



COPD Foundation, Inc.

Consolidated Financial Statements
Years Ended June 30, 2015 and 2014

The report accompanying these financial statements was issued by BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of BDO International Limited, a UK company limited by guarantee.



COPD Foundation, Inc.

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Independent Auditor's Report

Board of Directors
COPD Foundation, Inc.
Coral Gables, Florida

We have audited the accompanying consolidated financial statements of COPD Foundation, Inc. and its subsidiary, which comprise the consolidated statements of financial position as of June 30, 2015 and 2014, and the related consolidated statements of activities and change in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of COPD Foundation, Inc. and its subsidiary as of June 30, 2015 and 2014, 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.

Independent Auditor's Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on those statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

September 14, 2015

A handwritten signature in black ink that reads 'BDO USA, LLP'. The signature is written in a cursive, flowing style.

Certified Public Accountants

COPD Foundation, Inc.
Consolidated Statements of Financial Position

<i>June 30,</i>	2015	2014
Assets		
Current Assets		
Cash and cash equivalents (includes \$1,727 and \$116,489 at June 30, 2015 and 2014, respectively, which has been temporarily restricted by the donor)	\$ 1,960,533	\$ 857,599
Investment securities (Note 1)	1,859,515	1,516,661
Accounts receivable, net - current (Note 2)	1,331,612	897,458
Prepaid expenses	27,207	24,345
Total current assets	5,178,867	3,296,063
Investment securities - non-current (Note 1)	703,260	158,391
Accounts receivable, net - non-current (Note 2)	1,023,623	-
Property and equipment, net (Note 3)	7,296	11,811
Total assets	\$ 6,913,046	\$ 3,466,265
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 607,828	\$ 1,202,764
Deferred revenue (Note 4)	2,037,614	44,000
Total current liabilities	2,645,442	1,246,764
Commitments and Contingencies (Note 4)		
Net Assets		
Unrestricted	(461,679)	(545,643)
Temporarily restricted (Note 5)	4,729,283	2,765,144
Total net assets	4,267,604	2,219,501
Total liabilities and net assets	\$ 6,913,046	\$ 3,466,265

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>	2015	2014
Changes in Unrestricted Net Assets		
Unrestricted Support and Revenue		
Contributions, bequests and grant revenues	\$ 4,712,088	\$ 894,618
Investment and interest income, net	(25,653)	184,519
Publications, special events, and other income	870,304	867,681
Net assets released from restrictions - satisfaction of program restrictions (Note 5)	2,464,634	5,991,301
Total unrestricted support and revenue	8,021,373	7,938,119
Unrestricted Expenses		
DRIVE4COPD	337,165	3,213,863
COPD Educational Programs	1,445,206	989,534
COPD Biomarkers Qualification Consortium	477,938	795,823
COPD Gene Study	992,278	665,746
COPD Publications	467,627	552,727
COPD Information Line	202,508	496,515
COPD Public Policy	705,724	483,853
COPD Research Network	861,520	429,403
COPD PCORI	861,078	163,460
COPD Mobile Spirometry Unit	47,048	75,149
Respiratory Logistics	915	759
Total program services	6,399,007	7,866,832
Supporting services		
Administration and general	714,637	681,667
Fund raising	823,765	458,060
Total supporting services	1,538,402	1,139,727
Total unrestricted expenses	7,937,409	9,006,559
(Increase) decrease in unrestricted net assets	83,964	(1,068,440)
Changes in Temporarily Restricted Net Assets		
Contributions, bequests and grant revenues	4,428,773	5,906,008
Net assets released from restrictions (Note 5)	(2,464,634)	(5,991,301)
Increase (decrease) in temporarily restricted net assets	1,964,139	(85,293)
Increase (decrease) in net assets	2,048,103	(1,153,733)
Net assets, beginning of year	2,219,501	3,373,234
Net assets, end of year	\$ 4,267,604	\$ 2,219,501

