COPD Foundation, Inc.

Consolidated Financial Statements
Years Ended June 30, 2014 and 2013

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

COPD Foundation, Inc.

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Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of COPD Foundation, Inc. and its subsidiary, which comprise the consolidated statements of financial position as of June 30, 2014 and 2013, 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.

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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, 2014 and 2013, 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.

BDO USA, LLP

September 15, 2014 Certified Public Accountants

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COPD Foundation, Inc.

Consolidated Statements of Financial Position

June 30,	**2014**	2013
Assets		
Current Assets		
Cash and cash equivalents (includes $116,489 and $192,756 at June 30, 2014 and 2013, respectively, which has been temporarily restricted by the donor)	**$ 857,599**	$ 1,675,861
Investment securities (Note 1)	**1,516,661**	1,675,349
Accounts receivable, net of allowance for bad debts	**897,458**	933,227
Prepaid expenses	**24,345**	40,789
Total current assets	**3,296,063**	4,325,226
Investment securities - non-current (Note 1)	**158,391**	259,778
Property and equipment, net (Note 2)	**11,811**	15,726
Total assets	**$ 3,466,265**	$ 4,600,730
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	**$ 1,202,764**	$ 1,206,496
Deferred revenue	**44,000**	21,000
Total current liabilities	**1,246,764**	1,227,496
Commitments and Contingencies (Note 3)		
Net Assets		
Unrestricted	**(545,643)**	522,797
Temporarily restricted (Note 4)	**2,765,144**	2,850,437
Total net assets	**2,219,501**	3,373,234
Total liabilities and net assets	**$ 3,466,265**	$ 4,600,730

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

Years ended June 30,		**2014**		2013
Changes in Unrestricted Net Assets				
Unrestricted Support and Revenue				
Contributions, bequests and grant revenues	**$**	**894,618**	$	1,915,266
Investment and interest income, net		**184,519**		207,066
Publications, special events, and other income		**867,681**		996,103
Net assets released from restrictions – satisfaction of program restrictions (Note 4)		**5,991,301**		7,774,221
Total unrestricted support and revenue		**7,938,119**		10,892,656
Unrestricted Expenses				
DRIVE4COPD		**3,213,863**		4,167,369
COPD Educational Programs		**989,534**		1,404,862
COPD Biomarkers Qualification Consortium		**795,823**		1,711,333
COPD Gene Study		**665,746**		785,317
COPD Publications		**552,727**		524,793
COPD Information Line		**496,515**		391,113
COPD Public Policy		**483,853**		302,355
COPD Research Network		**429,403**		317,253
COPD PCORI		**163,460**		-
COPD Mobile Spirometry Unit		**75,149**		107,819
Respiratory Logistics		**759**		10,198
Total program services		**7,866,832**		9,722,412
Supporting services				
Administration and general		**681,667**		563,423
Fund raising		**458,060**		398,610
Total supporting services		**1,139,727**		962,033
Total unrestricted expenses		**9,006,559**		10,684,445
(Decrease) increase in unrestricted net assets		**(1,068,440)**		208,211
Changes in Temporarily Restricted Net Assets				
Contributions, bequests and grant revenues		**5,906,008**		5,553,156
Net assets released from restrictions (Note 4)		**(5,991,301)**		(7,774,221)
Decrease in temporarily restricted net assets		**(85,293)**		(2,221,065)
Decrease in net assets		**(1,153,733)**		(2,012,854)
Net assets, beginning of year		**3,373,234**		5,386,088
Net assets, end of year	**$**	**2,219,501**	$	3,373,234

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, 2014

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

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

COPD Foundation, Inc.

Consolidated Statement of Functional Expenses for the Year Ended June 30, 2013

	DRIVE4COPD	COPD Biomarkers Qualification Consortium	COPD Educational Programs	COPD Gene Study	COPD Publications	COPD Information Line	COPD Research Programs	COPD Public Policy	Mobile Spirometry Program	Respiratory Logistics	Total Program Services	Administrative and General	Fund Raising	Year ended June 30, 2013 Total
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 rental	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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 Statements of Cash Flows

Years ended June 30,	**2014**	2013
Operating Activities		
Decrease in net assets	**$ (1,153,733)**	$ (2,012,854)
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Depreciation	**7,410**	7,224
Net realized/unrealized (gain) on investments	**(184,519)**	(207,066)
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable	**35,769**	(432,307)
Decrease (increase) in prepaid expenses	**16,444**	(26,462)
(Decrease) increase in accounts payable and accrued expenses	**(902)**	805,746
Increase in deferred revenue	**23,000**	21,000
Net cash (used in) operating activities	**(1,256,531)**	(1,844,719)
Investing Activities		
Purchase of Investment securities	**(947,561)**	(698,800)
Redemption of Investment securities	**1,392,155**	712,208
Purchase of property and equipment	**(3,495)**	(1,452)
Net cash provided by investing activities	**441,099**	11,956
Financing Activities		
Decrease in amounts due to Alpha-1 Foundation, net	**(2,830)**	(5,285)
Net cash used in financing activities	**(2,830)**	(5,285)
Net (decrease) in cash	**(818,262)**	(1,838,048)
Cash and cash equivalent, at beginning of year	**1,675,861**	3,513,909
Cash and cash equivalent, at end of year	**$ 857,599**	$ 1,675,861

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

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 and the year ended June 30 , 2014. 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 $2,765,144 and $2,850,437 as of June 30, 2014 and 2013, 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, 2014 and 2013.

