THE COOPER INSTITUTE

FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

JUNE 30, 2014 AND 2013

THE COOPER INSTITUTE

JUNE 30, 2014 AND 2013

CONTENTS

	Page
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	2
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS	3
STATEMENTS OF CASH FLOWS	4
NOTES TO FINANCIAL STATEMENTS	5 - 18

LANE GORMAN TRUBITT PLLC
Accountants & Advisors

Report of Independent Certified Public Accountants

To the Board of Trustees
The Cooper Institute

Report on the Financial Statements

We have audited the accompanying financial statements of The Cooper Institute (the "Institute"), which comprise the statement of financial position as of June 30, 2014, and the related statement of activities and changes in net assets and statement of cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 financial statements based on our audit. 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of the Institute as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Institute's June 30, 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 1, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

LANE GORMAN TRUBITT, PLLC
Dallas, Texas
November 7, 2014

The Cooper Institute
STATEMENTS OF FINANCIAL POSITION
June 30,

	2014	2013
ASSETS		
Cash and cash equivalents	$ 401,453	$ 440,759
Investments	19,311,767	16,165,230
Accounts receivable	940,844	673,800
Inventory	39,749	35,684
Prepaids and deposits	143,274	98,059
Property and equipment, net	5,139,024	5,525,990
Software development costs	100,000	286,288
TOTAL ASSETS	$ 26,076,111	$ 23,225,810
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	$ 375,398	$ 184,276
Accrued payroll	199,342	119,300
Seminar deposits	71,545	57,369
Deferred contract revenue	1,203,592	784,884
Total liabilities	1,849,877	1,145,829
NET ASSETS		
Unrestricted		
Unappropriated	5,635,470	6,547,610
Board appropriated	5,597,417	4,232,066
Total unrestricted net assets	11,232,887	10,779,676
Temporarily restricted	4,797,557	4,314,490
Permanently restricted	8,195,790	6,985,815
Total net assets	24,226,234	22,079,981
TOTAL LIABILITIES AND NET ASSETS	$ 26,076,111	$ 23,225,810

The accompanying notes are an integral part of these financial statements.

The Cooper Institute
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended June 30, 2014
(with comparative totals for the year ended June 30, 2013)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2014	Total 2013
SUPPORT AND REVENUE					
Contributions and grants, net	$ 1,519,736	$ 694,780	$ 1,209,975	$ 3,424,491	$ 3,442,382
Epidemiology and clinical application	51,837	-	-	51,837	85,186
Youth fitness	4,161,966	-	-	4,161,966	2,471,715
Continuing education and certification	1,283,643	-	-	1,283,643	1,581,543
Rental income	260,319	-	-	260,319	250,206
Other service revenue	300	-	-	300	1,500
Total support and revenue	7,277,801	694,780	1,209,975	9,182,556	7,832,532
Net assets released from restrictions	1,808,976	(1,808,976)	-	-	-
Total support and revenue, net of releases	9,086,777	(1,114,196)	1,209,975	9,182,556	7,832,532
EXPENSES					
Program services					
Salaries, wages, and benefits	4,495,124	-	-	4,495,124	4,073,477
Facilities rental and maintenance	287,456	-	-	287,456	286,757
Depreciation	565,527	-	-	565,527	490,611
Other program expenses	959,747	-	-	959,747	878,225
Total program services	6,307,854	-	-	6,307,854	5,729,070
Supporting services					
Salaries, wages, and benefits	2,014,002	-	-	2,014,002	1,173,460
Facilities rental and maintenance	250,993	-	-	250,993	256,636
Depreciation	111,709	-	-	111,709	129,725
Other supporting expenses	447,399	-	-	447,399	405,987
Total supporting services	2,824,103	-	-	2,824,103	1,965,808
Total expenses	9,131,957	-	-	9,131,957	7,694,878
Impairment loss on property and equipment	(230,143)	-	-	(230,143)	-
Change in net assets from operating activities	(275,323)	(1,114,196)	1,209,975	(179,544)	137,654
NON-OPERATING INCOME					
Net realized and unrealized gain on investments	618,395	1,304,823	-	1,923,218	1,393,605
Interest and investment income, net	110,139	292,440	-	402,579	359,892
Change in net assets from non-operating income	728,534	1,597,263	-	2,325,797	1,753,497
CHANGE IN NET ASSETS	453,211	483,067	1,209,975	2,146,253	1,891,151
NET ASSETS, beginning of year	10,779,676	4,314,490	6,985,815	22,079,981	20,188,830
NET ASSETS, end of year	$ 11,232,887	$ 4,797,557	$ 8,195,790	$ 24,226,234	$ 22,079,981

The accompanying notes are an integral part of these financial statements.

