

**BREATHE CALIFORNIA
OF LOS ANGELES COUNTY**

COMBINED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2013 AND 2012

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BREATHE CALIFORNIA OF LOS ANGELES COUNTY

COMBINED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2013 AND 2012

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2013 on our consideration of BREATHE LA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering BREATHE LA's internal control over financial reporting and compliance.

Green Hasson & Janks LLP

December 18, 2013
Los Angeles, California

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
BREATHE California of Los Angeles County

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of BREATHE California of Los Angeles County (BREATHE LA), which comprise the combined statements of financial position as of June 30, 2013 and 2012, and the related combined statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

BREATHE CALIFORNIA OF LOS ANGELES COUNTY

COMBINED STATEMENTS OF FINANCIAL POSITION

ASSETS	June 30	
	2013	2012
Cash and Cash Equivalents	\$ 805,792	\$ 587,237
Investments (Note 4)	3,024,366	2,918,091
Contributions and Other Receivables (Net)	107,124	789,727
Assets Held in Charitable Remainder Trusts (Note 5)	887,520	930,489
Beneficial Interest in Charitable Remainder Trusts (Note 6)	1,028,410	881,777
Prepaid Pension Assets and Other Prepaid Expenses (Note 12)	368,832	416,798
Property and Equipment (Net) (Note 7)	2,777,638	2,794,292
Other Assets	7,000	7,000
 TOTAL ASSETS	\$ 9,006,682	\$ 9,325,411
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts Payable and Accrued Expenses (Note 8)	\$ 579,038	\$ 552,816
Payable to American Lung Association - State and National	65,315	340,281
Liabilities under Charitable Remainder Trusts (Note 5)	297,490	354,504
Annuities Payable (Note 9)	118,286	130,529
 TOTAL LIABILITIES	1,060,129	1,378,130
COMMITMENTS AND CONTINGENCIES		
NET ASSETS:		
Unrestricted	3,163,164	3,064,578
Temporarily Restricted (Note 10)	4,783,389	4,882,703
 TOTAL NET ASSETS	7,946,553	7,947,281
 TOTAL LIABILITIES AND NET ASSETS	\$ 9,006,682	\$ 9,325,411

The Accompanying Notes are an Integral Part of These Combined Financial Statements

BREATHE CALIFORNIA OF LOS ANGELES COUNTY

COMBINED STATEMENT OF ACTIVITIES

Year Ended June 30, 2013

	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT:			
Bequests	\$ 379,701	\$ -	\$ 379,701
Contributions	25,835	2,000	27,835
Grants	344,716	-	344,716
Memorials	7,475	-	7,475
Contributed Goods and Services	8,780	-	8,780
Special Events (Net of Direct Donor Benefit of \$23,606)	82,052	-	82,052
TOTAL PUBLIC SUPPORT	848,559	2,000	850,559
OTHER REVENUE:			
Rental Income (Note 11)	520,363	-	520,363
Investment Income (Note 4)	118,248	(16,289)	101,959
Miscellaneous	3,018	-	3,018
Change in Value of Beneficial Interest in Charitable Remainder Trusts	-	160,678	160,678
Change in Value of Annuities Payable (Note 9)	(15,577)	-	(15,577)
TOTAL OTHER REVENUE	626,052	144,389	770,441
Net Assets Released from Purpose Restrictions	245,703	(245,703)	-
TOTAL PUBLIC SUPPORT AND OTHER REVENUE	1,720,314	(99,314)	1,621,000
EXPENSES:			
Program Services	1,138,566	-	1,138,566
Supporting Services:			
Development	363,469	-	363,469
General and Administrative	129,998	-	129,998
TOTAL EXPENSES	1,632,033	-	1,632,033
CHANGE IN NET ASSETS BEFORE PENSION RELATED CHANGES OTHER THAN NET PERIODIC PENSION COST	88,281	(99,314)	(11,033)
Pension-Related Changes Other than Net Periodic Pension Cost (Note 12)	10,305	-	10,305
CHANGE IN NET ASSETS	98,586	(99,314)	(728)
Net Assets - Beginning of Year	3,064,578	4,882,703	7,947,281
NET ASSETS - END OF YEAR	\$ 3,163,164	\$ 4,783,389	\$ 7,946,553

The Accompanying Notes are an Integral Part of These Combined Financial Statements

BREATHE CALIFORNIA OF LOS ANGELES COUNTY

COMBINED STATEMENT OF ACTIVITIES

Year Ended June 30, 2012

	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT:			
Bequests	\$ 116,013	\$ -	\$ 116,013
Contributions	48,903	4,500	53,403
Grants	199,495	186,862	386,357
Memorials	11,658	-	11,658
Special Events (Net of Direct Donor Benefit of \$40,158)	11,128	-	11,128
TOTAL PUBLIC SUPPORT	387,197	191,362	578,559
OTHER REVENUE:			
Rental Income (Note 11)	495,100	-	495,100
Investment Income (Note 4)	114,547	89,142	203,689
Miscellaneous	32,712	-	32,712
Change in Value of Beneficial Interest in Charitable Remainder Trusts	-	170,136	170,136
Change in Value of Annuity Gifts (Note 9)	(45,411)	-	(45,411)
TOTAL OTHER REVENUE	596,948	259,278	856,226
Net Assets Released from Program Restrictions	1,128,883	(1,128,883)	-
TOTAL PUBLIC SUPPORT AND OTHER REVENUE	2,113,028	(678,243)	1,434,785
EXPENSES:			
Program Services	1,378,938	-	1,378,938
Supporting Services:			
Development	339,969	-	339,969
General and Administrative	224,259	-	224,259
TOTAL EXPENSES	1,943,166	-	1,943,166
CHANGE IN NET ASSETS BEFORE PENSION RELATED CHANGES OTHER THAN NET PERIODIC PENSION COST	169,862	(678,243)	(508,381)
Pension-Related Changes Other than Net Periodic Pension Cost (Note 12)	26,414	-	26,414
CHANGE IN NET ASSETS	196,276	(678,243)	(481,967)
Net Assets - Beginning of Year	2,868,302	5,560,946	8,429,248
NET ASSETS - END OF YEAR	\$ 3,064,578	\$ 4,882,703	\$ 7,947,281

