



COPD Foundation, Inc.

**Consolidated Financial Statements
Years Ended June 30, 2011 and 2010**

COPD Foundation, Inc.

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Tel: 305-381-8000
Fax: 305-374-1135
www.bdo.com

1111 Brickell Avenue,
Suite 2801
Miami, FL 33131

Report of Independent Auditors

To the Board of Directors of
COPD Foundation, Inc.

We have audited the accompanying consolidated statements of financial position of COPD Foundation, Inc. (the "Organization"), as of June 30, 2011 and 2010, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of COPD Foundation, Inc. as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the basic consolidated financial statements of the Organization taken as a whole. The accompanying separate financial statements of COPD Foundation, Inc. (standalone) and Respiratory Logistics, Inc. on pages 18-21 are not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

Miami, FL
October 18, 2011

BDO USA, LLP
Certified Public Accountants

COPD Foundation, Inc.

Consolidated Statements of Financial Position

<i>June 30,</i>	2011	2010
Assets		
Current Assets		
Cash and cash equivalents (includes \$274,757 and \$194,374 at June 30, 2011 and 2010, respectively, which has been temporarily restricted by the donor)	\$ 1,966,420	\$ 1,333,173
Marketable securities (Note 1)	1,352,779	274,568
Accounts receivable, net of allowance for bad debts	796,280	158,812
Prepaid expenses	19,449	161,678
Total current assets	4,134,928	1,928,231
Marketable securities - non-current (Note 1)	209,956	416,659
Property and equipment, net (Note 2)	20,937	17,063
Total assets	\$ 4,365,821	\$ 2,361,953
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 428,895	\$ 430,843
Due to Alpha-1 Foundation	22,719	44,371
Total current liabilities	451,614	475,214
Commitments and Contingencies (Note 3)		
Net Assets		
Unrestricted	41,587	190,160
Temporarily restricted (Note 4)	3,872,620	1,696,579
Total net assets	3,914,207	1,886,739
Total liabilities and net assets	\$ 4,365,821	\$ 2,361,953

See accompanying summary of significant accounting policies and notes to consolidated financial statements.

COPD Foundation, Inc.

Consolidated Statements of Activities and Changes in Net Assets

<i>Years ended June 30,</i>	2011	2010
Changes in Unrestricted Net Assets		
Unrestricted Support and Revenue		
Contributions, bequests and grant revenues	\$ 1,190,760	\$ 1,407,587
Investment and interest (loss) income, net	128,938	(18,153)
Other income	675,434	687,829
Net assets released from restrictions - satisfaction of program restrictions (Note 4)	1,989,730	2,383,188
Total unrestricted support and revenue	3,984,862	4,460,451
Unrestricted Expenses		
Program services		
COPD Publications	597,653	510,676
COPD Gene Study	459,917	1,023,016
COPD Patient Education	443,654	392,319
COPD Biomarkers Qualification Consortium	398,290	103,270
COPD Public Policy	326,567	235,810
COPD Research Network	294,212	319,491
COPD Mobile Spirometry Unit	254,593	740,567
Respiratory Logistics	241,853	114,141
COPD Information Line	228,992	160,112
COPD Medical Education	36,631	122,034
Total program services	3,282,362	3,721,436
Supporting services		
Fund raising	449,214	325,164
Administration and general	401,859	259,103
Total supporting services	851,073	584,267
Total unrestricted expenses	4,133,435	4,305,703
(Decrease) increase in unrestricted net assets	(148,573)	154,748
Changes in Temporarily Restricted Net Assets		
Contributions, bequests and grant revenues	4,165,771	2,207,434
Net assets released from restrictions	(1,989,730)	(2,383,188)
Increase (decrease) in temporarily restricted net assets	2,176,041	(175,754)
Increase (decrease) in net assets	2,027,468	(21,006)
Net assets, beginning of year	1,886,739	1,907,745
Net assets, end of year	\$ 3,914,207	\$ 1,886,739

See accompanying summary of significant accounting policies and notes to consolidated financial statements.

COPD Foundation, Inc.

