

**BREATHE CALIFORNIA
OF THE BAY AREA**

FINANCIAL REPORT

June 30, 2008

TIMPSON GARCIA
CPAs AND CONSULTANTS

Oakland, California

PARTNERS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Breathe California of the Bay Area
San Jose, California

We have audited the accompanying statement of financial position of **Breathe California of the Bay Area** as of June 30, 2008, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Agency's 2007 financial statements and, in our report dated November 12, 2007, we expressed an unqualified opinion on those financial statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the **Breathe California of the Bay Area** as of June 30, 2008, and the changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Oakland, California
November 7, 2008

BREATHE CALIFORNIA OF THE BAY AREA

STATEMENT OF FINANCIAL POSITION

June 30, 2008
(with comparative totals for 2007)

A S S E T S	Unrestricted	Temporarily Restricted	Total	
	2008	2007	2008	2007
Current assets				
Cash and cash equivalents	\$ 135,684	\$ 935	\$ 136,619	\$ 123,912
Current receivables	106,865		106,865	103,834
Bequests receivable	19,720		19,720	1,250,000
Inventories	84,106		84,106	81,796
Prepaid expenses	<u>5,601</u>		<u>5,601</u>	<u>266</u>
Total current assets	\$ 351,976	\$ 935	\$ 352,911	\$ 1,559,808
Investments	1,316,345		1,316,345	487,476
Property and equipment, net	767,634		767,634	785,002
Other assets	<u>1,810</u>		<u>1,810</u>	<u>1,810</u>
Total assets	<u>\$ 2,437,765</u>	<u>\$ 935</u>	<u>\$ 2,438,700</u>	<u>\$ 2,834,096</u>
LIABILITIES AND NET ASSETS				
Current liabilities				
Current portion of note payable	\$ 28,191		\$ 28,191	\$ 26,290
Accounts payable	19,264		19,264	17,777
Shared income payable			-	75,500
Accrued expenses	<u>35,015</u>		<u>35,015</u>	<u>41,145</u>
Total current liabilities	\$ 82,470		\$ 82,470	\$ 160,712
Note payable, net of current portion	82,350		82,350	110,549
Accrued pension costs	<u>162,000</u>		<u>162,000</u>	<u>155,187</u>
Total liabilities	\$ 326,820		\$ 326,820	\$ 426,448
Net assets				
Unrestricted	\$ 2,110,945		\$ 2,110,945	\$ 1,367,648
Temporarily restricted	<u>935</u>	<u>935</u>	<u>935</u>	<u>1,040,000</u>
Total net assets	\$ 2,110,945	\$ 935	\$ 2,111,880	\$ 2,407,648
Total liabilities and net assets	<u>\$ 2,437,765</u>	<u>\$ 935</u>	<u>\$ 2,438,700</u>	<u>\$ 2,834,096</u>

See Notes to Financial Statements.

