of hire. After completing one year of service, employees are eligible to receive matching contributions paid by the Association. The Association matches 100% of employee contributions up to 3% of salary, and matches 50% of amounts in excess of 3% up to a maximum of 5% of salary.

The Association can also make discretionary contributions to the Plan that are based on the participants' salaries at a rate approved annually. The approved rate was 3% for 2013. Employees must be twenty-one years of age and have completed one year of service before they become eligible for discretionary employer contributions. Total pension expense under this plan for the years ended June 30, 2013 and 2012, was \$109,109 and \$100,717 respectively.

Note 10. Restrictions of Net Assets

	2013	2012
Temporarily restricted:		
Charitable remainder trusts and bequests	\$ 216,813	\$ 216,813
Burns Fund (emphysema)	12,287	12,287
Pulmonary Fibrosis research fund	-	62,178
PACT Partner Funds	-	40,267
Other research	65,000	65,000
Total temporarily restricted net assets	<u>\$ 294,100</u>	<u>\$ 396,545</u>
Permanently restricted:		
Friedman	\$ 5,000	\$ 5,000
Chester non-smoking education	5,701	5,701
Total permanently restricted net assets	<u>\$ 10,701</u>	<u>\$ 10,701</u>

AMERICAN LUNG ASSOCIATION OF THE MID-ATLANTIC

NOTES TO FINANCIAL STATEMENTS

Note 11. Sharing Public Support

The Association has a contractual agreement with the American Lung Association whereby it remits a percentage of its shareable income (as defined in the agreement) to the National Office for research and other national uses. The Association pays 30% of the direct mail receipts and then makes fixed payments to the National Office to cover National's expenses that are allocated to the regional associations. The Association owes 13% on certain bequests of individuals who died prior to 7/1/09. As of June 30, 2013 and 2012, \$80,164 and \$87,711 was due to the National Office for sharing public support, respectively.

The following table sets forth the detail of the total amounts due to the National Office as of June 30:

	2013	2012
Share payment for year ended June 30	\$ 80,164	\$ 87,711
Share payment for future receipts of accrued income	14,303	30,885
	<u>\$ 94,467</u>	<u>\$ 118,596</u>

Note 12. Allocation of Joint Information Costs

During the year ended June 30, 2013, the Association incurred joint costs of \$2,026,133, for informational materials and activities that included fundraising appeals. Of those costs, \$40,523 was allocated to Asthma; \$749,669 was allocated to Environmental Health; \$283,659 was allocated to Tobacco Control; \$81,045 was allocated to Community Health; \$60,784 was allocated to Other Lung Disease; \$688,885 was allocated to Fundraising; and \$121,568 was allocated to Administration.

During the year ended June 30, 2012, the Association incurred joint costs of \$2,534,388, for informational materials and activities that included fundraising appeals. Of those costs, \$126,719 was allocated to Asthma; \$50,688 was allocated to Environmental Health; \$1,013,755 was allocated to Tobacco Control; \$76,032 was allocated to Community Health, \$126,719 was allocated to Other Lung Disease; and \$1,140,475 was allocated to Fundraising.

AMERICAN LUNG ASSOCIATION OF THE MID-ATLANTIC

NOTES TO FINANCIAL STATEMENTS

Note 13. Special Events

The following schedules of events are classified as Special Events in the Statements of Activities. The amounts shown are net of direct expenses.

	2013		
	Gross Revenue	Direct Expenses	Net Revenue
Super spellers	\$ 26,353	\$ 5,503	\$ 20,850
Asthma walks	361,821	154,967	206,854
Runs and climbs	817,087	292,174	524,913
Galas	261,758	88,160	173,598
Other	229,325	122,143	107,182
	<u>\$ 1,696,344</u>	<u>\$ 662,947</u>	<u>\$ 1,033,397</u>

	2012		
	Gross Revenue	Direct Expenses	Net Revenue
Super spellers	\$ 73,913	\$ 21,212	\$ 52,701
Asthma walks	339,778	56,025	283,753
Runs and climbs	612,842	211,796	401,046
Galas	306,246	175,261	130,985
Other	155,429	69,397	86,032
	<u>\$ 1,488,208</u>	<u>\$ 533,691</u>	<u>\$ 954,517</u>

AMERICAN LUNG ASSOCIATION OF THE MID-ATLANTIC

NOTES TO FINANCIAL STATEMENTS

Note 14. Donated Services, Equipment and Materials

The Association pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Association with specific programs, campaign solicitations and various committee assignments which are not required to be recorded as donated services as described in the FASB ASC *Accounting for Contributions Received and Contributions Made Topic*.