Consolidated Statement of Functional Expenses for the Year Ended June 30, 2011

	COPD Research Network	COPD Gene Study	COPD Biomarkers Qualification Consortium	Mobile Spirometry Unit	COPD Publications	COPD Patient Education	COPD Public Policy	COPD Information Line	Respiratory Logistics	COPD Medical Education	Total Program Services	Administrative and General	Fund Raising	Total
Awards and grants	\$ 208,100	\$ 166,071	\$ 36,014	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 410,185	\$ -	\$ -	\$ 410,185
Management fees	33,501	1,789	-	-	-	10,000	30,000	-	-	-	75,290	35,000	50,000	160,290
Salaries	3,667	-	5,255	75,909	79,995	104,201	98,312	48,228	-	10,510	426,077	71,785	96,052	593,914
Payroll taxes	281	-	408	5,827	6,166	8,031	7,487	3,700	-	816	32,716	7,721	7,397	47,834
Employee benefits	255	-	359	10,415	14,962	8,595	12,737	5,212	-	717	53,252	7,900	20,221	81,373
Contract services	7,000	165,649	319,568	37,045	156,337	117,821	60,131	103,319	20,520	24,213	1,011,603	50,204	18,181	1,079,988
Professional fees	6,052	5,953	19,807	1,445	2,018	14,099	-	637	4,652	-	54,663	64,343	7,754	126,760
Supplies	1,827	10,969	149	6,414	-	10,560	1,224	6,375	4,443	-	41,961	14,102	2,606	58,669
Telephones	498	419	1,042	3,746	3,120	10,913	8,316	32,373	-	-	60,427	4,636	8,237	73,300
Online services	-	-	-	126	-	4,168	146	764	-	-	5,204	-	26	5,230
Postage and shipping	6,139	803	48	6,142	102,936	22,146	2,635	20,892	-	11	161,752	5,163	630	167,545
Occupancy	447	-	-	5,438	8,268	22,471	11,397	4,842	205,800	-	258,663	7,970	16,015	282,648
Equipment rental	4	-	-	43	65	158	90	38	-	-	398	510	126	1,034
Equipment repair and maintenance	9	-	-	124	158	1,885	218	93	-	-	2,487	3,852	9,025	15,364
Printing and publication	20,384	-	-	131	183,999	61,118	6,225	1,430	-	-	273,287	6,797	7,042	287,126
Travel	1,770	41,993	6,509	23,047	-	15,847	19,999	651	438	356	110,610	24,632	18,207	153,449
Conferences and meetings	4,274	66,271	9,131	77,730	-	31,425	54,648	392	6,000	8	249,879	60,523	18,400	328,802
Dues and subscriptions	-	-	-	-	-	24	12,893	-	-	-	12,917	15	2,955	15,887
Licenses and fees	-	-	-	-	-	-	-	-	-	-	-	6,236	9,817	16,053
Utilities	4	-	-	52	79	192	109	46	-	-	482	76	153	711
Insurance	-	-	-	-	-	-	-	-	-	-	-	20,053	-	20,053
Bad debt expense	-	-	-	-	39,550	-	-	-	-	-	39,550	-	-	39,550
Special events	-	-	-	-	-	-	-	-	-	-	-	-	156,370	156,370
Total expenses before depreciation	294,212	459,917	398,290	253,634	597,653	443,654	326,567	228,992	241,853	36,631	3,281,403	391,518	449,214	4,122,135
Depreciation and amortization	-	-	-	959	-	-	-	-	-	-	959	10,341	-	11,300
Total expenses	\$ 294,212	\$ 459,917	\$ 398,290	\$ 254,593	\$ 597,653	\$ 443,654	\$ 326,567	\$ 228,992	\$ 241,853	\$ 36,631	\$ 3,282,362	\$ 401,859	\$ 449,214	\$ 4,133,435

See accompanying summary of significant accounting policies and notes to consolidated financial statements.

COPD Foundation, Inc.