The Cooper Institute
STATEMENTS OF CASH FLOWS
Year Ended June 30,

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 2,146,253	$ 1,891,151
Adjustments to reconcile change in net assets to cash provided by (used in) operating activities		
Depreciation	677,236	620,336
Impairment loss on property and equipment	230,143	-
Net realized and unrealized gains on investments	(1,923,218)	(1,393,605)
Net interest and investment income reinvested	(431,000)	(381,311)
Contributions considered to be financing activities	(1,209,975)	(212,556)
Changes in operating assets and liabilities:		
Accounts receivable	(267,044)	(79,027)
Inventory	(4,065)	(499)
Prepaids and deposits	(45,215)	51,451
Accounts payable	191,122	43,869
Accrued payroll	80,042	(40,739)
Seminar deposits	14,176	(11,648)
Deferred contract revenue	418,708	287,715
Net cash provided by (used in) operating activities	(122,837)	775,137
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(1,589,368)	(5,614,512)
Proceeds from sales of investments	797,049	5,415,644
Purchases of property and equipment	(234,125)	(288,527)
Purchases of software development costs	(100,000)	(191,288)
Net cash used in investing activities	(1,126,444)	(678,683)
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipt of contributions restricted for the endowment	1,209,975	212,556
Net cash provided by financing activities	1,209,975	212,556
Net increase (decrease) in cash and cash equivalents	(39,306)	309,010
Cash and cash equivalents at beginning of year	440,759	131,749
Cash and cash equivalents at end of year	$ 401,453	$ 440,759
Supplemental Disclosure:		
Cash paid for interest	$ -	$ -
Non-cash transaction in the year:		
Software development costs transferred to property and equipment	$ 286,288	$ -

The accompanying notes are an integral part of these financial statements.

NATURE OF BUSINESS

The Cooper Institute (the "Institute") is a nonprofit, tax-exempt organization established to conduct research, education, and consultation to increase the understanding of the relationship between living habits and health. The Institute, based in Dallas, Texas, is supported by contributions and grants from individuals, companies, private foundations, and governmental entities; by fees charged for consulting, product licenses, professional services, and seminars.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied by the Institute in the preparation of the accompanying financial statements is as follows:

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Basis of Presentation

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Unrestricted net assets - Net assets not subject to donor-imposed stipulations. This category of net assets includes amounts appropriated by the Board of Trustees.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met by actions of the Institute and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that will never lapse thus require the funds to be maintained permanently by the Institute. Generally, the donors of these assets permit the Institute to use all or part of the income earned on related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Donor-restricted revenues whose restrictions are met in the same reporting period are reported as unrestricted support and revenue. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Contributions are recognized as revenues in the period unconditional promises to give are received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Accretion of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. There are no unconditional promises to give as of June 30, 2014 and 2013.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and all highly liquid investments purchased with an initial maturity of three months or less except for securities held in the investment portfolio. The Institute maintains its cash balances in financial institutions located in Dallas, Texas, which at times may exceed federally insured limits.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents (Continued)

Cash and securities maintained through a registered securities dealer are insured up to $500,000 by the Securities Investor Protection Corporation ("SIPC"). SIPC covers losses from fraud and negligence of the registered securities dealer, but not against market losses or investment return. Excess securities bonds are also held by the financial institution to cover any losses from fraud and negligence which may be incurred in excess of the amounts insured by the SIPC. Balances held in accounts may still at times exceed insured limits.

The Institute has not incurred any losses in these accounts, outside normal trading activities, and does not believe that they are exposed to any significant credit risk on cash and cash equivalents.

Investments

The Institute invests in common trust funds managed by Westwood Holdings Group, Inc. ("Westwood"), which consist of publicly traded debt and equity securities. The common trust funds are stated at the net asset value of the shares held as reported by the fund based on the fair value of the underlying assets in the fund.

