# AMERICAN LUNG ASSOCIATION

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

**For the Years Ended June 30, 2019 and 2018**

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**AMERICAN LUNG ASSOCIATION**
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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
American Lung Association

**Report on the Financial Statements**

We have audited the accompanying financial statements of American Lung Association (Association), which comprise the Statements of Financial Position as of June 30, 2019 and 2018, and the related Statements of Activities, Functional Expenses, and Cash Flows for the years then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Lung Association as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2019, on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Association's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control over financial reporting and compliance.

## Emphasis of Matter Regarding a Change in Accounting Principle

As discussed in Note 16 to the financial statements, the Association adopted new accounting guidance as issued by the Financial Accounting Standards Board under Financial Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. Our opinion was not modified with respect to this matter.

Sikich LLP
Springfield, Illinois
November 25, 2019

# FINANCIAL STATEMENTS

**AMERICAN LUNG ASSOCIATION**

STATEMENTS OF FINANCIAL POSITION

June 30, 2019 and 2018

## ASSETS

| | 2019 | 2018 |
|---|---|---|
| Cash and cash equivalents | $ 35,424,879 | $ 37,231,856 |
| Receivables: | | |
| Accounts and grants receivable, net | 11,041,511 | 12,946,620 |
| Notes receivable | 1,594,237 | 2,038,664 |
| Prepaid expenses and other assets: | | |
| Prepaid expenses | 1,367,226 | 1,370,190 |
| Inventories | 125,489 | 125,125 |
| Investments | 109,412,650 | 104,412,597 |
| Other assets | 809,586 | 729,507 |
| Land, buildings, and equipment, net | 10,339,263 | 10,566,611 |
| Beneficial interest in gift annuities | 1,458,141 | 1,078,190 |
| Beneficial interest in charitable and perpetual trusts | 34,697,550 | 33,687,847 |
| **TOTAL ASSETS** | $ 206,270,532 | $ 204,187,207 |

## LIABILITIES AND NET ASSETS

| | 2019 | 2018 |
|---|---|---|
| **LIABILITIES** | | |
| Accounts payable and accrued expenses | | |
| Accounts payable - general | $ 10,671,602 | $ 8,948,271 |
| Accounts payable - awards and grants | 7,881,670 | 6,618,850 |
| Deferred revenue | 16,792,727 | 19,790,399 |
| Amounts held on behalf of others | 1,003,294 | 978,992 |
| Accrued pension and postretirement plan liabilities | 13,544,373 | 15,288,190 |
| Gift annuities obligations | 968,589 | 1,059,228 |
| Other liabilities | 2,176,074 | 2,672,921 |
| Total liabilities | 53,038,329 | 55,356,851 |
| **NET ASSETS** | | |
| Without donor restrictions | 108,723,005 | 106,001,896 |
| With donor restrictions | | |
| Perpetual in nature | 39,749,161 | 37,816,968 |
| Purpose and time restrictions | 4,760,037 | 5,011,492 |
| | 44,509,198 | 42,828,460 |
| Total net assets | 153,232,203 | 148,830,356 |
| **TOTAL LIABILITIES AND NET ASSETS** | $ 206,270,532 | $ 204,187,207 |

See accompanying notes to the financial statements.

**AMERICAN LUNG ASSOCIATION**

STATEMENT OF ACTIVITIES

Year Ended June 30, 2019

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| **REVENUE** | | | |
| Public support: | | | |
| Direct mail | $ 16,471,106 | $ - | $ 16,471,106 |
| Contributions | 7,539,473 | 3,500 | 7,542,973 |
| Contributed media services and materials | 19,174,252 | - | 19,174,252 |
| Bequests and trust income | 16,721,236 | 6,750 | 16,727,986 |
| Special events | 18,964,994 | - | 18,964,994 |
| Less direct donor benefits | (3,738,168) | - | (3,738,168) |
| Total public support | 75,132,893 | 10,250 | 75,143,143 |
| Other revenue: | | | |
| Corporate support | 13,977,277 | - | 13,977,277 |
| Foundation support | 3,988,126 | 1,036,000 | 5,024,126 |
| Government grants | 24,133,769 | - | 24,133,769 |
| Interest and dividends | 3,117,081 | 219,710 | 3,336,791 |
| Research co-funding | 408,500 | - | 408,500 |
| Program service fees | 2,269,800 | - | 2,269,800 |
| Other | 968,626 | - | 968,626 |
| Total other revenue | 48,863,179 | 1,255,710 | 50,118,889 |
| Net assets released from restrictions | 643,336 | (643,336) | - |
| Total revenue | 124,639,408 | 622,624 | 125,262,032 |
| **EXPENSES** | | | |
| Program services | 107,525,849 | - | 107,525,849 |
| Supporting services | 14,142,788 | - | 14,142,788 |
| Total expenses | 121,668,637 | - | 121,668,637 |
| Changes in net assets from operating activities | 2,970,771 | 622,624 | 3,593,395 |
| **OTHER CHANGES IN NET ASSETS** | | | |
| Net realized gains (losses) on investments | 6,376,697 | 409,969 | 6,786,666 |
| Net unrealized gains (losses) on investments | (4,561,786) | (367,720) | (4,929,506) |
| Gain on sale of land, buildings, and equipment | 29,693 | - | 29,693 |
| Change in fair value of beneficial interest in trusts & other | - | 1,015,865 | 1,015,865 |
| Change in value of split-interest agreements | 3,141 | - | 3,141 |
| Change in value of equity method investments | (125,761) | - | (125,761) |
| Other pension and postretirement plan changes | (1,971,646) | - | (1,971,646) |
| Total other changes in net assets | (249,662) | 1,058,114 | 808,452 |
| **CHANGE IN NET ASSETS** | 2,721,109 | 1,680,738 | 4,401,847 |
| **NET ASSETS - BEGINNING OF YEAR** | 106,001,896 | 42,828,460 | 148,830,356 |
| **NET ASSETS - END OF YEAR** | $ 108,723,005 | $ 44,509,198 | $ 153,232,203 |

See accompanying notes to the financial statements.

**AMERICAN LUNG ASSOCIATION**

STATEMENT OF ACTIVITIES

Year Ended June 30, 2018

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| **REVENUE** | | | |
| Public support: | | | |
| Direct mail | $ 18,427,032 | $ - | $ 18,427,032 |
| Contributions | 5,330,764 | - | 5,330,764 |
| Contributed media services and materials | 28,495,537 | - | 28,495,537 |
| Bequests and trust income | 14,634,118 | 43,500 | 14,677,618 |
| Special events | 18,448,037 | - | 18,448,037 |
| Less direct donor benefits | (3,639,102) | - | (3,639,102) |
| Total public support | 81,696,386 | 43,500 | 81,739,886 |
| Other revenue: | | | |
| Corporate support | 14,726,098 | - | 14,726,098 |
| Foundation support | 3,960,169 | 51,696 | 4,011,865 |
| Government grants | 24,739,244 | - | 24,739,244 |
| Interest and dividends | 2,226,887 | 174,997 | 2,401,884 |
| Research co-funding | 1,378,900 | - | 1,378,900 |
| Program service fees | 2,520,422 | - | 2,520,422 |
| Other | 700,243 | - | 700,243 |
| Total other revenue | 50,251,963 | 226,693 | 50,478,656 |
| Net assets released from restrictions | 2,704,819 | (2,704,819) | - |
| Total revenue | 134,653,168 | (2,434,626) | 132,218,542 |
| **EXPENSES** | | | |
| Program services | 115,982,244 | - | 115,982,244 |
| Supporting services | 15,108,497 | - | 15,108,497 |
| Total expenses | 131,090,741 | - | 131,090,741 |
| Changes in net assets from operating activities | 3,562,427 | (2,434,626) | 1,127,801 |
| **OTHER CHANGES IN NET ASSETS** | | | |
| Net realized gains (losses) on investments | 2,100,478 | 383,066 | 2,483,544 |
| Net unrealized gains (losses) on investments | 1,544,679 | (58,696) | 1,485,983 |
| Gain on sale of land, buildings, and equipment | 128,365 | - | 128,365 |
| Change in fair value of beneficial interest in trusts & other | 115,444 | 778,439 | 893,883 |
| Change in value of split-interest agreements | 6,537 | - | 6,537 |
| Change in value of equity method investments | (81,484) | - | (81,484) |
| Other pension and postretirement plan changes | (645,062) | - | (645,062) |
| Acquisition of dissolved and merged charters | 84,020,708 | 38,940,728 | 122,961,436 |
| Total other changes in net assets | 87,189,665 | 40,043,537 | 127,233,202 |
| **CHANGE IN NET ASSETS** | 90,752,092 | 37,608,911 | 128,361,003 |
| **NET ASSETS - BEGINNING OF YEAR** | 15,249,804 | 5,219,549 | 20,469,353 |
| **NET ASSETS - END OF YEAR** | $ 106,001,896 | $ 42,828,460 | $ 148,830,356 |

See accompanying notes to the financial statements.