Consolidated Statement of Functional Expenses for the Year Ended June 30, 2010

	COPD Research Network	COPD Gene Study	COPD Biomarkers Qualification Consortium	Mobile Spirometry Unit	COPD Publications	COPD Patient Education	COPD Public Policy	COPD Information Line	COPD Medical Education	Respiratory Logistics	Total Program Services	Administrative and General	Fund Raising	Year ended June 30, 2010 Total
Awards and grants	\$ 140,931	\$ 744,662	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 885,593	\$ -	\$ -	\$ 885,593
Management fees	24,246	5,211	3,373	-	-	10,000	30,622	-	-	-	73,452	46,777	50,000	170,229
Salaries	11,487	-	-	74,636	45,672	83,074	41,177	36,329	-	-	292,375	32,071	130,392	454,838
Payroll taxes	854	-	-	5,717	3,503	6,349	3,096	2,759	-	-	22,278	4,202	11,065	37,545
Employee benefits	2,061	-	-	25,697	8,339	9,788	6,203	6,483	-	-	58,571	4,197	22,938	85,706
Contract services	9,550	133,458	18,434	113,404	144,416	166,438	73,490	4,650	99,075	18,683	781,598	11,609	29,010	822,217
Professional fees	1,530	8,755	6,767	-	3,737	12,377	-	2,458	-	23,062	58,686	34,620	1,885	95,191
Supplies	1,740	4,953	440	40,124	32	14,901	3,222	10,290	1,666	616	77,984	12,135	2,959	93,078
Telephones	652	464	198	6,478	653	2,289	2,631	42,596	-	-	55,961	4,021	1,726	61,708
Online services	-	-	-	-	245	1,157	-	-	-	-	1,402	88	10	1,500
Postage and shipping	142	804	198	32,289	98,517	2,602	2,394	23,669	-	-	160,615	8,126	2,440	171,181
Occupancy	-	-	-	12,693	6,046	8,623	15,539	3,991	-	50,000	96,892	3,023	15,237	115,152
Equipment rental	-	-	-	5,690	97	102	248	64	-	-	6,201	48	243	6,492
Equipment repair and maintenance	-	-	-	8,514	141	169	362	93	-	-	9,279	619	7,371	17,269
Printing and publication	2,404	3,500	-	15,985	199,098	28,788	2,673	13,163	-	-	265,611	9,664	5,940	281,215
Travel	37,611	48,262	25,990	88,591	-	7,776	12,709	6,849	1,304	4,192	233,284	22,569	11,953	267,806
Conferences and meetings	85,889	72,947	47,870	309,657	102	37,804	32,886	6,666	19,989	17,588	631,398	33,491	3,426	668,315
Dues and subscriptions	394	-	-	-	-	-	8,357	-	-	-	8,751	228	60	9,039
Licenses and fees	-	-	-	-	-	-	-	-	-	-	-	3,322	11,041	14,363
Utilities	-	-	-	133	78	82	201	52	-	-	546	39	197	782
Insurance	-	-	-	-	-	-	-	-	-	-	-	9,624	-	9,624
Bad debt expense	-	-	-	-	-	-	-	-	-	-	-	10,750	-	10,750
Special events	-	-	-	-	-	-	-	-	-	-	-	-	17,271	17,271
Total expenses before depreciation	319,491	1,023,016	103,270	739,608	510,676	392,319	235,810	160,112	122,034	114,141	3,720,477	251,223	325,164	4,296,864
Depreciation and amortization	-	-	-	959	-	-	-	-	-	-	959	7,880	-	8,839
Total expenses	\$ 319,491	\$ 1,023,016	\$ 103,270	\$ 740,567	\$ 510,676	\$ 392,319	\$ 235,810	\$ 160,112	\$ 122,034	\$ 114,141	\$ 3,721,436	\$ 259,103	\$ 325,164	\$ 4,305,703

See accompanying summary of significant accounting policies and notes to consolidated financial statements.

COPD Foundation, Inc.

Consolidated Statements of Cash Flows

<i>Years ended June 30,</i>	2011	2010
Operating Activities		
Increase (decrease) in net assets	\$ 2,027,468	\$ (21,006)
Adjustments to reconcile (decrease) increase in net assets to net cash (used in) provided by operating activities		
Depreciation	11,300	8,839
Net realized/unrealized (gain) loss on investments	(97,734)	20,753
Bad debt expense	28,800	10,750
Changes in operating assets and liabilities:		
Increase in accounts receivable	(666,268)	(80,161)
Decrease (increase) in prepaid expenses	142,229	(151,295)
(Decrease) increase in accounts payable and accrued expenses	(1,948)	127,056
Net cash provided by (used in) operating activities	1,443,847	(85,064)
Investing Activities		
Purchase of marketable securities	(905,655)	(711,980)
Redemption of marketable securities	131,881	-
Purchase of property and equipment	(15,174)	(5,879)
Net cash used in investing activities	(788,948)	(717,859)
Financing Activities		
Increase in amounts due to Alpha-1 Foundation	-	18,676
Decrease in amounts due to Alpha-1 Foundation	(21,652)	-
Net cash (used in) provided by financing activities	(21,652)	18,676
Net increase (decrease) in cash	633,247	(784,247)
Cash and cash equivalent, at beginning of year	1,333,173	2,117,420
Cash and cash equivalent, at end of year	\$ 1,966,420	\$ 1,333,173