All investments are presented at their fair value. Fair values are based on quoted market prices, if available, or estimated using quoted market prices for similar securities. Realized and unrealized gains and losses on investments are determined by comparison of the actual cost to the proceeds at the time of the disposition or market values as of the end of the financial statement period.

Investment income or loss (including realized gains and losses on investments, interest, and dividends) is included in the determination of change in net assets and is reported as non-operating income in the accompanying statements of activities and changes in net assets.

Unrealized gains or losses on investments are excluded from the determination of the change in net assets from operating activities.

Investment securities are exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the amounts reported in the accompanying statements of financial position.

Fair Value Measurements

In determining fair value, the Institute uses various valuation approaches. GAAP establishes a fair value hierarchy for inputs used in measuring fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. GAAP emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that participants would use in pricing the asset or liability.

As a basis for considering market participant assumptions in fair value measurements, GAAP establishes a three-tier hierarchy to distinguish between various types of inputs used in determining the value of the Institute's financial instruments. The inputs are summarized in three levels as outlined below:

Level 1 Inputs – Quoted prices (unadjusted) in active markets for identical assets and liabilities. Valuations of these instruments do not require a high degree of judgment since the valuations are based on quoted prices in active markets.

Level 2 Inputs – Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities that are not active; and inputs other than quoted prices that are observable, such as models or other valuation methodologies. Valuations in this category are inherently less reliable than quoted market prices due to the degree of subjectivity involved in determining appropriate methodologies and the applicable underlying assumptions.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

Level 3 Inputs – Unobservable inputs for the valuation of the asset or liability. These inputs require significant management judgment or estimation. These financial instruments have inputs that cannot be validated by readily determinable market data and generally involve considerable judgment by management.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the measurement falls in its entirety is determined based on the lowest level input that is significant. The Institute's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the financial instrument.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of June 30, 2014 and 2013.

Common trust funds: Valued at the net asset value of shares held by the Institute, which is a market approach based on the quoted market prices of the underlying securities. The common trust funds held by the Institute utilize an investment strategy to diversify their portfolios and control risk through investing in diversified market-based securities appropriate to the purpose of each common trust. There are no significant limitations on the Institute's ability to redeem investments at June 30, 2014 or 2013 and there are no unfunded commitments related to these investments.

Cash and cash equivalents are reflected in the accompanying financial statements at amounts which approximate fair value, primarily because of the short-term maturity of those instruments.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Institute believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is recognized on the actual date of the event or change in circumstance that caused the transfer in accordance with the Institute's accounting policy regarding the recognition of transfers between levels of the fair value hierarchy. For the years ended June 30, 2014 and 2013, there were no significant transfers among levels 1, 2 and 3.

Accounts Receivable

Accounts receivable are generally recorded at the invoiced amount or the amount of reimbursable costs incurred. The Institute considers receivables to be fully collectible based on its assessment of the current status of individual accounts and current economic conditions; accordingly no allowance for doubtful accounts is required. If accounts are determined to be delinquent or become uncollectible, they will be charged to operations at that time.

Inventory

Inventory consists of educational materials and fitness merchandise for re-sale and is stated at the lower of cost or market determined by the first-in, first-out basis. Cost is determined as purchase price plus delivery charges less discounts taken.

Property and Equipment

Property and equipment are carried at cost as of the date of acquisition or fair market value as of the date of donation, less accumulated depreciation and amortization. Depreciation is provided in amounts sufficient to relate the cost of depreciable assets over their estimated useful lives on a straight-line basis. The Institute's policy is to expense repairs and maintenance and all items under $5,000.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment (Continued)

The Institute reviews the carrying value of a long-lived asset to determine if facts and circumstances suggest that it may be impaired or that the depreciation or amortization period may need to be changed. If circumstances indicate the long-lived asset will not be recoverable, based upon undiscounted cash flows of the long-lived asset over the remaining life, the carrying value of the long-lived asset will be reduced by the estimated shortfall of discounted cash flows.

Software Development Costs

The accompanying statements of financial position includes capitalized software development costs of $100,000 and $286,288 at June 30, 2014 and 2013, respectively. The Institute incurs software development costs for internal use software and website development as well as for software to be marketed. In accordance with GAAP, eligible costs to develop internal use software and website development costs are capitalized during the application development stage. Software production costs for computer software to be sold, leased, or otherwise marketed are capitalized once the software is in development and past the technological feasibility stage. Software costs are subsequently reported at the lower of unamortized cost or net realizable value. Once software is placed in service internally or is available for general release to customers, it is transferred to property and equipment and amortized over five years utilizing the straight-line method.