The Accompanying Notes are an Integral Part of These Combined Financial Statements

BREATHE CALIFORNIA OF LOS ANGELES COUNTY

COMBINED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2013

	Program Services	Supporting Services		Total
		Development	General and Administrative	
SALARIES AND RELATED COSTS:				
Professional Salaries	\$ 457,375	\$ 123,600	\$ 45,481	\$ 626,456
Clerical Salaries	55,901	15,106	5,559	76,566
Employee Benefits	52,648	14,227	5,235	72,110
Payroll Taxes	42,946	11,606	4,270	58,822
Change in Prepaid Pension Costs (Note 12)	-	45,525	-	45,525
TOTAL SALARIES AND RELATED COSTS	608,870	210,064	60,545	879,479
OTHER EXPENSES:				
Professional Fees	137,653	51,067	19,902	208,622
State and National Assessment	34,780	1,147	2,292	38,219
Building Expenses	111,140	30,034	11,052	152,226
Awards and Grants	23,162	1,380	1,292	25,834
Printing, Publication and Audiovisual Supplies	22,089	15,511	2,028	39,628
Property Taxes	42,362	11,448	4,212	58,022
Insurance	44,833	11,562	6,601	62,996
Office Supplies and Services	28,769	7,988	11,043	47,800
Special Supplies/Materials for Projects	6,961	765	407	8,133
Local Meeting Costs	19,229	2,715	1,241	23,185
Summits, Conferences and Symposiums Costs	5,196	647	1,307	7,150
Telephone	11,370	3,066	1,132	15,568
Dues and Subscriptions	2,381	574	833	3,788
Media Expense	5,731	1,896	403	8,030
Contributed Goods and Services	7,780	-	1,000	8,780
Miscellaneous Expense	10,419	8,491	3,106	22,016
Postage and Shipping	3,682	1,828	393	5,903
TOTAL OTHER EXPENSES	517,537	150,119	68,244	735,900
EXPENSES BEFORE DEPRECIATION	1,126,407	360,183	128,789	1,615,379
Depreciation	12,159	3,286	1,209	16,654
TOTAL FUNCTIONAL EXPENSES	\$ 1,138,566	\$ 363,469	\$ 129,998	\$ 1,632,033

The Accompanying Notes are an Integral Part of These Combined Financial Statements

BREATHE CALIFORNIA OF LOS ANGELES COUNTY

COMBINED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2012

	Program Services	Supporting Services		Total
		Development	General and Administrative	
SALARIES AND RELATED COSTS:				
Professional Salaries	\$ 458,398	\$ 133,138	\$ 88,781	\$ 680,317
Clerical Salaries	49,148	14,275	9,519	72,942
Employee Benefits	52,012	15,107	10,074	77,193
Payroll Taxes	40,186	11,672	7,783	59,641
Change in Prepaid Pension Costs (Note 12)	-	-	(17,288)	(17,288)
TOTAL SALARIES AND RELATED COSTS	599,744	174,192	98,869	872,805
OTHER EXPENSES:				
Professional Fees	168,724	59,623	28,486	256,833
State and National Assessment	196,860	5,937	34,670	237,467
Building Expenses	103,006	29,917	19,950	152,873
Awards and Grants	50,625	2,813	2,813	56,251
Printing, Publication and Audiovisual Supplies	39,289	13,877	3,028	56,194
Property Taxes	37,769	10,970	7,315	56,054
Insurance	33,361	9,283	7,467	50,111
Office Supplies and Services	30,533	8,878	5,528	44,939
Special Supplies/Materials for Projects	24,523	1,592	1,374	27,489
Local Meeting Costs	19,493	2,902	1,327	23,722
Summits, Conferences and Symposiums Costs	13,962	3,322	1,713	18,997
Telephone	12,554	3,403	2,344	18,301
Dues and Subscriptions	11,081	3,243	2,553	16,877
Media Expense	12,890	1,978	997	15,865
Miscellaneous Expense	8,620	2,634	3,143	14,397
Postage and Shipping	7,646	3,007	1,082	11,735
TOTAL OTHER EXPENSES	770,936	163,379	123,790	1,058,105
EXPENSES BEFORE DEPRECIATION	1,370,680	337,571	222,659	1,930,910
Depreciation	8,258	2,398	1,600	12,256
TOTAL FUNCTIONAL EXPENSES	\$ 1,378,938	\$ 339,969	\$ 224,259	\$ 1,943,166

The Accompanying Notes are an Integral Part of These Combined Financial Statements