The Association also receives donated materials, equipment and services. These donations are recorded at estimated fair value at the date they are received. Total estimated in-kind contributions included in the Statements of Activities is approximately \$407,000 and \$255,000 for the years ended June 30, 2013 and 2012, respectively.

The Association received donated space for one and two of its office locations in 2013 and 2012, respectively. The donated space is recorded as an in-kind donation at fair market value. The value of the donated rent for the years ended June 30, 2013 and 2012, was \$-0- and \$1,300, respectively.

Note 15. Commitments

The Association leases office space, treatment facilities and office equipment under various non-cancelable operating leases. Rental expense for the years ended June 30, 2013 and 2012, was \$269,009 and \$231,191, respectively.

Aggregate minimum lease payments under the non-cancelable operating leases as of June 30, 2013, are as follows:

Year	Amount
2014	\$ 226,840
2015	202,043
2016	201,307
2017	151,923
2018	77,409
Later years	31,630
	<u>\$ 891,152</u>

SUPPLEMENTARY INFORMATION

AMERICAN LUNG ASSOCIATION OF THE MID-ATLANTIC

SCHEDULE OF BUDGETED AND INCURRED COSTS
NEW JERSEY DEPARTMENT OF HEALTH AND SENIOR SERVICES
For the Grant Period from January 1, 2012 to December 31, 2012
Grant Number: EPID12TBC003
Year Ended June 30, 2013

Cost Category	Final Approved Budget	Expenditure Report	Audited Expenditures	Questioned Costs
Salaries/Wages	\$ 39,534	\$ 38,847	\$ 38,847	\$ -
Fringe Benefits	10,279	10,925	10,925	-
Program Expense	55,287	55,327	55,327	-
Total Direct Cost	105,100	105,099	105,099	-
Indirect Cost	9,900	9,901	9,901	-
Total Cost	115,000	115,000	115,000	-
Less: Program Income	-	-	-	-
Net Total Cost	\$ 115,000	\$ 115,000	\$ 115,000	\$ -

Reconciliation of revenues recorded by fiscal period

Year ended June 30, 2012	\$ 59,553
Year ended June 30, 2013	55,447
Total revenues	<u>\$ 115,000</u>

Reconciliation to grant award:

Total grant expenditures	\$ 115,000
Funds payable to NJ DOH/SS	-
Total grant award	<u>\$ 115,000</u>

AMERICAN LUNG ASSOCIATION OF THE MID-ATLANTIC

SCHEDULE OF BUDGETED AND INCURRED COSTS
NEW JERSEY DEPARTMENT OF HEALTH AND SENIOR SERVICES
For the Grant Period from January 1, 2013 to December 31, 2013
Grant Number: EPID13TBC001
Year Ended June 30, 2013

Cost Category	Final Approved Budget	Expenditure Report	Audited Expenditures	Questioned Costs
Salaries/Wages	\$ 42,478	\$ 20,508	\$ 20,508	\$ -
Fringe Benefits	12,450	5,550	5,550	-
Program Expense	55,782	38,932	38,932	-
Total Direct Cost	110,710	64,990	64,990	-
Indirect Cost	9,103	5,342	5,342	-
Total Cost	119,813	70,332	70,332	-
Less: Program Income	-	-	-	-
Net Total Cost	\$ 119,813	\$ 70,332	\$ 70,332	\$ -

Reconciliation of revenues recorded by fiscal period

Year ended June 30, 2013	\$ 70,332
Total revenues	<u>\$ 70,332</u>

Reconciliation to grant award:

Total grant expenditures	\$ 70,332
Funds available as of June 30, 2013	49,481
Total grant award	<u>\$ 119,813</u>