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, 2015

	DRIVE4COPD	COPD Educational Programs	COPD Biomarkers Qualification Consortium	COPD Gene Study	COPD Publications	COPD Information Line	COPD Public Policy	COPD Research Programs	PCORI	Mobile Spirometry Program	Respiratory Logistics	Total Program Services	Administrative and General	Fund Raising	Year ended June 30, 2015 Total
Awards and grants	\$ -	\$ -	\$ 27,694	\$ 339,396	\$ -	\$ -	\$ -	\$ 86,046	\$ -	\$ -	\$ -	\$ 453,136	\$ -	\$ -	\$ 453,136
Management fees (Note 6)	-	-	-	-	-	-	-	-	-	-	-	-	112,500	-	112,500
Salaries	165,741	228,536	11,119	44,013	14,654	5,560	207,186	151,854	207,638	17,827	-	1,054,128	170,567	309,776	1,534,471
Payroll taxes	9,928	17,171	851	3,358	1,100	425	14,912	11,221	15,314	1,250	-	75,530	13,988	21,557	111,075
Employee benefits	21,637	31,730	1,252	7,965	3,108	626	29,847	23,002	36,406	3,314	-	158,887	24,751	42,121	225,759
Contract services	111,699	708,929	403,966	414,165	209,866	191,356	355,595	530,401	491,798	351	-	3,418,126	43,470	120,119	3,581,715
Professional fees	-	17,278	175	218	3,148	-	1,932	15,673	15,078	-	-	53,502	47,670	5,704	106,876
Supplies	444	12,997	-	158	521	-	3,283	415	7,539	1,680	915	27,952	14,318	7,473	49,743
Telephones	782	9,018	210	1,973	-	4,127	3,631	1,920	395	871	-	22,927	14,256	1,729	38,912
Online services	60	28,822	2,366	-	714	89	9,641	1,260	458	-	-	43,410	24,293	2,135	69,838
Postage and shipping	2,511	40,276	207	318	104,416	-	3,875	250	19,173	2,800	-	173,826	2,558	2,861	179,245
Occupancy	22,620	-	-	-	-	-	-	-	-	200	-	22,820	113,451	-	136,271
Equipment repair and maintenance	-	-	-	-	-	-	-	-	-	-	-	-	6,083	7,583	13,666
Printing and publication	-	112,642	-	-	123,948	-	539	1,013	51,092	-	-	289,234	1,451	3,719	294,404
Travel	1,545	161,907	17,332	172,547	4,714	325	51,598	33,206	12,780	10,783	-	466,737	53,887	116,915	637,539
Conferences and meetings	-	69,264	12,766	8,167	1,163	-	4,032	5,259	3,407	7,893	-	111,951	755	22,651	135,357
Dues and subscriptions	198	6,636	-	-	275	-	19,653	-	-	79	-	26,841	7,494	3,168	37,503
Licenses and fees	-	-	-	-	-	-	-	-	-	-	-	-	24,979	25,029	50,008
Utilities	-	-	-	-	-	-	-	-	-	-	-	-	2,147	-	2,147
Insurance	-	-	-	-	-	-	-	-	-	-	-	-	29,526	295	29,821
Special events	-	-	-	-	-	-	-	-	-	-	-	-	-	130,930	130,930
Total expenses before depreciation	337,165	1,445,206	477,938	992,278	467,627	202,508	705,724	861,520	861,078	47,048	915	6,399,007	708,144	823,765	7,930,916
Depreciation and amortization	-	-	-	-	-	-	-	-	-	-	-	-	6,493	-	6,493
Total expenses	\$ 337,165	\$ 1,445,206	\$ 477,938	\$ 992,278	\$ 467,627	\$ 202,508	\$ 705,724	\$ 861,520	\$ 861,078	\$ 47,048	\$ 915	\$ 6,399,007	\$ 714,637	\$ 823,765	\$ 7,937,409

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

COPD Foundation, Inc.