BREATH THE CALIFORNIA OF THE BAY AREA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2008
(with comparative totals for 2007)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	
			<u>2008</u>	<u>2007</u>
SUPPORT, REVENUES AND GAINS				
Contributions and donations				
Direct mail	\$ 23,644		\$ 23,644	\$ 26,049
Vehicle donation program	2,804		2,804	1,075
Special events (net of costs of direct benefit to participants of \$45,437)				
	69,126		69,126	32,184
Other contributions				
Combined Federal Campaign	92		92	-
Community health charities	5,932		5,932	5,278
United Way	6,804		6,804	11,487
Workplace giving	4,880		4,880	4,612
Memorials	4,670		4,670	2,490
Bequests	510,601		510,601	252,900
Individual gifts	8,871		8,871	8,985
Corporate gifts	312		312	2,758
Foundation gifts	3,050		3,050	1,020
In-kind contributions	250,455		250,455	219,153
Other	29,175		29,175	30,192
	<u>\$ 920,416</u>		<u>\$ 920,416</u>	<u>\$ 598,183</u>
Revenues and grants				
Foundation grants	\$ -		\$ -	\$ 70,166
Government grants	310,796		310,796	361,899
Interest and dividends	23,874		23,874	33,030
Program service fees	69,503		69,503	62,606
Other	18		18	14,482
	<u>\$ 404,191</u>		<u>\$ 404,191</u>	<u>\$ 542,183</u>
Release of restricted net assets	<u>\$ 1,039,065</u>	<u>\$ (1,039,065)</u>	<u>\$ -</u>	<u>\$ -</u>
Total support, revenues and gains	<u>\$ 2,363,672</u>	<u>\$ (1,039,065)</u>	<u>\$ 1,324,607</u>	<u>\$ 1,140,366</u>
EXPENSES				
Program services				
Environmental health	\$ 286,357		\$ 286,357	\$ 165,069
Tobacco control	481,125		481,125	464,486
Asthma and other lung disease	334,334		334,334	311,491
Community health services	374,916		374,916	226,408
Total program services	<u>\$ 1,476,732</u>		<u>\$ 1,476,732</u>	<u>\$ 1,167,454</u>
Supporting services				
Fund raising	\$ 141,128		\$ 141,128	\$ 145,547
Management and general	36,388		36,388	43,142
Total supporting services	<u>\$ 177,516</u>		<u>\$ 177,516</u>	<u>\$ 188,689</u>
Total expenses	<u>\$ 1,654,248</u>		<u>\$ 1,654,248</u>	<u>\$ 1,356,143</u>
Change in net assets from operations	\$ 709,424	\$ (1,039,065)	\$ (329,641)	\$ (215,777)
Non-operating activities				
Realized and unrealized gains (losses) on investments	(3,852)		(3,852)	18,275
Pension liability adjustment	37,725		37,725	(104,465)
Change in net assets	<u>\$ 743,297</u>	<u>\$ (1,039,065)</u>	<u>\$ (295,768)</u>	<u>\$ (301,967)</u>
Net assets, beginning	<u>1,367,648</u>	<u>1,040,000</u>	<u>2,407,648</u>	<u>2,709,615</u>
Net assets, ending	<u>\$ 2,110,945</u>	<u>\$ 935</u>	<u>\$ 2,111,880</u>	<u>\$ 2,407,648</u>

See Notes to Financial Statements.

BREATHE CALIFOR OF THE BAY AREA

STATEMENT OF FUNCTIONAL EXPENSES

**Year Ended June 30, 2008
(with comparative totals for 2007)**

	Program Services					Supporting Services			Total	
	Environmental Health	Tobacco Control	Asthma and Other Lung Disease	Community Health Services	Total	Fund Raising	Administrative and General	Total	2008	2007
Salaries	\$ 129,405	\$ 188,475	\$ 118,876	\$ 180,996	\$ 617,752	\$ 44,171	\$ 10,191	\$ 54,362	\$ 672,114	\$ 690,450
Employee benefits and payroll taxes	27,502	35,149	25,699	30,679	119,029	10,696	1,161	11,857	130,886	134,067
Professional fees	31,779	32,088	19,118	21,754	104,739	17,138	5,711	22,849	127,588	134,578
Building occupancy	4,750	6,195	4,382	5,311	20,638	1,642	127	1,769	22,407	24,329
Insurance	2,194	2,861	2,024	2,453	9,532	930	72	1,002	10,534	10,174
Telephone	2,562	2,994	1,801	2,184	9,541	150	11	161	9,702	11,594
Supplies	3,239	2,328	4,498	1,574	11,639	299	117	416	12,055	24,912
Office equipment	20,278	26,447	18,711	22,672	88,108	7,856	606	8,462	96,570	16,536
Printing and publishing	3,986	4,607	6,258	7,052	21,903	6,921	571	7,492	29,395	69,044
Postage and shipping	2,016	2,309	2,051	3,933	10,309	4,534	66	4,600	14,909	19,133
Dues and subscriptions	3,127	544	1,508	455	5,634	165	9	174	5,808	3,332
Media expenses	5,776	5,554	5,541	5,439	22,310	890	69	959	23,269	64,093
Meetings and travel	5,645	4,174	2,090	1,853	13,762	592	264	856	14,618	17,635
Awards and grants			26,250	24	26,274			-	26,274	25,000
Support of other organizations and projects	336	75	53	1,064	1,528	23	2	25	1,553	27,057
Depreciation	6,794	8,861	6,269	7,596	29,520	2,705	209	2,914	32,434	31,261
	<u>\$ 249,389</u>	<u>\$ 322,661</u>	<u>\$ 245,129</u>	<u>\$ 295,039</u>	<u>\$ 1,112,218</u>	<u>\$ 98,712</u>	<u>\$ 19,186</u>	<u>\$ 117,898</u>	<u>\$ 1,230,116</u>	<u>\$ 1,303,195</u>
Payments to national organization	\$ 16,040	\$ 68,753	\$ 37,447	\$ 34,468	\$ 156,708	\$ 18,403	\$ 7,463	\$ 25,866	\$ 182,574	\$ 21,945
Payments to state constituent association	<u>20,928</u>	<u>89,711</u>	<u>51,758</u>	<u>45,409</u>	<u>207,806</u>	<u>24,013</u>	<u>9,739</u>	<u>33,752</u>	<u>241,558</u>	<u>31,003</u>
	<u>\$ 36,968</u>	<u>\$ 158,464</u>	<u>\$ 89,205</u>	<u>\$ 79,877</u>	<u>\$ 364,514</u>	<u>\$ 42,416</u>	<u>\$ 17,202</u>	<u>\$ 59,618</u>	<u>\$ 424,132</u>	<u>\$ 52,948</u>
Total functional expenses	<u>\$ 286,357</u>	<u>\$ 481,125</u>	<u>\$ 334,334</u>	<u>\$ 374,916</u>	<u>\$ 1,476,732</u>	<u>\$ 141,128</u>	<u>\$ 36,388</u>	<u>\$ 177,516</u>	<u>\$ 1,654,248</u>	<u>\$ 1,356,143</u>
Percent of total functional expenses	<u>17.31</u> %	<u>29.09</u> %	<u>20.21</u> %	<u>22.66</u> %	<u>89.27</u> %	<u>8.53</u> %	<u>2.20</u> %	<u>10.73</u> %	<u>100.00</u> %	<u>100.00</u> %