See accompanying summary of significant accounting policies and notes to consolidated financial statements.

COPD Foundation, Inc.

Summary of Significant Accounting Policies

Organization and principles of consolidation

COPD Foundation, Inc. ("COPD Foundation") was incorporated as a not-for-profit organization under the laws of the State of Florida in 2004. COPD Foundation consolidates with Alpha-1 Foundation, Inc. ("Alpha-1 Foundation") as a result of Alpha-1 Foundation having the ability to appoint a majority of the members of the COPD Foundation's Executive Committee. As a result of this control, the financial statements of COPD Foundation have been consolidated with Alpha-1 Foundation for the years ended June 30, 2011 and 2010, and are presented as a part of the Alpha-1 Foundation Inc. consolidated financial statements. The mission of the COPD Foundation is to support charitable, educational and scientific programs, and to identify and serve persons throughout the United States whose lives are impacted by a diagnosis of chronic obstructive pulmonary disease ("COPD"), which includes those with Alpha-1.

Respiratory Logistics, Inc. ("RLI") is a for-profit entity incorporated under the laws of the State of Delaware in 2009. RLI's mission is to develop and manage commercial activities that are consistent with the overall goals and objectives of the COPD Foundation and to generate recurring sources of revenue to support the activities of the COPD Foundation. COPD Foundation is the sole shareholder of Respiratory Logistics, Inc. Accordingly, the two entities, collectively referred to as the "Organization", have been consolidated herein. All significant inter-company transactions have been eliminated in consolidation.

Basis of Accounting and Presentation

The financial statements have been prepared on the accrual basis of accounting. Classification of the Organization's net assets, revenues and expenses are based on the existence or absence of donor-imposed restrictions. The Organization classifies net assets by the following categories:

- **Unrestricted** - Net assets which are free of donor-imposed restrictions; all revenues, expenses, gains, and losses that are not changes in permanently or temporarily restricted net assets.
- **Temporarily Restricted** - Net assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or that can be fulfilled or removed by actions of the Organization pursuant to those stipulations. The Organization had temporarily restricted net assets of \$3,872,620 and \$1,696,579 as of June 30, 2011 and 2010, respectively.
- **Permanently Restricted** - Net assets whose use by the Organization is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Organization. The Organization did not have any permanently restricted net assets as of June 30, 2011 and 2010.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with maturities of three months or less.

COPD Foundation, Inc.

Summary of Significant Accounting Policies

Marketable Securities

Investments in marketable securities with readily determinable fair values and investments in debt securities are carried at their estimated fair values in the consolidated statements of financial position. Realized and unrealized gains and losses are included in the change in net assets in the accompanying consolidated statements of activities and changes in net assets.

Accounts Receivable

Accounts receivable represent amounts due in the normal course of business. Management periodically performs a review of its accounts receivable balances to determine if they are impaired based on factors affecting the collectibility of those balances. Management's estimate of collectibility of these receivables requires management to exercise significant judgment about the timing, frequency and severity of collection losses, if any, which may affect recoverability of such receivables. The allowance for bad debts amounted to \$39,550 as of June 30, 2011. No allowances were required as of June 30, 2010.

Property and Equipment

Property and equipment are recorded at cost or, if donated, at estimated fair market value at the date of donation. Depreciation is provided on the straight-line basis over the estimated useful lives of the assets, ranging from five to seven years.

Fund Raising

Revenues from special fund raising events, and the related expenses incurred in generating such revenues are included in "Fund raising revenues" and "Unrestricted expenses - Fund raising," respectively in the accompanying June 30, 2011 and 2010 statements of activities and changes in net assets.

