



**COPD Foundation, Inc.**  
**Consolidated Financial Statements**  
**Years Ended June 30, 2017 and 2016**

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

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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 - 8
Consolidated Statements of Cash Flows	9
Summary of Significant Accounting Policies	10
Notes to Consolidated Financial Statements	14
Supplementary Information	19



## 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, 2017 and 2016, and the related consolidated statements of activities and changes 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, 2017 and 2016, and the changes in its net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Independent Auditor's Report on Supplementary Information*

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

Miami, Florida  
January 16, 2018

*BDO USA, LLP*

Certified Public Accountants

**COPD Foundation, Inc.**  
**Consolidated Statements of Financial Position**

<i>June 30,</i>	2017	2016
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents (includes \$250,000 and \$1,444 at June 30, 2017 and 2016, respectively, which has been temporarily restricted)	\$ 2,308,330	\$ 2,767,799
Investment securities (Note 1)	2,030,579	2,265,488
Accounts receivable, net - current (Note 2)	3,451,741	1,770,163
Prepaid expenses	133,086	88,424
<b>Total current assets</b>	<b>7,923,736</b>	<b>6,891,874</b>
Investment securities - non-current (Note 1)	404,500	620,126
Accounts receivable, net - non-current (Note 2)	604,479	361,299
Property and equipment, net (Note 3)	18,807	8,518
<b>Total assets</b>	<b>\$ 8,951,522</b>	<b>\$ 7,881,817</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 1,189,636	\$ 730,905
Note payable (Note 4)	250,000	-
Deferred revenue (Note 5)	915,943	2,671,766
<b>Total current liabilities</b>	<b>2,355,579</b>	<b>3,402,671</b>
<b>Commitments and Contingencies (Note 5)</b>		
<b>Net Assets</b>		
Unrestricted	(1,044,544)	(1,145,543)
Temporarily restricted (Note 6)	7,640,487	5,624,689
<b>Total net assets</b>	<b>6,595,943</b>	<b>4,479,146</b>
<b>Total liabilities and net assets</b>	<b>\$ 8,951,522</b>	<b>\$ 7,881,817</b>

*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>	2017	2016
<b>Changes in Unrestricted Net Assets</b>		
<b>Unrestricted Support and Revenue (Note 6)</b>		
Contributions, bequests and grant revenues	\$ 5,357,612	\$ 4,248,079
Investment and interest income, net	130,826	248,889
Publications, special events, and other income	771,919	673,055
Net assets released from restrictions - satisfaction of program restrictions (Note 6)	2,522,980	2,340,663
<b>Total unrestricted support and revenue</b>	<b>8,783,337</b>	<b>7,510,686</b>
<b>Unrestricted program services</b>		
COPD360	878,605	1,545,076
COPD Educational Programs	615,884	1,058,689
COPD PCORI	1,586,509	921,534
COPD Biomarkers Qualification Consortium	1,131,179	549,932
COPD Research Programs	1,694,027	530,984
COPD Publications	407,639	512,708
COPD Public Policy	266,739	333,436
COPD Gene Study	168,784	306,233
COPD Information Line	281,307	224,118
COPD Care Delivery	4,587	34,282
Respiratory Logistics	485	1,385
<b>Total program services</b>	<b>7,035,745</b>	<b>6,018,377</b>
<b>Supporting services</b>		
Administration and general	506,659	721,132
Fund raising	1,139,934	1,455,041
<b>Total supporting services</b>	<b>1,646,593</b>	<b>2,176,173</b>
<b>Total unrestricted expenses</b>	<b>8,682,338</b>	<b>8,194,550</b>
Increase (decrease) in unrestricted net assets	100,999	(683,864)
<b>Changes in Temporarily Restricted Net Assets</b>		
Contributions, bequests and grant revenues	4,538,778	3,236,069
Net assets released from restrictions (Note 6)	(2,522,980)	(2,340,663)
<b>Increase in temporarily restricted net assets</b>	<b>2,015,798</b>	<b>895,406</b>
Increase in total net assets	2,116,797	211,542
Net assets, beginning of year	4,479,146	4,267,604
<b>Net assets, end of year</b>	<b>\$ 6,595,943</b>	<b>\$ 4,479,146</b>