Consolidated Statement of Functional Expenses for the Year Ended June 30, 2014

	COPD											Total Program Services	Administrative and General	Fund Raising	Year Ended 30-Jun-14 Total
	DRIVE4COPD	COPD Educational Programs	Biomarkers Qualification Consortium	COPD Gene Study	COPD Publications	COPD Information Line	COPD Public Policy	COPD Research Programs	PCORI	Mobile Spirometry Program	Respiratory Logistics				
Awards and grants	\$ 115,268	\$ -	\$ 27,694	\$ 192,510	\$ -	\$ -	\$ 13,500	\$ 270,546	\$ -	\$ -	\$ -	\$ 619,518	\$ -	\$ -	\$ 619,518
Management fees	-	-	-	-	-	-	-	-	-	-	-	-	112,500	-	112,500
Salaries	409,725	215,954	12,047	45,164	34,267	6,023	157,997	38,225	95,599	906	-	1,015,907	109,851	199,534	1,325,292
Payroll taxes	30,757	16,233	851	3,301	2,542	425	11,752	2,805	7,588	70	-	76,324	12,710	15,171	104,205
Employee benefits	52,583	27,466	1,131	7,615	8,144	566	15,330	6,921	16,165	215	-	136,136	14,239	32,863	183,238
Contract services	2,246,725	386,963	710,275	292,293	212,215	476,204	110,421	63,949	7,761	3,905	-	4,510,711	70,004	21,940	4,602,655
Professional fees	2,793	10,796	-	1,397	3,083	1,261	1,116	7,988	19,868	-	-	48,302	44,820	97	93,219
Supplies	97,621	43,546	240	1,959	-	1,197	25,861	52	-	5,787	759	177,022	9,685	4,257	190,964
Telephones	3,064	5,328	452	1,989	-	10,839	5,443	2,118	-	452	-	29,685	19,608	1,351	50,644
Online services	-	21,127	3,028	-	-	-	-	-	-	-	-	24,155	19,633	859	44,647
Postage and shipping	12,718	58,325	363	138	123,120	-	3,876	2,739	46	4,730	-	206,055	3,900	4,164	214,119
Occupancy	45,840	3,036	-	-	-	-	-	-	-	-	-	48,876	102,935	-	151,811
Repair and maintenance	-	-	-	-	-	-	-	-	-	-	-	-	2,543	13,533	16,076
Printing and publication	9,356	151,568	1,939	2,048	162,626	-	5,464	6,734	117	460	-	340,312	12,008	10,164	362,484
Travel	83,876	24,642	7,228	44,234	1,130	-	42,429	8,515	9,653	9,646	-	231,353	26,854	15,926	274,133
Conferences and meetings	93,445	21,646	30,575	73,098	5,394	-	61,728	18,811	6,663	48,978	-	360,338	49,936	14,312	424,586
Dues and subscriptions	10,092	2,904	-	-	206	-	28,936	-	-	-	-	42,138	10,501	10,807	63,446
Licenses and fees	-	-	-	-	-	-	-	-	-	-	-	-	31,646	12,569	44,215
Utilities	-	-	-	-	-	-	-	-	-	-	-	-	45	-	45
Insurance	-	-	-	-	-	-	-	-	-	-	-	-	20,839	10,926	31,765
Special events	-	-	-	-	-	-	-	-	-	-	-	-	-	89,587	89,587
Total expenses before depreciation	3,213,863	989,534	795,823	665,746	552,727	496,515	483,853	429,403	163,460	75,149	759	7,866,832	674,257	458,060	8,999,149
Depreciation and amortization	-	-	-	-	-	-	-	-	-	-	-	-	7,410	-	7,410
Total expenses	\$ 3,213,863	\$ 989,534	\$ 795,823	\$ 665,746	\$ 552,727	\$ 496,515	\$ 483,853	\$ 429,403	\$ 163,460	\$ 75,149	\$ 759	\$ 7,866,832	\$ 681,667	\$ 458,060	\$ 9,006,559