# AMERICAN LUNG ASSOCIATION

## STATEMENT OF FUNCTIONAL EXPENSES

### Year Ended June 30, 2019

| | Program Services | | | | |
|---|---|---|---|---|---|
| | Lung Cancer, Asthma, COPD and Lung Disease | Research | Advocacy and Environment | Tobacco Control | Total Program Services |
| Salaries | $ 10,139,487 | $ 3,530,146 | $ 6,631,314 | $ 11,069,742 | $ 31,370,689 |
| Payroll taxes and benefits | 2,591,504 | 890,556 | 1,715,111 | 2,795,048 | 7,992,219 |
| Total compensation | 12,730,991 | 4,420,702 | 8,346,425 | 13,864,790 | 39,362,908 |
| | | | | | |
| Awards and grants, net | - | 8,693,751 | - | - | 8,693,751 |
| Program consulting | 3,171,257 | 21,390 | 3,591,816 | 8,117,033 | 14,901,496 |
| Professional fees | 4,638,567 | 764,910 | 1,509,990 | 1,818,506 | 8,731,973 |
| Media and advertising | 689,853 | 306,339 | 558,450 | 290,106 | 1,844,748 |
| In-kind media | 17,135,844 | 250,336 | 219,044 | 219,044 | 17,824,268 |
| Occupancy | 975,992 | 258,641 | 875,418 | 961,230 | 3,071,281 |
| Office supplies and equipment | 698,612 | 264,190 | 472,097 | 628,064 | 2,062,963 |
| Printing | 144,098 | 42,712 | 55,035 | 174,802 | 416,647 |
| Postage and shipping | 64,702 | 31,386 | 37,818 | 58,452 | 192,358 |
| Travel | 565,382 | 147,045 | 248,366 | 605,504 | 1,566,297 |
| Conferences | 149,125 | 54,537 | 57,453 | 71,050 | 332,165 |
| Miscellaneous | 654,873 | 248,504 | 505,997 | 532,409 | 1,941,783 |
| Direct mail - materials and professional fees | 3,570,555 | 2,008,437 | 446,320 | 557,899 | 6,583,211 |
| Total functional expenses before direct donor benefits | 45,189,851 | 17,512,880 | 16,924,229 | 27,898,889 | 107,525,849 |
| | | | | | |
| Percentage of total | 37% | 14% | 14% | 23% | 88% |
| | | | | | |
| Direct donor benefits | | | | | |
| Site rental/food/entertainment | - | - | - | - | - |
| | | | | | |
| Total functional expenses and direct donor benefits | $ 45,189,851 | $ 17,512,880 | $ 16,924,229 | $ 27,898,889 | $ 107,525,849 |

This statement continued on the following page.

**AMERICAN LUNG ASSOCIATION**

STATEMENT OF FUNCTIONAL EXPENSES (Continued)

Year Ended June 30, 2019

| | Supporting Services | | | |
|---|---|---|---|---|
| | Management and General | Fundraising | Total Supporting Services | Total |
| Salaries | $ 913,274 | $ 3,413,471 | $ 4,326,745 | $ 35,697,434 |
| Payroll taxes and benefits | 244,977 | 893,539 | 1,138,516 | 9,130,735 |
| Total compensation | 1,158,251 | 4,307,010 | 5,465,261 | 44,828,169 |
| Awards and grants, net | - | - | - | 8,693,751 |
| Program consulting | - | - | - | 14,901,496 |
| Professional fees | 238,603 | 759,650 | 998,253 | 9,730,226 |
| Media and advertising | 47,290 | 164,594 | 211,884 | 2,056,632 |
| In-kind media | - | 250,337 | 250,337 | 18,074,605 |
| Occupancy | 747,062 | 475,805 | 1,222,867 | 4,294,148 |
| Office supplies and equipment | 212,308 | 370,651 | 582,959 | 2,645,922 |
| Printing | 14,987 | 50,001 | 64,988 | 481,635 |
| Postage and shipping | 5,881 | 34,058 | 39,939 | 232,297 |
| Travel | 26,912 | 79,293 | 106,205 | 1,672,502 |
| Conferences | 16,125 | 25,935 | 42,060 | 374,225 |
| Miscellaneous | 182,406 | 400,855 | 583,261 | 2,525,044 |
| Direct mail - materials and professional fees | 557,899 | 4,016,875 | 4,574,774 | 11,157,985 |
| Total functional expenses before direct donor benefits | 3,207,724 | 10,935,064 | 14,142,788 | 121,668,637 |
| Percentage of total | 3% | 9% | 12% | 100% |
| Direct donor benefits | | | | |
| Site rental/food/entertainment | - | - | 3,738,168 | 3,738,168 |
| Total functional expenses and direct donor benefits | $ 3,207,724 | $ 10,935,064 | $ 17,880,956 | $ 125,406,805 |

# AMERICAN LUNG ASSOCIATION

## STATEMENT OF FUNCTIONAL EXPENSES

### Year Ended June 30, 2018

| | Program Services | | | | |
|---|---|---|---|---|---|
| | Lung Cancer, Asthma, COPD and Lung Disease | Research | Advocacy and Environment | Tobacco Control | Total Program Services |
| Salaries | $ 10,074,284 | $ 3,026,859 | $ 6,062,157 | $ 11,561,276 | $ 30,724,576 |
| Payroll taxes and benefits | 2,940,398 | 836,646 | 1,753,434 | 3,414,168 | 8,944,646 |
| Total compensation | 13,014,682 | 3,863,505 | 7,815,591 | 14,975,444 | 39,669,222 |
| Awards and grants, net | - | 7,654,496 | - | - | 7,654,496 |
| Program consulting | 2,517,271 | 9,048 | 3,007,784 | 7,681,402 | 13,215,505 |
| Professional fees | 4,814,933 | 447,215 | 1,762,097 | 2,650,450 | 9,674,695 |
| Media and advertising | 431,681 | 142,872 | 240,518 | 297,711 | 1,112,782 |
| In-kind media | 25,716,981 | 164,300 | 388,225 | 123,225 | 26,392,731 |
| Occupancy | 960,374 | 232,137 | 660,320 | 1,270,953 | 3,123,784 |
| Office supplies and equipment | 1,051,978 | 333,307 | 994,040 | 991,074 | 3,370,399 |
| Printing | 188,076 | 26,953 | 45,176 | 386,250 | 646,455 |
| Postage and shipping | 94,779 | 31,519 | 59,442 | 110,310 | 296,050 |
| Travel | 559,774 | 131,089 | 274,661 | 594,086 | 1,559,610 |
| Conferences | 502,070 | 81,000 | 112,935 | 184,633 | 880,638 |
| Miscellaneous | 200,260 | 92,128 | 115,865 | 184,060 | 592,313 |
| Direct mail - materials and professional fees | 4,286,460 | 2,416,005 | 467,614 | 623,485 | 7,793,564 |
| Total functional expenses before direct donor benefits | 54,339,319 | 15,625,574 | 15,944,268 | 30,073,083 | 115,982,244 |
| Percentage of total | 41% | 12% | 12% | 23% | 88% |
| Direct donor benefits | | | | | |
| Site rental/food/entertainment | - | - | - | - | - |
| Total functional expenses and direct donor benefits | $ 54,339,319 | $ 15,625,574 | $ 15,944,268 | $ 30,073,083 | $ 115,982,244 |

This statement continued on the following page.