AMERICAN LUNG ASSOCIATION OF THE MID-ATLANTIC

SCHEDULE OF BUDGETED AND INCURRED COSTS
NEW JERSEY DEPARTMENT OF HEALTH AND SENIOR SERVICES
For the Grant Period from September 1, 2011 to August 31, 2012
Grant Number: DFHS12AST013
Year Ended June 30, 2013

Cost Category	Final Approved Budget	Expenditure Report	Audited Expenditures	Questioned Costs
Salaries/Wages/Fringe Benefits	\$ 92,180	\$ 92,184	\$ 92,184	\$ -
Consultant/Professional Svcs	10,682	10,682	10,682	-
Program Expense	52,215	39,735	39,735	-
Travel, Conference & Meetings	1,947	2,194	2,194	-
Facility Cost	1,020	765	765	-
Total Direct Cost	158,044	145,560	145,560	-
Indirect Cost	14,888	13,712	13,712	-
Total Cost	172,932	159,272	159,272	-
Less: Program Income	-	-	-	-
Net Total Cost	\$ 172,932	\$ 159,272	\$ 159,272	\$ -

Reconciliation of revenues recorded by fiscal period

Year ended June 30, 2012	\$ 99,568
Year ended June 30, 2013	59,704
Total revenues	<u>\$ 159,272</u>

Reconciliation to grant award:

Total grant expenditures	\$ 159,272
Unspent grand funds	13,660
Total grant award	<u>\$ 172,932</u>

AMERICAN LUNG ASSOCIATION OF THE MID-ATLANTIC

SCHEDULE OF BUDGETED AND INCURRED COSTS
NEW JERSEY DEPARTMENT OF HEALTH AND SENIOR SERVICES
For the Grant Period from September 1, 2012 to August 31, 2013
Grant Number: DFHS13AST003
Year Ended June 30, 2013

Cost Category	Final Approved Budget	Expenditure Report	Audited Expenditures	Questioned Costs
Salaries/Wages	\$ 78,909	\$ 50,882	\$ 50,882	\$ -
Fringe Benefits	15,127	8,000	8,000	-
Office expense	48	28	28	-
Travel, Conference & Meetings	1,500	706	706	-
Program expense	15,300	3,288	3,288	-
Total Direct Cost	110,884	62,904	62,904	-
Indirect Cost	9,116	5,171	5,171	-
Total Cost	120,000	68,075	68,075	-
Less: Program Income	-	-	-	-
Net Total Cost	\$ 120,000	\$ 68,075	\$ 68,075	\$ -

Reconciliation of revenues recorded by fiscal period

Year ended June 30, 2013	\$ 68,075
Total revenues	<u>\$ 68,075</u>

Reconciliation to grant award:

Total grant expenditures	\$ 68,075
Funds available as of June 30, 2013	51,925
Total grant award	<u>\$ 120,000</u>

AMERICAN LUNG ASSOCIATION OF THE MID-ATLANTIC

STATEMENT OF GRANT RECEIPTS AND EXPENDITURES
WEST VIRGINIA DEPARTMENT OF HEALTH AND HUMAN SERVICES
For the Grant Period from July 1, 2012 to June 30, 2013
Year Ended June 30, 2013

Grant Number: G130164
 Grant Period: 7/1/12 - 6/30/13
 Grant Award: \$112,000

	Budget	Actual	Variance Over/(Under) Budget
Personnel and fringe benefits	\$ 49,119	\$ 46,888	\$ (2,231)
Materials and supplies	3,714	2,039	(1,675)
Other	23,660	18,000	(5,660)
Contractual	27,000	17,307	(9,693)
Indirect cost	8,507	6,882	(1,625)
Total grant expenditures	<u>\$ 112,000</u>	<u>\$ 91,116</u>	<u>\$ (20,884)</u>

Reconciliation of revenues recorded by fiscal period

Year ended June 30, 2013

Total revenues

\$ 91,116
\$ 91,116

Reconciliation to grant award:

Total grant expenditures

Unspent grant funds

Total grant award

\$ 91,116
 20,884
\$ 112,000

AMERICAN LUNG ASSOCIATION OF THE MID-ATLANTIC

STATEMENT OF GRANT RECEIPTS AND EXPENDITURES
WEST VIRGINIA DEPARTMENT OF HEALTH AND HUMAN SERVICES
For the Grant Period from July 1, 2012 to June 30, 2013
Year Ended June 30, 2013