See Notes to Financial Statements.

BREATHE CALIFORNIA OF THE BAY AREA

STATEMENT OF CASH FLOWS

**Year Ended June 30, 2008
(with comparative information for 2007)**

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (295,768)	\$ (301,967)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	32,434	31,261
Realized and unrealized (gains) losses on investments	3,852	(18,275)
Reinvested interest and dividends	(19,296)	-
Donated fixed assets	-	(23,709)
(Increase) decrease in operating assets:		
Current receivables	(3,031)	44,283
Bequests receivable	1,230,280	(250,000)
Inventories	(2,310)	1,421
Prepaid expenses and other assets	(5,335)	1,014
Increase (decrease) in operating liabilities:		
Accounts payable	1,487	(15,859)
Shared income payable	(75,500)	49,006
Accrued expenses	<u>683</u>	<u>94,768</u>
Net cash provided by (used in) operating activities	<u>\$ 867,496</u>	<u>\$ (388,057)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	\$ 166,854	\$ 431,525
Purchases of investments	(980,280)	-
Purchases of property and equipment	<u>(15,065)</u>	<u>(4,430)</u>
Net cash provided by (used in) investing activities	<u>\$ (828,491)</u>	<u>\$ 427,095</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on note payable	<u>(26,298)</u>	<u>(24,518)</u>
Net cash (used in) financing activities	<u>(26,298)</u>	<u>(24,518)</u>
Net change in cash and cash equivalents	\$ 12,707	\$ 14,520
CASH AND CASH EQUIVALENTS		
Beginning	<u>123,912</u>	<u>109,392</u>
Ending	<u><u>\$ 136,619</u></u>	<u><u>\$ 123,912</u></u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid for interest	\$ 8,738	\$ 10,518

See Notes to Financial Statements.

BREATHE CALIFORNIA OF THE BAY AREA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Organization:

Breathe California of the Bay Area (Agency), is a not-for-profit voluntary health organization incorporated in California on November 30, 1959. The purpose of the Agency is to pursue, promote and assist in the prevention, care and study of diseases of the lung. The Agency conducts programs to inform the public of environmental health issues, smoking and health hazards, asthma, lung disease and community health. The Agency relies on public donations and grants for its funding.

The previous name of the Agency was the American Lung Association of Santa Clara - San Benito Counties. Effective February 13, 2006, the Agency adopted its new name when it terminated its affiliate agreements and separated from the American Lung Association (ALA) and the American Lung Association of California (ALAC).

Basis of accounting:

The financial statements are prepared on the accrual basis.

Financial statement presentation:

The Agency reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Currently, the Agency has no permanently restricted net assets. The Agency also presents a statement of cash flows.

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

Estimates

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

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Comparative financial information:

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Agency's financial statements for the year ended June 30, 2007, from which the summarized information was derived.

Cash and cash equivalents:

Cash and cash equivalents represent cash in demand accounts and highly liquid investments with original maturities of less than three months at the date of acquisition.