## AMERICAN LUNG ASSOCIATION

STATEMENT OF FUNCTIONAL EXPENSES (Continued)

Year Ended June 30, 2018

| | Supporting Services | | | |
|---|---|---|---|---|
| | Management and General | Fundraising | Total Supporting Services | Total |
| Salaries | $ 853,716 | $ 3,719,179 | $ 4,572,895 | $ 35,297,471 |
| Payroll taxes and benefits | 292,436 | 1,218,177 | 1,510,613 | 10,455,259 |
| Total compensation | 1,146,152 | 4,937,356 | 6,083,508 | 45,752,730 |
| Awards and grants, net | - | - | - | 7,654,496 |
| Program consulting | 278 | 3,290 | 3,568 | 13,219,073 |
| Professional fees | 295,870 | 651,456 | 947,326 | 10,622,021 |
| Media and advertising | 6,038 | 150,291 | 156,329 | 1,269,111 |
| In-kind media | - | 205,375 | 205,375 | 26,598,106 |
| Occupancy | 732,701 | 561,874 | 1,294,575 | 4,418,359 |
| Office supplies and equipment | 202,659 | 523,117 | 725,776 | 4,096,175 |
| Printing | 1,568 | 36,493 | 38,061 | 684,516 |
| Postage and shipping | 7,217 | 49,043 | 56,260 | 352,310 |
| Travel | 26,886 | 96,176 | 123,062 | 1,682,672 |
| Conferences | 25,838 | 52,919 | 78,757 | 959,395 |
| Miscellaneous | 24,283 | 175,908 | 200,191 | 792,504 |
| Direct mail - materials and professional fees | 649,463 | 4,546,246 | 5,195,709 | 12,989,273 |
| Total functional expenses before direct donor benefits | 3,118,953 | 11,989,544 | 15,108,497 | 131,090,741 |
| Percentage of total | 3% | 9% | 12% | 100% |
| Direct donor benefits | | | | |
| Site rental/food/entertainment | - | - | 3,639,102 | 3,639,102 |
| Total functional expenses and direct donor benefits | $ 3,118,953 | $ 11,989,544 | $ 18,747,599 | $ 134,729,843 |

See accompanying notes to the financial statements.

**AMERICAN LUNG ASSOCIATION**

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2019 and 2018

| | 2019 | 2018 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Changes in net assets | $ 4,401,847 | $ 128,361,003 |
| Adjustments to reconcile changes in net assets to net cash provided by operating activities | | |
| Depreciation and amortization | 421,534 | 513,611 |
| Forgiveness of notes receivable | 782,151 | 573,386 |
| Gain on sale of land, buildings, and equipment | (29,693) | (128,365) |
| Net realized and unrealized gain on investments | (1,857,160) | (3,969,527) |
| Distribution of assets held in trusts | - | 115,444 |
| Change in fair value of beneficial interest in trusts and other | (1,009,703) | (893,883) |
| Change in fair value of beneficial interest in gift annuities | (379,951) | (107,204) |
| Change in valuation of investment in LLC | 125,761 | 826,050 |
| Acquisition of merged charters | - | (122,961,436) |
| Changes in operating assets and liabilities: | | |
| Receivables | 1,905,109 | 2,180,793 |
| Prepaid expenses | 2,964 | 71,337 |
| Inventory | (364) | (36,514) |
| Other assets | (80,079) | 1,541,498 |
| Accounts payable and accrued expenses | 1,723,331 | (5,268,929) |
| Awards and grants payable | 1,262,820 | 654,500 |
| Deferred revenue | (2,997,672) | 252,072 |
| Amounts held on behalf of others | 24,302 | (557,747) |
| Accrued pension and postretirement plan liabilities | (1,743,817) | (924,003) |
| Gift annuities obligations | (90,639) | 100,668 |
| Other liabilities | (496,847) | 930,467 |
| Net cash from operating activities | 1,963,894 | 1,273,221 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchase of investments | (111,762,888) | (21,709,857) |
| Sale of investments | 108,494,234 | 19,546,222 |
| Advances on notes receivable | (337,724) | (1,344,322) |
| Purchase of property and equipment | (225,493) | (24,090) |
| Proceeds from sale of property and equipment | 61,000 | 173,344 |
| Cash and cash equivalents received from merged charters | - | 15,043,848 |
| Net cash from investing activities | (3,770,871) | 11,685,145 |
| **CHANGE IN CASH AND CASH EQUIVALENTS** | (1,806,977) | 12,958,366 |
| **CASH AND CASH EQUIVALENTS, BEGINNING** | 37,231,856 | 24,273,490 |
| **CASH AND CASH EQUIVALENTS, END** | $ 35,424,879 | $ 37,231,856 |

See accompanying notes to the financial statements.

## 1. NATURE OF BUSINESS

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

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

The following is a description of each class:

Without Donor Restrictions

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

With Donor Restrictions

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

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

Cash Equivalents

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

Receivables and Allowances for Doubtful Accounts

Receivables are primarily related to grants and program service contracts. The Association provides an allowance for uncollectible accounts based upon prior experience and management's assessment of the collectability of specific accounts. Receivables are reflected on the accompanying Statement of Financial Position net of allowance for doubtful accounts of $20,000 as of June 30, 2019 and 2018, respectively.

Land, Buildings, and Equipment

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

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

Deferred revenue

Deferred revenue consists of amounts received from funding sources for which the Association has not yet fulfilled its obligations. Such amounts are reflected as revenues when the related services are performed or obligations are satisfied.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and Related Income

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

Direct Mail, Contributions, Special Events, Bequests and Trust Income

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

Program Service Contracts and Grants

Revenue from program service contracts and federal, state, corporate and foundation grants is recognized as the related expenses are incurred in accordance with the terms of the respective grant or contract agreement. Amounts received in advance are reported as deferred revenues.

Research Awards and Grants

The Association makes awards and grants for research and for the training of researchers. The Association's funding for research is derived from a portion of its overall revenue and contractual agreements with affiliates restricted to the Association's Airways Clinical Research Centers (ACRC) Network. The ACRC Network consists of 18 airways clinical research centers throughout the United States. Additional funding is provided through investment earnings on endowments and by corporate and foundation grants. Recipients are required to meet certain qualifications and to provide accountability to the Association for funds disbursed. The liability and related expense for awards and grants are recognized at the time of award and notification to, and acceptance by, the recipient. Outstanding awards and grant commitments at June 30, 2019 and 2018, are all payable within one year.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributed Media, Services and Materials

The Association recognizes advertising costs when incurred. The Association received $18,074,605 and $26,598,106 of billboard, print, and TV and radio advertisement space during the years ended June 30, 2019 and 2018, respectively. The value of such contributed media, based upon information provided by third-party media services, is reflected on the Statement of Activities as contributed media services and materials and on the Statement of Functional Expenses as in-kind media.

The Association recognizes contributions of services if such services (a) create or enhance nonfinancial assets, or (b) require specialized skills, and are provided by individuals possessing those skills and would typically need to be purchased if not contributed. Contributed services recognized related to consulting work was $753,495 and $930,473 for the years ended June 30, 2019 and 2018, respectively. The Association also recognizes contributions of materials and facility space at their estimated fair value at the date of donation. Donated materials and facility space was $346,152 and $966,958 for the years ended June 30, 2019 and 2018, respectively.

