



COPD Foundation, Inc.

Consolidated Financial Statements
Years ended June 30, 2012 and 2011

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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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 "Foundation"), as of June 30, 2012 and 2011, 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 Foundation'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 Foundation'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, 2012 and 2011, 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 of the basic consolidated financial statements included in the preceding section of this report were performed for the purpose of forming an opinion on those statements taken as a whole. The supplementary information presented on pages 17 to 21 of this report is presented for purposes of additional analysis and is not a required part of the basic 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 basic consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic 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 basic consolidated financial statements or to the basic 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 basic consolidated financial statements taken as a whole.

Miami, FL
September 25, 2012


Certified Public Accountants

COPD Foundation, Inc.
Consolidated Statements of Financial Position

<i>June 30,</i>	2012	2011
Assets		
Current Assets		
Cash and cash equivalents (includes \$129,976 and \$274,757 at June 30, 2012 and 2011, respectively, which has been temporarily restricted by the donor)	\$ 3,513,909	\$ 1,966,420
Marketable securities (Note 1)	1,486,969	1,352,779
Accounts receivable, net of allowance for bad debts	500,920	796,280
Prepaid expenses	14,327	19,449
Total current assets	5,516,125	4,134,928
Marketable securities - non-current (Note 1)	254,500	209,956
Property and equipment, net (Note 2)	21,498	20,937
Total assets	\$ 5,792,123	\$ 4,365,821
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 400,750	\$ 428,895
Due to Alpha-1 Foundation, net	5,285	22,719
Total current liabilities	406,035	451,614
Commitments and Contingencies (Note 3)		
Net Assets		
Unrestricted	314,586	41,587
Temporarily restricted (Note 4)	5,071,502	3,872,620
Total net assets	5,386,088	3,914,207
Total liabilities and net assets	\$ 5,792,123	\$ 4,365,821

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>	2012	2011
Changes in Unrestricted Net Assets		
Unrestricted Support and Revenue		
Contributions, bequests and grant revenues	\$ 1,335,515	\$ 1,190,760
Investment and interest income, net	180,281	128,938
Other income	908,656	675,434
Net assets released from restrictions - satisfaction of program restrictions (Note 4)	4,773,978	1,989,730
Total unrestricted support and revenue	7,198,430	3,984,862
Unrestricted Expenses		
DRIVE4COPD	1,697,346	-
COPD Gene Study	1,065,665	459,917
COPD Patient Education	1,054,684	480,285
COPD Biomarkers Qualification Consortium	490,114	398,290
COPD Publications	444,439	597,653
COPD Information Line	366,574	228,992
COPD Public Policy	306,896	326,567
COPD Research Network	292,182	294,212
COPD Mobile Spirometry Unit	197,719	254,593
Respiratory Logistics	115,272	241,853
Total program services	6,030,891	3,282,362
Supporting services		
Fund raising	489,217	449,214
Administration and general	405,323	401,859
Total supporting services	894,540	851,073
Total unrestricted expenses	6,925,431	4,133,435
Increase (decrease) in unrestricted net assets	272,999	(148,573)
Changes in Temporarily Restricted Net Assets		
Contributions, bequests and grant revenues	5,972,860	4,165,771
Net assets released from restrictions	(4,773,978)	(1,989,730)
Increase in temporarily restricted net assets	1,198,882	2,176,041
Increase in net assets	1,471,881	2,027,468
Net assets, beginning of year	3,914,207	1,886,739
Net assets, end of year	\$ 5,386,088	\$ 3,914,207