*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, 2017

	COPD		COPD Biomarkers		COPD		COPD		COPD		COPD		Total	Administrative	Year ended	
	COPD360	Educational Programs	PCORI	Qualification Consortium	Research Programs	COPD Publications	Public Policy	COPD Gene Study	Information Line	Care Delivery	Respiratory Logistics	Program Services			and General	Fund Raising
Awards and grants	\$ -	\$ -	\$ -	\$ 37,000	\$ 244,030	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 281,030	\$ -	\$ -	\$ -	\$ 281,030
Management fees	-	-	-	-	-	-	-	-	-	-	20	20	-	-	-	20
Salaries	215,358	218,640	461,142	23,000	97,877	38,141	113,278	48,043	-	-	-	1,215,479	191,850	468,302	1,875,631	
Payroll taxes	15,746	16,668	39,451	1,810	8,043	2,659	9,984	3,901	-	-	-	98,262	8,734	35,831	142,827	
Employee benefits	32,855	35,348	79,965	2,384	14,017	6,589	18,175	7,310	-	-	-	196,643	29,108	77,703	303,454	
Contract services	531,878	199,552	870,731	937,221	1,282,931	204,542	45,360	43,170	268,566	-	-	4,383,951	59,924	256,373	4,700,248	
Professional fees	26,666	7,707	39,154	3,665	20,600	653	3,311	991	424	-	90	103,261	29,959	7,910	141,130	
Supplies	2,001	25,790	5,282	210	2,388	629	1,703	412	181	-	-	38,596	5,320	10,799	54,715	
Telephones	4,389	5,242	6,121	275	1,757	712	2,245	580	3,368	-	-	24,689	6,583	6,726	37,998	
Online services	11,080	47,570	24,113	3,031	1,269	659	2,175	551	8,414	-	-	98,862	8,144	8,458	115,464	
Postage and shipping	1,426	(12,603)	1,820	53	925	59,953	1,324	52	-	-	-	52,950	4,084	5,580	62,614	
Occupancy	16,410	17,048	35,037	1,759	7,440	2,908	8,417	3,675	-	-	-	92,694	14,578	34,894	142,166	
Equipment repair and maintenance	-	-	-	-	-	-	-	-	-	-	-	-	95	4,989	5,084	
Printing and publication	1,156	22,091	3,864	29	1,000	84,176	549	63	-	-	-	112,928	969	7,416	121,313	
Travel	14,395	14,807	12,488	45,893	7,038	1,099	27,117	44,192	354	4,222	-	171,605	55,801	61,346	288,752	
Meals	3,898	2,744	2,285	27,104	3,501	2,693	12,806	2,558	-	365	-	57,954	15,788	15,342	89,084	
Conferences and meetings	1,283	8,002	1,861	47,738	1,180	1,888	9,665	13,272	-	-	-	84,889	15,275	1,909	102,073	
Dues and subscriptions	64	5,402	135	7	31	338	10,630	14	-	-	-	16,621	9,227	1,635	27,483	
Licenses and fees	-	1,876	3,060	-	-	-	-	-	-	-	375	5,311	19,611	25,896	50,818	
Utilities	-	-	-	-	-	-	-	-	-	-	-	-	253	-	253	
Insurance	-	-	-	-	-	-	-	-	-	-	-	-	10,163	-	10,163	
Bad Debt Expense	-	-	-	-	-	-	-	-	-	-	-	-	16,937	-	16,937	
Special events	-	-	-	-	-	-	-	-	-	-	-	-	-	108,825	108,825	
<b>Total expenses before depreciation</b>	<b>878,605</b>	<b>615,884</b>	<b>1,586,509</b>	<b>1,131,179</b>	<b>1,694,027</b>	<b>407,639</b>	<b>266,739</b>	<b>168,784</b>	<b>281,307</b>	<b>4,587</b>	<b>485</b>	<b>7,035,745</b>	<b>502,403</b>	<b>1,139,934</b>	<b>8,678,082</b>	
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	4,256	-	4,256	
<b>Total expenses</b>	<b>\$ 878,605</b>	<b>\$ 615,884</b>	<b>\$ 1,586,509</b>	<b>\$ 1,131,179</b>	<b>\$ 1,694,027</b>	<b>\$ 407,639</b>	<b>\$ 266,739</b>	<b>\$ 168,784</b>	<b>\$ 281,307</b>	<b>\$ 4,587</b>	<b>\$ 485</b>	<b>\$ 7,035,745</b>	<b>\$ 506,659</b>	<b>\$ 1,139,934</b>	<b>\$ 8,682,338</b>	