Grant Number: G130536
 Grant Period: 7/1/12 - 6/30/13
 Grant Award: \$91,742

	Budget	Actual	Variance Over/(Under) Budget
Personnel and fringe benefits	\$ 33,234	\$ 16,011	\$ (17,223)
Materials and supplies	3,840	3,096	(744)
Other	23,000	18,568	(4,432)
Contractual	24,700	14,249	(10,451)
Indirect cost	6,968	4,268	(2,700)
Total grant expenditures	<u>\$ 91,742</u>	<u>\$ 56,192</u>	<u>\$ (35,550)</u>

Reconciliation of revenues recorded by fiscal period

Year ended June 30, 2013	\$ 56,192
Total revenues	<u>\$ 56,192</u>

Reconciliation to grant award:

Total grant expenditures	\$ 56,192
Unspent grant funds	35,550
Total grant award	<u>\$ 91,742</u>

AMERICAN LUNG ASSOCIATION OF THE MID-ATLANTIC

STATEMENT OF GRANT RECEIPTS AND EXPENDITURES
WEST VIRGINIA DEPARTMENT OF HEALTH AND HUMAN SERVICES
For the Grant Period from October 1, 2011 to August 31, 2012
Year Ended June 30, 2013

Grant Number: G120464
 Grant Period: 10/01/11-08/31/12
 Grant Award: \$79,599

	Budget	Actual	Variance Over/(Under) Budget
Personnel and fringe benefits	\$ 43,418	\$ 41,783	\$ (1,635)
Materials and supplies	8,333	8,317	(16)
Professional service costs	1,000	329	(671)
Other	19,611	17,220	(2,391)
Indirect cost	7,237	6,590	(647)
Total grant expenditures	<u>\$ 79,599</u>	<u>\$ 74,239</u>	<u>\$ (5,360)</u>

Reconciliation of revenues recorded by fiscal period

Year ended June 30, 2013	\$ 31,098
Year ended June 30, 2012	43,141
Total revenues	<u>\$ 74,239</u>

Reconciliation to grant award:

Total grant expenditures	\$ 74,239
Unspent grant funds	5,360
Total grant award	<u>\$ 79,599</u>

AMERICAN LUNG ASSOCIATION OF THE MID-ATLANTIC

STATEMENT OF GRANT RECEIPTS AND EXPENDITURES
WEST VIRGINIA DEPARTMENT OF HEALTH AND HUMAN SERVICES
For the Grant Period from July 1, 2012 to June 30, 2013
Year Ended June 30, 2013

Grant Number: G130117
 Grant Period: 7/1/12 - 6/30/13
 Grant Award: \$669,648

	Budget	Actual	Variance Over/(Under) Budget
Personnel and fringe benefits	\$ 215,439	\$ 215,439	\$ -
Materials and supplies	21,585	18,500	(3,085)
Other	381,760	293,875	(87,885)
Indirect cost	50,864	43,386	(7,478)
Total grant expenditures	<u>\$ 669,648</u>	<u>\$ 571,200</u>	<u>\$ (98,448)</u>

Reconciliation of revenues recorded by fiscal period

Year ended June 30, 2013	\$ 571,200
Total revenues	<u>\$ 571,200</u>

Reconciliation to grant award:

Total grant expenditures	\$ 571,200
Unspent grant funds	98,448
Total grant award	<u>\$ 669,648</u>

AMERICAN LUNG ASSOCIATION OF THE MID-ATLANTIC

**STATEMENT OF GRANT RECEIPTS AND EXPENDITURES
WEST VIRGINIA DEPARTMENT OF HEALTH AND HUMAN SERVICES
For the Grant Period from July 1, 2012 to June 30, 2013
Year Ended June 30, 2013**

Grant Number: G130615
Grant Period: 7/1/12 - 6/30/13
Grant Award: \$9,302

	Budget	Actual	Variance Over/(Under) Budget
Personnel and fringe benefits	\$ 1,096	\$ 1,096	\$ -
Materials and supplies	6,100	6,088	(12)
Other	1,400	1,308	(92)
Indirect cost	706	698	(8)
Total grant expenditures	<u>\$ 9,302</u>	<u>\$ 9,190</u>	<u>\$ (112)</u>

