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**AMERICAN LUNG ASSOCIATION**

*FINANCIAL STATEMENTS*

JUNE 30, 2025

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Board of Directors  
American Lung Association  
Chicago, Illinois

### ***Opinion***

We have audited the financial statements of American Lung Association (the Association), a not-for-profit organization, which comprise the statement of financial position as of June 30, 2025 and 2024, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as of June 30, 2025 and 2024, and the results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis For Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' Responsibilities For The Audit Of The Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities Of Management For The Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

### ***Auditors' Responsibilities For The Audit Of The Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

**Other Reporting Required By *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2025 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.

*RubinBrown LLP*

December 19, 2025

**AMERICAN LUNG ASSOCIATION**  
**STATEMENT OF FINANCIAL POSITION**

<b>Assets</b>		<b>June 30,</b>	
		<b>2025</b>	<b>2024</b>
<b>Assets</b>			
Cash and cash equivalents		\$ 19,871,934	\$ 14,012,617
Receivables:			
Accounts and grants receivable, net		11,315,435	15,873,955
Prepaid expenses and other assets:			
Prepaid expenses		924,959	1,359,781
Inventories		119,973	69,333
Investments		140,776,229	141,572,465
Other assets		1,064,752	962,985
Land, buildings and equipment, net		8,071,141	8,792,576
Right-of-use assets		3,446,176	4,284,020
Beneficial interest in gift annuities		1,175,421	1,171,264
Beneficial interest in charitable and perpetual trusts		38,947,077	37,593,920
<b>Total Assets</b>		<b>\$ 225,713,097</b>	<b>\$ 225,692,916</b>
<b>Liabilities And Net Assets</b>			
<b>Liabilities</b>			
Accounts payable and accrued expenses:			
Accounts payable - general		\$ 11,518,764	\$ 12,028,062
Accounts payable - awards and grants		12,192,193	12,728,843
Deferred revenue		322,638	369,491
Unearned grant advances		6,217,155	7,519,525
Amounts held on behalf of others		1,149,081	1,099,850
Accrued pension and postretirement plan liabilities		4,395,369	5,340,091
Gift annuities obligations		685,153	709,590
Lease liabilities		3,710,839	4,596,514
Other liabilities		13,351	18,351
<b>Total Liabilities</b>		<b>40,204,543</b>	<b>44,410,317</b>
<b>Net Assets</b>			
Without donor restrictions		132,501,521	128,984,881
With donor restrictions:			
Perpetual in nature		45,430,658	43,775,887
Purpose and time restrictions		7,576,375	8,521,831
		<b>53,007,033</b>	<b>52,297,718</b>
<b>Total Net Assets</b>		<b>185,508,554</b>	<b>181,282,599</b>
<b>Total Liabilities And Net Assets</b>		<b>\$ 225,713,097</b>	<b>\$ 225,692,916</b>

# AMERICAN LUNG ASSOCIATION

## STATEMENT OF ACTIVITIES For The Year Ended June 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue</b>			
Public Support:			
Direct mail	\$ 13,653,432	\$ —	\$ 13,653,432
Contributions	7,817,666	92,300	7,909,966
Contributed media, services and materials	54,327,355	—	54,327,355
Bequests and trust income	17,187,878	42,018	17,229,896
Special events	17,551,498	—	17,551,498
Less: Direct donor benefits	(3,653,149)	—	(3,653,149)
<b>Total Public Support</b>	<b>106,884,680</b>	<b>134,318</b>	<b>107,018,998</b>
Other Revenue:			
Corporate support	8,535,009	—	8,535,009
Foundation support	4,148,643	95,000	4,243,643
Government grants	32,194,720	—	32,194,720
Interest and dividends, net	4,965,092	223,620	5,188,712
Research co-funding	2,021,228	—	2,021,228
Program service fees	1,522,094	—	1,522,094
Other	652,110	—	652,110
Gain on sale of land, buildings and equipment	1,792,110	—	1,792,110
<b>Total Other Revenue</b>	<b>55,831,006</b>	<b>318,620</b>	<b>56,149,626</b>
Net assets released from restrictions	2,465,945	(2,465,945)	—
<b>Total Revenue</b>	<b>165,181,631</b>	<b>(2,013,007)</b>	<b>163,168,624</b>
<b>Expenses</b>			
Program services	153,154,772	—	153,154,772
Supporting services	17,789,465	—	17,789,465
<b>Total Expenses</b>	<b>170,944,237</b>	<b>—</b>	<b>170,944,237</b>
<b>Changes In Net Assets From Operating Activities</b>	<b>(5,762,606)</b>	<b>(2,013,007)</b>	<b>(7,775,613)</b>
<b>Other Changes</b>			
Net realized gains on investments	9,189,072	376,444	9,565,516
Net unrealized gains on investments	347,731	74,408	422,139
Change in fair value of beneficial interest in trusts and other	9,934	2,271,470	2,281,404
Change in value of split-interest agreements	28,593	—	28,593
Other pension and postretirement plan changes	(296,084)	—	(296,084)
<b>Total Other Changes</b>	<b>9,279,246</b>	<b>2,722,322</b>	<b>12,001,568</b>
<b>Change In Net Assets</b>	<b>3,516,640</b>	<b>709,315</b>	<b>4,225,955</b>
<b>Net Assets - Beginning Of Year</b>	<b>128,984,881</b>	<b>52,297,718</b>	<b>181,282,599</b>
<b>Net Assets - End Of Year</b>	<b>\$ 132,501,521</b>	<b>\$ 53,007,033</b>	<b>\$ 185,508,554</b>

