

COPD Foundation, Inc.

Consolidated Financial Statements Years Ended June 30, 2010 and 2009

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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, 2010 and 2009, 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, 2010 and 2009, 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 18-22 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, Florida
December 3, 2010

BDO USA, LLP

Certified Public Accountants

COPD Foundation, Inc.

Consolidated Statements of Financial Position

<i>June 30,</i>	2010	2009
Assets		
Current Assets		
Cash (includes \$194,374 and \$209,314 at June 30, 2010 and 2009, respectively, which has been temporarily restricted by the donor)	\$ 1,333,173	\$ 2,117,420
Marketable securities (Note 1)	274,568	-
Accounts receivable, net of allowance for bad debts	158,812	89,401
Prepaid expenses	161,678	10,383
Total current assets	1,928,231	2,217,204
Marketable securities - non-current (Note 1)	416,659	-
Property and equipment, net (Note 2)	17,063	20,023
Total assets	\$ 2,361,953	\$ 2,237,227
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 430,843	\$ 303,787
Due to Alpha-1 Foundation	44,371	25,695
Total current liabilities	475,214	329,482
Commitments and Contingencies (Note 3)		
Net Assets		
Unrestricted	190,160	35,412
Temporarily restricted (Note 4)	1,696,579	1,872,333
Total net assets	1,886,739	1,907,745
Total liabilities and net assets	\$ 2,361,953	\$ 2,237,227

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>	2010	2009
Changes in Unrestricted Net Assets		
Unrestricted Support and Revenue		
Contributions, bequests and grant revenues	\$ 1,556,188	\$ 907,282
Investment and interest (loss) income, net	(18,154)	8,412
Other income	539,229	378,423
Net assets released from restrictions – satisfaction of program restrictions (Note 4)	2,383,188	1,425,896
Total unrestricted support and revenue	4,460,451	2,720,013
Unrestricted Expenses		
Program services		
COPD Research Network	1,445,777	430,156
COPD Mobile Spirometry Unit	740,567	411,860
COPD Publications	510,676	329,824
COPD Patient Education	392,319	888,618
COPD Public Policy	235,810	142,030
COPD Information Line	160,112	123,451
COPD Medical Education	122,034	51,721
Respiratory Logistics	114,141	-
Total program services	3,721,436	2,377,660
Supporting services		
Administration and general	259,103	193,309
Fund raising	325,164	251,119
Total supporting services	584,267	444,428
Total unrestricted expenses	4,305,703	2,822,088
Increase in unrestricted net assets	154,748	(102,075)
Changes in Temporarily Restricted Net Assets		
Contributions, bequests and grant revenues	2,207,434	2,478,114
Net assets released from restrictions	(2,383,188)	(1,425,896)
(Decrease) increase in temporarily restricted net assets	(175,754)	1,052,218
(Decrease) increase in net assets	(21,006)	950,143
Net assets, beginning of year	1,907,745	957,602
Net assets, end of year	\$ 1,886,739	\$ 1,907,745

*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 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	\$ 885,593	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 885,593	\$ -	\$ -	\$ 885,593
Management fees	32,830	-	-	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	484,838
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	161,442	113,404	144,416	166,438	73,490	4,650	99,075	18,683	781,598	11,609	29,010	822,217
Professional fees	17,052	-	3,737	12,377	-	2,458	-	23,062	58,686	34,620	1,885	95,191
Supplies	7,133	40,124	32	14,901	3,222	10,290	1,666	616	77,984	12,135	2,959	93,078
Telephones	1,314	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	1,144	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	5,904	15,985	199,098	28,788	2,673	13,163	-	-	265,611	9,664	5,940	281,215
Travel	111,863	88,591	-	7,776	12,709	6,849	1,304	4,192	233,284	22,569	11,953	267,806
Conferences and meetings	206,706	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	1,445,777	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	-	959	-	-	-	-	-	-	959	7,880	-	8,839
Total expenses	\$ 1,445,777	\$ 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 Statement of Functional Expenses for the Year Ended June 30, 2009