BREATHE CALIFORNIA OF LOS ANGELES COUNTY

COMBINED STATEMENTS OF CASH FLOWS

	Years Ended June 30	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ (728)	\$ (481,967)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used In) Operating Activities:		
Depreciation	16,654	12,256
Realized and Unrealized Gains on Investments	(48,030)	(111,608)
Change in Value of Beneficial Interest in Charitable Remainder Trusts	(160,678)	501,043
Change in Value of Annuities Payable	15,577	45,410
(Increase) Decrease in:		
Contributions and Other Receivables	682,603	(750,568)
Bequests Receivable	-	42,249
Prepaid Pension Assets and Other Prepaid Expenses	47,966	(58,825)
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses Payable to American Lung Association - State and National	26,222	120,987
	(274,966)	189,888
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	304,620	(491,135)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Investments	(656,903)	(486,836)
Redemption of Investments	598,658	624,538
Purchase of Property and Equipment	-	(115,559)
NET CASH PROVIDED (USED IN) BY INVESTING ACTIVITIES	(58,245)	22,143
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments to Annuitants	(27,820)	(27,820)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	218,555	(496,812)
Cash and Cash Equivalents - Beginning of Year	587,237	1,084,049
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 805,792	\$ 587,237

The Accompanying Notes are an Integral Part of These Combined Financial Statements

BREATHE CALIFORNIA OF LOS ANGELES COUNTY

NOTES TO COMBINED FINANCIAL STATEMENTS

June 30, 2013 and 2012

NOTE 1 - NATURE OF ORGANIZATION

Breathe California of Los Angeles County (BREATHE LA) is a Los Angeles-based public benefit non-profit organization committed to improving lung health and air quality for all Los Angeles area residents. To further promote their initiatives, BREATHE LA partners with community organizations, universities and businesses. Recognized for their comprehensive wellness programs and groundbreaking research, BREATHE LA serves as a clean air and healthy living advocate. Breathe LA emphasizes that we all have a stake in the air we breathe. www.breathela.org

BREATHE LA's mission is to promote clean air and healthy lungs through research, education, advocacy, and technology. Through these four strategic approaches, BREATHE LA seeks to mitigate environmental and tobacco sources of pollution. In addition, BREATHE LA seeks to improve the quality of life of those suffering chronic lung diseases, primarily asthma and COPD, as well as to improve health management for licensed and informal care providers such as Respiratory Therapists, Nurses, and senior care personnel.

BREATHE LA is uniquely positioned in the community because they provide services at the crossroads between environment and health. With a specific focus on lung health, BREATHE LA's work intersects at environmental health through air quality issues. While the most prevalent lung diseases affecting vulnerable populations in the Los Angeles area may change throughout the years, BREATHE LA's mission remains relevant and timely to address the most pressing issues along with their root environmental causes.

BREATHE LA focuses on:

- **Local impact:** BREATHE LA directly benefits people in Los Angeles County.
- **Wellness:** BREATHE LA thinks and acts holistically instead of addressing narrow issues.
- **Leveraging resources:** The "train the trainer" model allows BREATHE LA to multiply its impact in the community.
- **Creating partnerships:** BREATHE LA is a welcoming, cooperative partner to donors and community organizations.
- **Demonstrating longevity:** Since 1903, BREATHE LA has made breathing easier in Los Angeles.
- **Meeting curriculum standards:** BREATHE LA aligns educational curriculum to California State Standards for grade levels. The environmental education curriculum also meets the mandatory state Environmental Education Initiative principles.
- **Communicating in multiple languages:** BREATHE LA provides services and materials in English and Spanish.
- **Encouraging self-reliance:** BREATHE LA empowers youth and those suffering from a chronic lung disease with greater awareness and self-management.
- **Promoting leadership:** BREATHE LA empowers individuals with the tools to become environmental and health leaders in their own communities.
- **Producing measurable outcomes:** BREATHE LA instills quantitative evaluations in its programs and services to ensure tangible, short- and long-term results.

BREATHE CALIFORNIA OF LOS ANGELES COUNTY

NOTES TO COMBINED FINANCIAL STATEMENTS

June 30, 2013 and 2012

NOTE 1 - NATURE OF ORGANIZATION (continued)

Primary Programs

BREATHE LA's community programs include:

Lung Power: Asthma Control focuses on prevention strategy as BREATHE LA evaluates and teaches children with asthma and their families how to reduce severity and frequency of asthma attacks through medication instruction, trigger awareness, and simple coping techniques during an asthma attack. Additionally, BREATHE LA seeks to advance advocacy that will benefit children with asthma. In fiscal year 2011-2012, BREATHE LA's **Lung Power** program provided asthma workshops and asthma management education to 1,283 community members, including children, parents, and care providers. BREATHE LA increased participation by approximately 20 percent in the asthma management courses providing Peak Flow meters, spacers, anti-allergen pillow and mattress covers. In addition, BREATHE LA began a one-year partnership with USC's Clinical and Translation Institute through funding by the National Institutes of Health (NIH) in a research project to validate BREATHE LA's community engagement approach to asthma management through Lung Power.

O24u™, an environmental education program for 8 to 14-year-olds teaches children about the environment and its impacts on lung health, encouraging opportunities to demonstrate responsible actions. Current community partners include Winners Reaching Amazing Potential (WRAP), Long Beach Unified School District's Afterschool Program, the Boys & Girls Club of Long Beach, and others. Initiated in partnership with the Port of Long Beach, BREATHE LA is also implementing a special *O24u Healthy Families* project that adds parent workshops emphasizing warning signs of asthma and the role parents can play in providing a safe and healthy home environment. In fiscal year 2011-2012, BREATHE LA served 8,000 K-8th grade students in more than 50 schools through the *O24u* program.