# AMERICAN LUNG ASSOCIATION

## STATEMENT OF ACTIVITIES For The Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue</b>			
Public Support:			
Direct mail	\$ 13,947,991	\$ —	\$ 13,947,991
Contributions	7,937,014	312,780	8,249,794
Contributed media, services and materials	45,834,892	—	45,834,892
Bequests and trust income	15,352,563	2,648,668	18,001,231
Special events	16,101,837	—	16,101,837
Less: Direct donor benefits	(3,370,451)	—	(3,370,451)
Total Public Support	95,803,846	2,961,448	98,765,294
Other Revenue:			
Corporate support	8,284,983	19,232	8,304,215
Foundation support	3,309,407	80,000	3,389,407
Government grants	32,097,825	—	32,097,825
Interest and dividends, net	4,910,489	203,561	5,114,050
Research co-funding	1,813,450	—	1,813,450
Program service fees	1,450,516	—	1,450,516
Other	606,592	—	606,592
Gain on sale of land, buildings and equipment	1,285,311	—	1,285,311
Total Other Revenue	53,758,573	302,793	54,061,366
Net assets released from restrictions	1,353,967	(1,353,967)	—
<b>Total Revenue</b>	<b>150,916,386</b>	<b>1,910,274</b>	<b>152,826,660</b>
<b>Expenses</b>			
Program services	143,930,520	—	143,930,520
Supporting services	15,539,041	—	15,539,041
<b>Total Expenses</b>	<b>159,469,561</b>	<b>—</b>	<b>159,469,561</b>
<b>Changes In Net Assets From Operating Activities</b>	<b>(8,553,175)</b>	<b>1,910,274</b>	<b>(6,642,901)</b>
<b>Other Changes</b>			
Net realized gains on investments	560,484	13,160	573,644
Net unrealized gains on investments	10,255,571	541,643	10,797,214
Change in fair value of beneficial interest in trusts and other	339,355	2,241,372	2,580,727
Change in value of split-interest agreements	138,395	—	138,395
Other pension and postretirement plan changes	(563,111)	—	(563,111)
<b>Total Other Changes</b>	<b>10,730,694</b>	<b>2,796,175</b>	<b>13,526,869</b>
<b>Change In Net Assets</b>	<b>2,177,519</b>	<b>4,706,449</b>	<b>6,883,968</b>
<b>Net Assets - Beginning Of Year</b>	<b>126,807,362</b>	<b>47,591,269</b>	<b>174,398,631</b>
<b>Net Assets - End Of Year</b>	<b>\$ 128,984,881</b>	<b>\$ 52,297,718</b>	<b>\$ 181,282,599</b>

**AMERICAN LUNG ASSOCIATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For The Year Ended June 30, 2025**

	Program Services				Supporting Services				Total Expenses
	Lung Cancer, Asthma, COPD And Lung Disease	Research	Advocacy And Environment	Tobacco Control	Total Program Services	Management And General	Fundraising	Total Supporting Services	
Salaries	\$ 10,536,026	\$ 3,547,954	\$ 9,242,755	\$ 11,213,846	\$ 34,540,581	\$ 801,433	\$ 4,830,289	\$ 5,631,722	\$ 40,172,303
Payroll taxes and benefits	2,957,104	977,652	2,655,413	3,346,103	9,936,272	234,350	1,403,014	1,637,364	11,573,636
<b>Total Compensation</b>	<b>13,493,130</b>	<b>4,525,606</b>	<b>11,898,168</b>	<b>14,559,949</b>	<b>44,476,853</b>	<b>1,035,783</b>	<b>6,233,303</b>	<b>7,269,086</b>	<b>51,745,939</b>
Award and grants, net	—	12,872,936	—	—	12,872,936	—	—	—	12,872,936
Program consulting	5,752,414	57,767	7,322,305	9,313,915	22,446,401	—	—	—	22,446,401
Professional fees	1,983,765	929,178	1,212,383	2,067,169	6,192,495	494,426	1,005,939	1,500,365	7,692,860
Media and advertising	468,319	383,109	319,276	277,085	1,447,789	14	481,788	481,802	1,929,591
In-kind media	26,290,280	31,941	26,511	27,433,704	53,782,436	—	32,899	32,899	53,815,335
Occupancy	778,261	202,370	656,390	636,461	2,273,482	535,360	372,230	907,590	3,181,072
Office supplies and equipment	376,462	198,134	251,721	384,206	1,210,523	89,844	253,817	343,661	1,554,184
Printing	28,005	19,197	21,044	19,983	88,229	237	29,301	29,538	117,767
Postage and shipping	29,744	14,595	22,319	24,165	90,823	1,942	32,732	34,674	125,497
Travel and entertainment	300,416	153,962	364,258	290,384	1,109,020	15,672	73,033	88,705	1,197,725
Conferences	52,058	40,368	23,958	15,453	131,837	11,704	11,267	22,971	154,808
Miscellaneous	146,150	61,756	108,685	116,146	432,737	2,669,761	189,245	2,859,006	3,291,743
Direct mail - materials and professional fees	3,570,065	2,055,492	432,735	540,919	6,599,211	432,735	3,786,433	4,219,168	10,818,379
<b>Total Functional Expenses Before Direct Donor Benefits</b>	<b>53,269,069</b>	<b>21,546,411</b>	<b>22,659,753</b>	<b>55,679,539</b>	<b>153,154,772</b>	<b>5,287,478</b>	<b>12,501,987</b>	<b>17,789,465</b>	<b>170,944,237</b>
Percentage of total	31%	13%	13%	33%	90%	3%	7%	10%	100%
<b>Direct Donor Benefits</b>									
Site rental/food/entertainment	—	—	—	—	—	—	3,653,149	3,653,149	3,653,149
<b>Total Functional Expenses And Direct Donor Benefits</b>	<b>\$ 53,269,069</b>	<b>\$ 21,546,411</b>	<b>\$ 22,659,753</b>	<b>\$ 55,679,539</b>	<b>\$ 153,154,772</b>	<b>\$ 5,287,478</b>	<b>\$ 16,155,136</b>	<b>\$ 21,442,614</b>	<b>\$ 174,597,386</b>