Revenue Recognition

Revenue is recognized on conditional promises to give when the conditions are substantially met. Grant revenue is recognized as contract terms are fulfilled. Retainer fees on contracts are classified as deferred contract revenue and are recognized as revenue when the contracted services are performed. Contributions and grants are considered to be available for unrestricted purposes unless restricted by the donor for specific purposes, such as research projects or capital acquisitions. Royalty income is recognized as revenue when the sale of the software generating the royalty occurs.

Intentions to Give

The current pledges made to the Institute are revocable and are therefore considered intentions to give as the individuals making the pledges retain the ability to modify or rescind their pledge at any time prior to the Institute receiving the funds.

Therefore, in accordance with GAAP, the Institute considers these pledges to be intentions to give, rather than promises to give. As these intentions are not legally enforceable and the donor retains the right to modify or rescind the pledge, no receivable is recorded in the accompanying statements of financial position. Revenue from these pledges is recognized at the time the intention to give becomes an unconditional promise to give in accordance with GAAP.

Contributed Services

Contributed services are reflected in the accompanying financial statements at the fair market value of the services received. The contributions of services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Any services that meet the criteria for recognition under GAAP are recorded in the accompanying statements of activities and changes in net assets. For the years ended June 30, 2014 and 2013, the Institute received approximately $28,000 and $21,000, respectively, of professional services, which are included as contributions in the accompanying statements of activities and changes in net assets in accordance with GAAP.

Advertising

The Institute expenses advertising costs as incurred. Total advertising costs for the years ended June 30, 2014 and 2013 were $144,783 and $188,582, respectively, and are included in other supporting expenses in the accompanying statements of activities and changes in net assets.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

The costs of providing the various program and supporting services have been summarized on a functional basis in the accompanying statements of activities and changes in net assets and detailed in Note 11 to the financial statements. Accordingly, certain costs have been allocated among the programs and supporting services.

Income Taxes

The Institute is exempt from federal income tax under 501(c)(3) of the United States Internal Revenue Code (the "Code"), except to the extent it has unrelated business income. In addition, the Institute has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code. For the years ended June 30, 2014 and 2013, the Institute had no net unrelated business income. Accordingly, no provision for income tax has been provided in the accompanying financial statements.

GAAP requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Institute's tax returns to determine whether the tax positions are more likely than not of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense in the current year. A reconciliation is not provided herein, as the beginning and ending amounts of unrecognized benefits are zero, with no interim additions, reductions, or settlements. However, the conclusions regarding accounting for uncertainty in income taxes will be subject to review and may be adjusted at a later date based on factors including, but not limited to, ongoing analysis of tax laws, regulations, and interpretations thereof.

The Institute's informational returns filed in the U.S. federal jurisdiction are generally subject to examination for three years after the later of the due date or date of filing. As a result, the Institute is no longer subject to income tax examinations by tax authorities for years prior to fiscal year 2011.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The major accounting estimates are valuation of investments and deferred revenue, allocation of functional expenses, fair value of contributed goods and services, lives used to depreciate fixed assets, and estimates of receivables and accrued expenses.

Prior Year Information

The accompanying financial statements include certain prior year summarized financial information in total, but not specific as to net asset class. Such information does not include sufficient detail to constitute a presentation in accordance with GAAP. Accordingly, such information should be read in conjunction with the Institute's financial statements for the year ended June 30, 2013, from which the summarized information was derived.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation, including presentation of revenues from continuing education and certification to youth fitness in the accompanying statements of activities and changes in net assets.

2. INVESTMENTS

The composition of the Institute's investments at June 30 is set forth below. Investments are stated at their fair value.