*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, 2016

	COPD360	COPD Educational Programs	COPD Biomarkers PCORI	COPD Biomarkers Qualification Consortium	COPD Research Programs	COPD Publications	COPD Public Policy	COPD Gene Study	COPD Information Line	COPD Care Delivery	COPD Respiratory Logistics	Total Program Services	Administrative and General	Fund Raising	Year ended June 30, 2016 Total
Awards and grants	\$ 114,775	\$ 135,452	\$ -	\$ -	\$ 220,212	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 470,439	\$ -	\$ -	\$ 470,439
Management fees	-	-	-	-	-	-	-	-	-	-	-	-	112,500	-	112,500
Salaries	246,391	247,325	300,008	19,270	46,193	29,717	156,167	49,425	1,375	11,605	-	1,107,476	165,441	512,686	1,785,603
Payroll taxes	16,218	17,665	21,783	1,489	3,410	2,089	11,295	3,720	106	828	-	78,603	10,743	32,604	121,950
Employee benefits	36,183	35,067	51,177	2,221	7,386	5,196	23,929	8,279	166	2,760	-	172,364	27,281	80,723	280,368
Contract services	1,020,567	384,959	418,597	438,967	201,911	219,759	65,160	139,659	207,850	251	-	3,097,680	30,125	448,637	3,576,442
Professional fees	26,053	5,346	15,533	12,915	10,736	2,093	262	-	-	-	40	72,978	59,677	14,369	147,024
Supplies	5,314	8,951	4,280	979	20	555	1,101	2,475	-	2,922	-	26,597	14,683	17,808	59,088
Telephones	4,134	10,037	1,293	292	430	-	2,100	1,345	6,094	-	-	25,725	16,908	2,884	45,517
Online services	1,508	45,078	23,418	2,659	1,401	900	1,480	-	8,527	827	-	85,798	29,597	9,161	124,556
Postage and shipping	941	19,896	17,623	754	832	103,254	1,398	369	-	673	-	145,740	2,757	3,907	152,404
Occupancy	-	-	-	-	-	-	-	-	-	-	-	-	129,502	-	129,502
Equipment repair and maintenance	-	-	-	-	-	-	-	-	-	-	-	-	5,833	8,149	13,982
Printing and publication	497	110,157	14,169	885	86	141,425	1,863	-	-	254	-	269,336	2,287	5,739	277,362
Travel	43,668	33,558	10,323	39,422	10,201	4,887	49,042	100,911	-	8,090	-	300,102	39,989	175,124	515,215
Conferences and meetings	4,327	4,350	3,330	20,480	3,666	2,519	8,084	50	-	6,072	-	52,878	7,733	28,585	89,196
Dues and subscriptions	-	829	-	-	-	314	11,555	-	-	-	-	12,698	8,047	2,989	23,734
Licenses and fees	24,500	19	40,000	9,599	24,500	-	-	-	-	-	1,345	99,963	23,709	23,441	147,113
Utilities	-	-	-	-	-	-	-	-	-	-	-	-	1,566	-	1,566
Insurance	-	-	-	-	-	-	-	-	-	-	-	-	28,160	-	28,160
Special events	-	-	-	-	-	-	-	-	-	-	-	-	-	88,235	88,235
<b>Total expenses before depreciation</b>	<b>1,545,076</b>	<b>1,058,689</b>	<b>921,534</b>	<b>549,932</b>	<b>530,984</b>	<b>512,708</b>	<b>333,436</b>	<b>306,233</b>	<b>224,118</b>	<b>34,282</b>	<b>1,385</b>	<b>6,018,377</b>	<b>716,538</b>	<b>1,455,041</b>	<b>8,189,956</b>
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	4,594	-	4,594
<b>Total expenses</b>	<b>\$ 1,545,076</b>	<b>\$ 1,058,689</b>	<b>\$ 921,534</b>	<b>\$ 549,932</b>	<b>\$ 530,984</b>	<b>\$ 512,708</b>	<b>\$ 333,436</b>	<b>\$ 306,233</b>	<b>\$ 224,118</b>	<b>\$ 34,282</b>	<b>\$ 1,385</b>	<b>\$ 6,018,377</b>	<b>\$ 721,132</b>	<b>\$ 1,455,041</b>	<b>\$ 8,194,550</b>