During the year ended June 30, 2011, the following fund raising special events were sponsored by the Organization:

	Revenues	Direct Expenses	Net
COPD Cocktail Reception	\$ 198,895	\$ (93,567)	\$ 105,328
Other events	77,175	(62,803)	14,372
	\$ 276,070	\$ (156,370)	\$ 119,700

During the year ended June 30, 2010, the following fund raising special events were sponsored by the Organization:

	Revenues	Direct Expenses	Net
Cocktail Reception	\$ 305,325	\$ (17,271)	\$ 288,054
	\$ 305,325	\$ (17,271)	\$ 288,054

COPD Foundation, Inc.

Summary of Significant Accounting Policies

Income Taxes

COPD Foundation is exempt from Federal income taxes under Section 501 (c)(3) of the Internal Revenue Code. Accordingly, the financial statements do not include an income tax provision, except for certain taxable transactions. During the years ended June 30, 2011 and 2010, COPD Foundation did not have taxable transactions.

The Organization adopted the provisions of FASB ASC 740 (formerly FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes - An Interpretation of FASB Statement No. 109* ("FIN 48")). Under ASC 740, the Organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more-likely-than-not that the position will be sustained. The adoption of ASC 740 had no impact on the Organization's consolidated financial statements. Management of the Organization does not believe there are any material uncertain tax positions and accordingly has not recognized any liability for unrecognized tax benefits. The Organization has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, the Organization has filed Internal Revenue Service Form 990 tax returns as required and all other applicable returns in those jurisdictions where it is required. The Organization believes that it is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2008. However, the Organization is still open to examination by taxing authorities from fiscal year 2008 forward. For the year ended June 30, 2011, there was no interest or penalties recorded or included in the statements of activities and changes in net assets.

RLI is a for-profit entity which pays federal income tax. For the period ended June 30, 2011, RLI recorded net operating losses of \$126,853 that will be used to offset taxes relating to the future years' income. Deferred taxes are not material to the consolidated financial statements and due to the relatively early stages of the operations with no proven earnings history, a full valuation allowance was recorded against such assets.

Allocation of Functional Expenses

Identifiable expenditures made in direct fulfillment of the Organization's expressed goals are classified as program services. The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of functional expenses. Certain common expenses have been allocated among the programs and supporting services based upon management's estimate including factors such as time spent or space utilized.

Volunteer Services

The Organization utilizes the services of volunteers in their fund raising campaigns. Because there is no objective means of valuing such services, no amounts for such services are recorded in the accompanying financial statements.

COPD Foundation, Inc.

Summary of Significant Accounting Policies

Use of Estimates

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

Concentration of Credit Risk

Financial instruments, which potentially subject the Organization to significant concentrations of credit risk, consist principally of cash and cash equivalents, and investments. All the Organization's non-interest bearing accounts are fully insured at June 30, 2011 due to a temporary federal program in effect from December 31, 2010 through December 31, 2012. Under the program, there is no limit to the amount of insurance for eligible accounts. Beginning 2013, the insurance coverage will revert to the \$250,000 per depositor at each financial institution, and the Organization non-interest bearing cash accounts may exceed federally insured limits.

The Organization invests in a variety of publicly traded investment vehicles, including common stocks and corporate debt securities totaling \$1,562,735 and \$691,227 as of June 30, 2011 and 2010, respectively. Management seeks to mitigate risks inherent in the Foundation's investment portfolio by investing primarily in highly-rated financial instruments and through regular monitoring of the Organization's investment portfolio.

Fair Value Measurements

The Organization adopted the provisions of ASC Topic 820 (SFAS 157) - *Fair Value Measurements and Disclosures*, related to financial assets and financial liabilities.

ASC Topic 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market, or if none exists, the most advantageous market, for the specific asset or liability at the measurement date (the exit price). The fair value should be based on assumptions that market participants would use when pricing the asset or liability. ASC Topic 820 establishes a fair value hierarchy that prioritizes the information used in measuring fair value as follows:

- Level 1** Inputs include unadjusted quoted prices in active markets for identical assets or liabilities that can be accessed at the measurement date.
- Level 2** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3** Inputs that are significant to the measurement that are not observable in the market and include management's judgments about the assumptions market participants would use in pricing the asset or liability (including assumptions about risk).

COPD Foundation, Inc.