Licensing Fees and Royalties

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

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

The Association records revenue from licensing fees and royalties as increases to net assets without donor restrictions to the extent the earnings process is complete. Receivables are expected to be collected within one year and are recorded at net realizable value. Licensing fees and royalties are reported as corporate support revenue on the Statement of Activities.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

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

Income Taxes

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

Concentrations of Credit Risk

Cash, cash equivalents and investments are exposed to various risks, such as interest rate, market and credit risks. To minimize such risks, the Association has diversified investment portfolios managed by independent investment managers in a variety of asset classes. The Association regularly evaluates its investments including performance thereof. Due to inherent risks and potential volatility in investment valuations, the amounts reported on the accompanying financial statements can vary substantially from year to year. The Association maintains its cash and cash equivalents in various bank deposit accounts which, at times may exceed federally insured limits. At June 30, 2019 and 2018, the Association's cash accounts exceeded federally insured limits by $34,341,286 and $36,532,985, respectively. The Association's cash and investment accounts were placed with high credit quality financial institutions and accordingly, the Association does not expect nonperformance.

## 3. NOTES RECEIVABLE

The Association received several grants to provide gas stations with funding to provide E-85 fueling. The funds were advanced to the gas stations upon completion of the project and the Association executed a note agreement with each station. The total amount advanced to gas stations was $337,724 and $1,344,322 during the years ended June 30, 2019 and 2018, respectively. The notes are forgivable over a two to five-year period, providing the E-85 fueling capacity remains intact. For the years ended June 30, 2019 and 2018, $782,151 and $573,386 of the notes receivable was forgiven.

## 4. LAND, BUILDINGS AND EQUIPMENT, NET

Land, buildings and equipment, net, consists of the following at June 30, 2019 and 2018:

| | 2019 | 2018 |
|---|---|---|
| Land | $ 2,793,914 | $ 2,793,914 |
| Buildings and improvements | 13,235,059 | 13,176,494 |
| Computer hardware and software | 351,583 | 351,583 |
| Furniture, fixtures and equipment | 3,321,221 | 3,428,050 |
| Vehicles | 76,764 | 217,230 |
| Construction in progress | 150,485 | - |
| Leasehold improvements | 323,974 | 323,974 |
| Total property and equipment | 20,253,000 | 20,291,245 |
| Less: accumulated depreciation and amortization | 9,913,737 | 9,724,634 |
| Property and equipment, net | $ 10,339,263 | $ 10,566,611 |

Depreciation expense for the years ended June 30, 2019 and 2018 totaled $421,534 and $513,611, respectively.

## 5. FAIR VALUE MEASUREMENTS

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

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

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

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

## 5. FAIR VALUE MEASUREMENTS (Continued)

Valuation Techniques

Following is a description of the valuation techniques used for assets and liabilities measured at fair value on a recurring basis. There have been no changes to the techniques used during the years ended June 30, 2019 and 2018.

- Common stock: Valued at the closing quoted price in an active market.
- Mutual funds, exchange-traded and closed-end funds and real estate investment trusts: Valued at the NAV of shares on the last trading day of the fiscal year.
- U.S. government securities: U.S. Treasury notes and bonds in which the Association invests are usually "off the run" on the measurement date. Thus, they are valued by a pricing service using a model that incorporates market observable data such as reported sales of similar securities, broker quotes, yields, bids, offers, and reference data. U.S. Treasury notes and bonds that are "on the run" are measured at quoted prices in active markets for the same security.
- U.S. agency bonds: Valued by a pricing service using a model that incorporates market observable data such as reported sales of similar securities, broker quotes, yields, bids, offers, and reference data.
- Corporate and foreign bonds: The investment grade corporate bonds held by the Association generally do not trade in active markets on the measurement date. Therefore, corporate bonds are valued using inputs including yields currently available on comparable securities of issuers with similar credit ratings, recent market price quotations (where observable), bond spreads, and fundamental data relating to the issuer.
- Beneficial interest in charitable trusts and gift annuities: Valued using the fair value of the assets held in the trust reported by the trustee as of June 30, 2019 and 2018. The Association considers the measurement of its beneficial interest in trusts and gift annuities to be a Level 2 measurement within the hierarchy because the measurement is based on the unadjusted fair value of trust assets reported by the trustee and the Association will receive those assets in a future period.
- Beneficial interest in perpetual trusts: Valued using the fair value of the assets held in the trust reported by the trustee as of June 30, 2019 and 2018. The Association considers the measurement of its beneficial interest in perpetual charitable trust to be a Level 3 measurement within the hierarchy because even though that measurement is based on the unadjusted fair value of trust assets reported by the trustee, the Association will never receive those assets or have the ability to direct the trustee to redeem them.
- Gift annuities obligations: Valued based on the present value of discounted expected cash flows and life expectancies. The present value was calculated using a discount rate of 3%. These are categorized as Level 2.

## 5. FAIR VALUE MEASUREMENTS (Continued)

Recurring Measurements

Assets and liabilities measured at fair value on a recurring basis as of June 30, 2019 are as follows:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| ASSETS | | | | |
| Investments: | | | | |
| Mutual funds | $ 97,861,431 | $ - | $ - | $ 97,861,431 |
| Exchange-traded & closed-end funds | 90,446 | - | - | 90,446 |
| United States Agency bonds | - | 828 | - | 828 |
| Corporate bonds | - | 271,313 | - | 271,313 |
| Foreign Bonds | - | 16,989 | - | 16,989 |
| Cash and cash equivalents* | | | | 9,848,831 |
| Other investments (cost) | | | | 1,118,728 |
| Pooled funds** | | | | 204,084 |
| Total investments | $ 97,951,877 | $ 289,130 | $ - | $ 109,412,650 |
| Other Assets: | | | | |
| Beneficial interest in charitable and perpetual trusts | - | 2,071,781 | 32,625,769 | 34,697,550 |
| Beneficial interest in gift annuities | - | 1,458,141 | - | 1,458,141 |
| Total other assets | $ - | $ 3,529,922 | $ 32,625,769 | $ 36,155,691 |
| LIABILITIES | | | | |
| Gift annuities obligations | $ - | $ 968,589 | $ - | $ 968,589 |

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

** Reported at NAV

## 5. FAIR VALUE MEASUREMENTS (Continued)

Recurring Measurements

Assets and liabilities measured at fair value on a recurring basis as of June 30, 2018 are as follows:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| ASSETS | | | | |
| Investments: | | | | |
| Common stock | $ 30,022,308 | $ - | $ - | $ 30,022,308 |
| Mutual funds | 46,033,398 | - | - | 46,033,398 |
| Exchange-traded & closed-end funds | 3,042,090 | - | - | 3,042,090 |
| United States Treasury notes and bonds | - | 2,878,172 | - | 2,878,172 |
| United States Agency bonds | - | 56,225 | - | 56,225 |
| Corporate bonds | - | 8,462,973 | - | 8,462,973 |
| Foreign bonds | - | 307,736 | - | 307,736 |
| Real estate investment trusts | 350,242 | - | - | 350,242 |
| Cash and cash equivalents* | | | | 11,817,045 |
| Other investments (cost)* | | | | 1,244,487 |
| Pooled funds** | | | | 197,921 |
| Total investments | $ 79,448,038 | $ 11,705,106 | $ - | $ 104,412,597 |
| Other Assets: | | | | |
| Beneficial interest in charitable and perpetual trusts | - | 1,989,580 | 31,698,267 | 33,687,847 |
| Beneficial interest in gift annuities | - | 1,078,190 | - | 1,078,190 |
| Total other assets | $ - | $ 3,067,770 | $ 31,698,267 | $ 34,766,037 |
| LIABILITIES | | | | |
| Gift annuities obligations | $ - | $ 1,059,228 | $ - | $ 1,059,228 |

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

Investments measured at NAV

The following table represents the category, fair value, redemption frequency, and redemption notice period for investments, the fair values of which are estimated using net asset value per share as of June 30, 2019 and 2018:

| Year | Investment | Fair Value | Unfunded Commitment | Redemption Frequency | Redemption Notice Period |
|---|---|---|---|---|---|
| 2019 | Pooled funds (a) | $204,084 | - | Quarterly | 90 days |
| 2018 | Pooled funds (a) | $197,921 | - | Quarterly | 90 days |

## 5. FAIR VALUE MEASUREMENTS (Continued)

Investments measured at NAV (Continued)

(a) Pooled Fund investments include investments held with the Community Foundation of Louisville, Inc. and the San Diego Foundation. Pooled fund investments are valued at contract value, which approximates fair value. Contract value represents contributions made under the contract, plus earnings, less withdrawals and administrative expenses. The pooled fund investment strategy strives to maximize annual return while prudently mitigating risk within a long-term time horizon.