*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>	2017	2016
<b>Operating Activities</b>		
Increase in net assets	\$ 2,116,797	\$ 211,542
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	4,256	4,594
Net realized/unrealized (gain) loss on investments	(43,557)	(173,611)
Donated shares	-	-
Changes in operating assets and liabilities:		
Increase (decrease) in accounts receivable	(1,924,758)	223,773
Increase in prepaid expenses	(44,662)	(61,217)
Increase in accounts payable and accrued expenses	458,731	123,077
(Decrease) increase in deferred revenue	(1,755,823)	634,152
<b>Net cash (used in) provided by operating activities</b>	<b>(1,189,016)</b>	<b>962,310</b>
<b>Investing Activities</b>		
Purchase of investment securities	(361,680)	(820,244)
Redemption of investment securities	856,410	671,016
Purchase of property and equipment	(15,183)	(5,816)
<b>Net cash provided by (used in) investing activities</b>	<b>479,547</b>	<b>(155,044)</b>
<b>Financing Activities</b>		
Proceeds from loan entered into with anonymous organization	250,000	-
<b>Net cash provided by investing activities</b>	<b>250,000</b>	<b>-</b>
Net (decrease) increase in cash	(459,469)	807,266
Cash and cash equivalent, at beginning of year	2,767,799	1,960,533
<b>Cash and cash equivalent, at end of year</b>	<b>\$ 2,308,330</b>	<b>\$ 2,767,799</b>

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

# COPD Foundation, Inc.

## Summary of Significant Accounting Policies

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### 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.

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 RLI. 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 \$7,398,114 and \$5,624,689 as of June 30, 2017 and 2016, 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, 2017 and 2016.

### Cash and Cash Equivalents

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

### 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.

# COPD Foundation, Inc.

## Summary of Significant Accounting Policies

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### Accounts Receivable

Accounts receivable represent pledges receivable and other miscellaneous receivables. Management periodically performs a review of its accounts receivable balances to determine if they are impaired based on factors affecting the collectability of those balances. Management's estimate of collectability of these receivables requires management to exercise significant judgment about the timing, frequency and severity of collection losses, if any, which may affect recoverability of such receivables. Management believes that no allowances were required as of June 30, 2017 and 2016 respectively.

### Property and Equipment, Net

Property and equipment are recorded at cost or, if donated, at estimated fair market value at the date of donation. Depreciation is provided on the straight-line basis over the estimated useful lives of the assets, ranging from five to seven years.

### Fundraising

Revenues from special fundraising events, and the related expenses incurred in generating such revenues are included in "Publications, special events, and other income" and "Unrestricted expenses - Fundraising," respectively in the accompanying June 30, 2017 and 2016 statements of activities and changes in net assets.

During the year ended June 30, 2017, the following fundraising special events were sponsored by the Foundation:

	Revenues	Direct Expenses	Net
COPD Awards Benefit Reception	\$ 331,212	\$ (108,825)	\$ 222,387
	\$ 331,212	\$ (108,825)	\$ 222,387

During the year ended June 30, 2016, the following fundraising special events were sponsored by the Foundation:

	Revenues	Direct Expenses	Net
COPD Awards Benefit Reception	\$ 158,525	\$ (88,235)	\$ 70,290
	\$ 158,525	\$ (88,235)	\$ 70,290

### 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, 2017 and 2016, COPD Foundation did not have taxable transactions.

# COPD Foundation, Inc.

## Summary of Significant Accounting Policies

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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 2014. However, the Foundation is still open to examination by taxing authorities from fiscal year 2014 forward. For the year ended June 30, 2017 and 2016, 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 years ended June 30, 2017 and 2016, RLI recorded a net loss of \$485 and \$1,385, respectively. Deferred taxes are not material to the consolidated financial statements and due to the relatively early stages of the operations with no proven earnings history, a full valuation allowance was recorded against such assets.

### Allocation of Functional Expenses

Identifiable expenditures made in direct fulfillment of the Foundation's expressed goals are classified as program services. The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying consolidated statements of functional expenses. Certain common expenses have been allocated among the programs and supporting services based upon management's estimate including factors such as time spent or space utilized.

### Volunteer Services

The Foundation utilizes the services of volunteers in their fundraising campaigns. Because there is no objective means of valuing such services, no amounts for such services are recorded in the accompanying consolidated financial statements.

### 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, 2017 and 2016 the Foundation had cash and cash equivalents in excess of federally insured limits of \$1,722,152 and \$2,539,992.

# COPD Foundation, Inc.

## Summary of Significant Accounting Policies

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The Foundation invests in a variety of publicly traded investment vehicles, including corporate debt and equity securities totaling \$2,435,079 and \$2,885,614 as of June 30, 2017 and 2016, 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, 2017 and 2016.

