



COPD Foundation, Inc.

Consolidated Financial Statements
Years Ended June 30, 2013 and 2012

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.

Contents

	<u>Page</u>
Independent Auditor's Report	3
Consolidated Statements of Financial Position	5
Consolidated Statements of Activities and Changes in Net Assets	6
Consolidated Statements of Functional Expenses	7
Consolidated Statements of Cash Flows	9
Summary of Significant Accounting Policies	10
Notes to Consolidated Financial Statements	15
Supplemental Information	18



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

1111 Brickell Avenue,
Suite 2801
Miami, FL 33131

Independent Auditor's Report

Board of Directors
COPD Foundation, Inc.
Miami, 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, 2013 and 2012, 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, 2013 and 2012, and the changes in its net assets, its functional expenses, 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 of the consolidated financial statements included in the preceding section of this report were conducted for the purpose of forming an opinion on those statements as a whole. The supplementary information presented in the following section of this report 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 6, 2013


Certified Public Accountants

COPD Foundation, Inc.
Consolidated Statements of Financial Position

<i>June 30,</i>	2013	2012
Assets		
Current Assets		
Cash and cash equivalents (includes \$192,756 and \$129,976 at June 30, 2013 and 2012, respectively, which has been temporarily restricted by the donor)	\$ 1,675,861	\$ 3,513,909
Marketable securities (Note 1)	1,675,349	1,486,969
Accounts receivable, net of allowance for bad debts	933,227	500,920
Prepaid expenses	40,789	14,327
Total current assets	4,325,226	5,516,125
Marketable securities - non-current (Note 1)	259,778	254,500
Property and equipment, net (Note 2)	15,726	21,498
Total assets	\$ 4,600,730	\$ 5,792,123
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 1,206,496	\$ 400,750
Deferred revenue	21,000	-
Due to Alpha-1 Foundation, net	-	5,285
Total current liabilities	1,227,496	406,035
Commitments and Contingencies (Note 3)		
Net Assets		
Unrestricted	522,797	314,586
Temporarily restricted (Note 4)	2,850,437	5,071,502
Total net assets	3,373,234	5,386,088
Total liabilities and net assets	\$ 4,600,730	\$ 5,792,123

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>	2013	2012
Changes in Unrestricted Net Assets		
Unrestricted Support and Revenue		
Contributions, bequests and grant revenues	\$ 1,915,266	\$ 1,335,515
Investment and interest income, net	207,066	180,281
Publications, special events, and other income	996,103	908,656
Net assets released from restrictions - satisfaction of program restrictions (Note 4)	7,774,221	4,773,978
Total unrestricted support and revenue	10,892,656	7,198,430
Unrestricted Expenses		
DRIVE4COPD	4,167,369	1,697,346
COPD Biomarkers Qualification Consortium	1,711,333	490,114
COPD Patient Education	1,404,862	1,054,684
COPD Gene Study	785,317	1,065,665
COPD Publications	524,793	444,439
COPD Information Line	391,113	366,574
COPD Research Network	317,253	292,182
COPD Public Policy	302,355	306,896
COPD Mobile Spirometry Unit	107,819	197,719
Respiratory Logistics	10,198	115,272
Total program services	9,722,412	6,030,891
Supporting services		
Administration and general	563,423	405,323
Fund raising	398,610	489,217
Total supporting services	962,033	894,540
Total unrestricted expenses	10,684,445	6,925,431
Increase in unrestricted net assets	208,211	272,999
Changes in Temporarily Restricted Net Assets		
Contributions, bequests and grant revenues	5,553,156	5,972,860
Net assets released from restrictions (Note 4)	(7,774,221)	(4,773,978)
(Decrease) increase in temporarily restricted net assets	(2,221,065)	1,198,882
(Decrease) increase in net assets	(2,012,854)	1,471,881
Net assets, beginning of year	5,386,088	3,914,207
Net assets, end of year	\$ 3,373,234	\$ 5,386,088