	COPD Research Network	COPD Mobile Spirometry Unit	COPD Digest	COPD Patient Education	COPD Public Policy	COPD Information Line	COPD Medical Education	Total Program Services	Administrative and General	Fund Raising	Year ended June 30, 2009 Total
Awards and grants	\$ 170,069	\$ -	\$ -	\$ 101,271	\$ -	\$ -	\$ -	\$ 271,340	\$ -	\$ -	\$ 271,340
Management fees	40,341	-	4,890	18,913	39,021	17,450	10,301	130,916	55,947	72,447	259,310
Salaries	3,591	29,663	11,419	15,181	21,547	16,055	1,648	99,104	11,727	37,840	148,671
Payroll taxes	257	2,138	818	1,087	1,541	1,142	119	7,102	1,672	2,735	11,509
Employee benefits	351	9,119	2,110	2,417	2,104	1,739	507	18,347	3,399	6,166	27,912
Contract services	113,759	42,828	98,611	473,972	45,743	10,705	18,914	804,532	25,213	72,288	902,033
Professional fees	1,640	287	-	4,770	-	-	-	6,697	11,144	168	18,009
Supplies	1,461	20,289	506	172,175	242	15,729	452	210,854	3,940	910	215,704
Telephones	965	3,758	197	178	277	41,078	10	46,463	1,396	513	48,372
Online services	4	108	29	2,434	41	32	1	2,649	23	176	2,848
Postage and shipping	1,933	20,799	60,258	13,547	339	7,891	394	105,161	2,684	966	108,811
Occupancy	219	3,725	1,807	4,082	2,040	1,603	73	13,549	1,442	4,065	19,056
Equipment rental	10	11,613	65	58	91	71	3	11,911	174	168	12,253
Equipment repair and maintenance	19	7,870	126	113	176	139	6	8,449	518	8,006	16,973
Printing and publication	4,938	10,985	148,913	44,705	1,583	1,286	-	212,410	4,964	9,419	226,793
Travel	16,453	71,056	-	12,914	4,810	5,968	5,130	116,331	17,707	5,145	139,183
Conferences and meetings	74,135	176,512	-	20,395	22,370	2,481	14,159	310,052	36,857	3,886	350,795
Dues and subscriptions	-	-	-	-	-	-	-	-	16	52	68
Licenses and fees	-	-	-	339	-	-	-	339	2,981	8,034	11,354
Utilities	11	150	75	67	105	82	4	494	60	195	749
Insurance	-	-	-	-	-	-	-	-	7,337	-	7,337
Special events	-	-	-	-	-	-	-	-	-	17,940	17,940
Total expenses before depreciation	430,156	410,900	329,824	888,618	142,030	123,451	51,721	2,376,700	189,201	251,119	2,817,020
Depreciation	-	960	-	-	-	-	-	960	4,108	-	5,068
Total expenses	\$ 430,156	\$ 411,860	\$ 329,824	\$ 888,618	\$ 142,030	\$ 123,451	\$ 51,721	\$ 2,377,660	\$ 193,309	\$ 251,119	\$ 2,822,088

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>	2010	2009
Operating Activities		
(Decrease) increase in net assets	\$ (21,006)	\$ 950,143
Adjustments to reconcile (decrease) increase in net assets to net cash (used in) provided by operating activities		
Depreciation	8,839	5,068
Net realized/unrealized loss on investments	20,753	-
Bad debt expense	10,750	-
Changes in operating assets and liabilities:		
Increase in accounts receivable	(80,161)	(30,901)
(Increase) decrease in prepaid expenses	(151,295)	2,667
Increase in accounts payable and accrued expenses	127,056	180,542
Due to Alpha-1 Foundation	18,676	716
Net cash (used in) provided by operating activities	(66,388)	1,108,235
Investing Activities		
Purchase of marketable securities	(711,980)	-
Purchase of property and equipment	(5,879)	(21,736)
Net cash used in investing activities	(717,859)	(21,736)
Net (decrease) increase in cash	(784,247)	1,086,499
Cash, at beginning of year	2,117,420	1,030,921
Cash, at end of year	\$ 1,333,173	\$ 2,117,420

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, 2010 and 2009, and is 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.