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>	2015	2014
Operating Activities		
Increase (decrease) in net assets	\$ 2,048,103	\$ (1,153,733)
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Depreciation	6,493	7,410
Net realized/unrealized loss (gain) on investments	25,653	(184,519)
Donated shares	(112,055)	-
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(1,457,777)	35,769
(Increase) decrease in prepaid expenses	(2,862)	16,444
(Decrease) in accounts payable and accrued expenses	(594,936)	(902)
Increase in deferred revenue	1,993,614	23,000
Net cash provided by (used in) operating activities	1,906,233	(1,256,531)
Investing Activities		
Purchase of Investment securities	(1,316,723)	(947,561)
Redemption of Investment securities	515,402	1,392,155
Purchase of property and equipment	(1,978)	(3,495)
Net cash (used in) provided by investing activities	(803,299)	441,099
Financing Activities		
Decrease in amounts due to Alpha-1 Foundation, net	-	(2,830)
Net cash used in financing activities	-	(2,830)
Net increase (decrease) in cash	1,102,934	(818,262)
Cash and cash equivalent, at beginning of year	857,599	1,675,861
Cash and cash equivalent, at end of year	\$ 1,960,533	\$ 857,599

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

COPD Foundation, Inc.

Summary of Significant Accounting Policies

Foundation 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. 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. Prior to January 1, 2013, Alpha-1 Foundation had the ability to appoint a majority of the members of the COPD Foundation's Executive Committee, and COPD Foundation was consolidated under the Alpha-1 Foundation, Inc. ("Alpha-1 Foundation"). On December 31, 2012, the Board of Alpha-1 Foundation passed a resolution where it can no longer appoint the majority of Executive Committee for COPD Foundation and that there can be no overlap of Executive Committees between the two Foundations. As a result of this change in control, the COPD Foundation is no longer consolidated to Alpha-1 Foundation beginning January 1, 2013.

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 "Foundation", 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 Foundation's net assets, revenues and expenses are based on the existence or absence of donor-imposed restrictions. The Foundation 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 Foundation is limited by donor-imposed stipulations that either expire by passage of time or that can be fulfilled or removed by actions of the Foundation pursuant to those stipulations. The Foundation had temporarily restricted net assets of \$4,729,283 and \$2,765,144 as of June 30, 2015 and 2014, respectively.
- **Permanently Restricted** - Net assets whose use by the Foundation 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 Foundation. The Foundation did not have any permanently restricted net assets as of June 30, 2015 and 2014.

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

Investment securities

Investments in 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 pledges receivable and other miscellaneous receivables. Management periodically performs a review of its accounts receivable balances to determine if they are impaired based on factors affecting the collectability of those balances. Management's estimate of collectability 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. Management believes that no allowances were required as of June 30, 2015 and 2014 respectively.

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.

Fundraising

Revenues from special fundraising events, and the related expenses incurred in generating such revenues are included in "Publications, special events, and other income" and "Unrestricted expenses - Fundraising," respectively in the accompanying June 30, 2015 and 2014 statements of activities and changes in net assets.

During the year ended June 30, 2015, the following fundraising special events were sponsored by the Foundation:

	Revenues	Direct Expenses	Net
COPD Awards Benefit Reception	\$ 331,778	\$(130,930)	\$ 200,848
	\$ 331,778	\$(130,930)	\$ 200,848

During the year ended June 30, 2014, the following fundraising special events were sponsored by the Foundation:

	Revenues	Direct Expenses	Net
COPD Awards Benefit Reception	\$ 275,810	\$(89,587)	\$ 186,223
	\$ 275,810	\$(89,587)	\$ 186,223

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, 2015 and 2014, COPD Foundation did not have taxable transactions.

The Foundation adopted the provisions of Financial Accounting Standards Board ("FASB") Accounting Standard Codification ("ASC") No. 740 *Income Taxes*. Under ASC 740, the Foundation 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 Foundation's consolidated financial statements. Management of the Foundation does not believe there are any material uncertain tax positions and accordingly has not recognized any liability for unrecognized tax benefits. The Foundation has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, the Foundation has filed Internal Revenue Service Form 990 tax returns as required and all other applicable returns in those jurisdictions where it is required. The Foundation 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 2012. However, the Foundation is still open to examination by taxing authorities from fiscal year 2012 forward. For the year ended June 30, 2015, there was no interest or tax 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, 2015 and 2014, RLI recorded a net loss of \$915 and \$759, respectively. 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 Foundation'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 consolidated 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 Foundation utilizes the services of volunteers in their fundraising campaigns. Because there is no objective means of valuing such services, no amounts for such services are recorded in the accompanying consolidated 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 Foundation to significant concentrations of credit risk, consist principally of cash and cash equivalents, and Investment securities. As of June 30, 2015 and 2014 the Foundation had cash and cash equivalent in excess of federally insured limits of \$1,615,155 and \$547,905.