	2014		2013	
Description	Fair Value	Cost	Fair Value	Cost
Common trust funds – capital appreciation:				
All cap growth	$ 2,367,190	$ 1,784,042	$ 1,875,580	$ 1,473,268
Emerging markets	975,090	798,347	691,641	641,289
Global dividend	2,866,779	2,505,012	2,365,504	2,371,402
Large cap value	2,313,956	1,990,690	1,884,774	1,602,281
Smaller mid cap plus	777,812	605,786	541,548	468,377
Smaller mid cap value	193,131	175,187	183,219	165,900
Small cap value	798,159	677,170	731,134	653,657
	10,292,117	8,536,234	8,273,400	7,376,174
Common trust funds – fixed income:				
High yield bond	727,688	704,710	682,227	678,451
Intermediate bond	2,974,246	2,915,743	2,736,508	2,668,614
International fixed income	560,644	530,254	-	-
Short duration high yield bond	1,339,798	1,356,804	1,079,889	1,107,198
	5,602,376	5,507,511	4,498,624	4,454,263
Common trust funds – specialty funds:				
Income opportunity	2,637,316	2,319,492	2,746,489	2,513,233
Real estate investment trust	580,392	467,106	512,513	440,739
	3,217,708	2,786,598	3,259,002	2,953,972
Cash and cash equivalents	199,566	199,566	134,204	134,204
	$ 19,311,767	$ 17,029,909	$ 16,165,230	$ 14,918,613

Interest and investment income earned on cash and cash equivalents and investments totaled $402,579 and $359,892 which is net of investment management fees of $93,000 and $85,500 for the years ended June 30, 2014 and 2013, respectively. For 2014 and 2013, the net change in unrealized gains was $1,034,199 and $201,831 respectively and there were net realized gains of $889,019 and $1,191,774 for the years ended June 30, 2014 and 2013, respectively. The net realized and unrealized gains on investments are reported as non-operating income in the accompanying statements of activities and changes in net assets.

2. INVESTMENTS (Continued)

The following is a summary of the estimated fair value of the Institute's investments as of June 30, 2014 and 2013:

Description	Carrying Value	Measured at Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2014:					
Common trust funds – capital appreciation:					
All cap growth	$ 2,367,190	$ 2,367,190	$ -	$ 2,367,190	$ -
Emerging markets	975,090	975,090	-	975,090	-
Global dividend	2,866,779	2,866,779	-	2,866,779	-
Large cap value	2,313,956	2,313,956	-	2,313,956	-
Smaller mid cap plus	777,812	777,812	-	777,812	-
Smaller mid cap value	193,131	193,131	-	193,131	-
Small cap value	798,159	798,159	-	798,159	-
	10,292,117	10,292,117	-	10,292,117	-
Common trust funds – fixed income:					
High yield bond	727,688	727,688	-	727,688	-
Intermediate bond	2,974,246	2,974,246	-	2,974,246	-
International fixed income	560,644	560,644	-	560,644	
Short duration high yield bond	1,339,798	1,339,798	-	1,339,798	-
	5,602,376	5,602,376	-	5,602,376	-
Common trust funds – specialty funds:					
Income opportunity	2,637,316	2,637,316	-	2,637,316	-
Real estate investment trust	580,392	580,392	-	580,392	-
	3,217,708	3,217,708	-	3,217,708	-
Cash and cash equivalents	199,566	199,566	199,566	-	-
	$ 19,311,767	$ 19,311,767	$ 199,566	$ 19,112,201	$ -
2013:					
Common trust funds – capital appreciation:					
All cap growth	$ 1,875,580	$ 1,875,580	$ -	$ 1,875,580	$ -
Emerging markets	691,641	691,641	-	691,641	-
Global dividend	2,365,504	2,365,504	-	2,365,504	-
Large cap value	1,884,774	1,884,774	-	1,884,774	-
Smaller mid cap plus	541,548	541,548	-	541,548	-
Smaller mid cap value	183,219	183,219	-	183,219	-
Small cap value	731,134	731,134	-	731,134	-
	8,273,400	8,273,400	-	8,273,400	-
Common trust funds – fixed income:					
High yield bond	682,227	682,227	-	682,227	-
Intermediate bond	2,736,508	2,736,508	-	2,736,508	-
Short duration high yield bond	1,079,889	1,079,889	-	1,079,889	-
	4,498,624	4,498,624	-	4,498,624	-
Common trust funds – specialty funds:					
Income opportunity	2,746,489	2,746,489	-	2,746,489	-
Real estate investment trust	512,513	512,513	-	512,513	-
	3,259,002	3,259,002	-	3,259,002	-
Cash and cash equivalents	134,204	134,204	134,204	-	-
	$ 16,165,230	$ 16,165,230	$ 134,204	$ 16,031,026	$ -

3. ENDOWMENTS

The Institute's endowments consist of funds established for a variety of purposes. The endowments include both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments (quasi-endowments).