**AMERICAN LUNG ASSOCIATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For The Year Ended June 30, 2024**

	Program Services				Supporting Services				Total Expenses
	Lung Cancer, Asthma, COPD And Lung Disease	Research	Advocacy And Environment	Tobacco Control	Total Program Services	Management And General	Fundraising	Total Supporting Services	
Salaries	\$ 10,661,266	\$ 3,614,194	\$ 8,496,293	\$ 11,044,188	\$ 33,815,941	\$ 1,030,546	\$ 4,763,671	\$ 5,794,217	\$ 39,610,158
Payroll taxes and benefits	2,754,187	927,552	2,249,240	2,998,132	8,929,111	272,531	1,261,338	1,533,869	10,462,980
<b>Total Compensation</b>	<b>13,415,453</b>	<b>4,541,746</b>	<b>10,745,533</b>	<b>14,042,320</b>	<b>42,745,052</b>	<b>1,303,077</b>	<b>6,025,009</b>	<b>7,328,086</b>	<b>50,073,138</b>
Award and grants, net	—	12,784,781	—	—	12,784,781	—	—	—	12,784,781
Program consulting	5,006,267	272,927	7,754,827	9,748,584	22,782,605	—	—	—	22,782,605
Professional fees	2,853,223	754,324	952,235	2,209,823	6,769,605	685,737	936,179	1,621,916	8,391,521
Media and advertising	348,658	272,680	250,307	212,537	1,084,182	—	350,824	350,824	1,435,006
In-kind media	26,478,775	21,700	15,875	18,808,133	45,324,483	—	17,841	17,841	45,342,324
Occupancy	870,124	210,449	562,562	716,413	2,359,548	627,297	386,628	1,013,925	3,373,473
Office supplies and equipment	420,649	159,441	233,725	392,595	1,206,410	114,943	246,032	360,975	1,567,385
Printing	27,990	17,506	20,919	20,936	87,351	876	39,603	40,479	127,830
Postage and shipping	26,386	12,106	17,716	21,110	77,318	2,353	26,342	28,695	106,013
Travel and entertainment	340,049	172,984	336,397	319,099	1,168,529	28,184	93,629	121,813	1,290,342
Conferences	95,986	59,383	48,591	43,688	247,648	26,298	25,105	51,403	299,051
Miscellaneous	153,571	60,705	100,606	117,821	432,703	27,802	189,184	216,986	649,689
Direct mail - materials and professional fees	3,711,313	2,136,816	449,856	562,320	6,860,305	449,856	3,936,242	4,386,098	11,246,403
<b>Total Functional Expenses Before Direct Donor Benefits</b>	<b>53,748,444</b>	<b>21,477,548</b>	<b>21,489,149</b>	<b>47,215,379</b>	<b>143,930,520</b>	<b>3,266,423</b>	<b>12,272,618</b>	<b>15,539,041</b>	<b>159,469,561</b>
Percentage of total	34%	13%	13%	30%	90%	2%	8%	10%	100%
<b>Direct Donor Benefits</b>									
Site rental/food/entertainment	—	—	—	—	—	—	3,370,451	3,370,451	3,370,451
<b>Total Functional Expenses And Direct Donor Benefits</b>	<b>\$ 53,748,444</b>	<b>\$ 21,477,548</b>	<b>\$ 21,489,149</b>	<b>\$ 47,215,379</b>	<b>\$ 143,930,520</b>	<b>\$ 3,266,423</b>	<b>\$ 15,643,069</b>	<b>\$ 18,909,492</b>	<b>\$ 162,840,012</b>