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, 2013

	COPD										Total Program Services	Administrative and General	Fund Raising	Year ended June 30, 2013 Total
	DRIVE4COPD	Qualification Consortium	Biomarkers Educational Programs	COPD Gene Study	COPD Publications	COPD Information Line	COPD Research Programs	COPD Public Policy	Mobile Spirometry Program	Respiratory Logistics				
Awards and grants	\$ 100,000	\$ 18,463	\$ -	\$ 373,191	\$ -	\$ -	\$ 176,821	\$ -	\$ -	\$ -	\$ 668,475	\$ -	\$ -	\$ 668,475
Management fees	-	-	-	-	-	-	-	-	-	-	-	118,750	-	118,750
Salaries	435,454	22,274	237,283	14,235	49,368	5,202	76,924	76,096	27,319	-	944,155	27,117	130,296	1,101,568
Payroll taxes	30,720	1,334	17,560	1,065	3,810	387	5,758	5,389	2,109	-	68,132	3,698	9,864	81,694
Employee benefits	43,626	2,826	24,565	1,696	7,894	518	9,467	9,313	4,730	-	104,635	5,886	18,104	128,625
Contract services	3,097,308	1,529,386	515,574	123,006	155,270	365,050	10,890	140,510	9,945	-	5,946,939	77,498	24,554	6,048,991
Professional fees	13,176	235	20,287	436	899	-	3,535	4,510	-	435	43,513	63,055	1,175	107,743
Supplies	72,100	333	15,646	1,449	-	7,630	-	3,376	803	98	101,435	12,857	9,912	124,204
Telephones	3,327	240	5,853	2,170	-	11,844	-	4,851	684	-	28,969	14,985	2,154	46,108
Online services	-	10,279	6,702	-	-	-	-	-	-	-	16,981	738	7,102	24,821
Postage and shipping	18,399	343	45,047	3,972	132,196	-	3,245	1,990	5,997	-	211,189	2,060	6,949	220,198
Occupancy	41,430	-	2,754	-	-	-	-	-	-	9,500	53,684	89,124	-	142,808
Equipment repair and maintenance	-	-	-	-	-	-	-	-	-	-	-	2,189	8,896	11,085
Printing and publication	29,300	1,608	192,961	3,201	175,356	-	10,662	843	-	-	413,931	8,520	14,487	436,938
Travel	122,395	41,037	61,192	87,529	-	482	3,917	18,762	3,160	-	338,474	24,367	19,424	382,265
Conferences and meetings	160,134	82,975	256,971	173,367	-	-	16,034	25,226	53,072	-	767,779	56,283	22,041	846,103
Dues and subscriptions	-	-	2,467	-	-	-	-	11,489	-	-	13,956	6,872	3,153	23,981
Licenses and fees	-	-	-	-	-	-	-	-	-	165	165	15,564	21,271	37,000
Utilities	-	-	-	-	-	-	-	-	-	-	-	691	-	691
Insurance	-	-	-	-	-	-	-	-	-	-	-	25,945	-	25,945
Special events	-	-	-	-	-	-	-	-	-	-	-	-	99,228	99,228
Total expenses before depreciation	4,167,369	1,711,333	1,404,862	785,317	524,793	391,113	317,253	302,355	107,819	10,198	9,722,412	556,199	398,610	10,677,221
Depreciation and amortization	-	-	-	-	-	-	-	-	-	-	-	7,224	-	7,224
Total expenses	\$ 4,167,369	\$ 1,711,333	\$ 1,404,862	\$ 785,317	\$ 524,793	\$ 391,113	\$ 317,253	\$ 302,355	\$ 107,819	\$ 10,198	\$ 9,722,412	\$ 563,423	\$ 398,610	\$ 10,684,445

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 Statements of Cash Flows

<i>Years ended June 30,</i>	2013	2012
Operating Activities		
(Decrease) increase in net assets	\$ (2,012,854)	\$ 1,471,881
Adjustments to reconcile increase in net assets to net cash (used in) provided by operating activities:		
Depreciation	7,224	9,110
Net realized/unrealized gain on investments	(207,066)	(180,281)
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(432,307)	295,360
(Increase) decrease in prepaid expenses	(26,462)	5,122
Increase (decrease) in accounts payable and accrued expenses	805,746	(28,145)
Increase in deferred revenue	21,000	-
Net cash (used in) provided by operating activities	(1,844,719)	1,573,047
Investing Activities		
Purchase of marketable securities	(698,800)	(898,195)
Redemption of marketable securities	712,208	899,742
Purchase of property and equipment	(1,452)	(9,671)
Net cash provided by (used in) investing activities	11,956	(8,124)
Financing Activities		
Decrease in amounts due to Alpha-1 Foundation, net	(5,285)	(17,434)
Net cash used in financing activities	(5,285)	(17,434)
Net (decrease) increase in cash	(1,838,048)	1,547,489
Cash and cash equivalent, at beginning of year	3,513,909	1,966,420
Cash and cash equivalent, at end of year	\$ 1,675,861	\$ 3,513,909

*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"). As result of an Alpha-1 Foundation board resolution on December 31, 2012, there can be no overlap of the majority of Executive Committee members between Alpha-1 Foundation and COPD Foundation. Additionally, Alpha-1 Foundation no longer has the ability to appoint the majority of the members of the COPD Foundation's Executive Committee. As a result of this change in control, the financial statements of COPD Foundation were consolidated with Alpha-1 Foundation for the six months ended December 31, 2012 and for the year ended June 30, 2012, and was presented separately for the six-months period ended June 30, 2013. The deconsolidation of COPD Foundation occurred on January 1, 2013. There was no effect on the COPD Foundation financial statements as a result of this decision.