As required by GAAP, net assets associated with endowment funds, including quasi-endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Trustees of the Institute has interpreted the Texas State Uniform Prudent Management of Institutional Funds Act ("TUPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Institute classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Institute in a manner consistent with the standard of prudence prescribed by TUPMIFA. In accordance with TUPMIFA, the Institute considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of the Institute and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the Institute
(7) The investment policies of the Institute.

As of June 30, 2014, endowment net assets consist of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	$ -	$ -	$ 8,195,790	$ 8,195,790
Earnings related to donor restricted endowment funds	-	3,614,840	-	3,614,840
Board designated quasi-endowment funds	5,597,417	-	-	5,597,417
Endowment net assets	$ 5,597,417	$ 3,614,840	$ 8,195,790	$ 17,408,047

Changes in endowment net assets for the year ended June 30, 2014, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2013	$ 4,232,066	$ 2,944,744	$ 6,985,815	$ 14,162,625
Endowment investment return:				
Interest and dividends	138,598	292,440	-	431,038
Realized and unrealized gains and losses	618,395	1,304,823	-	1,923,218
Total endowment investment return	756,993	1,597,263	-	2,354,256
Contributions	500,000	-	1,209,975	1,709,975
Board appropriations from unappropriated unrestricted net assets	710,263	-	-	710,263
Appropriation of endowment for expenditure	(601,905)	(927,167)	-	(1,529,072)
Endowment net assets, June 30, 2014	$ 5,597,417	$ 3,614,840	$ 8,195,790	$ 17,408,047

3. ENDOWMENTS (Continued)

Interpretation of Relevant Law (Continued)

As of June 30, 2013, endowment net assets consist of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	$ -	$ -	$ 6,985,815	$ 6,985,815
Earnings related to donor restricted endowment funds	-	2,944,744	-	2,944,744
Board designated quasi-endowment funds	4,232,066	-	-	4,232,066
Endowment net assets	$ 4,232,066	$ 2,944,744	$ 6,985,815	$ 14,162,625

Changes in endowment net assets for the year ended June 30, 2013, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2012	$ 4,140,520	$ 2,136,940	$ 6,773,259	$ 13,050,719
Endowment investment return:				
Interest and dividends	113,943	267,368	-	381,311
Realized and unrealized gains and losses	416,436	977,169	-	1,393,605
Total endowment investment return	530,379	1,244,537	-	1,744,916
Contributions	550,000	-	212,556	762,556
Board appropriations from unappropriated unrestricted net assets	218,960	-	-	218,960
Appropriation of endowment for expenditure	(1,207,793)	(436,733)	-	(1,644,526)
Endowment net assets, June 30, 2013	$ 4,232,066	$ 2,944,744	$ 6,985,815	$ 14,162,625

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or TUPMIFA requires the Institute to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2014 or 2013.

Return Objectives and Risk Parameters

The Institute has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Institute expects its endowment funds, over time, to provide an average rate of return of approximately 8% annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Institute relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Institute targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

3. ENDOWMENTS (Continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Institute has a policy of appropriating for distribution each year a target rate of 5% of its endowment fund's fair value at the fiscal third quarter-end preceding the fiscal year in which the distribution is planned. The Institute's policy also permits additions to or drawdowns of board-designated funds to achieve target cash balances in operating accounts. In establishing this policy, the Institute considered the long-term expected return on its endowment. Accordingly, over the long term, the Institute expects the current spending policy to allow its endowment to grow at an average of 3% annually. This is consistent with the Institute's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment risk.

4. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at June 30,:

	2014	2013
Trade accounts receivable	$ 460,400	$ 452,789
Royalties receivable	480,444	221,011
	$ 940,844	$ 673,800

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30,:

	Estimated Useful Life	2014	2013
Buildings and improvements	15 - 33 years	$ 5,964,621	$ 5,928,223
Computer equipment and software	5 years	2,233,317	2,288,783
Laboratory equipment	5 years	308,776	327,888
Office equipment	5 years	647,735	717,220
		9,154,449	9,262,114
Less accumulated depreciation		(5,924,775)	(5,645,474)
		3,229,674	3,616,640
Land	Not applicable	1,909,350	1,909,350
Property and equipment, net		$ 5,139,024	$ 5,525,990

Certain items of software were deemed to be impaired and written down to their fair value. Fair value, which was determined by reference to the present value of the estimated future cash inflows of such assets, exceeded their carrying value by $230,143 and $0 at June 30, 2014 and 2013, respectively. Impairment loss on property and equipment of that amount has been recorded in the accompanying statements of activities and changes in net assets.