Summary of Significant Accounting Policies

- **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 \$1,696,579 and \$1,872,333 as of June 30, 2010 and 2009, 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, 2010 and 2009.

Cash Equivalents	Cash equivalents include all highly liquid investments with maturities of three months or less.
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 \$10,750 as of June 30, 2010. Management did not believe an allowance was necessary as of June 30, 2009.
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.

Summary of Significant Accounting Policies

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, 2010 and 2009 statements of activities and changes in net assets.

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

During the year ended June 30, 2009, the following fund raising special events were sponsored by the Organization:

	Revenues	Direct Expenses	Net
Other fund raising special events	\$ 58,180	\$ (17,939)	\$ 40,241
	\$ 58,180	\$ (17,939)	\$ 40,241

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, 2010 and 2009, 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”)) on July 1, 2009. 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

Summary of Significant Accounting Policies

is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2007. However, the Organization is still open to examination by taxing authorities from fiscal year 2007 forward. No interest or penalties were accrued as of July 1, 2009 as a result of the adoption of ASC 740. For the year ended June 30, 2010, 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, 2010, RLI recorded net operating losses of \$114,141 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.

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

The Organization maintains cash balances at various banks and financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000. As of June 30, 2010, the Organization's cash balance exceeded such limits.

Summary of Significant Accounting Policies

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).

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, 2010. There were no marketable securities as of June 30, 2009.

Summary of Significant Accounting Policies

Subsequent Events The date to which events occurring after June 30, 2010, the date of the most recent statement of financial position, has been evaluated for possible adjustment to the financial statements or disclosure is December 3, 2010.

COPD Foundation, Inc.

Notes to Consolidated Financial Statements

1. Marketable Securities

At June 30, 2010, marketable securities consisted primarily of corporate equity and debt securities. For the year ended June 30, 2010, net investment gain amounted to \$20,753. The Organization did not have marketable securities for the year ended June 30, 2009.

Investments consist of the following at June 30, 2010:

	<i>Amount</i>
Corporate debt securities	\$ 416,659
Corporate equity securities	274,568
Total investments	691,227
Current	274,568
Non-current	\$ 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	\$ 211,622
2013	104,117
2015	103,188
	\$ 418,927

As of June 30, 2010, 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:

	2010	2009
Furniture and equipment	\$ 32,410	\$ 26,531
Less: Accumulated depreciation	(15,347)	(6,508)
	\$ 17,063	\$ 20,023

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.

Operating Leases

Future minimum annual commitment under an operating lease agreement for equipment rental, is as follows:

<i>Year ended June 30,</i>	<i>Amount</i>
2011	\$ 10,000
Total lease commitments	\$ 10,000

4. Temporarily Restricted Net Assets

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

	2010	2009
Research Network	\$ 1,133,371	\$ 1,526,052
Other Services	563,208	346,281
	\$ 1,696,579	\$ 1,872,333

Notes to Consolidated Financial Statements

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

<i>Years ended June 30,</i>	2010	2009
Research Network	\$ 1,543,156	\$ 349,375
Other Services	840,032	1,076,521
Total restrictions released	\$ 2,383,188	\$ 1,425,896

5. Transactions with Related Parties

As of June 30, 2010 and 2009, the Organization has a balance due to Alpha-1 Foundation, Inc. of \$44,371 and \$25,695, respectively.

During the years ended June 30, 2010 and 2009, Alpha-1 Foundation, Inc. charged to the Organization \$45,229 and \$134,310, respectively, for time spent by Alpha-1 Foundation employees on COPD Foundation projects. In addition, during the year ended June 30, 2010, the Organization charged to Alpha-1 Foundation, Inc. \$22,829 for the time of the Organization leased to Alpha-1 Foundation, Inc.