Better Breathers Clubs™ is a COPD program that provides education, services, and support groups primarily to people living with COPD to improve health outcomes and quality of life. In FY 2011-2012, BREATHE LA served 1,977 people through this program. Completing a subcontract with the National Heart, Lung, and Blood Institute (NHLBI), BREATHE LA continued as western United States *COPD Regional Center* to facilitate a number of conferences and centralized COPD resources under the www.COPDREGIONALNETWORK.org site.

Green Salon Series involve a series of discussions convening thought-leaders to exchange data and knowledge that will address the sustainable perspectives and policies relating to transportation, mobility and air quality held throughout Los Angeles County at locations including the California Endowment, the Port of Los Angeles and BREATHE LA's headquarters. The discussions bring together an impressive collection of policymakers, community advocates, academics, environmental groups and business leaders.

Trudeau Society, a network of leading Los Angeles lung health experts, hold lectures featuring leading lung health experts speaking to the society's medical professionals about the latest approaches to COPD. The Samuel J. Sills MD Lecture and related events helped members network among peers regarding a common desire to help improve lung health.

Advocacy involves the latest advances in public health policy to address the asthma and COPD epidemics as well as improve lung health and air quality in our region.

BREATHE CALIFORNIA OF LOS ANGELES COUNTY

NOTES TO COMBINED FINANCIAL STATEMENTS

June 30, 2013 and 2012

NOTE 1 - NATURE OF ORGANIZATION (continued)

The **Attire to Inspire Charity Fashion Show** engages young professionals, entertainment industry leaders and others interested in eco-fashion in a fundraising event involving leading fashion designers as they promote environmental health awareness.

The **Breath of Life Awards** annually honor top civic and business leaders for their exemplary leadership to advance clean air and healthy lungs. Recent honorees include Long Beach Mayor Robert Foster, Southern California Gas Company and Southern California Leadership Council.

BREATHE LA HISTORY

BREATHE LA was first formed in 1903 as an independent lung health organization called the Los Angeles Society for the Study and Prevention of Tuberculosis. BREATHE LA served the city's growing population of more than 300,000. For more than 30 years, BREATHE LA was committed to increasing public awareness about the tuberculosis (TB) epidemic and other lung-related diseases-including asthma, bronchitis and emphysema-and working towards eradicating these diseases. Since its creation in 1903, BREATHE LA has undergone a number of name changes, including:

- 1927 - Incorporated as Los Angeles Tuberculosis & Health Association
- 1952 - Los Angeles County Tuberculosis and Health Association
- 1958 - Tuberculosis & Health Association of Los Angeles County
- 1968 - Tuberculosis & Respiratory Disease Association of Los Angeles County
- 1974 - Lung Association of Los Angeles County
- 1979 - American Lung Association of Los Angeles County
- 2006 - BREATHE California of Los Angeles County

Advances in technology, healthcare access and medicine all contributed to a dramatic downturn in active TB cases. As a result, BREATHE LA began to take an increased interest in the relationships between air pollution and respiratory disease. During the mid-20th Century, the fight against smog in Los Angeles became a major effort and the measuring of air pollution began. In the early 1970s, BREATHE LA focused on the prevention and control of lung disease and sponsored extensive research on the effects of air pollution on respiratory health. They were one of the first organizations to do so and they carry on this tradition today. For a number of years, BREATHE LA was affiliated with the American Lung Association (ALA) and American Lung Association of California (ALAC). In 2006, BREATHE LA ended its affiliation with ALA and ALAC, and is no longer affiliated in any way with those organizations.

BREATHE California of Los Angeles County rebranded itself in 2006, continuing its mission dedicated to clean air and healthy lungs by partnering with youth, advocating public policy, supporting lung health research, and educating the public. BREATHE LA emphasizes our focus as an independent lung health organization to address Los Angeles County's specific air quality and health needs. As pediatric asthma rates increased nationwide, BREATHE LA also placed greater emphasis on asthma education programs, while continuing to pursue clean air initiatives. BREATHE LA is a member of the BREATHE America Alliance, a network of nationwide independent lung health organizations, and BREATHE California Coalition, including four other BREATHE California organizations that focus on Central Coast, Sacramento-Emigrant Trails, San Francisco, San Mateo and Santa Clara-San Benito Counties. The BREATHE California coalition focuses on localized programs and comes together to implement programs and research that benefit all Californians. They work together to advance primary and secondary lung disease prevention and interventions, as well as advocate for clean air policies and practices.

BREATHE CALIFORNIA OF LOS ANGELES COUNTY

NOTES TO COMBINED FINANCIAL STATEMENTS

June 30, 2013 and 2012

NOTE 1 - NATURE OF ORGANIZATION (continued)

BREATHE CALIFORNIA STATEWIDE PARTNERS

Breathe California is comprised of five separately incorporated lung health organizations that collaborate for advocacy and special initiatives to achieve greater statewide impact to advance clean air and healthy lungs. These organizations have clearly delineated geographical areas of focus to ensure complete coverage within California, with offices based in Los Angeles, Daly City, Central Coast, Sacramento, and San Jose. All Breathe California corporations are members of the Breathe America™ Alliance.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) PRINCIPLES OF COMBINED FINANCIAL STATEMENTS

The accompanying combined financial statements comprise the activities of BREATHE LA and two affiliated non-profit organizations, the Emphysema Foundation of Los Angeles and the Emphysema Foundation of America (the Foundations), after elimination of inter-company transactions and balances.

(b) BASIS OF PRESENTATION

The combined financial statements of BREATHE LA have been prepared utilizing the accrual basis of accounting.