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, 2012

	DRIVE4COPD	COPD Gene Study	COPD Educational Programs	COPD Biomarkers Qualification Consortium	COPD Publications	COPD Information Line	COPD Public Policy	COPD Research Network	Mobile Spirometry Unit	Respiratory Logistics	Total Program Services	Fund Raising	Administrative and General	Year ended June 30, 2012 Total
Awards and grants	\$ -	\$ 373,219	\$ 2,000	\$ 36,925	\$ -	\$ -	\$ -	\$ 193,814	\$ -	\$ -	\$ 605,958	\$ -	\$ -	\$ 605,958
Management fees	-	-	10,000	-	-	-	30,000	18,825	-	-	58,825	50,000	38,642	147,467
Salaries	210,973	5,486	289,540	12,464	42,140	12,365	61,360	19,201	32,830	-	686,359	170,262	62,692	919,313
Payroll taxes	15,979	425	22,261	961	3,246	952	4,692	1,486	2,529	-	52,531	12,978	7,578	73,087
Employee benefits	26,159	444	29,685	425	7,432	624	8,270	2,122	6,596	-	81,757	20,693	13,145	115,595
Contract services	956,900	533,879	192,182	395,620	135,575	328,610	87,784	7,141	28,145	460	2,666,296	7,829	58,783	2,732,908
Professional fees	39,575	1,363	6,042	23,756	-	-	-	4,869	-	1,032	76,637	-	51,672	128,309
Supplies	12,413	3,226	31,160	2,521	375	6,660	3,764	222	9,772	189	70,302	3,831	16,367	90,500
Telephones	225	2,309	5,537	299	-	9,385	4,492	30	1,505	-	23,782	4,625	12,102	40,509
Online services	-	-	6,161	30	-	22	23	75	68	-	6,379	143	479	7,001
Postage and shipping	7,479	2,836	33,147	219	89,208	81	3,164	1,163	10,658	-	147,955	1,190	4,321	153,466
Occupancy	18,900	-	18,811	-	-	3,375	3,375	16,249	10,519	102,701	173,930	21,980	6,751	202,661
Equipment rental	-	-	129	-	-	27	27	129	83	-	395	174	53	622
Equipment repair and maintenance	-	-	191	-	-	40	40	191	123	-	585	4,486	4,658	9,729
Printing and publication	8,480	-	178,622	-	168,513	2,220	8,932	2,998	856	-	370,621	16,863	9,459	396,943
Travel	40,188	37,690	53,540	9,800	-	1,595	28,442	9,897	14,488	-	195,640	20,245	28,356	244,241
Conferences and meetings	360,075	104,788	172,401	7,094	-	588	39,041	13,394	78,977	10,000	786,358	16,687	44,464	847,509
Dues and subscriptions	-	-	3,131	-	-	-	23,460	232	-	890	27,713	3,294	714	31,721
Licenses and fees	-	-	-	-	-	-	-	-	-	-	-	14,703	18,176	32,879
Utilities	-	-	144	-	-	30	30	144	93	-	441	194	60	695
Insurance	-	-	-	-	-	-	-	-	-	-	-	-	18,218	18,218
Bad debt expense	-	-	-	-	(2,050)	-	-	-	-	-	(2,050)	-	-	(2,050)
Special events	-	-	-	-	-	-	-	-	-	-	-	119,040	-	119,040
Total expenses before depreciation	1,697,346	1,065,665	1,054,684	490,114	444,439	366,574	306,896	292,182	197,242	115,272	6,030,414	489,217	396,690	6,916,321
Depreciation and amortization	-	-	-	-	-	-	-	-	477	-	477	-	8,633	9,110
Total expenses	\$ 1,697,346	\$ 1,065,665	\$ 1,054,684	\$ 490,114	\$ 444,439	\$ 366,574	\$ 306,896	\$ 292,182	\$ 197,719	\$ 115,272	\$ 6,030,891	\$ 489,217	\$ 405,323	\$ 6,925,431

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	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	114,711	98,312	48,228	-	426,077	71,785	96,052	593,914
Payroll taxes	281	-	408	5,827	6,166	8,847	7,487	3,700	-	32,716	7,721	7,397	47,834
Employee benefits	255	-	359	10,415	14,962	9,312	12,737	5,212	-	53,252	7,900	20,221	81,373
Contract services	7,000	165,649	319,568	37,045	156,337	142,034	60,131	103,319	20,520	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	22,157	2,635	20,892	-	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	-	16,203	19,999	651	438	110,610	24,632	18,207	153,449
Conferences and meetings	4,274	66,271	9,131	77,730	-	31,433	54,648	392	6,000	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	480,285	326,567	228,992	241,853	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	\$ 480,285	\$ 326,567	\$ 228,992	\$ 241,853	\$ 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 Statements of Cash Flows

<i>Years ended June 30,</i>	2012	2011
Operating Activities		
Increase in net assets	\$ 1,471,881	\$ 2,027,468
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	9,110	11,300
Net realized/unrealized gain on investments	(180,281)	(97,734)
Bad debt expense	-	28,800
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable	295,360	(666,268)
Decrease in prepaid expenses	5,122	142,229
Decrease in accounts payable and accrued expenses	(28,145)	(1,948)
Net cash provided by operating activities	1,573,047	1,443,847
Investing Activities		
Purchase of marketable securities	(898,195)	(905,655)
Redemption of marketable securities	899,742	131,881
Purchase of property and equipment	(9,671)	(15,174)
Net cash used in investing activities	(8,124)	(788,948)
Financing Activities		
Decrease in amounts due to Alpha-1 Foundation, net	(17,434)	(21,652)
Net cash used in financing activities	(17,434)	(21,652)
Net increase in cash	1,547,489	633,247
Cash and cash equivalent, at beginning of year	1,966,420	1,333,173
Cash and cash equivalent, at end of year	\$ 3,513,909	\$ 1,966,420

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. 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, 2012 and 2011, 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 "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 \$5,071,502 and \$3,872,620 as of June 30, 2012 and 2011, 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, 2012 and 2011.