Cash and Cash Equivalents

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

Investment securities

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

Accounts Receivable

Accounts receivable represent 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, 2014 and 2013 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, 2014 and 2013 statements of activities and changes in net assets.

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

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

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
	$ 249,189	$ (99,228)	$ 149,461

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 2011. However, the Foundation is still open to examination by taxing authorities from fiscal year 2011 forward. For the year ended June 30, 2014, there was no interest or tax penalties recorded or included in the statements of activities and changes in net assets.

RLI is a for-profit entity which pays federal income tax. For the period ended June 30, 2014, RLI recorded a net loss of $759. For the period ended June 30, 2013, RLI recorded a net loss of $10,198. 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.

Use of Estimates

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

Concentration of Credit Risk

Financial instruments, which potentially subject the Foundation to significant concentrations of credit risk, consist principally of cash and cash equivalents, and Investment securities. As of June 30, 2014 and 2013 the Foundation had cash and cash equivalent in excess of federally insured limits of $547,905 and 1,157,118.

The Foundation invests in a variety of publicly traded investment vehicles, including corporate debt and equity securities totaling $1,675,052 and $1,935,127 as of June 30, 2014 and 2013, 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).

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

The Foundation's Investment securities are valued using Level 1 inputs at June 30, 2014 and 2013.

Subsequent Events

The date to which events occurring after June 30, 2014, the date of the most recent statement of financial position, has been evaluated for possible adjustment to the financial statements or disclosure is September 15, 2014.

1. Investment securities

At June 30, 2014 and 2013, Investment securities consisted primarily of corporate equity and debt securities. Net unrealized (loss) gain on the Foundation's investment portfolio for the years ended June 30, 2014 and 2013, was ($20,663) and $101,994, respectively.

Investments consist of the following at June 30:

	2014	2013
Corporate equity securities	**$ 1,414,899**	$ 1,675,349
Corporate debt securities	**260,153**	259,778
Total investments	**1,675,052**	1,935,127
Current	**(1,516,661)**	(1,675,349)
Non-current	**$ 158,391**	$ 259,778

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

Year ended June 30, 2013	*Amount*
2015	**$ 100,000**
2017	**150,000**
	$ 250,000

As of June 30, 2014, yields on the Foundation's corporate debt securities investments maturing through the year 2017 ranged from approximately 3.20% to 3.75%.

2. Property and Equipment

Property and equipment consists of the following at June 30:

	2014	2013
Furniture and equipment	**$ 62,202**	$ 58,707
Less: Accumulated depreciation	**(50,391)**	(42,981)
	$ 11,811	$ 15,726

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 $1,250,000 and $1,000,000, for the years ended June 30, 2014 and 2013, respectively, and the Annual Commitment Fee amounted to $250,000 for the years ended June 30, 2014 and 2013, for a total expense of $1,500,000 and $1,250,000, for the years ended June 30, 2014 and 2013, 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.

Operating Leases

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

Year ended June 30,		*Amount*
2015	**$**	**84,147**
Total lease commitments	**$**	**84,147**

For the years ended June 30, 2014 and 2013 COPD Foundation incurred rent expense of $151,811 and $142,808 respectively.

4. Temporarily Restricted Net Assets

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

	2014	2013
Research Network	**$ 2,199,073**	$ 1,958,353
Other Services	**566,071**	892,084
Total temporarily restricted net assets	**$ 2,765,144**	$ 2,850,437

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

Years ended June 30,	**2014**	2013
Research Network	**$ 1,951,570**	$ 2,773,930
Other Services	**4,039,731**	5,000,291
Total restrictions released	**$ 5,991,301**	$ 7,774,221

5. Transactions with Related Parties

As of June 30, 2014 and 2013, the Foundation has a net balance due to Alpha-1 Foundation, which controlled the Foundation until December 31, 2012, of $1,834 and $4,664, respectively, which is recorded in accounts payable and accrued expenses in the accompanying consolidated statements of financial position.

During the years ended June 30, 2014 and 2013, Alpha-1 Foundation made contributions to the Foundation of $112,500 and $62,500, respectively, for services rendered by certain Alpha-1 Foundation officers to the Foundation. This was recorded as revenue and an expense in the consolidated statement of activities and changes in net assets.