6. LINE OF CREDIT

The Institute entered into a revolving line of credit with a bank. The line of credit has a maximum available balance of $450,000. The principal balance on the line of credit is payable on demand with interest at prime to accrue and be paid monthly. The prime rate was 3.25% at both June 30, 2014 and 2013. The line of credit is secured by all items deposited by the Institute in any account of the bank. No amounts were outstanding on this line of credit at either June 30, 2014 or 2013.

7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at June 30,:

	2014	2013
Research and dissemination	$ 1,182,712	$ 1,369,746
Earnings related to donor restricted endowment funds	3,614,845	2,944,744
	$ 4,797,557	$ 4,314,490

8. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are comprised of investments to be held in perpetuity as endowments, the income from which is expendable to support the following at June 30,:

	2014	2013
Scientific chair endowment funds	$ 4,802,539	$ 3,592,564
Other endowment funds restricted as to corpus	3,393,251	3,393,251
	$ 8,195,790	$ 6,985,815

9. NET ASSETS RELEASED FROM RESTRICTIONS

The sources of net assets released from temporary donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors were as follows for the year ended June 30, 2014:

Research and dissemination	$ 881,809
Investment income from scientific chair endowment fund	927,167
	$ 1,808,976

10. RENTAL INCOME

The Institute receives rental income from related parties. Rental income from related parties for the years ended June 30, 2014 and 2013 was $260,319 and $250,206, respectively.

Future minimum rents under signed rental agreements with related parties are as follows for the years ended June 30,:

2015	$ 257,736
2016	257,736
2017	257,736
2018	257,736
Thereafter	-
	$ 1,030,944

11. FUNCTIONAL EXPENSES

Functional expenses are as follows for the years ended June 30,:

	2014			
		Supporting Services		
	Program Services	Management and General	Fund Raising	Total
Salaries, wages, and benefits	$ 4,495,124	$ 1,838,722	$ 175,280	$ 6,509,126
Facilities rental and maintenance	287,456	241,992	9,001	538,449
Depreciation	565,527	108,025	3,684	677,236
General and administrative	959,747	335,181	112,218	1,407,146
	$ 6,307,854	$ 2,523,920	$ 300,183	$ 9,131,957

	2013			
		Supporting Services		
	Program Services	Management and General	Fund Raising	Total
Salaries, wages, and benefits	$ 4,073,477	$ 999,272	$ 174,188	$ 5,246,937
Facilities rental and maintenance	286,757	247,272	9,364	543,393
Depreciation	490,611	126,043	3,682	620,336
General and administrative	878,225	289,396	116,591	1,284,212
	$ 5,729,070	$ 1,661,983	$ 303,825	$ 7,694,878

12. RETIREMENT PLAN

The Institute sponsors a 403(b) annuity plan, which is available to all regular employees after meeting certain eligibility requirements. The plan provides for contributions by the employees up to a certain percentage of their compensation. The Institute makes matching contributions up to a certain percentage of the employees' contributions. The Institute made matching contributions of $221,098 and $243,290 for the years ended June 30, 2014 and 2013, respectively.

13. RELATED PARTY TRANSACTIONS

The Institute is a separate and independent entity located at The Cooper Aerobics Center in Dallas, Texas, which includes the Institute, Cooper Clinic, Cooper Medical Imaging LLP, Cooper Concepts, Inc., Cooper Wellness Consulting dba Cooper Consulting Partners, and Cooper Aerobics Enterprises, Inc. The Cooper Aerobics Enterprises, Inc. includes the following entities: Cooper Fitness Center, Cooper Hotel, Cooper Spa, and Cooper Wellness Program.

The founder and principal owner of the for-profit entities located at the Cooper Aerobics Center is Dr. Kenneth H. Cooper, who until October 2011 also served as Chairman of the Board of Trustees of the Institute when he became Chairman Emeritus.