### Reclassifications

Certain 2016 amounts have been reclassified to conform to the 2017 consolidated financial statement presentation.

### Subsequent Events

The date to which events occurring after June 30, 2017, the date of the most recent statement of financial position, has been evaluated for possible adjustment to the consolidated financial statements or disclosure is January 16, 2018.

# COPD Foundation, Inc.

## Notes to Consolidated Financial Statements

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### 1. Investment Securities

At June 30, 2017 and 2016, investment securities consisted primarily of corporate equity and debt securities. Net unrealized gain (loss) on the Foundation's investment portfolio for the years ended June 30, 2017 and 2016, was (\$17,732) and \$139,011 respectively.

Investments consist of the following at June 30:

<i>June 30,</i>	<b>2017</b>	<b>2016</b>
Corporate equity securities	\$ 1,830,647	\$ 1,762,457
Corporate debt securities	604,432	1,123,157
Total investments	2,435,079	2,885,614
Current	(2,030,579)	(2,265,488)
<b>Non-current</b>	<b>\$ 404,500</b>	<b>\$ 620,126</b>

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

<i>Year ended June 30,</i>	<b>Amount</b>
2026	\$ 404,500
	\$ 404,500

As of June 30, 2017, yields on the Foundation's corporate debt securities investments maturing through the year 2026 is 3.13%.

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# COPD Foundation, Inc.

## Notes to Consolidated Financial Statements

### 2. Accounts Receivable

Accounts receivable represents pledges receivable and other miscellaneous receivables. Pledge receivables that are unconditional promises to give that represent a period of more than one year are measured at present value of future cash flows based on a discount rate of 4% at June 30, 2017 and 2% for 2016.

As of June 30, 2017 and 2016, outstanding accounts receivable are as follows:

Program	2017	2016
Pledges receivable		
Grifols Unrestricted	\$ 300,000	\$ 300,000
University of Illinois PCORI	-	61,738
AstraZeneca COPD Gene Study	61,410	233,200
Medimmune, LLC COPD Gene Study	30,797	66,800
Novartis COPD Gene Study	-	400,000
Sunovion COPD Gene Study	100,000	100,000
Boehringer Ingelheim COPD Gene Study	-	100,000
GlaxoSmithKline COPD Gene Study	-	100,000
Kellen Foundation Research Net	282,874	443,534
Insmed, Inc. Research Net	1,885,954	-
MedImmune, LLC Research Net	250,000	-
GlaxoSmithKline Research Net	240,000	-
Grifols Research Net	104,000	-
Pfizer, Inc. CAPSTUDY	163,531	-
PCORI PCORI	413,806	196,116
Northwestern University COPD10	100,000	-
<b>Subtotal</b>	<b>3,868,955</b>	<b>2,001,388</b>
Less: Discount	(24,179)	(15,236)
<b>Total pledges receivable</b>	<b>3,844,776</b>	<b>1,986,152</b>
Other receivables		
GlaxoSmithKline	25,000	25,000
Others	123,026	120,310
<b>Subtotal</b>	<b>148,026</b>	<b>145,310</b>
<b>Total accounts receivable</b>	<b>4,056,220</b>	<b>2,131,462</b>
Less: Noncurrent (over 1 year)	(604,479)	(361,299)
<b>Current</b>	<b>\$ 3,451,741</b>	<b>\$ 1,770,163</b>

### 3. Property and Equipment, Net

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

	2017	2016
Furniture and equipment	\$ 77,724	\$ 68,654
Less: Accumulated depreciation	(58,917)	(60,136)
	<b>\$ 18,807</b>	<b>\$ 8,518</b>

# COPD Foundation, Inc.

## Notes to Consolidated Financial Statements

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### 4. Note Payable

COPD, by and through an action of its Board of Directors, entered into a Loan Agreement, dated December 14, 2016, with a charitable entity, which has requested anonymity, whereby COPD borrowed the sum of \$250,000, in order to provide funds for CODF's research, education, and advocacy programs that seek to prevent and cure COPD and to improve the lives of all people affected by COPD. The loan, as evidenced by a promissory note, is to be repaid in full on or before December 14, 2019. The loan is interest-free during its term. The principal of the loan has not been used as of June 30, 2017.

### 5. 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.

#### 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. The agreement was terminated on July 18, 2017 retroactively as of October 26, 2016. The Board of Directors formally waived the final requirement to fund \$500,000.