# AMERICAN LUNG ASSOCIATION

## STATEMENT OF CASH FLOWS

	For The Years Ended June 30,	
	2025	2024
<b>Cash Flows From Operating Activities</b>		
Changes in net assets	\$ 4,225,955	\$ 6,883,968
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Depreciation and amortization	305,988	388,602
Forgiveness of notes receivable	—	637
(Gain) loss on sale of land, buildings and equipment	(1,792,110)	(1,285,311)
Net realized and unrealized gains on investments	(9,987,655)	(11,370,858)
Distribution of assets held in trusts	914,904	454,959
Contributions restricted for donor-restricted endowment	(42,051)	(56,000)
Change in fair value of beneficial interest in trusts and other	(2,268,061)	(2,568,553)
Change in fair value of beneficial interest in gift annuities	(4,157)	73,636
Changes in assets and liabilities:		
Receivables	4,558,520	3,039,016
Prepaid expenses	434,822	70,377
Inventories	(50,640)	20,762
Other assets	(101,767)	2,500
Accounts payable - general	(509,298)	(1,288,098)
Accounts payable - awards and grants payable	(536,650)	(869,695)
Deferred revenue	(46,853)	(102,448)
Unearned grant advances	(1,302,370)	379,457
Amounts held on behalf of others	49,231	6,581
Accrued pension and postretirement plan liabilities	(944,722)	(486,091)
Gift annuities obligations	(24,437)	(114,721)
Other liabilities	(5,000)	(637)
Right of use assets and lease liabilities	(47,831)	(72,128)
<b>Net Cash Used In Operating Activities</b>	<b>(7,174,182)</b>	<b>(6,894,045)</b>
<b>Cash Flows From Investing Activities</b>		
Purchase of investments	(36,005,804)	(25,715,889)
Sale of investments	46,614,368	29,704,131
Purchase of property and equipment	(27,153)	(98,681)
Proceeds from sale of land, buildings and equipment	2,234,710	2,896,577
<b>Net Cash Provided By Investing Activities</b>	<b>12,816,121</b>	<b>6,786,138</b>
<b>Cash Flows From Financing Activities</b>		
Proceeds from contributions restricted for donor-restricted endowment	42,051	56,000
Proceeds from note payable	84,488	—
Repayments of note payable	(84,488)	—
<b>Net Cash Provided By Financing Activities</b>	<b>42,051</b>	<b>56,000</b>
<b>Change In Cash And Cash Equivalents</b>	<b>5,683,990</b>	<b>(51,907)</b>
<b>Cash And Cash Equivalents - Beginning Of Year</b>	<b>24,945,086</b>	<b>24,996,993</b>
<b>Cash And Cash Equivalents - End Of Year</b>	<b>\$ 30,629,076</b>	<b>\$ 24,945,086</b>
<b>Cash And Cash Equivalents Are Included Within The Following Captions On The Statement Of Financial Position</b>		
Cash and cash equivalents	\$ 19,871,934	\$ 14,012,617
Investments	10,757,142	10,932,469
	<b>\$ 30,629,076</b>	<b>\$ 24,945,086</b>

# AMERICAN LUNG ASSOCIATION

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2025 And 2024

### 1. Nature Of Business

American Lung Association (the Association) 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, 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.

## **AMERICAN LUNG ASSOCIATION**

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### Notes To Financial Statements (*Continued*)

#### ***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. The Association has adopted the policy of reporting net assets released from restrictions upon completion of the donor purpose restriction, regardless of whether the related cash has been received.

#### **Operations**

Revenues received and expenses incurred in conducting the programs and services of the Association are presented in the financial statements as operating activities. Nonoperating results include investment income return, change in value of beneficial interest in trusts and split-interest agreements, change in value of equity method investments and other pension and postretirement plan changes.

#### **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 pension and life insurance benefit obligations, in-kind contributions, 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.

## **AMERICAN LUNG ASSOCIATION**

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### Notes To Financial Statements (*Continued*)

#### **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 credit losses of \$20,000 as of June 30, 2025 and 2024.

#### **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.

#### **Leases**

As further described in Note 11, the Association maintains leases of office space across the United States. Lease right-of-use (ROU) assets and lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at the earlier of the date of initial adoption of Accounting Standards Codification (ASC) 842 or lease commencement date. The ROU assets represent the lease liability, plus any lease payments made at or before the commencement date, less any lease incentives received. The Association's leases generally have terms of one to ten years. The Association does not record ROU assets or lease liabilities for leases with an initial expected lease term of 12 months or less. For operating leases, lease expense for minimum lease payments is recognized on a straight-line basis over the term of the lease.

## **AMERICAN LUNG ASSOCIATION**

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### Notes To Financial Statements (*Continued*)

The lease terms utilized in determining ROU assets and lease liabilities include the noncancellable portion of the underlying leases along with renewal periods, only if it is reasonably certain that the option will be exercised. When determining if a renewal option is reasonably certain of being exercised, the factors considered, include but are not limited to, the cost of moving to another location, the cost of disruption of operations, the purpose or location of the lease asset and the terms associated with extending the lease. The office space leases include various renewal options, varying from one to five years. The Association has not included these renewal periods in the term when determining the ROU asset and lease liability as management is not reasonably certain if such renewal will be exercised. Accordingly, only the initial term is included in the lease term when calculating the ROU asset and lease liability with respect to the office space leases. The Association has not included any termination penalties in its lease payments, nor shortened any lease terms related to options to terminate a lease.

As most leases do not provide an implicit discount rate, the Association has made an election available to not-for-profit organizations that allows the use of the risk-free rate at the earlier of the initial adoption date of ASC 842 or the lease commencement date to determine the present value of the lease payments.

The Association's operating leases may contain fixed rent escalations over the lease term, and the Association recognizes expense for these leases on a straight-line basis over the lease term of the respective ROU asset. The Association recognizes the related lease expense on a straight-line basis and records the difference between the recognized lease expense and amounts payable under the lease as part of the ROU asset.

The Association does not separate non-lease components of a contract from the lease components to which they relate for all classes of lease assets.

## **AMERICAN LUNG ASSOCIATION**

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### Notes To Financial Statements (*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 restrictions 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. Investment income is reported in net assets without donor restrictions when the restrictions are met in the same reporting period as the investment income is recognized. 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, Bequests And Trust Income**

All unconditional monetary gifts collected through direct mail, online contributions, special events, bequests and trusts are recorded when received. 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. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized.

#### **Grants**

A portion of the Association's grant revenue is derived from cost-reimbursable federal, state and private grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Association has incurred expenditures in compliance with specific grant provisions. Amounts received prior to incurring qualifying expenditures are reported as unearned grant advances in the Statement of Financial Position.