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. No allowances were required as of June 30, 2012. The allowance for bad debts amounted to \$39,550 as of June 30, 2011.

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 "Other Income" and "Unrestricted expenses - Fund raising," respectively in the accompanying June 30, 2012 and 2011 statements of activities and changes in net assets.

During the year ended June 30, 2012, the following fund raising special events were sponsored by the Foundation:

	Revenues	Direct Expenses	Net
COPD Cocktail Reception	\$ 240,002	\$ (74,270)	\$ 165,732
Other events	30,881	(44,770)	(13,889)
	<u>\$ 270,883</u>	<u>\$ (119,040)</u>	<u>\$ 151,843</u>

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

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

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, 2012 and 2011, 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 2009. However, the Foundation is still open to examination by taxing authorities from fiscal year 2009 forward. For the year ended June 30, 2012, 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, 2012, RLI recorded net income of \$8,297. For the period ended June 30, 2011, RLI recorded net losses of \$126,853. 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 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 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 Foundation to significant concentrations of credit risk, consist principally of cash and cash equivalents, and marketable securities. All the Foundation's non-interest bearing accounts are fully insured at June 30, 2012 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 Foundation non-interest bearing cash accounts may exceed federally insured limits.

The Foundation invests in a variety of publicly traded investment vehicles, including common stocks and corporate debt securities totaling \$1,741,469 and \$1,562,735 as of June 30, 2012 and 2011, 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 marketable securities are valued using Level 1 inputs at June 30, 2012 and 2011.

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, 2012, the date of the most recent statement of financial position, has been evaluated for possible adjustment to the financial statements or disclosure is September 25, 2012.

COPD Foundation, Inc.

Notes to Consolidated Financial Statements

1. Marketable Securities

At June 30, 2012 and 2011, marketable securities consisted primarily of corporate equity and debt securities. Net unrealized gain on the Foundation's investment portfolio for the years ended June 30, 2012 and 2011, was \$106,372 and \$79,040, respectively.

Investments consist of the following at June 30, 2012:

	2012	2011
Corporate equity securities	\$ 1,385,039	\$ 1,149,410
Corporate debt securities	356,430	413,325
Total investments	1,741,469	1,562,735
Current	(1,486,969)	(1,352,779)
Non-current	\$ 254,500	\$ 209,956

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

<i>Year ended June 30, 2012</i>	<i>Amount</i>
2013	\$ 100,000
2015	100,000
2017	150,000
	\$ 350,000

As of June 30, 2012, yields on the Foundation's corporate debt securities investments maturing through the year 2017 ranged from approximately 3.20% to 5.30%.

2. Property and Equipment

Property and equipment consists of the following at June 30, 2012:

	2012	2011
Furniture and equipment	\$ 57,255	\$ 47,584
Less: Accumulated depreciation	(35,757)	(26,647)
	\$ 21,498	\$ 20,937

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 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 for the year ended June 30, 2012 amounted to \$500,000, and the Annual Commitment Fee amounted to \$250,000 for a total expense of \$750,000, which is included as COPD Foundation Expenses in the accompanying consolidated statements of activities and changes in net assets.

4. Temporarily Restricted Net Assets

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

	2012	2011
Research Network	\$ 3,095,697	\$ 3,110,001
Other Services	1,975,805	762,619
Total temporarily restricted net assets	\$ 5,071,502	\$ 3,872,620

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

<i>Years ended June 30,</i>	2012	2011
Research Network	\$ 1,725,933	\$ 1,043,031
Other Services	3,048,045	946,699
Total restrictions released	\$ 4,773,978	\$ 1,989,730

COPD Foundation, Inc.

Notes to Consolidated Financial Statements

5. Transactions with Related Parties

As of June 30, 2012 and 2011, the Foundation has a net balance due to Alpha-1 Foundation, Inc., which controls the Foundation, of \$5,285 and \$22,719, respectively.