Reconciliation of revenues recorded by fiscal period

Year ended June 30, 2013	\$ 9,190
Total revenues	<u>\$ 9,190</u>

Reconciliation to grant award:

Total grant expenditures	\$ 9,190
Unspent grant funds	112
Total grant award	<u>\$ 9,302</u>

AMERICAN LUNG ASSOCIATION OF THE MID-ATLANTIC

SCHEDULE OF CONTRACTUAL PERFORMANCE CDC FUNDS

PENNSYLVANIA DEPARTMENT OF HEALTH

SAP 4000015263

For the Grant Period from July 1, 2012 to June 30, 2013

Year Ended June 30, 2013

	Budget	Actual
Personnel services	\$ 11,942	\$ 853
Supplies	2,296	2,193
Travel	2,291	659
Other	2,798	1,209
Total grant expenditures	\$ 19,327	\$ 4,914

AMERICAN LUNG ASSOCIATION OF THE MID-ATLANTIC

SCHEDULE OF CONTRACTUAL PERFORMANCE MSA FUNDS

PENNSYLVANIA DEPARTMENT OF HEALTH

SAP 4000015263

For the Grant Period from July 1, 2012 to June 30, 2013

Year Ended June 30, 2013

	Budget	Actual
Personnel services	\$ 107,908	\$ 105,220
Consultant services	22,000	21,472
Subcontract services	1,066,596	1,064,553
Supplies	20,854	20,200
Travel	10,500	8,966
Other	156,945	149,619
Total grant expenditures	\$ 1,384,803	\$ 1,370,030

AMERICAN LUNG ASSOCIATION OF THE MID-ATLANTIC

SCHEDULE OF CONTRACTUAL PERFORMANCE FDA FUNDS

PENNSYLVANIA DEPARTMENT OF HEALTH

SAP 4000015263

For the Grant Period from July 1, 2012 to June 30, 2013

Year Ended June 30, 2013

	Budget	Actual
Subcontract services	\$ 45,860	\$ 25,705
Total grant expenditures	\$ 45,860	\$ 25,705

AMERICAN LUNG ASSOCIATION OF THE MID-ATLANTIC

SCHEDULE OF CONTRACTUAL PERFORMANCE MSA FUNDS

PENNSYLVANIA DEPARTMENT OF HEALTH

SAP 4000059556

For the Grant Period from July 1, 2012 to June 30, 2013

Year Ended June 30, 2013

	Budget	Actual
Personnel services	\$ 113,442	\$ 113,442
Consultant services	84,616	84,616
Subcontract services	162,585	162,585
Supplies	45,000	45,000
Travel	21,000	21,000
Other	198,554	198,554
Total grant expenditures	\$ 625,197	\$ 625,197

AMERICAN LUNG ASSOCIATION OF THE MID-ATLANTIC

SCHEDULE OF CONTRACTUAL PERFORMANCE CDC FUNDS

PENNSYLVANIA DEPARTMENT OF HEALTH

SAP 4000059556

For the Grant Period from July 1, 2012 to June 30, 2013

Year Ended June 30, 2013

	Budget	Actual
Subcontract services	\$ 40,000	\$ 40,000
Other	60,008	35,006
Total grant expenditures	\$ 100,008	\$ 75,006

AMERICAN LUNG ASSOCIATION OF THE MID-ATLANTIC

SCHEDULE OF CONTRACTUAL PERFORMANCE
PENNSYLVANIA DEPARTMENT OF HEALTH - ASTHMA GRANT
SAP 4000010698

For the Grant Period from July 1, 2012 to August 31, 2012

Year Ended June 30, 2013

	Budget	Actual
Personnel services	\$ 8,292	\$ 8,303
Subcontract services	10,166	10,229
Supplies	403	423
Travel	246	213
Other	1,498	1,437
Total grant expenditures	\$ 20,605	\$ 20,605