## **AMERICAN LUNG ASSOCIATION**

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### Notes To Financial Statements (*Continued*)

The Association received cost-reimbursable grant receipts of \$6,217,155 and \$7,517,375 that have not been recognized at June 30, 2025 and 2024, respectively, because qualifying expenditures have not yet been incurred. As of June 30, 2025 and 2024, the Association had conditional grant awards of \$47,762,565 and \$33,130,714, respectively. These awards are conditional upon incurring allowable expenditures under the grants. At June 30, 2025 and 2024, accounts and grants receivable, net in the Statement of Financial Position include \$10,079,900 and \$14,256,404, respectively, of qualifying expenditures that have been incurred but not yet paid.

Grant revenue is classified as income without donor restrictions unless the use of the income is limited by donor restrictions. If a restriction is fulfilled in the same time period in which the grant is received, the grant revenue is reported as net assets without donor restrictions.

### **Revenue Recognition**

The Association recognizes revenue from exchange transactions in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, as amended. ASU No. 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition.

The Association records the following exchange transaction revenue in its Statement of Activities for the years ended June 30, 2025 and 2024:

### ***Special Events And Program Service Fees***

The Association records special events revenue equal to the fair value of direct benefit to donors, and contribution income for the excess received at a point in time which is when the event takes place. Program service fees results in registration fees paid for events and activities and from event exhibitors. Revenue for such activities is recognized at a point in time when the event occurs. Any amounts received prior to the event date are recorded as deferred revenue. The special events and program service fee revenue from contracts with customers as described above do not include variable consideration estimated by the Association. The timing of revenue recognition, billings and cash collections results in billed accounts receivable on the Statement of Financial Position. Accounts receivable related to contracts from customers was \$891,623, \$658,248, and \$614,153 at June 30, 2025, 2024 and 2023, respectively. Contract liabilities recorded as deferred revenue were \$318,099, \$365,815 and \$467,017 as of June 30, 2025, 2024 and 2023, respectively.

## AMERICAN LUNG ASSOCIATION

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### Notes To Financial Statements (*Continued*)

#### ***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 Association's 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 based on the performance obligations. Revenue is earned ratably over the period of the agreements. 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.

Disaggregated revenue from contracts with customers is recognized as follows:

	2025	2024
Special event revenue and program services - point in time	\$ 2,089,716	\$ 1,556,114
<u>Licensing fee and royalties - over time</u>	<u>1,487,786</u>	<u>1,256,480</u>
	<hr/> <b>\$ 3,577,502</b>	<hr/> <b>\$ 2,812,594</b>

There were no significant judgments involved in the methodology used by the Association to recognize revenue from contracts with customers.

#### **Contributed Media, Services And Materials**

The Association recognizes advertising costs when incurred. The Association received \$53,815,334 and \$45,342,324 of billboard, print, and TV and radio advertisement space during the years ended June 30, 2025 and 2024, respectively. The value of such contributed media, based upon information provided by third-party media services of the price charged for similar 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.

## **AMERICAN LUNG ASSOCIATION**

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### **Notes To Financial Statements (*Continued*)**

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 using current rates for similar services was \$330,030 and \$405,323 for the years ended June 30, 2025 and 2024, respectively. The Association also recognizes contributions of materials and facility space at their estimated fair value at the date of donation based on the current price for similar materials or the estimated fair value of similar rental listings. Donated materials and facility space was \$181,990 and \$87,246 for the years ended June 30, 2025 and 2024, respectively.

All donated services and assets were utilized by the Association's programs and supporting services. There were no donor-imposed restrictions associated with the donated assets.

### **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 over 35 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, 2025 and 2024, are all payable within two years.

### **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 salaries, payroll taxes and benefits, 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.

## **AMERICAN LUNG ASSOCIATION**

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### **Notes To Financial Statements (*Continued*)**

#### **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, 2025 and 2024, the Association's cash accounts exceeded federally insured limits by \$18,602,027 and \$14,285,405, respectively. The Association's cash and investment accounts are placed with high credit quality financial institutions and accordingly, the Association does not expect nonperformance.

### **3. Land, Buildings And Equipment, Net**

Land, buildings and equipment, net, consists of the following:

	<b>2025</b>	<b>2024</b>
Land	\$ 2,416,848	\$ 2,490,989
Buildings and improvements	10,262,771	12,161,164
Computer hardware and software	351,583	351,583
Furniture, fixtures and equipment	2,548,318	3,197,833
Vehicles	67,323	88,644
Leasehold improvements	461,746	455,278
	<hr/> 16,108,589	18,745,491
Less: Accumulated depreciation	8,037,448	9,952,915
	<hr/> \$ 8,071,141	\$ 8,792,576

Depreciation expense for the years ended June 30, 2025 and 2024 totaled \$305,988 and \$388,602, respectively, which is included in occupancy on the Statement of Functional Expenses.

## **AMERICAN LUNG ASSOCIATION**

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### Notes To Financial Statements (*Continued*)

#### **4. 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.

During 2025 and 2024, there were no changes in the methods or assumptions utilized to derive the fair value of the Association's assets.

#### **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, 2025 or 2024.

***Mutual Funds, Exchange-Traded And Closed-End Funds:*** Valued at the NAV of shares on the last trading day of the fiscal year.

## **AMERICAN LUNG ASSOCIATION**

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### Notes To Financial Statements (*Continued*)

***United States 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 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, 2025 and 2024. The Association considers the measurement of its beneficial interest in charitable 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, 2025 and 2024. The Association considers the measurement of its beneficial interest in perpetual trusts 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.