During the years ended June 30, 2012 and 2011, Alpha-1 Foundation, Inc. charged to the Foundation \$22,467 and \$35,290, respectively, for time spent by Alpha-1 Foundation employees on COPD Foundation projects.

During the years ended June 30, 2012 and 2011, Alpha-1 Foundation made contributions to the Foundation of \$125,000 each year for services rendered by certain Alpha-1 Foundation, Inc.'s officers to the Foundation. This was recorded as revenue and an expense in the consolidated statement of activities and changes in net assets.

6. 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, 2012 and 2011 was approximately \$605,958 and \$410,185, respectively. As of June 30, 2012 and 2011, there was no accrual for future grant commitments.

Supplemental Information

COPD Foundation, Inc.
Statements of Financial Position

<i>June 30,</i>	2012	2011
Assets		
Current Assets		
Cash (includes \$129,976 and \$274,757, respectively, which has been restricted by the donor)	\$ 3,484,371	\$ 1,934,204
Marketable securities	1,486,969	1,352,779
Accounts receivable, net of allowance for bad debts	494,921	796,280
Due from RLI	8,184	-
Other assets	14,327	19,449
Total current assets	5,488,772	4,102,712
Marketable securities - non-current	254,500	209,956
Investment in RLI	250,000	250,000
Property, plant & equipment, net	21,498	20,937
Total assets	\$ 6,014,770	\$ 4,583,605
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 390,700	\$ 405,685
Due to Alpha-1 Foundation	5,285	22,719
Total current liabilities	395,985	428,404
Net Assets		
Unrestricted	547,283	282,581
Temporarily restricted	5,071,502	3,872,620
Total net assets	5,618,785	4,155,201
Total liabilities and net assets	\$ 6,014,770	\$ 4,583,605

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COPD Foundation, Inc.

Statements of Activities and Change in Net Assets

<i>Years ended June 30,</i>	2012	2011
Changes in Unrestricted Net Assets		
Unrestricted Support and Revenue		
Contributions, bequests and grant revenues	\$ 1,335,515	\$ 1,190,760
Investment and interest income, net	180,281	128,938
Other income	817,037	560,434
Net assets released from restrictions- satisfaction of program restrictions	4,781,628	1,989,730
Total unrestricted support and revenue	7,114,461	3,869,862
Unrestricted Expenses		
Program services		
DRIVE4COPD	1,706,846	-
COPD Gene Study	1,065,665	459,917
COPD Patient Education	1,063,884	480,285
COPD Biomarkers Qualification Consortium	490,114	398,290
COPD Publications	444,439	597,653
COPD Information Line	366,574	228,992
COPD Public Policy	327,796	326,567
COPD Research Network	292,182	294,212
Mobile Spirometry Unit	197,719	254,593
Total program services	5,955,219	3,040,509
Supporting Services		
Fund raising	489,217	449,214
Administration and general	405,323	401,859
Total administration and general	894,540	851,073
Total unrestricted expenses	6,849,759	3,891,582
Increase (decrease) in unrestricted net assets	264,702	(21,720)
Changes in Temporarily Restricted Net Assets		
Contributions, bequests and grant revenues	5,980,510	4,165,771
Net assets released from restrictions	(4,781,628)	(1,989,730)
Increase in temporarily restricted net assets	1,198,882	2,176,041
Increase in net assets	1,463,584	2,154,321
Net assets, beginning of year	4,155,201	2,000,880
Net assets, end of year	\$ 5,618,785	\$ 4,155,201

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Respiratory Logistics, Inc.

Balance Sheets

<i>June 30,</i>	2012	2011
Assets		
Cash and cash equivalents	\$ 29,538	\$ 32,216
Accounts receivable	6,000	-
Due from COPD Foundation	9,500	-
Total assets	\$ 45,038	\$ 32,216
Liabilities and Stockholder's Equity		
Current Liabilities		
Accounts payable	\$ 10,050	\$ 23,210
Due to COPD Foundation	17,685	-
Total current liabilities	27,735	23,210
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	(232,697)	(240,994)
Total stockholder's equity	17,303	9,006
Total liabilities and stockholder's equity	\$ 45,038	\$ 32,216

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Respiratory Logistics, Inc.

Statements of Operations

<i>Years ended June 30,</i>	2012		2011	
Revenues	\$	123,569	\$	115,000
Expenses				
Rent		102,700		205,800
Contract and professional fees		1,493		25,172
Travel, conferences and meetings		10,000		6,438
Office expenses		1,079		4,443
Net income (loss)	\$	8,297	\$	(126,853)

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