The Foundation invests in a variety of publicly traded investment vehicles, including corporate debt and equity securities totaling \$2,562,775 and \$1,675,052 as of June 30, 2015 and 2014, 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 Foundation's investment portfolio.

Fair Value Measurements

The Foundation adopted the provisions of ASC Topic 820 *Fair Value Measurements*, 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 Foundation measures fair value as an exit price using the procedures described below for all assets and liabilities measured at fair value. When available, the Foundation 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 Foundation's Investment securities are valued using Level 1 inputs at June 30, 2015 and 2014.

Subsequent Events

The date to which events occurring after June 30, 2015, the date of the most recent statement of financial position, has been evaluated for possible adjustment to the financial statements or disclosure is September 14, 2015.

COPD Foundation, Inc.

Notes to Consolidated Financial Statements

1. Investment securities

At June 30, 2015 and 2014, Investment securities consisted primarily of corporate equity and debt securities. Net unrealized (loss) on the Foundation's investment portfolio for the years ended June 30, 2015 and 2014, was (\$68,930) and (\$20,663), respectively.

Investments consist of the following at June 30:

	2015	2014
Corporate equity securities	\$ 1,859,515	\$ 1,414,899
Corporate debt securities	703,260	260,153
Total investments	2,562,775	1,675,052
Current	(1,859,515)	(1,516,661)
Non-current	\$ 703,260	\$ 158,391

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

<i>Year ended June 30,</i>	<i>Amount</i>
2017	\$ 500,000
2018	200,000
	\$ 700,000

As of June 30, 2015, yields on the Foundation's corporate debt securities investments maturing through the year 2018 ranged from approximately 1.00% to 3.75%.

2. Accounts Receivable

Accounts receivable represents pledges receivable and other miscellaneous receivables. Pledge receivables that are unconditional promises to give that represent a period of more than one year are measured at present value of future cash flows based on a discount rate of 2% at June 30, 2015 and 2014.

COPD Foundation, Inc.

Notes to Consolidated Financial Statements

As of June 30, 2015 and 2014, outstanding accounts receivable are as follows:

	Program	2015	2014
Pledges receivable			
Grifols	Unrestricted	\$ 150,000	\$ 300,000
University of Illinois	PCORI	119,540	74,096
AstraZeneca	COPD Gene Study	343,000	100,000
Medimmune, LLC	COPD Gene Study	167,000	-
Novartis	COPD Gene Study	800,000	250,000
Kellen Foundation	Research Net	568,534	-
PCORI	PCORI	99,708	45,233
Subtotal		2,247,782	769,329
Less: Discount		(27,645)	-
Total pledges receivable		2,220,137	769,329
Other receivables			
GlaxoSmithKline		-	25,000
Medical Dynamics		29,322	-
Others		105,775	103,129
Subtotal		135,097	128,129
Total accounts receivable		2,355,234	897,458
Less: Noncurrent (over 1 year)		(1,023,622)	-
Current		\$ 1,331,612	\$ 897,458

3. Property and Equipment

Property and equipment consists of the following at June 30:

	2015	2014
Furniture and equipment	\$ 64,180	\$ 62,202
Less: Accumulated depreciation	(56,884)	(50,391)
	\$ 7,296	\$ 11,811

4. 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.

COPD Foundation, Inc.

Notes to Consolidated Financial Statements

At this time, it is not possible to determine the impact, on the Foundation, 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 Foundation's cost structures to reduce the adverse impact. However, there is no assurance that such changes will be sufficient.