On December 14, 2014, the Foundation entered into an exchange transaction agreement with AstraZeneca Pharmaceuticals where the latter as a founding sponsor of COPD 360 registry initiative contributed \$2.5 million to be applied for four full years of sponsorship. As founding sponsor, AstraZeneca will have registry access and will also grant certain data query rights throughout the life cycle of the registry. The contributed funds may only be used solely to offset budgeted program expenses of the COPD 360 program. The agreement can be terminated by either party and any unobligated funds will be returned to AstraZeneca within 60 days. As of June 30, 2017 and 2016, the unspent funds of \$529,243 and \$1,067,459 were reported as deferred revenue in the accompanying consolidated statement of financial position.

On December 18, 2015, the Foundation entered into an exchange transaction contract with Boehringer Ingelheim Pharmaceuticals, Inc. ("BIPI") in which BIPI agreed to be a sponsor of COPD 360 Coach and COPD Gene by contributing \$300,000 to each program. The contributed funds may only be used solely to offset budgeted respective programs expenses. The agreement can be terminated by either party and any unobligated funds will be returned to BIPI within 60 days. The \$300,000 related to 360 Coach were properly recognized in PY and no balance is left fiscal year

# COPD Foundation, Inc.

## Notes to Consolidated Financial Statements

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2017. For COPD Gene, the unspent funds of \$247,209 and \$284,149 were reported as deferred revenue as of June 30, 2017 and 2016.

### Operating Leases

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

<u>Year ended June 30,</u>		<u>Amount</u>
2018	\$	95,498
<b>Total lease commitments</b>	<b>\$</b>	<b>95,498</b>

For the years ended June 30, 2017 and 2016 COPD Foundation incurred rent expense of \$142,166 and \$129,502 respectively.

## 6. Temporarily Restricted Net Assets

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

<u>June 30,</u>	<u>2017</u>	<u>2016</u>
Research Network	\$ 7,442,200	\$ 5,351,965
Other Services	198,287	272,724
<b>Total temporarily restricted net assets</b>	<b>\$ 7,640,487</b>	<b>\$ 5,624,689</b>

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

<u>Years ended June 30,</u>	<u>2017</u>	<u>2016</u>
Research Network	\$ 2,189,619	\$ 1,637,400
Other Services	198,287	703,263
<b>Total restrictions released</b>	<b>\$ 2,522,980</b>	<b>\$ 2,340,663</b>

## 7. Transactions with Related Parties

### Management Agreement

In July 2004, COPD Foundation and Alpha-1 Foundation, a related party, entered into a management agreement with AlphaNet, an affiliated entity, to receive management services from certain AlphaNet employees for an annual fee of \$250,000, which would be allocated between the Foundations. This agreement is for a one-year period and automatically renews itself at the end of the current term for additional one-year periods. Management fee allocated and expensed for the years ended June 30, 2017 and 2016 amounted to \$0 and \$112,500, respectively. This agreement was terminated as of December 31, 2016.

# COPD Foundation, Inc.

## Notes to Consolidated Financial Statements

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### Service Agreement

During 2012, the Foundation entered into an annual agreement, automatically renewed for successive one year periods, with AlphaNet whereby AlphaNet conducts certain accounting, payroll, and human resources functions, manages information technology and telecommunication system services on behalf of the Foundation. Service fee expense for the years ended June 30, 2017, and 2016, was \$20,905 and \$41,858, respectively, which is classified as contract services in the consolidated statements of functional expenses. This agreement was terminated as of December 31, 2016.

During the years ended June 30, 2017 and 2016, the Foundation made various unsecured, non-interest bearing, due on demand, advances to related entities. These advances are offset against amount owed to the related entities. In addition, the Foundation receives support services from its related entities on a cost reimbursement basis. As of June 30, 2017 and 2016, due to related entities aggregated to \$0 and \$8,549, respectively and were reported as a component of accounts payable in the accompanying consolidated statements of financial position.

### **8. 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, 2017 and 2016 were \$281,030 and \$470,439, respectively. As of June 30, 2017 and 2016, there was no accrual for future grant commitments.

