THE COOPER INSTITUTE

FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

JUNE 30, 2015 AND 2014

THE COOPER INSTITUTE

JUNE 30, 2015 AND 2014

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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, 2015, and the related statements of activities and changes in net assets and 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, 2015, 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, 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 7, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Lane Gorman Trubitt, PLLC

Dallas, Texas
November 6, 2015

The Cooper Institute
STATEMENTS OF FINANCIAL POSITION
June 30,

	2015	2014
ASSETS		
Cash and cash equivalents	$ 490,412	$ 401,453
Investments	18,350,793	19,311,767
Accounts receivable	326,154	940,844
Inventory	42,011	39,749
Prepaids and deposits	143,859	143,274
Property and equipment, net	4,723,359	5,139,024
Software development costs	1,090,500	100,000
TOTAL ASSETS	$ 25,167,088	$ 26,076,111
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	$ 577,360	$ 375,398
Accrued payroll	141,286	199,342
Seminar deposits	84,844	71,545
Deferred contract revenue	636,423	1,203,592
Total liabilities	1,439,913	1,849,877
COMMITMENTS AND CONTINGENCIES	-	-
NET ASSETS		
Unrestricted		
Unappropriated	5,700,245	5,635,470
Board appropriated	5,602,866	5,597,417
Total unrestricted net assets	11,303,111	11,232,887
Temporarily restricted	4,026,174	4,797,557
Permanently restricted	8,397,890	8,195,790
Total net assets	23,727,175	24,226,234
TOTAL LIABILITIES AND NET ASSETS	$ 25,167,088	$ 26,076,111

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, 2015
(with comparative totals for the year ended June 30, 2014)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2015	Total 2014
SUPPORT AND REVENUE					
Contributions and grants, net	$ 1,835,500	$ 40,000	$ 202,100	$ 2,077,600	$ 3,424,491
Epidemiology and clinical application	61,936	-	-	61,936	51,837
Youth fitness	3,263,331	-	-	3,263,331	4,161,966
Continuing education and certification	1,192,777	-	-	1,192,777	1,283,643
Rental income	295,044	-	-	295,044	260,319
Other service revenue	225	-	-	225	300
Total support and revenue	6,648,813	40,000	202,100	6,890,913	9,182,556
Net assets released from restrictions	907,867	(907,867)	-	-	-
Total support and revenue, net of releases	7,556,680	(867,867)	202,100	6,890,913	9,182,556
EXPENSES					
Program services					
Salaries, wages, and benefits	3,407,564	-	-	3,407,564	4,495,124
Facilities rental and maintenance	312,547	-	-	312,547	287,456
Depreciation	488,866	-	-	488,866	565,527
Other program expenses	1,144,310	-	-	1,144,310	959,747
Total program services	5,353,287	-	-	5,353,287	6,307,854
Supporting services					
Salaries, wages, and benefits	1,426,340	-	-	1,426,340	2,014,002
Facilities rental and maintenance	264,506	-	-	264,506	250,993
Depreciation	108,723	-	-	108,723	111,709
Other supporting expenses	276,109	-	-	276,109	447,399
Total supporting services	2,075,678	-	-	2,075,678	2,824,103
Total program and supporting expenses	7,428,965	-	-	7,428,965	9,131,957
Other expenses					
Impairment loss on property and equipment	(89,283)	-	-	(89,283)	(230,143)
Change in net assets from operating activities	38,432	(867,867)	202,100	(627,335)	(179,544)
NON-OPERATING INCOME					
Net realized and unrealized gain (loss) on investments	(80,037)	(165,023)	-	(245,060)	1,923,218
Interest and investment income, net	101,804	261,507	-	363,311	402,579
Gain on disposal of assets	10,025	-	-	10,025	-
Change in net assets from non-operating income	31,792	96,484	-	128,276	2,325,797
CHANGE IN NET ASSETS	70,224	(771,383)	202,100	(499,059)	2,146,253
NET ASSETS, beginning of year	11,232,887	4,797,557	8,195,790	24,226,234	22,079,981
NET ASSETS, end of year	$ 11,303,111	$ 4,026,174	$ 8,397,890	$ 23,727,175	$ 24,226,234