# AMERICAN LUNG ASSOCIATION

## Notes To Financial Statements (*Continued*)

### Recurring Measurements

Assets and liabilities measured at fair value on a recurring basis are as follows:

	2025			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Investments:				
Mutual funds	\$ 129,554,700	\$ —	\$ —	\$ 129,554,700
Exchange-traded and closed-end funds	162,763	—	—	162,763
United States Agency bonds	—	338	—	338
Corporate bonds	—	90,729	—	90,729
Cash and cash equivalents*	—	—	—	10,757,142
Assets held at Community Foundations**	—	—	—	210,557
Total investments	\$ 129,717,463	\$ 91,067	\$ —	\$ 140,776,229
Other Assets:				
Beneficial interest in charitable and perpetual trusts	\$ —	\$ 1,360,860	\$ 37,586,217	\$ 38,947,077
Beneficial interest in gift annuities	—	1,175,421	—	1,175,421
Total other assets	\$ —	\$ 2,536,281	\$ 37,586,217	\$ 40,122,498

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

\*\* Reported at NAV

	2024			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Investments:				
Mutual funds	\$ 130,207,556	\$ —	\$ —	\$ 130,207,556
Exchange-traded and closed-end funds	147,152	—	—	147,152
United States Agency bonds	—	316	—	316
Corporate bonds	—	87,759	—	87,759
Cash and cash equivalents*	—	—	—	10,932,469
Assets held at Community Foundations**	—	—	—	197,213
Total investments	\$ 130,354,708	\$ 88,075	\$ —	\$ 141,572,465
Other Assets:				
Beneficial interest in charitable and perpetual trusts	\$ —	\$ 1,615,578	\$ 35,978,342	\$ 37,593,920
Beneficial interest in gift annuities	—	1,171,264	—	1,171,264
Total other assets	\$ —	\$ 2,786,842	\$ 35,978,342	\$ 38,765,184

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

\*\* Reported at NAV

## AMERICAN LUNG ASSOCIATION

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### Notes To Financial Statements (*Continued*)

The following table presents a reconciliation of Level 3 assets measured at fair value on a recurring basis for the years ended June 30, 2025 and 2024.

	<b>Beneficial Interest In Charitable And Perpetual Trusts</b>	
	<b>2025</b>	<b>2024</b>
Balance, beginning of the year	<b>\$ 35,978,342</b>	\$ 33,635,124
Total gains included in change in net assets	<b>2,033,044</b>	2,343,218
Receipt of principal upon termination	<b>(425,169)</b>	—
Balance, end of the year	<b>\$ 37,586,217</b>	\$ 35,978,342

## 5. 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 are earned in perpetuity. The Association's beneficial interest in charitable and perpetual trusts, at fair value, totaled \$38,773,871 and \$37,231,638 at June 30, 2025 and 2024, 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, 2025 and 2024 was \$173,206 and \$362,282, respectively.

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, 2025 and 2024 are \$1,175,421 and \$1,171,264, respectively.

Gift annuity liabilities of \$685,153 and \$709,590 at June 30, 2025 and 2024, respectively, are reported as their own line on the Statement of Financial Position.

## **AMERICAN LUNG ASSOCIATION**

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### **Notes To Financial Statements (*Continued*)**

#### **6. Note Payable**

The Association has margin account borrowings available with its investment broker. As of June 30, 2025 and 2024, no balance was outstanding on the margin loan. \$84,488 was borrowed from the margin loan and repaid during 2025. No borrowings were made from the margin loan during 2024. Any margin borrowing bears interest at 7% and 2% as of June 30, 2025 and 2024, respectively. Investments and cash held at the investment broker serve as collateral on the margin borrowings.

#### **7. 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 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, 2025 and 2024, regarding the Association's Retirement Plan D follows:

	<b>2025</b>	<b>2024</b>
Change in benefit obligation:		
Benefit obligation - beginning of year	\$ 37,690,014	\$ 37,386,171
Interest cost	1,934,865	1,935,728
Actuarial loss	569,164	554,891
Benefits paid	(3,269,195)	(2,186,776)
 Benefit obligation - end of year	 \$ 36,924,848	 \$ 37,690,014
Change in plan assets:		
Fair value of plan assets - beginning of year	\$ 32,384,762	\$ 31,603,280
Actual return on plan assets	2,207,945	1,927,508
Employer contributions	1,240,000	1,040,750
Benefits paid	(3,269,195)	(2,186,776)
 Fair value of plan assets - end of year	 \$ 32,563,512	 \$ 32,384,762
 Funded status - end of year	 \$ (4,361,336)	 \$ (5,305,252)

## AMERICAN LUNG ASSOCIATION

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### Notes To Financial Statements (*Continued*)

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 \$17,772,578 and \$18,144,113 as of June 30, 2025 and 2024, respectively. The estimated net loss that will be amortized from changes in net assets without donor restrictions into net periodic benefit cost during the fiscal year ending June 30, 2026 is \$551,728.