## Supplementary Information

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**COPD Foundation, Inc.**  
**Statements of Financial Position**

<i>June 30,</i>	2017	2016
<b>Assets</b>		
<b>Current Assets</b>		
Cash (includes \$250,000 and \$1,444, respectively, which has been restricted by the donor)	\$ 2,304,769	\$ 2,763,753
Investment securities	2,030,579	2,265,488
Accounts receivable, net of allowance for bad debts	3,451,741	1,770,163
Other assets	133,086	88,424
<b>Total current assets</b>	<b>7,920,175</b>	<b>6,887,828</b>
Investment securities - non-current	404,500	620,126
Investment in RLI	250,000	250,000
Accounts receivable, net of allowance for bad debts	604,479	361,299
Property, plant & equipment, net	18,807	8,518
<b>Total assets</b>	<b>\$ 9,197,961</b>	<b>\$ 8,127,771</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 1,189,636	\$ 730,905
Note payable	250,000	-
Deferred revenue	915,943	2,671,766
<b>Total current liabilities</b>	<b>2,355,579</b>	<b>3,402,671</b>
<b>Net Assets</b>		
Unrestricted	(798,105)	(899,589)
Temporarily restricted	7,640,487	5,624,689
<b>Total net assets</b>	<b>6,842,382</b>	<b>4,725,100</b>
<b>Total liabilities and net assets</b>	<b>\$ 9,197,961</b>	<b>\$ 8,127,771</b>

*See independent auditor's report.*

# COPD Foundation, Inc.

## Statement of Activities and Change in Net Assets

<i>Years ended June 30,</i>	2017	2016
<b>Changes in Unrestricted Net Assets</b>		
<b>Unrestricted Support and Revenue</b>		
Contributions, bequests and grant revenues	\$ 5,357,612	\$ 4,248,119
Investment and interest income, net	130,826	248,889
Publications, special events, and other income	771,919	673,015
Net assets released from restrictions- satisfaction of program restrictions	2,522,980	2,340,663
<b>Total unrestricted support and revenue</b>	<b>8,783,337</b>	<b>7,510,686</b>
<b>Unrestricted Expenses</b>		
<b>Program services</b>		
COPD360	878,605	1,545,076
COPD Educational Programs	615,884	1,058,689
COPD PCORI	1,586,509	921,534
COPD Biomarkers Qualification Consortium	1,131,179	549,932
COPD Research Programs	1,694,027	530,984
COPD Publications	407,639	512,708
COPD Public Policy	266,739	333,436
COPD Gene Study	168,784	306,233
COPD Information Line	281,307	224,118
COPD Mobile Spirometry Unit	4,587	34,282
<b>Total program services</b>	<b>7,035,260</b>	<b>6,016,992</b>
<b>Supporting Services</b>		
Administration and general	506,659	721,132
Fund raising	1,139,934	1,455,041
<b>Total supporting services</b>	<b>1,646,593</b>	<b>2,176,173</b>
<b>Total unrestricted expenses</b>	<b>8,681,853</b>	<b>8,193,165</b>
Increase (decrease) in unrestricted net assets	101,484	(682,479)
<b>Changes in Temporarily Restricted Net Assets</b>		
Contributions, bequests and grant revenues	4,538,778	3,236,069
Net assets released from restrictions	(2,522,980)	(2,340,663)
<b>Increase in temporarily restricted net assets</b>	<b>2,015,798</b>	<b>895,406</b>
Increase in net assets	2,117,282	212,927
Net assets, beginning of year	4,725,100	4,512,173
<b>Net assets, end of year</b>	<b>\$ 6,842,382</b>	<b>\$ 4,725,100</b>