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

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

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (499,059)	$ 2,146,253
Adjustments to reconcile change in net assets to cash used in operating activities		
Depreciation	597,589	677,236
Impairment loss on property and equipment	89,283	230,143
Net realized and unrealized gain (loss) on investments	245,060	(1,923,218)
Net interest and investment income reinvested	(388,339)	(431,000)
Contributions considered to be financing activities	(202,100)	(1,209,975)
Contributions recognized for donated securities	(1,370,436)	-
Changes in operating assets and liabilities:		
Accounts receivable	614,690	(267,044)
Inventory	(2,262)	(4,065)
Prepaids and deposits	(585)	(45,215)
Accounts payable	201,962	191,122
Accrued payroll	(58,056)	80,042
Seminar deposits	13,299	14,176
Deferred contract revenue	(567,169)	418,708
Net cash used in operating activities	(1,326,123)	(122,837)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(3,372,882)	(1,589,368)
Proceeds from sales of investments	5,847,571	797,049
Purchases of property and equipment	(271,207)	(234,125)
Purchases of software development costs	(990,500)	(100,000)
Net cash provided by (used in) investing activities	1,212,982	(1,126,444)
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipt of contributions restricted for the endowment	202,100	1,209,975
Net cash provided by financing activities	202,100	1,209,975
Net increase (decrease) in cash and cash equivalents	88,959	(39,306)
Cash and cash equivalents, beginning of year	401,453	440,759
Cash and cash equivalents, end of year	$ 490,412	$ 401,453
Supplemental Disclosure:		
Cash paid for interest	$ -	$ -
Non-cash transaction in the year:		
Software development costs transferred to property and equipment	$ 320,000	$ 286,288
Contributions recognized for donated securities	$ 1,370,436	$ -

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, 2015 and 2014.

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, master limited partnerships and common stock. The common trust funds are 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, 2015 and 2014, other than the valuation methodology added for common stock and master limited partnerships for the year ended June 30, 2015.

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, 2015 or 2014 and there are no unfunded commitments related to these investments.

Common stock and master limited partnerships: Valued based on quoted market prices.

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, 2015 and 2014, 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 $1,090,500 and $100,000 at June 30, 2015 and 2014, 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. Rental income is recognized as revenue over the life of the lease agreement.

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, 2015 and 2014, the Institute received approximately $25,000 and $28,000, respectively, of professional services, which are included as contributions in the accompanying statements of activities and changes in net assets in accordance with GAAP.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Assets

Donated assets are reflected in the accompanying financial statements at the fair market value of the asset on the date of the gift. For the years ended June 30, 2015 and 2014, the Institute received approximately $1,370,000 and $0, respectively, of investments, 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, 2015 and 2014 were $169,685 and $144,783, respectively, and are included in other supporting expenses in the accompanying statements of activities and changes in net assets.

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, 2015 and 2014, 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 2012.

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, 2014, from which the summarized information was derived.

2. INVESTMENTS

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

	2015		2014	
Description	Fair Value	Cost	Fair Value	Cost
Common trust funds – capital appreciation:				
All cap growth	$ 992,234	$ 841,803	$ 2,367,190	$ 1,784,042
Emerging markets	410,038	380,252	975,090	798,347
Global dividend	1,704,419	1,561,174	2,866,779	2,505,012
Large cap value	1,524,306	1,363,347	2,313,956	1,990,690
Smaller mid cap plus	397,733	363,903	777,812	605,786
Smaller mid cap value	202,719	209,209	193,131	175,187
Small cap value	396,590	350,593	798,159	677,170
	5,628,039	5,070,281	10,292,117	8,536,234
Common trust funds – fixed income:				
High yield bond	659,070	688,861	727,688	704,710
Intermediate bond	3,714,921	3,794,440	2,974,246	2,915,743
International fixed income	517,872	557,864	560,644	530,254
Short duration high yield bond	1,032,338	1,085,105	1,339,798	1,356,804
	5,924,201	6,126,270	5,602,376	5,507,511
Common trust funds – specialty funds:				
Income opportunity	3,375,273	3,140,687	2,637,316	2,319,492
Real estate investment trust	605,132	509,237	580,392	467,106
Strategic global convertibles	569,967	568,591	-	-
	4,550,372	4,218,515	3,217,708	2,786,598
Master limited partnerships	438,384	116,000	-	-
Common stock	97,551	76,981	-	-
Cash and cash equivalents	1,712,246	1,712,246	199,566	199,566
	$ 18,350,793	$ 17,320,293	$ 19,311,767	$ 17,029,909

Interest and investment income earned on cash and cash equivalents and investments totaled $363,311 and $402,579 which is net of investment management fees of $100,000 and $93,000 for the years ended June 30, 2015 and 2014, respectively. For 2015 and 2014, the net change in unrealized gains was $(1,664,827) and $1,034,199 respectively and there were net realized gains of $1,419,767 and $889,019 for the years ended June 30, 2015 and 2014, 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, 2015 and 2014:

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)
2015:					
Common trust funds – capital appreciation:					
All cap growth	$ 992,234	$ 992,234	$ -	$ 992,234	$ -
Emerging markets	410,038	410,038	-	410,038	-
Global dividend	1,704,419	1,704,419	-	1,704,419	-
Large cap value	1,524,306	1,524,306	-	1,524,306	-
Smaller mid cap plus	397,733	397,733	-	397,733	-
Smaller mid cap value	202,719	202,719	-	202,719	-
Small cap value	396,590	396,590	-	396,590	-
	5,628,039	5,628,039	-	5,628,039	-
Common trust funds – fixed income:					
High yield bond	659,070	659,070	-	659,070	-
Intermediate bond	3,714,921	3,714,921	-	3,714,921	-
International fixed income	517,872	517,872	-	517,872	
Short duration high yield bond	1,032,338	1,032,338	-	1,032,338	-
	5,924,201	5,924,201	-	5,924,201	-
Common trust funds – specialty funds:					
Income opportunity	3,375,273	3,375,273	-	3,375,273	-
Real estate investment trust	605,132	605,132	-	605,132	-
Strategic global convertibles	569,967	569,967	-	569,967	-
	4,550,372	4,550,372	-	4,550,372	-
Master limited partnerships	438,384	438,384	438,384	-	-
Common stock	97,551	97,551	97,551	-	-
Cash and cash equivalents	1,712,246	1,712,246	1,712,246	-	-
	$ 18,350,793	$ 18,350,793	$ 2,248,181	$ 16,102,612	$ -

2. INVESTMENTS (Continued)

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	$ -

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:

3. ENDOWMENTS (Continued)

Interpretation of Relevant Law (Continued)

(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, 2015, endowment net assets consist of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	$ -	$ -	$ 8,397,890	$ 8,397,890
Earnings related to donor restricted endowment funds	-	3,154,287	-	3,154,287
Board designated quasi-endowment funds	5,602,866	-	-	5,602,866
Endowment net assets	$ 5,602,866	$ 3,154,287	$ 8,397,890	$ 17,155,043

Changes in endowment net assets for the year ended June 30, 2015, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2014	$ 5,597,417	$ 3,614,840	$ 8,195,790	$ 17,408,047
Endowment investment return:				
Interest and dividends	126,832	261,507	-	388,339
Realized and unrealized gains and losses	(80,037)	(165,023)	-	(245,060)
Total endowment investment return	46,795	96,484	-	143,279
Contributions	1,471,857	-	202,100	1,673,957
Board appropriations from unappropriated unrestricted net assets	255,585	-	-	255,585
Appropriation of endowment for expenditure	(1,768,788)	(557,037)	-	(2,325,825)
Endowment net assets, June 30, 2015	$ 5,602,866	$ 3,154,287	$ 8,397,890	$ 17,155,043

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

3. ENDOWMENTS (Continued)

Interpretation of Relevant Law (Continued)

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

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, 2015 or 2014.

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.

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:

	2015	2014
Trade accounts receivable	$ 127,124	$ 460,400
Royalties receivable	199,030	480,444
	$ 326,154	$ 940,844

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	Estimated Useful Life	2015	2014
Buildings and improvements	15 - 33 years	$ 6,042,142	$ 5,964,621
Computer equipment and software	5 years	2,046,829	2,233,317
Laboratory equipment	5 years	128,652	308,776
Office equipment	5 years	658,463	647,735
		8,876,086	9,154,449
Less accumulated depreciation		(6,062,077)	(5,924,775)
		2,814,009	3,229,674
Land	Not applicable	1,909,350	1,909,350
Property and equipment, net		$ 4,723,359	$ 5,139,024

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 $89,283 and $230,143 at June 30, 2015 and 2014, 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. As of June 30, 2014, the line of credit has a maximum available balance of $450,000. This available balance was extended to $500,000 during the year ended June 30, 2015. 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, 2015 and 2014. 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, 2015 or 2014.

7. TEMPORARILY RESTRICTED NET ASSETS

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

	2015	2014
Research and dissemination	$ 871,887	$ 1,182,712
Earnings related to donor restricted endowment funds	3,154,287	3,614,845
	$ 4,026,174	$ 4,797,557

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:

	2015	2014
Scientific chair endowment funds	$ 5,004,639	$ 4,802,539
Other endowment funds restricted as to corpus	3,393,251	3,393,251
	$ 8,397,890	$ 8,195,790

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, 2015:

Research and dissemination	$	350,830
Investment income from scientific chair endowment fund		557,037
	$	907,867

10. RENTAL INCOME

The Institute receives rental income from related parties. Rental income from related parties for the years ended June 30, 2015 and 2014 was $295,044 and $260,319, respectively.