The following table presents a reconciliation of Level 3 assets measured at fair value on a recurring basis for the years ended June 30, 2019 and 2018.

| | Beneficial Interest in Perpetual Trusts 2019 | Beneficial Interest in Perpetual Trusts 2018 |
|---|---|---|
| Balance, beginning of the year | $ 31,698,267 | $ 3,364,400 |
| Transfer from charters | - | 27,638,162 |
| Total gains (losses) included in change in net assets | 927,502 | 695,705 |
| Balance, end of the year | $ 32,625,769 | $ 31,698,267 |

## 6. CHARITABLE TRUSTS, PERPETUAL TRUSTS AND GIFT ANNUITIES

The Association is a beneficiary of charitable and perpetual trusts administered by independent organizations. Under the terms of the trusts, the Association has irrevocable rights to receive portions of the income earned on the trust assets. Portions of income earned on the perpetual trusts is earned in perpetuity. The Association's beneficial interest in charitable and perpetual trusts, at fair value, totaled $33,933,006 and $32,918,439 at June 30, 2019 and 2018, respectively.

The Association is the beneficiary of charitable remainder unit trusts which are held by independent organizations. Upon the death of the donors, the Association will receive a portion of the remaining assets in the trust. The value at June 30, 2019 and 2018, was $764,544 and $769,408, respectively.

## 6. CHARITABLE TRUSTS, PERPETUAL TRUSTS AND GIFT ANNUITIES (Continued)

The Association also has charitable gift annuity arrangements in which donors have contributed assets to the Association in exchange for a promise to pay a fixed amount for a specified period of time back to the donor. Gift annuity obligations represent the present value of future cash flows expected to be paid by the Association to the donors under these arrangements. Assets held for the gift annuities at June 30, 2019 and 2018 are $1,458,141 and $1,078,190, respectively.

Gift annuity liabilities of $968,589 and $1,059,228 at June 30, 2019 and 2018, respectively, are reported as their own line on the Statement of Financial Position.

## 7. LINE OF CREDIT

The Association has a $5,000,000 secured revolving line of credit with a bank. Amounts borrowed under the line of credit bear interest at a rate of 2% plus the one-month LIBOR then in effect. Amounts borrowed are secured by Association's investment portfolio. During the years ended June 30, 2019 and 2018 no amounts were borrowed under the line of credit.

## 8. DEFINED BENEFIT PENSION PLAN

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

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

Information as of and for the years ended June 30, 2019 and 2018, regarding the Association's Retirement Plan D follows:

| | 2019 | 2018 |
|---|---|---|
| Change in benefit obligation: | | |
| Benefit obligation, beginning of year | $ 46,070,653 | $ 18,278,072 |
| Interest cost | 1,976,107 | 1,990,312 |
| Actuarial loss | 2,746,468 | 187,177 |
| Transfer in at July 1, 2017 | - | 30,588,883 |
| Settlements | - | (2,684,202) |
| Special/contractual termination benefits | - | (634,191) |
| Benefits paid | (2,376,034) | (1,655,398) |
| Benefit obligation, end of year | $ 48,417,194 | $ 46,070,653 |

## 8. DEFINED BENEFIT PENSION PLAN (Continued)

| | 2019 | 2018 |
|---|---|---|
| Change in plan assets: | | |
| Fair value of plan assets, beginning of year | $ 30,990,216 | $ 12,259,966 |
| Actual return on plan assets | 2,080,213 | (92,258) |
| Employer contributions | 4,343,000 | 3,124,809 |
| Transfer in at July 1, 2017 | - | 20,671,490 |
| Settlements | - | (3,318,393) |
| Benefits paid | (2,376,034) | (1,655,398) |
| Fair value of plan assets, end of year | $ 35,037,395 | $ 30,990,216 |
| Funded status, end of year | $ (13,379,799) | $ (15,080,437) |

Amounts that have not yet been recognized as a component of net periodic benefit cost, but are included in net assets without donor restrictions, consist of net actuarial loss of $19,066,085 and $17,094,439 as of June 30, 2019 and 2018, respectively.

| | 2019 | 2018 |
|---|---|---|
| Components of net periodic benefit cost: | | |
| Interest cost | $ 1,976,107 | $ 1,990,312 |
| Expected return on plan assets | (1,723,728) | (1,721,733) |
| Recognized loss due to settlements | - | 995,969 |
| Amortization of net actuarial loss | 418,337 | 389,663 |
| Net periodic benefit cost | $ 670,716 | $ 1,654,211 |
| Benefit-related changes other than net periodic benefit cost: | | |
| Transfer of actuarial (gain)/loss due to Plan Merger at July 1, 2017 | $ - | $ 9,549,884 |
| Net actuarial loss arising during the year | 2,389,983 | 2,001,168 |
| Amortization of net actuarial loss | (418,337) | (1,385,632) |
| Total benefit-related changes other than net periodic benefit cost | $ 1,971,646 | $ 10,165,420 |

## 8. DEFINED BENEFIT PENSION PLAN (Continued)

Defined Benefit Plan (Continued)

The following is the weighted-average assumptions used to determine benefit obligations as of June 30, 2019 and 2018:

| | 2019 | 2018 |
|---|---|---|
| Discount rate | 4.00% | 4.50% |
| Rate of compensation increase | N/A | N/A |

The following are the weighted-average assumptions used to determine net periodic benefit cost for the years ended June 30, 2019 and 2018:

| | 2019 | 2018 |
|---|---|---|
| Discount rate | 4.50% | 4.25% |
| Rate of compensation increase | N/A | N/A |
| Expected rate of return on plan assets | 5.50% | 5.50% |

## 9. RETIREMENT PLAN

The Association currently sponsors multiple defined contribution employee retirement plans that match employee contributions. Some of the plans also allow for a discretionary contribution regardless of an employee's participation in the matching portion of the plan. All full-time employees and most part-time employees are eligible to participate based on date of hire. The Association's expense totaled $737,089 and $758,171 for the matching contribution and $1,498,817 and $1,353,121 for discretionary contributions for the years ended June 30, 2019 and 2018, respectively.

## 10. NET ASSETS WITH DONOR RESTRICTIONS

As June 30, 2019 and 2018, the Association has net assets with donor restrictions as follows:

| | 2019 | 2018 |
|---|---|---|
| Research | $ 1,054,069 | $ 1,124,590 |
| Programs | 2,750,251 | 2,916,068 |
| Time restrictions | 908,159 | 923,276 |
| Operations | 47,558 | 47,558 |
| Beneficial interest in charitable and perpetual trusts | 32,625,769 | 31,698,267 |
| Investments in Community Foundations | 143,661 | 143,925 |
| Endowment funds | 6,979,731 | 5,974,776 |
| Total | $ 44,509,198 | $ 42,828,460 |

## 11. ENDOWMENTS

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

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

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

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

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

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

## 11. ENDOWMENTS (Continued)

Endowment net assets as of June 30, 2019 and 2018 were as follows:

| | 2019 | 2018 |
|---|---|---|
| | With Donor Restriction | With Donor Restriction |
| Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor | $ 6,979,731 | $ 5,974,776 |
| Accumulated investment gains | 1,800,265 | 1,798,658 |
| Total funds | $ 8,779,996 | $ 7,773,434 |

The following table summarizes the changes in the Association's endowment net assets which consists of donor restricted net assets and excludes its beneficial interest in perpetual trusts for which the Association is not the trustee, and the changes in the endowment funds for the years then ended June 30, 2019 and 2018:

| | 2019 | 2018 |
|---|---|---|
| | With Donor Restriction | With Donor Restriction |
| Endowment net assets, beginning of year | $ 7,773,434 | $ 1,207,060 |
| New gifts | 1,003,500 | - |
| Transfer from charters | - | 7,380,831 |
| Interest and Dividends | 219,848 | 154,023 |
| Realized gains, net | 419,688 | 298,187 |
| Unrealized losses, net | (382,570) | (5,556) |
| Appropriation for expenditure | (253,904) | (1,261,111) |
| Endowment net assets, end of year | $ 8,779,996 | $ 7,773,434 |

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or state law requires the Association to retain as a fund or perpetual duration. Deficiencies of this nature are reported in net assets with donor restrictions. There was no deficiency as of June 30, 2019 and 2018.