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 \$2,850,437 and \$5,071,502 as of June 30, 2013 and 2012, 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, 2013 and 2012.

COPD Foundation, Inc.

Summary of Significant Accounting Policies

Cash and Cash Equivalents

Cash and 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 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. No allowances were required as of June 30, 2013 and 2012 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.

Fund Raising

Revenues from special fund raising events, and the related expenses incurred in generating such revenues are included in "Publications, special events, and other income" and "Unrestricted expenses - Fund raising," respectively in the accompanying June 30, 2013 and 2012 statements of activities and changes in net assets.

During the year ended June 30, 2013, the following fund raising special events were sponsored by the Foundation:

	Revenues	Direct Expenses	Net
COPD Awards Benefit Reception	\$ 197,355	\$ (88,498)	\$ 108,357
Other events	51,834	(10,730)	41,104
	<u>\$ 249,189</u>	<u>\$ (99,228)</u>	<u>\$ 149,461</u>

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

COPD Foundation, Inc.

Summary of Significant Accounting Policies

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

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, 2013 and 2012, 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 2010. However, the Foundation is still open to examination by taxing authorities from fiscal year 2010 forward. For the year ended June 30, 2013, 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, 2013, RLI recorded a net loss of \$10,198. For the period ended June 30, 2012, RLI recorded net income of \$8,297. 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.

COPD Foundation, Inc.

Summary of Significant Accounting Policies

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.

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. As of June 30, 2013 the Foundation had cash and cash equivalent in excess of federally insured limits of \$1,157,118. 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 reverted to \$250,000 per depositor at each financial institution.

The Foundation invests in a variety of publicly traded investment vehicles, including common stocks and corporate debt securities totaling \$1,935,127 and \$1,741,469 as of June 30, 2013 and 2012, 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.

COPD Foundation, Inc.

Summary of Significant Accounting Policies

- 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 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, 2013 and 2012.

Subsequent Events

The date to which events occurring after June 30, 2013, the date of the most recent statement of financial position, has been evaluated for possible adjustment to the financial statements or disclosure is September 6, 2013.

COPD Foundation, Inc.

Notes to Consolidated Financial Statements

1. Marketable Securities

At June 30, 2013 and 2012, 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, 2013 and 2012, was \$101,994 and \$106,372, respectively.

Investments consist of the following at June 30:

	2013	2012
Corporate equity securities	\$ 1,675,349	1,385,039
Corporate debt securities	259,778	356,430
Total investments	1,935,127	1,741,469
Current	(1,675,349)	(1,486,969)
Non-current	\$ 259,778	\$ 254,500

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>
2015	\$ 100,000
2017	150,000
	\$ 250,000

As of June 30, 2013, 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:

	2013	2012
Furniture and equipment	\$ 58,707	\$ 57,255
Less: Accumulated depreciation	(42,981)	(35,757)
	\$ 15,726	\$ 21,498

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 amounted to \$1,000,000 and \$500,000, for the years ended June 30, 2013 and 2012, respectively, and the Annual Commitment Fee amounted to \$250,000 for the years ended June 30, 2013 and 2012, for a total expense of \$1,250,000 and \$750,000, for the years ended June 30, 2013 and 2012, 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.

4. Temporarily Restricted Net Assets

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

	2013	2012
Research Network	\$ 1,958,353	\$ 3,095,697
Other Services	892,084	1,975,805
Total temporarily restricted net assets	\$ 2,850,437	\$ 5,071,502

COPD Foundation, Inc.

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>	2013	2012
Research Network	\$ 2,773,930	\$ 1,725,933
Other Services	5,000,291	3,048,045
Total restrictions released	\$ 7,774,221	\$ 4,773,978

5. Transactions with Related Parties

As of June 30, 2013 and 2012, the Foundation has a net balance due to Alpha-1 Foundation, Inc., which controlled the Foundation until December 31, 2012, of \$0 and \$5,285, respectively.