Allowance for doubtful accounts:

The allowance for losses arising from uncollectible accounts is based upon the Agency's historical experience and management's evaluation of current collectibility. Currently, the Agency has no allowance for doubtful accounts.

Inventories:

Inventories consist primarily of educational media, incentives and respiratory care supplies. The inventories are strictly for use in program or fundraising activities and are stated at the lower of cost (first in, first out), or market.

Investments:

Investments consist of equity securities, bonds and certificates of deposit, which have a readily determinable fair market value. Investments are carried at fair market value.

Property and equipment:

Property and equipment is capitalized at cost when purchased or at fair market value when donated. Expenditures that increase the life of existing assets are capitalized and maintenance and repairs are charged to operations as incurred. Depreciation is provided on the straight-line method over the estimated useful lives of the assets.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Bequests:

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

Governmental grant revenue:

Governmental grant revenue represents third-party reimbursement for program services from governmental agencies which are exchange transactions that are recognized as income in the period in which the reimbursable costs are incurred.

Donated services:

Donated services are recognized as contributions in accordance with SFAS No.116, *Accounting for Contributions Received and Contributions Made*, if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Agency. Professionals generally from the medical field donated services throughout the year benefiting all of the program and support functions. The Agency received donated services valued at \$159,816 during the year ended June 30, 2008. Donated materials are reported at fair market value at the date the contribution is received.

Restricted and unrestricted revenue:

Contributions, investment income and gains that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purposes restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions, investment income and gains are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Income taxes:

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

NOTES TO FINANCIAL STATEMENTS

Note 2. Investments

The Agency's investments and certain cash and cash equivalents are held primarily by a national investment banking and financial services company, and are managed by an investment advisor in accordance with the terms of an investment advisory agreement.

Investments presented at fair value at June 30, 2008 are summarized as follows:

	<u>Market Value</u>	<u>Cost</u>	<u>Unrealized Gains (Losses)</u>
Trading securities			
Money funds	\$ 947,733	\$ 947,733	\$ -
U.S. Government and federal agencies	118,492	114,614	3,878
Mutual funds	84,466	104,143	(19,677)
Corporate stocks	120,769	131,160	(10,391)
Corporate bonds	<u>44,885</u>	<u>44,638</u>	<u>247</u>
	<u>\$ 1,316,345</u>	<u>\$ 1,342,288</u>	<u>\$ (25,943)</u>

The following schedule summarizes the investment return for the year ended June 30, 2008:

Realized and unrealized gain on investments	\$ 3,880
Investment fees	<u>7,732</u>
Net realized and unrealized losses	\$ (3,852)
Interest and dividends	<u>23,874</u>
Investment income	<u>\$ 20,022</u>

Note 3. Property and Equipment

Property and equipment consists of the following:

	<u>Estimated Useful Life</u>	<u>Amount</u>
Land		\$ 366,000
Building	40 years	406,668
Improvements	10 - 39 years	97,796
Office equipment	5 - 7 years	129,977
Vehicles	8 years	<u>16,211</u>
		\$ 1,016,652
Less accumulated depreciation		<u>249,018</u>
		<u>\$ 767,634</u>

NOTES TO FINANCIAL STATEMENTS

Note 4. Note Payable

The note payable balance of \$110,541 is payable to The Bank of Santa Clara and is secured by the Agency's building. The mortgage is payable in monthly installments of \$2,920 including interest at 7% through February 2010 and one final payment of approximately \$63,000 is due March 2010. Maturities by year are as follows:

<u>Years ending June 30:</u>	
2009	\$ 28,191
2010	<u>82,350</u>
	<u>\$ 110,541</u>

Note 5. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2008 consist of \$935 remaining from a grant to fund remodeling costs on the Agency's building.

Note 6. Pension Plan

The Agency has a noncontributory defined benefit pension plan covering substantially all of its employees. The Agency's funding policy is to make the minimum annual contribution required by applicable regulations. Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future. Expected contributions by the Agency in 2009 are \$50,000.