## 12. LEASES

The Association has operating lease agreements for office space and equipment. Future annual minimum lease payments due under noncancelable leases as of June 30, 2019 are as follows:

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

| | |
|---|---|
| 2020 | $ 2,490,957 |
| 2021 | 1,848,926 |
| 2022 | 1,224,753 |
| 2023 | 961,758 |
| 2024 | 706,788 |
| Thereafter | 1,417,605 |
| Total | $ 8,650,787 |

Total operating lease expense was $2,996,758 and $3,006,264 for the years ended June 30, 2019 and 2018, respectively.

## 13. ALLOCATION OF JOINT COSTS

The Association conducts joint activities (activities benefiting multiple programs and/or supporting services) that include fundraising appeals. Those activities primarily include direct mail campaigns for the years ended June 30, 2019 and 2018. These costs were allocated as follows:

| | 2019 | 2018 |
|---|---|---|
| Program | $ 6,583,211 | $ 7,793,564 |
| Management and general | 557,899 | 649,463 |
| Fundraising | 4,016,875 | 4,546,246 |
| | $ 11,157,985 | $ 12,989,273 |

## 14. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

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

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

As of June 30, 2019 and 2018, financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

| | 2019 | 2018 |
|---|---|---|
| Cash and cash equivalents | $ 35,424,879 | $ 37,231,856 |
| Investments | 109,412,650 | 104,412,597 |
| Accounts and grants receivable, net | 11,041,511 | 12,946,620 |
| Notes receivable | 1,594,237 | 2,038,664 |
| Total financial assets | $ 157,473,277 | $ 156,629,737 |
| Donor-imposed funds subject to time restrictions | $ (143,615) | $ (153,869) |
| Donor-imposed funds subject to purpose restrictions | (887,992) | $ (1,223,252) |
| Donor-imposed endowments | (8,779,996) | (7,773,434) |
| Perpetual trusts held with Community Foundations | (143,661) | (143,925) |
| Amounts invested in building partnerships | (1,118,728) | (1,244,487) |
| Amounts held on behalf of others | (1,003,294) | (978,992) |
| Financial assets available to meet cash needs for general expenditures within one year | $ 145,395,991 | $ 145,111,778 |

## 15. ACQUIRED NET ASSETS

The Association acquired eight chartered organizations during fiscal year 2018 as a result of a merger. No consideration was provided as a result of the transaction.

For fiscal year 2018, the following table summarizes the estimated fair values of the assets and liabilities at the acquisition date:

| | |
|---|---|
| Cash and cash equivalents | $ 15,043,848 |
| Accounts and grants receivable, net | 12,022,980 |
| Notes receivable | 1,267,728 |
| Prepaid expenses | 708,546 |
| Inventories | 88,611 |
| Investments | 82,320,854 |
| Other assets | 828,279 |
| Land, buildings, and equipment, net | 11,799,653 |
| Beneficial interest in gift annuities | 839,611 |
| Beneficial interest in charitable and perpetual trusts | 29,055,704 |
| Total identifiable assets acquired | $ 153,975,814 |
| | |
| Accounts payable and accrued expenses | (11,071,047) |
| Deferred revenue | (8,144,093) |
| Amounts held on behalf of others | (94,013) |
| Accrued pension and postretirement plan liabilities | (10,824,609) |
| Gift annuities obligations | (880,616) |
| Net assets acquired | $ 122,961,436 |

As a result, the net value is recorded as an acquisition of merged charters during fiscal year 2018 in the Statement of Activities.

## 16. NEW ACCOUNTING PRONOUNCEMENTS

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958).* The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now titled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (d) presenting investment return net of external and direct internal investment expenses, (e) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The Association has adopted this ASU as of and for the year ended June 30, 2019 with retrospective application for the 2018 financial statements. As a result, $444,502 was reclassified from professional fees to investment income for 2018.

## 17. FUTURE ACCOUNTING PRONOUNCEMENTS

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, as amended by ASU 2015-14, which supersedes or replaces nearly all Generally Accepted Accounting Principles revenue recognition guidance. This standard establishes a new contract and control-based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time and will expand disclosures about revenue. ASU No. 2014-09, as amended, is effective for non-public companies for annual reporting periods beginning after December 15, 2018 and interim periods within the annual period beginning after December 15, 2019. The Association is currently assessing the impact of this new standard.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, to increase the transparency and comparability about leases among entities. The new guidance requires lessees to recognize a lease liability and a corresponding lease asset for virtually all lease contracts. It also requires additional disclosures about leasing arrangements. ASU No. 2016-02 is effective for nonpublic entities for fiscal years beginning after December 15, 2019 and interim periods within fiscal years beginning after December 15, 2020. ASU No. 2016-02 originally specified a modified retrospective transition method which requires the entity to initially apply the new leases standards at the beginning of the earliest period presented in the financial statements. In July 2018, FASB issued ASU No. 2018-11, *Leases (Topic 842)*: Targeted Improvements, providing a second, optional transition method which allows the entity to apply the new standard at the adoption date and recognize a cumulative effect adjustment to the opening balance of net assets in the period of adoption. The Association is currently assessing the impacts of this new standard, including the two optional transition methods.

## 17. FUTURE ACCOUNTING PRONOUNCEMENTS (Continued)

In August 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. ASU No. 2018-08 provides guidance to help distinguish if grants and contracts with resource providers are exchange transactions or contributions. ASU No. 2018-08 is effective for fiscal years beginning after December 15, 2018. The Association is currently assessing the impact of this new standard.

## 18. COMMITMENTS AND CONTINGENCIES

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

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

On August 7, 2019, a three-day trial commenced to determine the issue. The Association has accrued a liability for the $1,500,000 claim for bequest and gift income and interest. The accrued liability is included in the Accounts Payable – General line on the Statement of Financial Position. The Association has not accrued for potential attorney fees as the amount is unknown.

## 19. SUBSEQUENT EVENTS

The Association evaluated subsequent events through November 25, 2019, which was the date that these financial statements were available for issuance and determined that there were no additional significant non-recognized subsequent events through that date.

# AMERICAN LUNG ASSOCIATION

SINGLE AUDIT REPORT

For the Year Ended June 30, 2019

SIKICH.COM

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3201 W. White Oaks Dr., Suite 102
Springfield, IL 62704
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**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

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, the financial statements of American Lung Association (Association), which comprise the Statement of Financial Position as of June 30, 2019, and the related Statement 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 November 25, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Association'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 effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Association'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 the Association'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.*

**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 Association'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 Association's internal control and compliance. Accordingly this communication is not suitable for any other purpose.

Sikich LLP

Springfield, Illinois
November 25, 2019

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217.793.3363

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**Independent Auditor's Report on Compliance for
Each Major Program and on Internal Control over Compliance
Required by the Uniform Guidance**

Board of Directors
American Lung Association

**Report on Compliance for Each Major Federal Program**

We have audited American Lung Association's (Association) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Association's major federal programs for the year ended June 30, 2019. The Association's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to each of its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Association'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 the audit requirements of Title 2 U.S. Code of *Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the Association'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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Association's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the Association 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, 2019.

**Report on Internal Control Over Compliance**

Management of the Association 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 the Association'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 the Uniform Guidance, 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 the Association'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.