(c) ACCOUNTING

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of BREATHE LA are maintained in accordance with the principles of net assets accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

- **Unrestricted.** These generally result from revenues generated by receiving unrestricted contributions, providing services, and receiving interest from investments less expenses incurred in providing program related services, raising contributions, and performing administrative functions.
- **Temporarily Restricted.** BREATHE LA reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statement of activities as net assets released from purpose or capital restrictions. Donor restricted contributions whose restrictions have been met in the same reporting period are reported as unrestricted support in the combined statement of activities. As of June 30, 2013 and 2012, BREATHE LA had \$4,697,697 and \$4,882,703, respectively, in temporarily restricted net assets.

BREATHE CALIFORNIA OF LOS ANGELES COUNTY

NOTES TO COMBINED FINANCIAL STATEMENTS

June 30, 2013 and 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) ACCOUNTING (continued)

- **Permanently Restricted.** These net assets are received from donors who stipulate that resources are to be maintained permanently, but permit BREATHE LA to expend all of the income (or other economic benefits) derived from the donated assets. As of June 30, 2013 and 2012, BREATHE LA had no permanently restricted net assets.

(d) CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand, cash in checking and savings accounts and certificates of deposit with original maturities of three months or less.

BREATHE LA maintains its cash and cash equivalents in bank accounts and other investment accounts, which, at times, may exceed federally insured limits. BREATHE LA has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents. The carrying value of cash and cash equivalents at June 30, 2013 and 2012 approximates its fair value.

(e) INVESTMENTS

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at fair value. Gains and losses on investments are reported in the combined statements of activities as increases or decreases in unrestricted net assets unless their use is temporarily restricted by explicit donor stipulations.

BREATHE LA maintains a separate cash and investment account for its Annuity Reserve Fund (See Note 9). The balance in this fund totaled \$408,277 and \$406,949 as of June 30, 2013 and 2012, respectively.

(f) CONTRIBUTIONS AND OTHER RECEIVABLES

Unconditional contributions, including grants recorded at fair value, are recognized as revenues in the period received. BREATHE LA reports unconditional contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. All contributions and other receivables are due within one year.

(g) BEQUESTS RECEIVABLE

BREATHE LA records all bequests when declared valid by the probate court and the value of amount is determinable. All bequests receivable are due within one year.

BREATHE CALIFORNIA OF LOS ANGELES COUNTY

NOTES TO COMBINED FINANCIAL STATEMENTS

June 30, 2013 and 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation expense is computed using the straight-line method over the estimated useful lives of the related assets, as follows:

Building and Improvements	15 - 20 Years
Equipment	5 Years
Furniture and Fixtures	7 Years
Parking Lot Improvements	20 Years

Expenditures for repairs and maintenance are charged to operations when incurred. Major renewals and betterments are capitalized. Property and equipment are capitalized if the cost of an asset is greater than or equal to \$5,000 and the useful life is greater than one year.

(i) LONG-LIVED ASSETS

BREATHE LA reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the book value of the assets may not be recoverable. An impairment loss is recognized when the sum of the undiscounted future cash flow is less than the carrying amount of the assets, in which case a write-down is recorded to reduce the related asset to its estimated fair value. No impairment losses were recognized on long-lived assets during the years ended June 30, 2013 and 2012.

(j) DEFERRED RENT INCENTIVES

Rent incentives for tenant improvements are deferred and recognized as income on the straight-line basis over the term of the lease.

(k) CONTRIBUTED GOODS AND SERVICES

Contributions of donated noncash assets are recorded at fair value in the period received. Contributed services are recognized if the services (a) create or enhance long-lived assets or (b) require specialized skills provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

(l) INCOME TAXES

BREATHE LA has been granted exemption from income tax under Section 501(c)(3) of the Internal Revenue Code and the corresponding California Provisions. BREATHE LA is subject to income taxes for unrelated business income, if any, realized in connection with its unrelated business activities.

(m) FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing various programs and other activities of BREATHE LA have been summarized on a functional basis in the combined statements of activities. Accordingly, certain costs have been allocated among the programs and services benefited based on proportional salary dollars.

BREATHE CALIFORNIA OF LOS ANGELES COUNTY

NOTES TO COMBINED FINANCIAL STATEMENTS

June 30, 2013 and 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) USE OF ESTIMATES

In preparing combined financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the combined financial statements, and revenues and expenses during the reporting period. Actual results could differ from those estimates.

(o) SUBSEQUENT EVENTS

BREATHE LA has evaluated events and transactions occurring subsequent to the combined statements of financial position date of June 30, 2013 for items that should potentially be recognized or disclosed in these combined financial statements. The evaluation was conducted through December 18, 2013, the date these combined financial statements were available to be issued. No such material events or transactions were noted to have occurred.

NOTE 3 - REVENUE SHARING WITH STATE AND NATIONAL ASSOCIATIONS

Effective February 13, 2006, BREATHE LA separated from the American Lung Association (ALA) and the American Lung Association of California (ALAC). Previously, BREATHE LA was required to share with ALA and ALAC up to 30.2% of all of its shareable revenues as defined in the Affiliate Agreement with ALA and ALAC. As an independent local organization, BREATHE LA retains all new contributions for the benefit of the Los Angeles County residents.

BREATHE LA's expenses incurred under these revenue-sharing agreements totaled \$38,219 and \$237,467 for the years ended June 30, 2013 and 2012, respectively.

The amount payable to American Lung Association - State and National is \$63,315 and \$340,281 as of June 30, 2013 and 2012, respectively. Included in these amounts is a deferred portion relating to annuities payable of \$65,315 as of June 30, 2013 and 2012.