NASCAR Sponsorship Agreement

In January 2012, COPD Foundation entered into a Sponsorship Agreement with the National Association for Stock Car Auto Racing, Inc. ("NASCAR") whereby NASCAR provides advertising services. The agreement is for a period of three years ending in 2014. Annual Rights Fee amounted to \$0 and \$1,250,000, for the years ended June 30, 2015 and 2014, respectively, and the Annual Commitment Fee amounted to \$0 and \$250,000 for the years ended June 30, 2015 and 2014, for a total expense of \$0 and \$1,500,000, for the years ended June 30, 2015 and 2014, respectively, which is included as DRIVE4COPD expenses in the accompanying consolidated statements of activities and changes in net assets.

Grant Commitment

In December 2012, COPD Foundation entered into an agreement with the Alpha-1 Foundation where it commits to award a minimum of \$500,000 in research grants for research related to Alpha-1 Antitrypsin Deficiency, within six years following the date of the agreement.

On December 14, 2014, the Foundation entered into a contribution agreement with AstraZeneca Pharmaceuticals where the latter as a founding sponsor of COPD 360 registry initiative contributed \$2.5 million to be applied for four full years of sponsorship. As founding sponsor, AstraZeneca will have registry access and will also grant certain data query rights throughout the life cycle of the registry. The contributed funds may only be used solely to offset budgeted program expenses of the COPD 360 program. The agreement can be terminated by either party and any unobligated funds will be returned to AstraZeneca within 60 days. As of June 30, 2015, the unspent funds of \$1,992,115 was reported as deferred revenue in the accompanying consolidated statement of financial position.

Operating Leases

Future minimum annual commitments under an operating lease agreement to rent office space, are as follows:

<u>Year ended June 30,</u>	<u>Amount</u>
2016	\$ 86,405
Total lease commitments	\$ 86,405

For the years ended June 30, 2015 and 2014 COPD Foundation incurred rent expense of \$136,271 and \$151,811 respectively.

COPD Foundation, Inc.

Notes to Consolidated Financial Statements

5. Temporarily Restricted Net Assets

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

	2015	2014
Research Network	\$ 4,381,196	\$ 2,199,073
Other Services	348,087	566,071
Total temporarily restricted net assets	\$ 4,729,283	\$ 2,765,144

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

<i>Years ended June 30,</i>	2015	2014
Research Network	\$ 1,479,727	\$ 1,951,570
Other Services	984,908	4,039,731
Total restrictions released	\$ 2,464,635	\$ 5,991,301

6. Transactions with Related Parties

Management Agreement

In July 2004, COPD Foundation and Alpha-1 Foundation, a related party, entered into a management agreement with AlphaNet to receive management services from certain AlphaNet employees for an annual fee of \$250,000, which would be allocated between the Foundations. This agreement is for a one-year period and automatically renews itself at the end of the current term for additional one-year periods. Management fee allocated and expensed for the years ended June 30, 2015 and 2014 amounted to \$112,500. However, Alpha-1 made payments on behalf of COPD for those services and therefore this was recorded as in-kind contribution and expenses in the consolidated statement of activities and changes in net assets.

Service Agreement

During 2012, the Foundation entered into an annual agreement, automatically renewed for successive one year periods, with AlphaNet whereby AlphaNet conducts certain accounting, payroll, and human resources functions, manages information technology and telecommunication system services on behalf of the Foundation. Service fee expense for the years ended June 30, 2015, and 2014, was \$60,163 and \$68,108, respectively, which is classified as contract services in the consolidated statements of functional expenses.

During the years ended June 30, 2015 and 2014, the Foundation made various unsecured, non-interest bearing, due on demand, advances to related entities. These advances are offset against amount owed to the related entities. In addition, the Foundation receives support services from its related entities on a cost reimbursement basis. As of June 30, 2015 and 2014, due to related entities aggregated to \$40,486 and \$38,309, respectively and were reported as a component of accounts payable in the accompanying consolidated statements of financial position.

COPD Foundation, Inc.