Summary of Significant Accounting Policies

The Organization measures fair value as an exit price using the procedures described below for all assets and liabilities measured at fair value. When available, the Organization uses unadjusted quoted market prices to measure fair value and classifies such items within Level 1. If quoted market prices were not available, fair value would be based upon internally or third party developed models that use, where possible, current market-based or independently-sourced market parameters such as interest rates and currency rates. Items valued using internally generated models would be classified according to the lowest level input or value driver that is significant to the valuation.

The Organization's marketable securities are valued using Level 1 inputs at June 30, 2011 and 2010.

Reclassifications

Certain prior year balances have been reclassified to conform with the current year presentation.

Subsequent Events

The date to which events occurring after June 30, 2011, the date of the most recent statement of financial position, has been evaluated for possible adjustment to the financial statements or disclosure is October 18, 2011.

COPD Foundation, Inc.

Notes to Consolidated Financial Statements

1. Marketable Securities

At June 30, 2011 and 2010, marketable securities consisted primarily of corporate equity and debt securities. Net unrealized gain/(loss) on the Organization's investment portfolio for the years ended June 30, 2011 and 2010, was \$79,040 and \$20,753.

Investments consist of the following at June 30,:

	2011	2010
Corporate debt securities	\$ 413,325	416,659
Corporate equity securities	1,149,410	274,568
Total investments	1,562,735	691,227
Current	1,352,779	274,568
Non-current	\$ 209,956	416,659

The following summarizes the contractual scheduled maturities of the Organization's investments in corporate debt securities at face value:

<i>Year ended June 30,</i>	<i>Amount</i>
2012	\$ 200,000
2013	100,000
2015	100,000
	\$ 400,000

As of June 30, 2011, yields on the Organization's corporate debt securities investments maturing through the year 2015 ranged from approximately 3.20% to 5.30%.

2. Property and Equipment

Property and equipment consists of the following at June 30:

	2011	2010
Furniture and equipment	\$ 47,584	\$ 32,410
Less: Accumulated depreciation	(26,647)	(15,347)
	\$ 20,937	\$ 17,063

COPD Foundation, Inc.

Notes to Consolidated Financial Statements

3. Commitments and Contingencies

Healthcare Legislation

Certain healthcare-related legislation has been approved and legislation is expected to continue to be introduced in the U.S. Congress and the State of Florida Legislature. Such legislation may address, among other things, benefits provided, insurance coverage and provider reimbursement. It is possible that such legislation could result in a reduction in Medicare and Medicaid spending over the next several years.

At this time, it is not possible to determine the impact, on the Organization, of any national or state healthcare-related legislation that might be enacted. However, any spending reductions in healthcare coverage or services would likely have an adverse impact on operating results and cash flows. Should such spending reductions be imposed, management believes it can make changes to the Organization's cost structures to reduce the adverse impact. However, there is no assurance that such changes will be sufficient.

4. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following at June 30:

	2011	2010
Research Network	\$ 3,110,001	\$ 1,133,371
Other Services	762,619	563,208
	\$ 3,872,620	\$ 1,696,579

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes as follows:

<i>Years ended June 30,</i>	2011	2010
Research Network	\$ 1,043,031	\$ 1,543,156
Other Services	946,699	840,032
Total restrictions released	\$ 1,989,730	\$ 2,383,188

COPD Foundation, Inc.

Notes to Consolidated Financial Statements

5. Transactions with Related Parties

As of June 30, 2011 and 2010, the Organization has a balance due to Alpha-1 Foundation, Inc. of \$22,719 and \$44,371, respectively.

During the years ended June 30, 2011 and 2010, Alpha-1 Foundation, Inc. charged to the Organization \$35,290 and \$45,229, respectively, for time spent by Alpha-1 Foundation employees on COPD Foundation projects.

During the years ended June 30, 2011 and 2010, Alpha-1 Foundation made contributions to the Organization of \$125,000 each year for services rendered by certain Alpha-1 Foundation, Inc.'s officers to the Organization. This was recorded as revenue and an expense in the consolidated statement of activities and changes in net assets.

6. Grant Commitments

The Organization provides resources to different institutions to conduct research related to COPD. The projects include clinical research, screening, detection, education, in order to improve health and a cure for COPD. Awards and grants expense for the years ended June 30, 2011 and 2010 was approximately \$410,185 and \$885,593, respectively. As of June 30, 2011 and 2010, the Organization accrued \$0 and \$64,311 as future grant commitments, respectively.