During the years ended June 30, 2013 and 2012, Alpha-1 Foundation, Inc. charged to the Foundation \$0 and \$22,467, respectively, for time spent by Alpha-1 Foundation employees on COPD Foundation projects.

During the years ended June 30, 2013 and 2012, Alpha-1 Foundation made contributions to the Foundation of \$62,500 and \$125,000, respectively, 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, 2013 and 2012 was \$668,475 and \$605,958, respectively. As of June 30, 2013 and 2012, there was no accrual for future grant commitments.

Supplemental Information

COPD Foundation, Inc.
Statements of Financial Position

<i>June 30,</i>	2013	2012
Assets		
Current Assets		
Cash (includes \$192,756 and \$129,976, respectively, which has been restricted by the donor)	\$ 1,668,756	\$ 3,484,371
Marketable securities	1,675,349	1,486,969
Accounts receivable, net of allowance for bad debts	933,227	494,921
Due from RLI	-	8,184
Other assets	40,789	14,327
Total current assets	4,318,121	5,488,772
Marketable securities - non-current	259,778	254,500
Investment in RLI	250,000	250,000
Property, plant & equipment, net	15,726	21,498
Total assets	\$ 4,843,625	\$ 6,014,770
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 1,206,496	\$ 390,700
Deferred revenue	21,000	-
Due to Alpha-1 Foundation	-	5,285
Total current liabilities	1,227,496	395,985
Net Assets		
Unrestricted	765,692	547,283
Temporarily restricted	2,850,437	5,071,502
Total net assets	3,616,129	5,618,785
Total liabilities and net assets	\$ 4,843,625	\$ 6,014,770

See Independent Auditor's Report

COPD Foundation, Inc.

Statements of Activities and Change in Net Assets

<i>Years ended June 30,</i>	2013	2012
Changes in Unrestricted Net Assets		
Unrestricted Support and Revenue		
Contributions, bequests and grant revenues	\$ 1,915,266	\$ 1,335,515
Investment and interest income, net	207,066	180,281
Publications, special events, and other income	996,103	817,037
Net assets released from restrictions- satisfaction of program restrictions	7,774,221	4,781,628
Total unrestricted support and revenue	10,892,656	7,114,461
Unrestricted Expenses		
Program services		
DRIVE4COPD	4,167,369	1,706,846
COPD Biomarkers Qualification Consortium	1,711,333	490,114
COPD Patient Education	1,404,862	1,063,884
COPD Gene Study	785,317	1,065,665
COPD Publications	524,793	444,439
COPD Information Line	391,113	366,574
COPD Research Network	317,253	292,182
COPD Public Policy	302,355	327,796
Mobile Spirometry Unit	107,819	197,719
Total program services	9,712,214	5,955,219
Supporting Services		
Administration and general	563,423	405,323
Fund raising	398,610	489,217
Total administration and general	962,033	894,540
Total unrestricted expenses	10,674,247	6,849,759
Increase in unrestricted net assets	218,409	264,702
Changes in Temporarily Restricted Net Assets		
Contributions, bequests and grant revenues	5,553,156	5,980,510
Net assets released from restrictions	(7,774,221)	(4,781,628)
(Decrease) increase in temporarily restricted net assets	(2,221,065)	1,198,882
(Decrease) increase in net assets	(2,002,656)	1,463,584
Net assets, beginning of year	5,618,785	4,155,201
Net assets, end of year	\$ 3,616,129	\$ 5,618,785

See Independent Auditor's Report

Respiratory Logistics, Inc.

Balance Sheets

<i>June 30,</i>	2013		2012	
Assets				
Cash and cash equivalents	\$	7,105	\$	29,538
Accounts receivable		-		6,000
Due from COPD Foundation		-		9,500
Total assets	\$	7,105	\$	45,038
Liabilities and Stockholder's Equity				
Current Liabilities				
Accounts payable	\$	-	\$	10,050
Due to COPD Foundation		-		17,685
Total current liabilities		-		27,735
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		(242,895)		(232,697)
Total stockholder's equity		7,105		17,303
Total liabilities and stockholder's equity	\$	7,105	\$	45,038

See Independent Auditor's Report

Respiratory Logistics, Inc.

Statements of Operations

<i>Years ended June 30,</i>	2013		2012	
Revenues	\$	-	\$	123,569
Expenses				
Rent		9,500		102,700
Contract and professional fees		435		1,493
Travel, conferences and meetings		-		10,000
Office expenses		263		1,079
Net (loss) income	\$	(10,198)	\$	8,297

See Independent Auditor's Report