**Purpose of this Report**

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of American Lung Association as of and for the year ended June 30, 2019, and have issued our report thereon dated November 25, 2019, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance, 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 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 Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Sikich LLP

Springfield, Illinois
November 25, 2019

# AMERICAN LUNG ASSOCIATION

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2019

| Federal Grantor/Pass-Through Grantor/Program Title | Federal CFDA Number | Grant ID Number | Federal Expenditures |
|---|---|---|---|
| **U.S. Department of Housing and Urban Development** | | | |
| Passed through AID Atlanta - HOPWA | | | |
| Housing Opportunities for Persons with AIDS | | N/A | $ 26,269 |
| Total Housing Opportunities for Persons with AIDS | 14.241 | | $ 26,269 |
| Passed through Seattle Housing Authority | | | |
| Moving to Work Demonstration Program | | 820632 | $ 1,499 |
| Total Moving to Work Demonstration Program | 14.881 | | $ 1,499 |
| **TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT** | | | **$ 27,768** |
| **U.S. Department of Transportation** | | | |
| Passed through Missouri Department of Transportation | | | |
| Highway Planning and Construction | | CMAQ-5401(715) | $ 194,351 |
| Total Highway Planning and Construction | 20.205 | | $ 194,351 |
| **TOTAL U.S. DEPARTMENT OF TRANSPORTATION** | | | **$ 194,351** |
| **U.S. Environmental Protection Agency** | | | |
| Passed through Illinois Emergency Management Agency | | | |
| State Indoor Radon Grants | | 18 ALA Radon | $ 55,972 |
| State Indoor Radon Grants | | 19ALA Radon | 314,811 |
| Passed through Indiana Department of Health | | | |
| State Indoor Radon Grants | | 0000000000000000000022740 | 14,226 |
| State Indoor Radon Grants | | 0000000000000000000031135 | 21,041 |
| Passed through Pennsylvania Department of Environmental Protection | | | |
| State Indoor Radon Grants | | 4100082061 | 30,818 |
| State Indoor Radon Grants | | 4100079402 | 10,096 |
| Passed through Iowa Department of Public Health | | | |
| State Indoor Radon Grants | | DE-5889RC01 | 74,853 |
| Passed through Wisconsin Department of Health Services | | | |
| State Indoor Radon Grants | | 0000016620 | 2,629 |
| Total State Indoor Radon Grants | 66.032 | | $ 524,446 |
| Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act | | 96350401 | $ 7,224 |
| Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act | | XA-83924601-0 | 31,455 |
| Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act | | XA-83924601-1 | 91,373 |
| Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act | | 00D65417 | 3,524 |
| Total Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act | 66.034 | | $ 133,576 |

This schedule continued on the following page.

| Federal Grantor/Pass-Through Grantor/Program Title | Federal CFDA Number | Grant ID Number | Federal Expenditures |
|---|---|---|---|
| National Clean Diesel Emissions Reduction Program | | DE-00D69618 | $ 26,179 |
| National Clean Diesel Emissions Reduction Program | | DE-00E02340 | 506,401 |
| National Clean Diesel Emissions Reduction Program | | DE-01F24301 | 17,823 |
| National Clean Diesel Emissions Reduction Program | | DE-96357901 | 9,523 |
| National Clean Diesel Emissions Reduction Program | | DE-00D85419 | 2,533 |
| National Clean Diesel Emissions Reduction Program | | DE-00E02425 | 179,796 |
| National Clean Diesel Emissions Reduction Program | | DE-97758701 | (1,964) |
| Total National Clean Diesel Emissions Reduction Program | 66.039 | | $ 740,291 |
| | | | |
| Passed through Wisconsin Department of Health Services | | | |
| Multipurpose Grants to States and Tribes | | 0000016620 | $ 5,337 |
| Total Multipurpose Grants to States and Tribes | 66.204 | | $ 5,337 |
| | | | |
| **TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY** | | | **$ 1,403,650** |
| | | | |
| **U.S. Department of Energy** | | | |
| | | | |
| Passed through Gas Technology Institute | | | |
| Conservation Research and Development | | S743 | $ 9,290 |
| Conservation Research and Development | | DE-EE0007404 | 47,083 |
| Conservation Research and Development | | DE-EE0007405 | 26,250 |
| Conservation Research and Development | | DE-EE0002557 | 3,300 |
| Conservation Research and Development | | DE-EE0007376 | 46,108 |
| Conservation Research and Development | | DE-EE0007440 | 32,944 |
| Conservation Research and Development | | DE-EE0007743 | 272,801 |
| Total Conservation Research and Development | 81.086 | | $ 437,776 |
| | | | |
| **TOTAL U.S. DEPARTMENT OF ENERGY** | | | **$ 437,776** |
| | | | |
| **U.S. Department of Health and Human Services** | | | |
| | | | |
| Passed through Illinois Department of Public Health | | | |
| Environmental Public Health and Emergency Response | | 83283001F | $ 62,892 |
| Environmental Public Health and Emergency Response | | 93283001G | 38,757 |
| | | | |
| Passed through Indiana Department of Public Health | | | |
| Environmental Public Health and Emergency Response | | 00000000000000000000021553 | 55,522 |
| Environmental Public Health and Emergency Response | | 00000000000000000000027012 | 52,075 |
| | | | |
| Passed through Mississippi Department of Public Health | | | |
| Environmental Public Health and Emergency Response | | NUE1EH001336-0200 | 65,690 |
| | | | |
| Passed through Pennsylvania Department of Health | | | |
| Environmental Public Health and Emergency Response | | 4100074755 | 140,107 |
| | | | |
| Passed through Hawaii Department of Health | | | |
| Environmental Public Health and Emergency Response | | ACP2018ALA | 6,700 |
| Environmental Public Health and Emergency Response | | ACP2019MOA | 24,890 |
| | | | |
| Passed through Vermont Department of Public Health | | | |
| Environmental Public Health and Emergency Response | | 03420-7182S | 6,525 |
| Environmental Public Health and Emergency Response | | 03420-07695 | 10,413 |
| | | | |
| Passed through Wisconsin Department of Health Services | | | |
| Environmental Public Health and Emergency Response | | 435100-G-19-12270-512012-990 | 18,130 |
| Environmental Public Health and Emergency Response | | 4351000000-G-2018-9936-512012 | 15,132 |

This schedule continued on the following page.