NOTE 4 - FAIR VALUE MEASUREMENTS

BREATHE LA has adopted the accounting standard for those assets and liabilities that are re-measured and reported at fair value at each reporting period. This standard establishes a single authoritative definition of fair value, sets out a framework for measuring fair value based on inputs used, and requires additional disclosures about fair value measurements. The standard applies to fair value measurements already required or permitted by existing standards.

In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets (or liabilities). Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs are unobservable data points for the asset (or liability) and include situations where there is little, if any, market activity for the asset (or liability).

BREATHE CALIFORNIA OF LOS ANGELES COUNTY

NOTES TO COMBINED FINANCIAL STATEMENTS

June 30, 2013 and 2012

NOTE 4 - FAIR VALUE MEASUREMENTS (continued)

The following table presents information about BREATHE LA's assets and liabilities that are measured at fair value on a recurring basis at June 30, 2013 and 2012 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	Year Ended June 30, 2013	Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
ASSETS:				
Cash and Cash Equivalents	\$ 125,456	\$ 125,456	\$ -	\$ -
Government Bonds and Notes	345,603	-	345,603	-
Corporate Bonds	814,006	814,006	-	-
Mutual Funds – Bond Funds	1,230,419	1,230,419	-	-
Mutual Funds – Equity	483,473	483,473	-	-
Investment in Stocks	25,409	-	-	25,409
TOTAL INVESTMENTS	3,024,366	2,653,354	345,603	25,409
Assets Held in Charitable Remainder Trusts	887,520	-	-	887,520
Beneficial Interest in Charitable Remainder Trusts	1,028,410	-	-	1,028,410
TOTAL ASSETS	4,940,296	2,653,354	345,603	1,941,339
LIABILITIES:				
Liabilities under Charitable Remainder Trusts	297,490	-	-	297,490
Annuities Payable	118,286	-	118,286	-
TOTAL LIABILITIES	415,776	-	118,286	297,490
TOTAL	\$ 4,524,520	\$ 2,653,354	\$ 227,317	\$ 1,643,849

BREATHE CALIFORNIA OF LOS ANGELES COUNTY

NOTES TO COMBINED FINANCIAL STATEMENTS

June 30, 2013 and 2012

NOTE 4 - FAIR VALUE MEASUREMENTS (continued)

	Year Ended June 30, 2012	Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
ASSETS:				
Government Bonds and Notes	\$ 1,566,623	\$ -	\$ 1,566,623	\$ -
Mutual Funds – Bond Funds	515,013	515,013	-	-
Mutual Funds – Fixed Income	365,229	365,229	-	-
U.S Equities	434,573	434,573	-	-
Investment in Stocks	36,653	-	-	36,653
TOTAL INVESTMENTS	2,918,091	1,314,815	1,566,623	36,653
Assets Held in Charitable				
Remainder Trusts	930,489	-	-	930,489
Beneficial Interest in Charitable Remainder Trusts	881,777	-	-	881,777
TOTAL ASSETS	4,730,357	1,314,815	1,566,623	1,848,919
LIABILITIES:				
Liabilities under Charitable				
Remainder Trusts	354,504	-	-	354,504
Annuities Payable	130,529	-	130,529	-
TOTAL LIABILITIES	485,033	-	130,529	354,504
TOTAL	\$ 4,245,324	\$ 1,314,815	\$ 1,436,094	\$ 1,494,415

The fair values of investment securities within Level 1 inputs were obtained based on quoted market prices at the closing of the last business day of the fiscal year.

The fair values of certificates of deposit within Level 2 inputs were determined by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer.

The fair values of government bonds and notes within Level 2 inputs were determined using market data including quotes, benchmark yields, spot rates, and other industry and economic events.

The fair value of annuities payable represents the present value of the future annuity payments.

The fair values of assets and liabilities held in charitable remainder trusts and beneficial interests within Level 3 inputs were determined as described in Notes 5 and 6.

The investments in stocks within Level 3 are valued at the income tax basis.

BREATHE CALIFORNIA OF LOS ANGELES COUNTY

NOTES TO COMBINED FINANCIAL STATEMENTS

June 30, 2013 and 2012

NOTE 4 - FAIR VALUE MEASUREMENTS (continued)

BREATHE LA recognizes transfers at the beginning of each reporting period. Transfers between Level 1 and 2 investments generally relate to whether a market becomes active or inactive. The transfers between Level 2 and 3 investments related to whether significant relevant observable inputs are available for the fair value measurement in their entirety and when redemption rules become more or less restrictive. There were no transfers between levels during the years ended June 30, 2013 and 2012.

	Fair Value Measurements Using Significant Observable Inputs (Level 3)				Total
	Unrestricted	Temporarily Restricted	Temporarily Restricted	Temporarily Restricted	
	Investment in Stocks	Assets Held in Charitable Remainder Trusts	Beneficial Interest in Charitable Remainder Trusts	Liabilities under Charitable Remainder Trusts	
Balance at July 1, 2011	\$ 36,653	\$ 875,717	\$ 1,423,435	\$ (340,347)	\$ 1,995,458
Transfers	-	-	(671,000)	-	(671,000)
Net Income (Losses)	-	54,772	129,342	(14,157)	169,957
Balance at June 30, 2012	36,653	930,489	881,777	(354,504)	1,494,415
Net Income (Losses)	(11,244)	(42,969)	146,633	57,014	149,434
Balance at June 30, 2013	\$ 25,409	\$ 887,520	\$ 1,028,410	\$ (297,490)	\$ 1,643,849