AMERICAN LUNG ASSOCIATION OF THE MID-ATLANTIC

SCHEDULE OF CONTRACTUAL PERFORMANCE
PENNSYLVANIA DEPARTMENT OF HEALTH - ASTHMA GRANT
SAP 4000016620

For the Grant Period from September 1, 2012 to June 30, 2013

Year Ended June 30, 2013

	Budget	Actual
Personnel services	\$ 36,782	\$ 27,115
Subcontract services	52,612	31,084
Supplies	1,004	1,103
Travel	2,000	1,988
Other	16,933	16,933
Total grant expenditures	\$ 109,331	\$ 78,223

**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***

Board of Directors
American Lung Association of the Mid-Atlantic
Camp Hill, Pennsylvania

We have audited, in accordance with the 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, and audit guidelines issued by the Pennsylvania Department of Health, the New Jersey Department of Health and Senior Services and the West Virginia Department of Health and Human Resources, the financial statements of American Lung Association of the Mid-Atlantic (a nonprofit organization), which comprise the statement of financial position as of and for the year ended June 30, 2013, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 29, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the American Lung Association of the Mid-Atlantic's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the American Lung Association of the Mid-Atlantic's internal control. Accordingly, we do not express an opinion on the effectiveness of the American Lung Association of the Mid-Atlantic's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

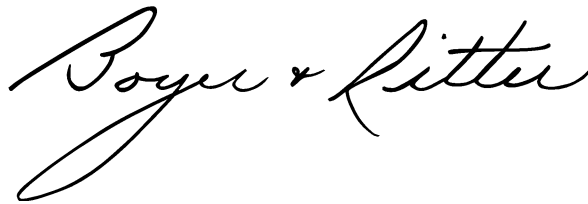
Compliance and Other Matters

As part of obtaining reasonable assurance about whether American Lung Association of the Mid-Atlantic's financial statements are free from 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*, and audit guidelines issued by the Pennsylvania Department of Health, the New Jersey Department of Health and Senior Services and the West Virginia Department of Health and Human Resources.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We noted certain matters that we reported to management of the Association in a separate letter dated September 29, 2013.

A handwritten signature in cursive script that reads "Boyer & Fitter". The signature is written in black ink and is centered on the page.

Camp Hill, Pennsylvania
September 29, 2013

**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 AND NEW JERSEY CIRCULAR 04-04 OMB**

Board of Directors
American Lung Association of the Mid-Atlantic
Camp Hill, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited the American Lung Association of the Mid-Atlantic's compliance 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 American Lung Association of the Mid-Atlantic's major federal programs for the year ended June 30, 2013. American Lung Association of the Mid-Atlantic's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of American Lung Association of the Mid-Atlantic's major federal programs based on our audit of the types of compliance requirements referred to above. 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, Audits of States, Local Governments, and Non-Profit Organizations; New Jersey Circular 04-04 OMB; audit guidelines issued by the Pennsylvania Department of Health, the New Jersey Department of Health and Senior Services and the West Virginia Department of Health and Human Resources. Those standards, OMB Circular A-133, New Jersey Circular 04-04 OMB and guidelines 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 the Mid-Atlantic's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of American Lung Association of the Mid-Atlantic's compliance.

Opinion on Each Major Federal Program

In our opinion, American Lung Association of the Mid-Atlantic complied, in all material respects, with the types of 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, 2013.

Report on Internal Control Over Compliance

The management of American Lung Association of the Mid-Atlantic is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered American Lung Association of the Mid-Atlantic's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 of the Mid-Atlantic'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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose

A handwritten signature in cursive script that reads "Boyer & Ritten". The signature is written in black ink and is positioned in the lower right quadrant of the page.

Camp Hill, Pennsylvania
September 29, 2013

AMERICAN LUNG ASSOCIATION OF THE MID-ATLANTIC
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

Section I -- Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ Yes X None Reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ Yes X None Reported

Type of auditor's report issued on compliance for the major programs: Unqualified

- Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of Circular A-133? _____ Yes X No

AMERICAN LUNG ASSOCIATION OF THE MID-ATLANTIC
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

Identification of the major programs:

CFDA Number	Name of Federal Program
93.283	Centers for Disease Control and Prevention Investigations and Technical Assistance

Dollar threshold used to distinguish between
type A and type B programs \$300,000

Auditee qualified as low-risk auditee? X Yes No

Section II -- Financial Statement Findings

A. Significant Deficiencies in Internal Control

There were no significant deficiencies in internal control relating to the financial statement audit required to be reported.