Revenues from related parties are earned by the Institute for providing goods and services. Payments are received for books and other educational materials, training classes, speaker fees, consulting, and office lease space. Total payments received from all related parties were approximately $307,700 and $330,200 for the years ended June 30, 2014 and 2013, respectively.

The Institute shares some common expenses with related entities of The Cooper Aerobics Center and as a result regularly reimburses those entities for such purchases on a pro rata basis. Employee recognition events, a campus wellness program, and waste disposal are typical and recurring shared expenses. There are other miscellaneous purchases from related parties. Total payments to all related parties were approximately $315,800 and $106,100 for the years ended June 30, 2014 and 2013, respectively.

13. RELATED PARTY TRANSACTIONS (Continued)

Significant related party transactions for the years ended June 30, 2014 and 2013 are described below.

Cooper Clinic

Payments received from the Cooper Clinic for leasing medical office space and services of a programmer for electronic medical records amounted to approximately $293,600 and $283,100 for the years ended June 30, 2014 and 2013, respectively. Included in the total support and revenue from the Cooper Clinic are payments for leasing the first floor of the Institute's Hunt Building which totaled approximately $252,500 and $242,000 for the years ended June 30, 2014 and 2013, respectively.

The Cooper Clinic provides medical exams and the services of an information technology manager. Additionally, the Institute reimbursed the Clinic for storage and retrieval costs of medical records utilized in the Cooper Center Longitudinal Study database. The total payments made by the Institute to the Clinic were approximately $43,700 and $35,900 for the years ended June 30, 2014 and 2013, respectively.

Cooper Concepts, Inc.

The Institute recognized revenue of approximately $300 and $1,500 related to speaker fees from Cooper Concepts, Inc. for the years ended June 30, 2014 and 2013, respectively.

Cooper Corporate Solutions

The Institute recognized revenue of approximately $11,500 and $45,000 related to fitness program development from Cooper Corporate Solutions for the years ended June 30, 2014 and 2013, respectively.

Board Members

An Institute board member is related to the Chairman of the Board of Dell, Inc. The Institute purchased Dell computers, equipment, support plans, and data center infrastructure which totaled approximately $132,700 and $181,400 for the years ended June 30, 2014 and 2013, respectively.

Westwood Holdings, a publicly traded company, manages investments for the Institute. An Institute board member is the CEO of Westwood Holdings. Investment management fees net of a contributed service reduction totaled approximately $93,000 and $85,500 for the years ended June 30, 2014 and 2013, respectively.

The Institute received contributions of approximately $2,505,900 and $762,000 from members of the Board and other affiliated parties for the years ended June 30, 2014 and 2013, respectively. Furthermore, the Institute has outstanding intentions to give of approximately $361,800 and $1,754,800 from board members and other affiliated parties at June 30, 2014 and 2013, respectively. In accordance with GAAP, these intentions to give are not reflected in the accompanying statements of financial position since the donors can modify or rescind the amounts pledged.

14. COMMITMENTS AND CONCENTRATIONS

The Institute has committed to purchase research support and software development services of approximately $1,666,300 and $318,410 as of June 30, 2014 and 2013, respectively, to be used in the youth fitness program.

Revenue from one foundation represents 1% and 11% of total support and revenue for the years ended June 30, 2014 and 2013, respectively. In addition, for the years ended June 30, 2014 and 2013, support from one donor equaled 11% and 0%, respectively, of total support and revenue.

Receivables from two organizations in 2014 and 2013 represented 34% and 35% of the total outstanding accounts receivable at June 30, 2014 and 2013, respectively.

14. COMMITMENTS AND CONCENTRATIONS (Continued)

Royalties receivable from a software publisher represent 51% and 33% of the total outstanding accounts receivable at June 30, 2014 and 2013, respectively. Revenue from this publisher represents 22% and 11% of total support and revenue for the years ended June 30, 2014 and 2013, respectively.

Payables to one vendor for research services totaled 21% and 0% of the Institute's total outstanding accounts payable at June 30, 2014 and 2013, respectively. Payables to another vendor for software development totaled 27% and 0% of the Institute's total outstanding accounts payable at June 30, 2014 and 2013, respectively. Payables to a final vendor for an event facility totaled 0% and 13% of the Institute's total outstanding accounts payable at June 30, 2014 and 2013.

15. SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 7, 2014, which is the date the financial statements were available to be issued.