Investments in government bonds and notes at June 30, 2013 mature as follows:

Within One Year	\$ 131,253
One to Five Years	214,350
TOTAL	\$ 345,603

Investment income consists of the following:

	2013	2012
Interest and Dividends	\$ 53,929	\$ 92,081
Realized and Unrealized Gains	48,030	111,608
TOTAL INVESTMENT INCOME	\$ 101,959	\$ 203,689

**NOTE 5 - ASSETS HELD IN CHARITABLE REMAINDER TRUSTS
(ORGANIZATION IS TRUSTEE)**

BREATHE LA is the trustee of seven charitable remainder trusts which provide for the payment of lifetime distributions to the trustors and/or other designated beneficiaries. The trusts are managed by a financial institution. Upon the demise of all the lifetime beneficiaries, the trusts provide for the distribution of assets to BREATHE LA. Assets received under these agreements are recorded at their fair value when received. A liability is recorded at the present value of the estimated future payments to be distributed to the lifetime beneficiaries. The amount of the contribution is the difference between these amounts and is classified as temporarily restricted support.

BREATHE CALIFORNIA OF LOS ANGELES COUNTY

NOTES TO COMBINED FINANCIAL STATEMENTS

June 30, 2013 and 2012

NOTE 5 - ASSETS HELD IN CHARITABLE REMAINDER TRUSTS (ORGANIZATION IS TRUSTEE) (continued)

Income earned on trust assets, recognized gains and losses, and distributions paid to the lifetime beneficiary are reflected in the combined statement of financial position. Adjustments to the liability to reflect the revaluation of the present value of the estimated future payments are recognized in the combined statement of activities as a change in the value of charitable remainder trusts. At June 30, 2013 and 2012, assets held in irrevocable charitable remainder trusts (consisting primarily of cash, cash equivalents and mutual funds) totaled \$887,520 and \$930,489, respectively. The liabilities under Charitable Trust Agreements totaled \$297,490 and \$354,504, respectively, as of June 30, 2013 and 2012.

NOTE 6 - BENEFICIAL INTEREST IN CHARITABLE REMAINDER TRUSTS (ORGANIZATION IS NOT TRUSTEE)

BREATHE LA is the beneficiary of eight charitable remainder trusts for which a financial institution serves as trustee. BREATHE LA recognizes temporarily restricted contribution revenue and as a receivable, the present value of the estimated future benefits to be received when the trust assets are distributed. Adjustments to the receivable to reflect the revaluation of the present value of the estimated future payments to the lifetime beneficiaries are recognized in the combined statement of activities as changes in the value of charitable remainder trusts.

Beneficial interest in charitable remainder trusts totaled \$1,028,410 and \$881,777 at June 30, 2013 and 2012, respectively, representing the portion of the charitable remainder trusts for which BREATHE LA is the designated beneficiary.

NOTE 7 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:

	2013	2012
Land and Parking Lot	\$ 2,532,362	\$ 2,532,362
Building and Improvements	2,460,805	2,497,713
Equipment	261,997	261,997
Furniture and Fixtures	137,272	137,272
Parking Lot Improvements	47,429	47,429
TOTAL	5,439,865	5,476,773
Less: Accumulated Depreciation	(2,662,227)	(2,682,481)
PROPERTY AND EQUIPMENT (NET)	\$ 2,777,638	\$ 2,794,292

Depreciation expense for the years ended June 30, 2013 and 2012 was \$16,654 and \$12,256, respectively.

BREATHE CALIFORNIA OF LOS ANGELES COUNTY

NOTES TO COMBINED FINANCIAL STATEMENTS

June 30, 2013 and 2012

NOTE 8 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of the following at June 30:

	<u>2013</u>	<u>2012</u>
Accounts Payable	\$ 36,903	\$ 7,885
Accrued Vacation	81,063	87,701
Tenant Security Deposits	35,354	35,354
Deferred Compensation	340,818	312,136
Deferred Rent Incentives	84,900	109,740
	<u>579,038</u>	<u>552,816</u>
<i>ACCOUNTS PAYABLE AND ACCRUED EXPENSES</i>	<i>\$ 579,038</i>	<i>\$ 552,816</i>

NOTE 9 - ANNUITIES PAYABLE

Annuity gifts are recorded in the period in which the contract is executed. When a gift is received, the assets are recorded at fair market value, and the present value of the future annuity payments expected to be paid is recorded as a liability. Unrestricted contribution revenue is recorded as the difference between these two amounts. In subsequent periods, adjustments are made to the annuity liability account to recognize amortization of the discount and actuarial gains and losses and are reflected in the combined statement of activities as changes in value of annuity gifts.

The State of California Department of Insurance requires organizations to maintain a reserve fund adequate to meet the future payments under its outstanding annuity contracts. BREATHE LA monitors its reserve funds and believes it is in compliance with the state guidelines as of June 30, 2013 and 2012.