*See independent auditor's report.*

## COPD Foundation, Inc.

### Statement of Functional Expenses for the Year Ended June 30, 2017

	COPD COPD360	COPD Educational Programs	COPD Biomarkers PCORI	COPD Qualification Consortium	COPD Research Programs	COPD Publications	COPD Public Policy	COPD Gene Study	COPD Information Line	Mobile Spirometry Program	Total Program Services	Administrative and General	Fund Raising	Year ended June 30, 2017 Total
Awards and grants	\$ -	\$ -	\$ -	\$ 37,000	\$ 244,030	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 281,030	\$ -	\$ -	\$ 281,030
Management fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Salaries	215,358	218,640	461,142	23,000	97,877	38,141	113,278	48,043	-	-	1,215,479	191,850	468,302	1,875,631
Payroll taxes	15,746	16,668	39,451	1,810	8,043	2,659	9,984	3,901	-	-	98,262	8,734	35,831	142,827
Employee benefits	32,855	35,348	79,965	2,384	14,017	6,589	18,175	7,310	-	-	196,643	29,108	77,703	303,454
Contract services	531,878	199,552	870,731	937,221	1,282,931	204,542	45,360	43,170	268,566	-	4,383,951	59,924	256,373	4,700,248
Professional fees	26,666	7,707	39,154	3,665	20,600	653	3,311	991	424	-	103,171	29,959	7,910	141,040
Supplies	2,001	25,790	5,282	210	2,388	629	1,703	412	181	-	38,596	5,320	10,799	54,715
Telephones	4,389	5,242	6,121	275	1,757	712	2,245	580	3,368	-	24,689	6,583	6,726	37,998
Online services	11,080	47,570	24,113	3,031	1,269	659	2,175	551	8,414	-	98,862	8,144	8,458	115,464
Postage and shipping	1,426	(12,603)	1,820	53	925	59,953	1,324	52	-	-	52,950	4,084	5,580	62,614
Occupancy	16,410	17,048	35,037	1,759	7,440	2,908	8,417	3,675	-	-	92,694	14,578	34,894	142,166
Equipment repair and maintenance	-	-	-	-	-	-	-	-	-	-	-	95	4,989	5,084
Printing and publication	1,156	22,091	3,864	29	1,000	84,176	549	63	-	-	112,928	969	7,416	121,313
Travel	14,395	14,807	12,488	45,893	7,038	1,099	27,117	44,192	354	4,222	171,605	55,801	61,346	288,752
Meals	3,898	2,744	2,285	27,104	3,501	2,693	12,806	2,558	-	365	57,954	15,788	15,342	89,084
Conferences and meetings	1,283	8,002	1,861	47,738	1,180	1,888	9,665	13,272	-	-	84,889	15,275	1,909	102,073
Dues and subscriptions	64	5,402	135	7	31	338	10,630	14	-	-	16,621	9,227	1,635	27,483
Licenses and fees	-	1,876	3,060	-	-	-	-	-	-	-	4,936	19,611	25,896	50,443
Utilities	-	-	-	-	-	-	-	-	-	-	-	253	-	253
Insurance	-	-	-	-	-	-	-	-	-	-	-	10,163	-	10,163
Bad Debt Expense	-	-	-	-	-	-	-	-	-	-	-	16,937	-	16,937
Special events	-	-	-	-	-	-	-	-	-	-	-	-	108,825	108,825
<b>Total expenses before depreciation</b>	<b>878,605</b>	<b>615,884</b>	<b>1,586,509</b>	<b>1,131,179</b>	<b>1,694,027</b>	<b>407,639</b>	<b>266,739</b>	<b>168,784</b>	<b>281,307</b>	<b>4,587</b>	<b>7,035,260</b>	<b>502,403</b>	<b>1,139,934</b>	<b>8,677,597</b>
Depreciation and amortization	-	-	-	-	-	-	-	-	-	-	-	4,256	-	4,256
<b>Total expenses</b>	<b>\$ 878,605</b>	<b>\$ 615,884</b>	<b>\$ 1,586,509</b>	<b>\$ 1,131,179</b>	<b>\$ 1,694,027</b>	<b>\$ 407,639</b>	<b>\$ 266,739</b>	<b>\$ 168,784</b>	<b>\$ 281,307</b>	<b>\$ 4,587</b>	<b>\$ 7,035,260</b>	<b>\$ 506,659</b>	<b>\$ 1,139,934</b>	<b>\$ 8,681,853</b>

*See independent auditor's report.*

# Respiratory Logistics, Inc.

## Balance Sheets

<i>June 30,</i>	2017	2016
<b>Assets</b>		
Cash and cash equivalents	\$ 3,561	\$ 4,046
<b>Total assets</b>	<b>3,561</b>	<b>4,046</b>
<b>Liabilities and Stockholder's Equity</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ -	\$ -
<b>Total current liabilities</b>	<b>-</b>	<b>-</b>
<b>Stockholder's equity</b>		
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	(246,439)	(245,954)
<b>Total stockholder's equity</b>	<b>3,561</b>	<b>4,046</b>
<b>Total liabilities and stockholder's equity</b>	<b>\$ 3,561</b>	<b>\$ 4,046</b>

*See independent auditor's report.*

# Respiratory Logistics, Inc.

## Statements of Operations

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<i>Years ended June 30,</i>		2017	2016
Revenues	\$	-	\$ -
Expenses			
Office expenses		485	1,385
Net loss	\$	(485)	\$ (1,385)

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*See independent auditor's report.*