Supplemental Information

COPD Foundation, Inc.

Statements of Financial Position

<i>June 30,</i>	2011	2010
Assets		
Current Assets		
Cash and cash equivalents (includes \$274,757 and \$194,374, respectively, which has been restricted by the donor)	\$ 1,934,204	\$ 1,327,509
Marketable securities	1,352,779	274,568
Accounts receivable, net of allowance for bad debts	796,280	158,812
Due from RLI	-	2,697
Prepaid expenses	19,449	21,678
Total current assets	4,102,712	1,785,264
Marketable securities - non-current	209,956	416,659
Investment in RLI	250,000	250,000
Property, plant & equipment, net	20,937	17,063
Total assets	\$ 4,583,605	\$ 2,468,986
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 405,685	\$ 423,735
Due to Alpha-1 Foundation	22,719	44,371
Total current liabilities	428,404	468,106
Net Assets		
Unrestricted	282,581	304,301
Temporarily restricted	3,872,620	1,696,579
Total net assets	4,155,201	2,000,880
Total liabilities and net assets	\$ 4,583,605	\$ 2,468,986

See Report of Independent Auditors

COPD Foundation, Inc.

Statements of Activities and Change in Net Assets

<i>Years ended June 30,</i>	2011	2010
Changes in Unrestricted Net Assets		
Unrestricted Support and Revenue		
Contributions, bequests and grant revenues	\$ 1,190,760	\$ 1,556,188
Investment and interest (loss) income, net	128,938	(18,154)
Other income	560,434	539,229
Net assets released from restrictions - satisfaction of program restrictions	1,989,730	2,383,188
Total unrestricted support and revenue	3,869,862	4,460,451
Unrestricted Expenses		
Program services		
COPD Publications	597,653	510,676
COPD Gene Study	459,917	1,023,016
COPD Patient Education	443,654	392,319
COPD Biomarkers Qualification Consortium	398,290	103,270
COPD Public Policy	326,567	235,810
COPD Research Network	294,212	319,491
Mobile Spirometry Unit	254,593	740,567
COPD Information Line	228,992	160,112
COPD Medical Education	36,631	122,034
Total program services	3,040,509	3,607,295
Supporting Services		
Fund raising	449,214	325,164
Administration and general	401,859	259,103
Total administration and general	851,073	584,267
Total unrestricted expenses	3,891,582	4,191,562
(Decrease) increase in unrestricted net assets	(21,720)	268,889
Changes in Temporarily Restricted Net Assets		
Contributions, bequests and grant revenues	4,165,771	2,207,434
Net assets released from restrictions	(1,989,730)	(2,383,188)
Increase (decrease) in temporarily restricted net assets	2,176,041	(175,754)
Increase in net assets	2,154,321	93,135
Net assets, beginning of year	2,000,880	1,907,745
Net assets, end of year	\$ 4,155,201	\$ 2,000,880

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Respiratory Logistics, Inc., Inc.

Balance Sheets

<i>June 30,</i>	2011	2010
Assets		
Cash and cash equivalents	\$ 32,216	\$ 5,664
Prepaid expenses	-	140,000
Total assets	\$ 32,216	\$ 145,664
Liabilities and Stockholder's Equity		
Current Liabilities		
Accounts payable	\$ 23,210	\$ 7,108
Due to COPD Foundation	-	2,697
Total current liabilities	23,210	9,805
Stockholder's equity		
Common stock \$0.01 par value authorized shares- 100,000 issued and outstanding	1,000	1,000
Additional paid in capital	249,000	249,000
Accumulated deficit	(240,994)	(114,141)
Total stockholder's equity	9,006	135,859
Total liabilities and stockholder's equity	\$ 32,216	\$ 145,664

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Respiratory Logistics, Inc., Inc.

Statements of Operations

<i>Years ended June 30,</i>	2011	2010
Revenues	115,000	-
Expenses		
Rent	205,800	50,000
Contract and professional fees	25,172	41,745
Travel, conferences and meetings	6,438	21,780
Office expenses	4,443	616
Net loss	(126,853)	(114,141)

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