# AMERICAN LUNG ASSOCIATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

For the Year Ended June 30, 2019

| Federal Grantor/Pass-Through Grantor/Program Title | Federal CFDA Number | Grant ID Number | Federal Expenditures |
|---|---|---|---|
| Environmental Public Health and Emergency Response | | 6 NUE1EH001305-04-01 | $ 41,841 |
| Environmental Public Health and Emergency Response | | 6 NUE1EH001305-04-02 | 139,710 |
| Total Environmental Public Health and Emergency Response | 93.070 | | $ 678,384 (m) |
| Passed through Ohio Department of Health | | | |
| Project Grants and Cooperative Agreements for Tuberculosis Control Programs | | 03160282TB0120 | $ 17,775 |
| Project Grants and Cooperative Agreements for Tuberculosis Control Programs | | 02560182TB1119 | 27,823 |
| Passed through Arizona Department of Health Services | | | |
| Project Grants and Cooperative Agreements for Tuberculosis Control Programs | | ADHS13-045838 | 65,212 |
| Project Grants and Cooperative Agreements for Tuberculosis Control Programs | | CTR041024 | 49,815 |
| Passed through New Jersey Department of Health | | | |
| Project Grants and Cooperative Agreements for Tuberculosis Control Programs | | EPID18TBC003 | 40,312 |
| Passed through North Carolina Department of Health and Human Services | | | |
| Project Grants and Cooperative Agreements for Tuberculosis Control Programs | | 37997 | 21,358 |
| Project Grants and Cooperative Agreements for Tuberculosis Control Programs | | 36374 | 6,106 |
| Passed through Wisconsin Department of Health Services | | | |
| Project Grants and Cooperative Agreements for Tuberculosis Control Programs | | 5 NU52PS004669-04 | 3,285 |
| Total Project Grants and Cooperative Agreements for Tuberculosis Control Programs | 93.116 | | $ 231,686 |
| Passed through Connecticut Department of Public Health | | | |
| Immunization Cooperative Agreements | | DPH20911FLU | $ 38,313 |
| Total Immunization Cooperative Agreements | 93.268 | | $ 38,313 |
| Passed through Delaware Department of Health and Social Services | | | |
| National State-Based Tobacco Control Programs | | 19-056 | $ 15,000 |
| National State-Based Tobacco Control Programs | | 19-055 | 100,000 |
| Passed through Florida Department of Health | | | |
| National State-Based Tobacco Control Programs | | COTIC | 80,000 |
| Passed through Hawaii Department of Health | | | |
| National State-Based Tobacco Control Programs | | 6 NU58DP005983- 04 | 3,599 |
| Passed through Oklahoma Department of Health | | | |
| National State-Based Tobacco Control Programs | | 3409075250 | 71,173 |
| Passed through Pennsylvania Department of Health | | | |
| National State-Based Tobacco Control Programs | | 4100076776 | 20,805 |
| Passed through Rhode Island Department of Health | | | |
| National State-Based Tobacco Control Programs | | 7548570 | 27,422 |
| Passed through Wisconsin Department of Health Services | | | |
| National State-Based Tobacco Control Programs | | 435100-G-19-11418-512012-990 | 38,914 |
| National State-Based Tobacco Control Programs | | 42665 | 10,295 |
| Passed through West Virginia Department of Health and Human Resources | | | |
| National State-Based Tobacco Control Programs | | G190337 | 374,229 |
| National State-Based Tobacco Control Programs | | G190348 | 30,000 |
| Total National State-Based Tobacco Control Programs | 93.305 | | $ 771,437 (m) |

This schedule continued on the following page.

**AMERICAN LUNG ASSOCIATION**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

For the Year Ended June 30, 2019

| Federal Grantor/Pass-Through Grantor/Program Title | Federal CFDA Number | Grant ID Number | Federal Expenditures |
|---|---|---|---|
| Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nations Health | | 6 NU38OT000292-01-01 | $ 338,013 |
| Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nations Health | | 1 NU38OT000292-01-00 | 116,353 |
| Total Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nations Health | 93.421 | | $ 454,366 |
| NON-ACA/PPHF—Building Capacity of the Public Health System to Improve Population Health through National Nonprofit Organizations | | 6 NU38OT000224-05-04 | $ 50,712 |
| NON-ACA/PPHF—Building Capacity of the Public Health System to Improve Population Health through National Nonprofit Organizations | | 6 NU38OT000224-04-01 | 423 |
| Total NON-ACA/PPHF—Building Capacity of the Public Health System to Improve Population Health through National Nonprofit Organizations | 93.424 | | $ 51,135 |
| Passed through Pennsylvania Department of Health | | | |
| State Public Health Approaches for Ensuring Quitline Capacity - Funded in part by Prevention and Public Health Funds (PPHF) | | 4000020410 | $ 9,805 |
| State Public Health Approaches for Ensuring Quitline Capacity - Funded in part by Prevention and Public Health Funds (PPHF) | | 4000020411 | 9,475 |
| State Public Health Approaches for Ensuring Quitline Capacity - Funded in part by Prevention and Public Health Funds (PPHF) | | 4000020412 | 9,788 |
| Total State Public Health Approaches for Ensuring Quitline Capacity - Funded in part by Prevention and Public Health Funds (PPHF) | 93.735 | | $ 29,068 |
| Passed through Southern Nevada Health District | | | |
| PPHF: Racial and Ethnic Approaches to Community Health Program financed solely by Public Prevention and Health Funds | | INU58DP006578-01 | $ 23,162 |
| Total PPHF: Racial and Ethnic Approaches to Community Health Program financed solely by Public Prevention and Health Funds | 93.738 | | $ 23,162 |
| Passed through Pennsylvania Department of Health | | | |
| Preventative Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF) | | 4000020410 | $ 44,209 |
| Preventative Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF) | | 4000020411 | 107,350 |
| Preventative Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF) | | 4000020412 | 100,161 |
| Total Preventative Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF) | 93.758 | | $ 251,720 |
| Consortium for Tobacco Use Cessation Technical Assistance financed solely by Prevention and Public Health Funds | | 5 NU58DP004966-04-03 | $ 23,410 |
| Consortium for Tobacco Use Cessation Technical Assistance financed solely by Prevention and Public Health Funds | | 6 NU58DP004966-05-00 | 67,497 |
| Consortium for Tobacco Use Cessation Technical Assistance financed solely by Prevention and Public Health Funds | | 6 NU58DP004966-05-02 | 130,233 |
| Total Consortium for Tobacco Use Cessation Technical Assistance financed solely by Prevention and Public Health Funds | 93.759 | | $ 221,140 |
| Passed through Arizona Department of Health Services | | | |
| Assistance Programs for Chronic Disease Prevention Control | | ADHS14-078807 | $ 8,588 |
| Total Assistance Programs for Chronic Disease Prevention Control | 93.945 | | $ 8,588 |

This schedule continued on the following page.

| Federal Grantor/Pass-Through Grantor/Program Title | Federal CFDA Number | Grant ID Number | Federal Expenditures |
|---|---|---|---|
| Passed through Arizona Department of Health Services | | | |
| Maternal and Child Health Services Block Grant to the States | | ADHS14-078807 | $ 21,467 |
| Maternal and Child Health Services Block Grant to the States | | CTR41265 | 33,705 |
| Passed through New York Department of Health Services | | | |
| Maternal and Child Health Services Block Grant to the States | | C033194 | 18,417 |
| Total Maternal and Child Health Services Block Grant to the States | 93.994 | | $ 73,589 |
| **TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES** | | | **$ 2,832,588** |
| Total expenditures of Federal Awards | | | **$ 4,896,133** |

The accompanying notes are an integral part of this schedule.

(m) Audited as major program.

## BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of American Lung Association under programs of the federal government for the year ended June 30, 2019. The information in this schedule is presented in accordance with the requirements of the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and the Audit Requirements of Federal Awards*. Because the schedule presents only a selected portion of the operations of American Lung Association, it is not intended to and does not present the financial position, changes in net assets or cash flows of American Lung Association.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards*, wherein certain types of expenditures are not allowed or limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

## SUBRECIPIENTS

The Association did not provide federal awards to subrecipients during the year ended June 30, 2019.

## NON-CASH ASSISTANCE, INSURANCE, AND LOANS

The Association did not receive any non-cash assistance through federal awards during the year ended June 30, 2019. In addition, there was no federal insurance in effect during the year, nor any federal loans or loan guarantees outstanding at year end.

## DE MINIMUS

The Association has elected not to use the 10-percent de minimus indirect cost rate as allowed under the Uniform Guidance.

**AMERICAN LUNG ASSOCIATION**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2019

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**Section I – Summary of Auditor's Results**

***Financial Statements***

| | | | | |
|---|---|---|---|---|
| Type of auditor's report issued: | *Unmodified* | | | |
| Internal control over financial reporting: | | | | |
| • Material weakness(es) identified? | ____ | Yes | X | No |
| • Significant deficiency(ies) identified? | ____ | 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? | ____ | Yes | X | None reported |
| Type of auditor's report issued on compliance for major federal programs: | *Unmodified* | | | |
| Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? | ____ | Yes | X | No |

Identification of major federal programs:

| CFDA Number(s) | Name of Federal Program or Cluster |
|---|---|
| 93.070 | Environmental Public Health and Emergency Response |
| 93.305 | National State Based Tobacco Control Programs |

| | | | | |
|---|---|---|---|---|
| Dollar threshold used to distinguish between type A and type B programs: | $750,000 | | | |
| Auditee qualified as low-risk auditee? | X | Yes | ____ | No |

**Section II - Financial Statement Findings**

None.

**Section III - Federal Award Findings and Questioned Costs**

None.

**Section IV – Summary Schedule of Prior Audit Findings**

None