	<b>2025</b>	<b>2024</b>
Components of net periodic benefit cost:		
Interest cost	\$ 1,934,865	\$ 1,935,728
Expected return on plan assets	(1,816,334)	(1,774,840)
Amortization of net actuarial loss	549,088	540,667
 Net periodic benefit cost	 \$ 667,619	 \$ 701,555
Benefit-related changes other than net periodic benefit cost:		
Net actuarial loss arising during the year	\$ 177,553	\$ 402,223
Amortization of net actuarial loss	(549,088)	(540,667)
Total benefit-related changes other than net periodic benefit cost	\$ (371,535)	\$ (138,444)

The following is the weighted-average assumptions used to determine benefit obligations as of June 30, 2025 and 2024:

	<b>2025</b>	<b>2024</b>
Discount rate	5.50%	5.50%
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, 2025 and 2024:

	<b>2025</b>	<b>2024</b>
Discount rate	5.50%	5.50%
Rate of compensation increase	N/A	N/A
Expected rate of return on plan assets	6.00%	6.00%

The Association will timely satisfy the minimum required contributions for the next fiscal year. Funding requirements for subsequent years are uncertain and will significantly depend on whether the plan's actuary changes any assumptions used to calculate plan funding levels, the actual return on plan assets, changes in the employee groups covered by the plan, and any legislative or regulatory changes affecting plan funding requirements.

## AMERICAN LUNG ASSOCIATION

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### Notes To Financial Statements (*Continued*)

The expected rate of return on plan assets assumption represents the rate of return on plan assets reflecting the average rate of earnings expected on the funds invested or to be invested to provide for the benefits included in the benefit obligation. The assumption has been determined by reflecting expectations regarding future rates of return for the investment portfolio, with consideration given to the distribution of investments by asset class and historical rates of return for each individual asset class.

The Association's investment strategy 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 Association 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.

The target allocation and actual allocation of plan assets as of June 30, 2025 and 2024 are as follows:

Target Allocation	2025	2024
Equity securities	34.00%	<b>35.13%</b>
Debt securities	58.00%	<b>62.20%</b>
Real estate and real assets	6.00%	<b>0.00%</b>
<u>Cash and cash equivalents</u>	2.00%	<b>2.67%</b>
	100.00%	<b>100.00%</b>

## AMERICAN LUNG ASSOCIATION

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### Notes To Financial Statements (*Continued*)

The fair value of plan assets by asset category are as follows:

	2025			
	Level 1	Level 2	Level 3	Total
Equity securities	\$ 11,439,562	\$ —	\$ —	\$ 11,439,562
Debt securities	—	20,254,504	—	20,254,504
Cash and cash equivalents*				<u>869,446</u>
	<u>\$ 11,439,562</u>	<u>\$ 20,254,504</u>	<u>\$ —</u>	<u>\$ 32,563,512</u>

  

	2024			
	Level 1	Level 2	Level 3	Total
Equity securities	\$ 9,618,274	\$ —	\$ —	\$ 9,618,274
Debt securities	—	20,046,168	—	20,046,168
Real estate and real assets	—	—	1,943,086	1,943,086
Cash and cash equivalents*				<u>777,234</u>
	<u>\$ 9,618,274</u>	<u>\$ 20,046,168</u>	<u>\$ 1,943,086</u>	<u>\$ 32,384,762</u>

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

See Note 4 for the valuation techniques and inputs used to value the equity and debt securities. The fair value of real estate and real assets is estimated based on quoted market prices, operating results, balance sheet stability, growth, dividend, dividend yield, and other business and market sector fundamentals.

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

Year	Amount
2026	\$ 6,461,947
2027	3,426,600
2028	2,974,717
2029	2,991,159
2030	2,911,952
2031 - 2035	<u>12,728,388</u>
	<u>\$ 31,494,763</u>

## **AMERICAN LUNG ASSOCIATION**

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### Notes To Financial Statements (*Continued*)

#### **8. 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 \$1,547,313 and \$1,433,188 for the matching contribution and \$1,617,683 and \$1,746,867 for discretionary contributions for the years ended June 30, 2025 and 2024, respectively.

#### **9. Net Assets With Donor Restrictions**

As of June 30, 2025 and 2024, the Association has net assets with donor restrictions as follows:

	<b>2025</b>	<b>2024</b>
Research	\$ 438,428	\$ 570,558
Programs	6,917,183	7,353,558
Time restrictions	173,206	550,157
Operations	47,558	47,558
Beneficial interest in charitable and perpetual trusts	37,586,217	35,978,342
Investments in Community Foundations	150,232	148,672
Endowment funds	<u>7,694,209</u>	<u>7,648,873</u>
	<hr/> <b>\$ 53,007,033</b>	<hr/> <b>\$ 52,297,718</b>

#### **10. 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 ASC 958 *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 section 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.

## AMERICAN LUNG ASSOCIATION

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### Notes To Financial Statements (*Continued*)

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.

Appropriations are determined annually by the Board of Directors in alignment with the specific donor agreements.

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.

Endowment net assets as of June 30, 2025 and 2024 were as follows:

	<b>With Donor Restrictions</b>	
	<b>2025</b>	<b>2024</b>
Original donor restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 7,694,209	\$ 7,648,873
Accumulated investment gains	1,791,170	1,700,819
	<b>\$ 9,485,379</b>	<b>\$ 9,349,692</b>

## AMERICAN LUNG ASSOCIATION

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### Notes To Financial Statements (*Continued*)

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, 2025 and 2024:

	<b>With Donor Restrictions</b>	
	<b>2025</b>	<b>2024</b>
Endowment net assets - beginning of year	<b>\$ 9,349,692</b>	\$ 9,104,563
New gifts	<b>42,051</b>	56,000
Interest and dividends	<b>221,286</b>	201,318
Realized gains, net	<b>376,444</b>	13,162
Unrealized gains, net	<b>58,798</b>	520,061
Appropriation for expenditure	<b>(562,892)</b>	(545,412)
 Endowment net assets - end of year	 <b>\$ 9,485,379</b>	 \$ 9,349,692

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. No amounts fell below original endowment gifts during the years ended June 30, 2025 or 2024.