A summary of the change in annuities payable is as follows:

	<u>2013</u>	<u>2012</u>
Balance - Beginning of Year	\$ 130,529	\$ 112,939
Payments to Annuitants	(27,820)	(27,820)
Change in Value	15,577	45,410
<i>BALANCE - END OF YEAR</i>	<i>\$ 118,286</i>	<i>\$ 130,529</i>

BREATHE CALIFORNIA OF LOS ANGELES COUNTY

NOTES TO COMBINED FINANCIAL STATEMENTS

June 30, 2013 and 2012

NOTE 10 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at June 30:

	2013	2012
Research	\$ 3,045,525	\$ 3,306,226
Charitable Trust Agreements	1,532,748	1,457,762
Emphysema	96,848	96,848
Samuel J. Sills Professional Fund	21,716	21,007
Asthma	860	860
TOTAL TEMPORARILY RESTRICTED NET ASSETS	\$ 4,697,697	\$ 4,882,703

A summary of the change in temporarily restricted net assets is as follows:

	2013	2012
Balance - Beginning of Year	\$ 4,882,703	\$ 5,560,946
Revenue and Support	(14,289)	280,504
Change in Value of Beneficial Interest in Charitable Remainder Trusts	160,678	(501,043)
Expenditures	(245,703)	(457,704)
BALANCE - END OF YEAR	\$ 4,783,389	\$ 4,882,703

NOTE 11 - LEASES

BREATHE LA owns the building in which its administrative offices are located. BREATHE LA leases available space in the building. At June 30, 2013, BREATHE LA was the lessor on seven non-cancelable operating leases. The leases contain fixed escalation amounts, with future rent increases tied to the prevailing market rates at the applicable dates.

Approximate minimum future rental income on the existing non-cancelable leases as of June 30, 2013 is as follows:

Years Ending June 30	
2014	\$ 385,894
2015	382,402
2016	244,365
2017	146,490
2018	49,289
Thereafter	166,014
TOTAL	\$ 1,374,454

Rental income totaled \$520,363 and \$495,100 for the years ended June 30, 2013 and 2012, respectively.

BREATHE CALIFORNIA OF LOS ANGELES COUNTY

NOTES TO COMBINED FINANCIAL STATEMENTS

June 30, 2013 and 2012

NOTE 12 - PENSION PLAN

BREATHE LA participates in the American Lung Association's (ALA) defined benefit pension plan (the Plan). Employees are eligible to participate in the Plan after they have attained the minimum age (21), completed one year of service and worked at least 1,000 hours during the first year of employment.

Employees are vested after five years of service. The benefits are based on the employee's compensation for each year of active participation in the Plan. For funding purposes, the ALA uses a different actuarial cost method and different assumptions from those used for financial reporting purposes. There were no contributions made for the plan years ended June 30, 2013 and 2012.

The following table prepared by the ALA's actuary, and using measurement dates of June 30, 2013 and 2012, respectively, sets forth BREATHE LA's share of the Plan's funded status and amounts recognized in BREATHE LA's combined statements of financial position as of June 30:

	<u>2013</u>	<u>2012</u>
ACCUMULATED BENEFIT OBLIGATIONS:		
Vested	\$ 636,145	\$ 737,163
Plan Assets Invested in Group Annuity Contracts at Fair Market Value	\$ 989,153	\$ 1,125,391
Less: Projected Benefit Obligation for Services Rendered to Date	<u>(636,145)</u>	<u>(737,163)</u>
FUNDED STATUS	\$ 353,008	\$ 388,228

The change in prepaid pension (benefit) costs of \$45,525 and \$(17,288) for the years ended June 30, 2013 and 2012, respectively, has been reflected in employee benefits expense in the combined statement of functional expenses.

Net periodic pension benefit for the years ended June 30 includes the following components:

	<u>2013</u>	<u>2012</u>
Interest Cost on Projected Benefit Obligation	\$ 32,437	\$ 34,308
Expected Return on Plan Assets	(56,763)	(25,238)
Amortization of Prior Service Cost	1,871	1,871
Recognized Loss	<u>67,980</u>	<u>6,347</u>
NET PERIODIC PENSION (BENEFIT) COST	\$ 45,525	\$ (17,288)
Pension-Related Changes Other than Net Periodic Pension Cost	<u>\$ 10,305</u>	<u>\$ 26,414</u>

BREATHE CALIFORNIA OF LOS ANGELES COUNTY

NOTES TO COMBINED FINANCIAL STATEMENTS

June 30, 2013 and 2012

NOTE 12 - PENSION PLAN (continued)

The actuarial assumptions used were:

	<u>2013</u>	<u>2012</u>
Discount Rate	4.75%	4.25%
Rate of Future Compensation Increase	3.00%	3.00%
Expected Long-Term Rate of Return on Plan Assets	5.00%	6.00%

The expected long-term rate of return on plan assets is an assumed rate determined with regard to future rates of returns 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.

Benefits expected to be paid for subsequent fiscal years beginning July 1, 2013 are as follows:

Years Beginning July 1

2013	\$ 229,170
2014	24,218
2015	50,583
2016	53,805
2017	27,583
2018-2022	<u>119,481</u>
TOTAL	<u>\$ 504,840</u>

The plan is funded in accordance with the Employee Retirement Income Security Act of 1974. Plan assets consist primarily of listed securities and the percentage of the fair value of total plan assets of each major category of plan assets at the measurement date are as follows:

	<u>2013</u>	<u>2012</u>	<u>Target</u>
Equity Securities	19.40%	15.46%	30.00%
Debt Securities	72.43%	78.63%	67.00%
Real Estate	3.69%	3.36%	0.00%
Cash and Cash Equivalents	<u>4.48%</u>	<u>2.55%</u>	<u>3.00%</u>
TOTAL	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

The investment strategy of BREATHE LA has the following objectives:

- To achieve a balanced return of current income and appropriate growth of principal.
- 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.
- To preserve capital and minimize costs.

BREATHE CALIFORNIA OF LOS ANGELES COUNTY

NOTES TO COMBINED FINANCIAL STATEMENTS

June 30, 2013 and 2012

NOTE 12 - PENSION PLAN (continued)

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.