Plan assets primarily consist of listed securities. The measurement date used to determine the pension measurements for the majority of plan assets and benefit obligations were June 30 and March 31, respectively in 2008 and 2007. The following tables set forth further information regarding the plan as of and for the years ended June 30:

	<u>2008</u>	<u>2007</u>
Obligations and funded status		
Benefit obligation	\$ (969,261)	\$ (989,486)
Plan assets at fair value	<u>807,261</u>	<u>834,299</u>
Funded status	<u>\$ (162,000)</u>	<u>\$ (155,187)</u>
Accumulated benefit obligation	\$ 902,280	\$ 888,434
Employer contributions	\$ -	\$ 55,000
Plan expenses paid	\$ 2,855	\$ 8,226

NOTES TO FINANCIAL STATEMENTS

Note 6. Pension Plan (Continued)

	<u>2008</u>	<u>2007</u>
Amounts recognized on the statement of financial position:		
Noncurrent accrued pension costs	\$ <u>162,000</u>	\$ <u>155,187</u>
Components of net periodic benefit cost:		
Service cost	\$ 53,890	\$ 41,286
Interest cost	58,121	49,019
Expected return on plan assets	(68,830)	(52,636)
Recognized net loss	<u>1,357</u>	<u>3,699</u>
Net periodic benefit cost	<u>\$ 44,538</u>	<u>\$ 41,368</u>
Other changes in plan assets and benefit obligations recognized in changes in unrestricted net assets:		
FAS 158 transition adjustment	\$ -	\$ (44,841)
New net (gain) loss	<u>(37,725)</u>	<u>149,306</u>
	<u>\$ (37,725)</u>	<u>\$ 104,465</u>
Weighted average assumptions used to determine benefit obligations at June 30:		
Discount rate	6.8%	6.0%
Rate of compensation increase	3.0%	3.0%
Weighted average assumptions used to determine net periodic benefit costs for the year ended June 30:		
Discount rate	6.0%	6.0%
Rate of compensation increase	3.0%	3.0%
Expected return on plan assets	8.25%	8.25%

The Agency's expected rate of return on plan assets is determined by the plan assets' historical long-term investment performance, current asset allocation, and estimates of future long-term returns by asset class.

Benefits expected to be paid in each of the next five fiscal years and the following five years in aggregate are as follows:

<u>Years ending June 30:</u>	
2009	\$ 38,438
2010	38,136
2011	37,824
2012	81,650
2013	91,973
5 years thereafter	447,814

NOTES TO FINANCIAL STATEMENTS

Note 6. Pension Plan (Continued)

Asset allocation as of the measurement date was as follows:

<u>Asset category</u>	<u>June 30 2008</u>	<u>March 31, 2007</u>	<u>Target</u>
Equity securities	59.2 %	64.8 %	65.0 %
Debt securities	40.8	29.5	35.0
Cash and cash equivalents	<u>-</u>	<u>5.7</u>	<u>-</u>
Total	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>

In order to meet its needs, the investment strategy of the Agency emphasizes total return; that is, the aggregate return from capital appreciation, dividend income, and interest income.

Specifically, the primary objective in the investment management for the plan is:

Income and Growth - To achieve a balanced return of current income and appropriate growth of principal.

The secondary objective in the investment management of assets is:

Preservation of Purchasing Power After Spending - To achieve returns in excess of the rate of inflation plus spending over the investment horizon in order to preserve the purchasing power of plan assets.

Additional objectives for the Agency are preservation of capital and minimization of costs.

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

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

NOTES TO FINANCIAL STATEMENTS

Note 7. Allocation of Joint Costs

Joint costs of \$28,806 were incurred for informational material and activities that included fund raising appeals.

The following is an allocation of these costs:

Program services:	
Environmental health	\$ 2,954
Tobacco control	3,532
Asthma and other lung disease	4,085
Community health services	<u>4,709</u>
	\$ <u>15,280</u>
Support services:	
Fund-raising	\$ 12,972
Management and general	<u>554</u>
	\$ <u>13,526</u>
	\$ <u><u>28,806</u></u>

Note 8. Termination of Affiliate Agreement

Effective February 13, 2006, the Agency terminated its affiliate agreements and separated from the American Lung Association (ALA) and the American Lung Association of California (ALAC).

Prior to February 13, 2006, in connection with its affiliate agreement, the Agency participated in various direct mail fundraising campaigns that were conducted by ALA. As an affiliate, the Agency was required to pay certain fees to both ALA and ALAC based upon predetermined percentages of the direct mail fundraising campaigns and certain other revenues. These fees represented the Agency's share of program development, research, media, and advocacy activities that were conducted at the national and state levels.

Although the Agency is legally separated from both ALA and ALAC, certain revenues for a certain period of time will continue to be shared with ALA and ALAC. Shareable payments amounted to \$424,132 for the year ended June 30, 2008.