## 11. Leases

The Association has operating leases for office space that expire at various dates through December 2031. Some leases include options to renew or terminate the lease that can be exercised at the Association's discretion, which are not included in the calculation of the lease liability or ROU asset. Some leases also include escalating rents, which are reported as a reduction of the ROU asset as of June 30, 2025 and 2024.

Rent expense under operating leases was \$1,675,253 and \$1,923,670 in addition to variable lease costs of \$561,102 and \$363,198 for the years ended June 30, 2025 and 2024, respectively, which is included in occupancy on the Statement of Functional Expenses.

At June 30, 2025 and 2024, the weighted-average remaining term for the operating leases is 3.27 years and 3.82 years, respectively, and the weighted-average discount rate is 3.38% and 3.14%, respectively.

## AMERICAN LUNG ASSOCIATION

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### Notes To Financial Statements (*Continued*)

The reconciliation of the undiscounted cash flows for each of the next five years and total remaining years of the lease liabilities recorded on the Statement of Financial Position is as follows:

Year	Operating Leases
2026	\$ 1,547,324
2027	1,141,261
2028	525,633
2029	314,886
2030	211,381
Thereafter	197,606
<b>Total Minimum Lease Payments</b>	<b>3,938,091</b>
Less: Present value discount	(227,252)
Present value of future minimum lease payments	\$ 3,710,839

## 12. 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, 2025 and 2024. These costs were allocated as follows:

	2025	2024
Program	\$ 6,599,211	\$ 6,860,305
Management and general	432,735	449,856
Fundraising	3,786,433	3,936,242
	<b>\$ 10,818,379</b>	<b>\$ 11,246,403</b>

## 13. Liquidity And Availability Of Financial Assets

The Association regularly monitors liquidity required to meet its 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.

## AMERICAN LUNG ASSOCIATION

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### Notes To Financial Statements (*Continued*)

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, 2025 and 2024, 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:

	2025	2024
Cash and cash equivalents	\$ 19,871,934	\$ 14,012,617
Investments	140,776,229	141,572,465
Accounts and grants receivable, net	11,315,435	15,873,955
<u>Total financial assets</u>	<u>171,963,598</u>	<u>171,459,037</u>
Donor-imposed funds subject to purpose restrictions	(4,424,346)	(5,205,434)
Donor-imposed endowments	(9,485,379)	(9,349,692)
Perpetual trusts held with Community Foundations	(150,232)	(148,672)
<u>Amounts held on behalf of others</u>	<u>(1,149,081)</u>	<u>(1,099,850)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 156,754,560</u></u>	<u><u>\$ 155,655,389</u></u>

## 14. 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 had any effect on the initial Consent Judgment ruling regarding payment and ownership of bequests and gifts.

## **AMERICAN LUNG ASSOCIATION**

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### Notes To Financial Statements (*Continued*)

Breathe California of Los Angeles County sought \$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 also sought collection of pro bono attorney fees from the Association.

During 2023, the appeal was settled in favor of Breathe California of Los Angeles County. The Association accrued the settlement payment during 2023 and paid the settlement during 2024.

During 2024, Breathe California of Los Angeles County filed a motion for attorney's fees and litigation expenses. The Association and Breathe California of Los Angeles County were unable to negotiate a settlement agreement. Mediation regarding the issue of the motion for attorney's fees occurred during 2025, resulting in a settlement in favor of Breathe California of Los Angeles County. The Association paid \$2,646,630 during 2025, which is included in miscellaneous expenses on the Statement of Functional Expenses.

## **15. Risks And Uncertainties**

A portion of the Association's support is derived from cost-reimbursable federal, state and local contracts, which are included in government grants on the Statement of Activities. The Association continues to closely monitor actions of the government that would impact the Association's funding. A potential reduction or loss of this funding could impact the Association's ability to execute its programs and services. The Association continues to diversify its funding sources, amplify its fundraising efforts and will modify its grant-funded activities as noted below to mitigate the risk of potential future funding reductions. The Association's financial reserves also serve as a buffer against potential future funding volatility. Given the rapidly evolving nature of this situation, predicting the ultimate impact to the Association is not possible.

## **AMERICAN LUNG ASSOCIATION**

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### Notes To Financial Statements (*Continued*)

#### **16. Subsequent Events**

On October 2, 2025, the Association received written notice that the “Organizing and Supporting Underserved Communities to Design, Implement, and Use Electric Vehicle (EV) Charging Infrastructure” grant from the U.S. Department of Energy, originally awarded on October 1, 2023, was officially terminated. The termination was effective immediately and was not based on any conditions that existed as of June 30, 2025. The grant was terminated due to a change in the funding priorities of the U.S. Department of Energy. As a result of the termination, the Association will cease all grant-funded activities. The Association is currently contesting this termination. The Association estimates no financial impact as the result of this termination.

On November 24, 2025, the Association completed the sale of its property located in Albuquerque, New Mexico for total consideration of \$1,070,000. This sale was finalized after June 30, 2025, and therefore, the financial impact of this transaction is not reflected in the accompanying financial statements. The Association recognized a gain of approximately \$400,000 from this sale during fiscal year 2026.

The Association evaluated subsequent events through the date of the Independent Auditors’ Report, which was the date that these financial statements were available for issuance.