During the years ended June 30, 2010 and 2009, 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..

During the year ended June 30, 2010, Alpha-1 Foundation, Inc. made an unrestricted contribution to the Organization of \$200,000.

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, 2010 and 2009 was approximately \$885,593 and \$271,340, respectively. As of June 30, 2010 and 2009, the Organization accrued \$64,311 and \$49,434 as future grant commitments, respectively.

Supplemental Information

COPD Foundation, Inc.

Statements of Financial Position

<i>June 30,</i>	2010	2009
Assets		
Current Assets		
Cash (includes \$194,374 and \$209,314, respectively, which has been restricted by the donor)	\$ 1,327,509	\$ 2,117,420
Marketable securities	691,227	-
Accounts receivable, net of allowance for bad debts	158,812	89,401
Due from RLI	2,697	-
Prepaid expenses	21,678	10,383
Total current assets	2,201,923	2,217,204
Investment in RLI	250,000	-
Property, plant & equipment, net	17,063	20,023
Total assets	\$ 2,468,986	\$ 2,237,227
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 423,735	\$ 303,787
Due to Alpha-1 Foundation	44,371	25,695
Total current liabilities	468,106	329,482
Net Assets		
Unrestricted	304,301	35,412
Temporarily restricted	1,696,579	1,872,333
Total net assets	2,000,880	1,907,745
Total liabilities and net assets	\$ 2,468,986	\$ 2,237,227

See Report of Independent Auditors

COPD Foundation, Inc.

Statements of Activities and Changes in Net Assets

<i>Years ended June 30,</i>	2010	2009
Changes in Unrestricted Net Assets		
Unrestricted Support and Revenue		
Contributions, bequests and grant revenues	\$ 1,556,188	\$ 907,282
Investment and interest (loss) income, net	(18,154)	8,412
Other income	539,229	378,423
Net assets released from restrictions – satisfaction of program restrictions	2,383,188	1,425,896
Total unrestricted support and revenue	4,460,451	2,720,013
Unrestricted Expenses		
Program services		
COPD Research Network	1,445,777	430,156
Mobile Spirometry Unit	740,567	411,860
COPD Digest	510,676	329,824
COPD Patient Education	392,319	888,618
COPD Public Policy	235,810	142,030
COPD Information Line	160,112	123,451
COPD Medical Education	122,034	51,721
Total program services	3,607,295	2,377,660
Supporting Services		
Administration and general	259,103	193,309
Fund raising	325,164	251,119
Total administration and general	584,267	444,428
Total unrestricted expenses	4,191,562	2,822,088
Increase (decrease) in unrestricted net assets	268,889	(102,075)
Changes in Temporarily Restricted Net Assets		
Contributions, bequests and grant revenues	2,207,434	2,478,114
Net assets released from restrictions	(2,383,188)	(1,425,896)
(Decrease) increase in temporarily restricted net assets	(175,754)	1,052,218
Increase in net assets	93,135	950,143
Net assets, beginning of year	1,907,745	957,602
Net assets, end of year	\$ 2,000,880	\$ 1,907,745

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Respiratory Logistics, Inc.

Balance Sheet As of June 30, 2010

Assets

Current Assets

Cash	\$	5,664
Prepaid expenses		140,000
Total assets	\$	145,664

Liabilities and Stockholder's Equity

Current Liabilities

Accounts payable	\$	7,108
Due to COPD Foundation		2,697
Total current liabilities		9,805

Stockholder's equity

Common stock \$0.01 par value authorized shares- 100,000 issued and outstanding		1,000
Additional paid in capital		249,000
Accumulated deficit		(114,141)
Total stockholder's equity		135,859
Total liabilities and stockholder's equity	\$	145,664

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Respiratory Logistics, Inc.

Statement of Operations for the Year Ended June 30, 2010

Expenses

Rent	\$	50,000
Contract and professional fees		41,745
Travel, conferences and meetings		21,780
Office expenses		616
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Net loss	\$	114,141

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