Notes to Consolidated Financial Statements

7. Grant Commitments

The Foundation 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, 2015 and 2014 was \$453,136 and \$619,518, respectively. As of June 30, 2015 and 2014, there was no accrual for future grant commitments.

Supplemental Information

COPD Foundation, Inc.
Statements of Financial Position

<i>June 30,</i>	2015	2014
Assets		
Current Assets		
Cash (includes \$1,727 and \$116,489, respectively, which has been restricted by the donor)	\$ 1,954,556	\$ 850,703
Investment securities	1,859,515	1,516,661
Accounts receivable, net of allowance for bad debts	1,331,612	897,458
Other assets	27,207	24,345
Total current assets	5,172,890	3,289,167
Investment securities - non-current	703,260	158,391
Investment in RLI	250,000	250,000
Accounts receivable, net of allowance for bad debts	1,023,623	897,458
Property, plant & equipment, net	7,296	11,811
Total assets	\$ 7,157,069	\$ 3,709,369
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 607,282	\$ 1,202,214
Deferred revenue	2,037,614	44,000
Total current liabilities	2,644,896	1,246,214
Net Assets		
Unrestricted	(217,110)	(301,989)
Temporarily restricted	4,729,283	2,765,144
Total net assets	4,512,173	2,463,155
Total liabilities and net assets	\$ 7,157,069	\$ 3,709,369

See Independent Auditor's Report

COPD Foundation, Inc.

Statements of Activities and Change in Net Assets

<i>Years ended June 30,</i>	2015	2014
Changes in Unrestricted Net Assets		
Unrestricted Support and Revenue		
Contributions, bequests and grant revenues	\$ 4,712,088	\$ 894,618
Investment and interest income, net	(25,653)	184,519
Publications, special events, and other income	870,304	867,681
Net assets released from restrictions- satisfaction of program restrictions	2,464,634	5,991,301
Total unrestricted support and revenue	8,021,373	7,938,119
Unrestricted Expenses		
Program services		
DRIVE4COPD	337,165	3,213,863
COPD Patient Education	1,445,206	989,534
COPD Biomarkers Qualification Consortium	477,938	795,823
COPD Gene Study	992,278	665,746
COPD Publications	467,627	552,727
COPD Information Line	202,508	496,515
COPD Public Policy	705,724	483,853
COPD Research Network	861,520	429,403
COPD PCORI	861,078	163,460
Mobile Spirometry Unit	47,048	75,149
Total program services	6,398,092	7,866,073
Supporting Services		
Administration and general	714,637	681,667
Fund raising	823,765	458,060
Total supporting services	1,538,402	1,139,727
Total unrestricted expenses	7,936,494	9,005,800
Increase (decrease) in unrestricted net assets	84,879	(1,067,681)
Changes in Temporarily Restricted Net Assets		
Contributions, bequests and grant revenues	4,428,773	5,906,008
Net assets released from restrictions	(2,464,634)	(5,991,301)
Increase (decrease) in temporarily restricted net assets	1,964,139	(85,293)
Increase (decrease) in net assets	2,049,018	(1,152,974)
Net assets, beginning of year	2,463,155	3,616,129
Net assets, end of year	\$ 4,512,173	\$ 2,463,155

See Independent Auditor's Report

Respiratory Logistics, Inc.

Balance Sheets

<i>June 30,</i>		2015		2014
Assets				
Cash and cash equivalents	\$	5,977	\$	6,896
Total assets	\$	5,977	\$	6,896
Liabilities and Stockholder's Equity				
Current Liabilities				
Accounts payable	\$	546	\$	550
Total current liabilities		546		550
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		(244,569)		(243,654)
Total stockholder's equity		5,431		6,346
Total liabilities and stockholder's equity	\$	5,977	\$	6,346

See Independent Auditor's Report

Respiratory Logistics, Inc.

Statements of Operations

<i>Years ended June 30,</i>	2015	2014
Revenues	\$ -	\$ -
Expenses		
Rent	-	-
Contract and professional fees	-	-
Office expenses	915	759
Net loss	\$ (915)	\$ (759)

See Independent Auditor's Report