During 2012, the Foundation entered into an annual agreement, automatically renewed for successive one year periods, with AlphaNet whereby AlphaNet conducts certain accounting, payroll, and human resources functions, manages information technology and telecommunication system services on behalf of the Foundation. Service fee expense for the years ended June 30, 2014, and 2013, was $$68,108 and $78,551, respectively, which is classified as contract services in the consolidated statements of functional expenses.

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, 2014 and 2013 was $619,518 and $668,475, respectively. As of June 30, 2014 and 2013, there was no accrual for future grant commitments.

Supplemental Information

COPD Foundation, Inc.

Statements of Financial Position

June 30,		**2014**		2013
Assets				
Current Assets				
Cash (includes $116,489 and $192,756, respectively, which has been restricted by the donor)	**$**	**850,703**	$	1,668,756
Investment securities		**1,516,661**		1,675,349
Accounts receivable, net of allowance for bad debts		**897,458**		933,227
Due from RLI		**-**		-
Other assets		**24,345**		40,789
Total current assets		**3,289,167**		4,318,121
Investment securities – non-current		**158,391**		259,778
Investment in RLI		**250,000**		250,000
Property, plant & equipment, net		**11,811**		15,726
Total assets	**$**	**3,709,369**	$	4,843,625
Liabilities and Net Assets				
Current Liabilities				
Accounts payable and accrued expenses	**$**	**1,202,214**	$	1,206,496
Deferred revenue		**44,000**		21,000
Due to Alpha-1 Foundation		**-**		-
Total current liabilities		**1,246,214**		1,227,496
Net Assets				
Unrestricted		**(301,989)**		765,692
Temporarily restricted		**2,765,144**		2,850,437
Total net assets		**2,463,155**		3,616,129
Total liabilities and net assets	**$**	**3,709,369**	$	4,843,625

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COPD Foundation, Inc.

Statements of Activities and Change in Net Assets

Years ended June 30,	**2014**	2013
Changes in Unrestricted Net Assets		
Unrestricted Support and Revenue		
Contributions, bequests and grant revenues	**$ 894,618**	$ 1,915,266
Investment and interest income, net	**184,519**	207,066
Publications, special events, and other income	**867,681**	996,103
Net assets released from restrictions- satisfaction of program restrictions	**5,991,301**	7,774,221
Total unrestricted support and revenue	**7,938,119**	10,892,656
Unrestricted Expenses		
Program services		
DRIVE4COPD	**3,213,863**	4,167,369
COPD Patient Education	**989,534**	1,404,862
COPD Biomarkers Qualification Consortium	**795,823**	1,711,333
COPD Gene Study	**665,746**	785,317
COPD Publications	**552,727**	524,793
COPD Information Line	**496,515**	391,113
COPD Public Policy	**483,853**	302,355
COPD Research Network	**429,403**	317,253
COPD PCORI	**163,460**	-
Mobile Spirometry Unit	**75,149**	107,819
Total program services	**7,866,073**	9,712,214
Supporting Services		
Administration and general	**681,667**	563,423
Fund raising	**458,060**	398,610
Total administration and general	**1,139,727**	962,033
Total unrestricted expenses	**9,005,800**	10,674,247
(Decrease) increase in unrestricted net assets	**(1,067,681)**	218,409
Changes in Temporarily Restricted Net Assets		
Contributions, bequests and grant revenues	**5,906,008**	5,553,156
Net assets released from restrictions	**(5,991,301)**	(7,774,221)
(Decrease) in temporarily restricted net assets	**(85,293)**	(2,221,065)
(Decrease) in net assets	**(1,152,974)**	(2,002,656)
Net assets, beginning of year	**3,616,129**	5,618,785
Net assets, end of year	**$ 2,463,155**	$ 3,616,129

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Respiratory Logistics, Inc.

Balance Sheets

June 30,		**2014**		2013
Assets				
Cash and cash equivalents	**$**	**6,896**	$	7,105
Total assets	**$**	**6,896**	$	7,105
Liabilities and Stockholder's Equity				
Current Liabilities				
Accounts payable	**$**	**550**	$	-
Total current liabilities		**550**		-
Stockholder's equity				
Common stock $0.01 par value authorized shares- 100,000 issued and outstanding		**1,000**		1,000
Additional paid in capital		**249,000**		249,000
Accumulated deficit		**(243,654)**		(242,895)
Total stockholder's equity		**6,346**		7,105
Total liabilities and stockholder's equity	**$**	**6,896**	$	7,105

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Respiratory Logistics, Inc.

Statements of Operations

Years ended June 30,		**2014**		2013
Revenues	**$**		$	-
Expenses				
Rent		**-**		9,500
Contract and professional fees		**-**		435
Office expenses		**759**		263
Net loss	**$**	**(759)**	$	(10,198)

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