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

2016	$	390,390
2017		390,390
2017		450,450
2018		450,450
2019		450,450
Thereafter		2,252,250
	$	4,384,380

11. FUNCTIONAL EXPENSES

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

	2015			
		Supporting Services		
	Program Services	Management and General	Fund Raising	Total
Salaries, wages, and benefits	$ 3,407,564	$ 1,234,383	$ 191,957	$ 4,833,904
Facilities rental and maintenance	312,547	254,662	9,844	577,053
Depreciation	488,866	104,595	4,128	597,589
General and administrative	1,144,310	252,647	23,462	1,420,419
	$ 5,353,287	$ 1,846,287	$ 229,391	$ 7,428,965

	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

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 $210,053 and $221,098 for the years ended June 30, 2015 and 2014, 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, Cooper Corporate Solutions, 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.

In June 2014, The Cooper Institute and the other entities of the Cooper Aerobics Center entered into an agreement for the purpose of formalizing collaborative efforts among the entities. This arrangement furthers the research and education mission of The Cooper Institute for the benefit of the public. As the primary source of research data utilized in the Cooper Center Longitudinal Study (CCLS) Database is from the medical records of patients seen by the Cooper Clinic, the agreement was needed to document Institute ownership, rights and obligations of the parties, joint use, and communications about education and research activities. Although there is no financial component to the agreement, there can be the need to reimburse any party for costs incurred for the benefit of the other party and any such transactions are recorded in the financial statements and described below.

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 $346,000 and $307,700 for the years ended June 30, 2015 and 2014, 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. Payments to The Cooper Aerobics Center were approximately $74,200 and $32,400 for the years ended June 30, 2015 and 2014, respectively. Total payments to all related parties were approximately $441,300 and $315,800 for the years ended June 30, 2015 and 2014, respectively.

Significant related party transactions for the years ended June 30, 2015 and 2014 are described below.

<u>Cooper Clinic</u>

Payments received from the Cooper Clinic for leasing medical office space and services of a programmer for electronic medical records amounted to approximately $338,000 and $293,600 for the years ended June 30, 2015 and 2014, 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 $287,400 and $252,500 for the years ended June 30, 2015 and 2014, 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 $76,800 and $43,700 for the years ended June 30, 2015 and 2014, respectively.

<u>Cooper Concepts, Inc.</u>

The Institute recognized revenue of approximately $200 and $300 related to speaker fees from Cooper Concepts, Inc. for the years ended June 30, 2015 and 2014, respectively.

<u>Cooper Corporate Solutions</u>

The Institute recognized revenue of approximately $5,500 and $11,500 related to fitness program development from Cooper Corporate Solutions for the years ended June 30, 2015 and 2014, respectively.

13. RELATED PARTY TRANSACTIONS (Continued)

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 $163,700 and $132,700 for the years ended June 30, 2015 and 2014, respectively. For the years ended June 30, 2015 and 2014, the Institute owed Dell, Inc. approximately $57,900 and $0, respectively, which is included in accounts payable in the accompanying statement of financial position. No such liability was included in account payable for the year ended June 30, 2014.

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 $100,100 and $93,000 for the years ended June 30, 2015 and 2014, respectively.

The Institute received contributions of approximately $342,000 and $2,505,900 from members of the Board and other affiliated parties for the years ended June 30, 2015 and 2014, respectively. Furthermore, the Institute has outstanding intentions to give of approximately $241,800 and $361,800 from board members and other affiliated parties at June 30, 2015 and 2014, 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 to be used in the youth fitness program of approximately $1,666,300. As of June 30, 2015, approximately $1,090,500 of this commitment has been fulfilled.

Revenue from one foundation represents 20% of total support and revenue for the year ended June 30, 2015. For the year ended June 30, 2014, support from one donor equaled 11% of total support and revenue. In addition, revenues from one customer represent 11% and 7% of total support and revenue, respectively, for the years ended June 30, 2015 and 2014.

Receivables from one organizations in 2015 and two organizations in 2014 represented 18% and 34% of the total outstanding accounts receivable at June 30, 2015 and 2014, respectively.

Royalties receivable from a software publisher represent 61% and 51% of the total outstanding accounts receivable at June 30, 2015 and 2014, respectively. Revenue from this publisher represents 21% and 22% of total support and revenue for the years ended June 30, 2015 and 2014, respectively.

Payables to one vendor for software development totaled 26% and 27% of the Institute’s total outstanding accounts payable at June 30, 2015 and 2014, respectively. For the year ended June 30, 2015, payables to two other vendors for information technology services and products represent 27% of the Institute’s total outstanding accounts payable. For the year ended June 30, 2014, payables to one vendor for research services totaled 21% of the Institute’s total outstanding accounts payable.

15. SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 6, 2015, which is the date the financial statements were available to be issued.