B. Compliance Findings

There was no compliance findings relating to the financial statement audit required to be reported.

Section III -- Federal Award Findings and Questioned Costs

A. Compliance Findings

There were no findings relating to the Federal awards as required to be reported in accordance with Section .510(a) of OMB Circular A-133.

B. Significant Deficiencies in Internal Control

There were no findings relating to the Federal awards as required to be reported in accordance with Section .510(a) of OMB Circular A-133.

AMERICAN LUNG ASSOCIATION OF THE MID-ATLANTIC

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2013

Federal Grantor/Pass Through/ Grantor Program Title	Federal CFDA Number	Pass- Through Contract Number	Federal Expenditures
U.S. Department of Health and Human Services			
Passed through the State of Delaware Department of Health and Social Services Division of Public Health			
Community Outreach for Tobacco Prevention and Control Programs	93.283	13-083	\$ 115,853
Youth Tobacco Prevention and Education Programs	93.283	13-061	57,000
Passed through Commonwealth of Pennsylvania Department of Health			
Tobacco Use Prevention and Cessation	93.283	4100059556	75,006
Passed through Commonwealth of Pennsylvania Department of Health			
South Central Tobacco Control	93.520	4000015263	4,914
Passed through Commonwealth of Pennsylvania Department of Health			
Addressing Asthma from a Public Health Perspective	93.070	4000010698	20,605
Addressing Asthma from a Public Health Perspective	93.070	4000016620	78,223
Passed through State of New Jersey Department of Health and Senior Services			
Pediatric/Adult Asthma Coalition	93.283	DFHS12AST013	59,704
Pediatric/Adult Asthma Coalition	93.283	DFHS13AST003	69,879
Tuberculosis Control Program	93.116	EPID13TBC001	70,332
Tuberculosis Control Program	93.116	EPID12TBC003	55,447

(Continued)

AMERICAN LUNG ASSOCIATION OF THE MID-ATLANTIC

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
Year Ended June 30, 2013

Federal Grantor/Pass Through/ Grantor Program Title	Federal CFDA Number	Pass- Through Contract Number	Federal Expenditures
U.S. Department of Health and Human Services (Continued)			
Passed through State of West Virginia Department of Health and Human Resources Bureau for Public Health Epidemiology and Health Promotion			
Asthma Prevention Program	93.070	G130432	30,422
Asthma Prevention Program	93.070	G120464	31,098
Regional Tobacco Prevention Coalition	93.283	G130164	35,251
Regional Tobacco Prevention Coalition	93.283	G130536	<u>26,540</u>
Total U.S. Department of Health and Human Services			<u>730,274</u>
U.S. Environmental Protection Agency			
Indoor Air Quality Tools for Schools	66.034	XA97390301-2	19,906
Pediatric/Adult Asthma Coalition	66.034	XA-96296601-0	40,556
Pediatric/Adult Asthma Coalition	66.034	XA-97250908-5	<u>23,600</u>
Subtotal Direct Programs			84,062
Passed through the Commonwealth of Pennsylvania Department of Environmental Protection Bureau of Radiation Protection			
Radon Awareness & Risk Reduction	66.032	DEP OCC LOG# 13-0234	14,934
Radon Awareness & Risk Reduction	66.032	DEP OCC LOG# 12-0111	<u>10,024</u>
			24,958
Total U.S. Environmental Protection Agency			<u>109,020</u>
Total expenditures of Federal awards			<u><u>\$ 839,294</u></u>

See Notes to Schedule of Expenditures of Federal Awards.

AMERICAN LUNG ASSOCIATION OF THE MID-ATLANTIC

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the Federal-grant activity of the Association under programs of the federal government for the year ended June 30, 2013. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*. Because this schedule presents only a selected portion of the operations of the Association, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Association.

Note 2. Significant Accounting of Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

AMERICAN LUNG ASSOCIATION OF THE MID-ATLANTIC

SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS
Year Ended June 30, 2013

There were no prior year audit findings.