

COPD Foundation, Inc.
(Not-For-Profit Organization)
Financial Statements and Supplementary Information
June 30, 2019

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Independent Auditor's Report

To the Board of Directors of
COPD Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of COPD Foundation, Inc. (a not-for-profit organization), hereafter referred to as the "Organization", which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, 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 audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Additionally, our audits were conducted in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the 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.

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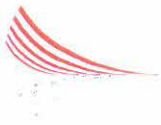


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Opinion

In our opinion, the financial statements referred to on page 1 present fairly, in all material respects, the financial position of the Organization as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited the COPD Foundation, Inc.'s 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 21, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2019 our consideration of COPD Foundation, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering COPD Foundation, Inc.'s internal control over financial reporting and compliance. In addition, we have also issued our report dated October 23, 2019 applicable to each major federal program. Such report should also be read in conjunction with the report in considering the results of our audit.

Prager Metis CPAs, LLC

Prager Metis CPAs, LLC
Coral Gables, Florida
October 23, 2019

COPD Foundation, Inc.
(Not-For-Profit Organization)
Statement of Financial Position
June 30, 2019
(With Summarized Comparative Totals for 2018)

	<u>2019</u>	<u>2018*</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 1,791,204	\$ 3,114,035
Marketable securities	5,030,062	3,170,556
Accounts receivable	1,630,629	3,383,281
Prepaid expenses	304,044	132,992
Total current assets	<u>8,755,939</u>	<u>9,800,864</u>
Property and equipment, net	14,172	16,118
Marketable securities, long term	414,088	385,400
Investment in subsidiary	<u>-</u>	<u>250,000</u>
Total assets	<u><u>\$ 9,184,199</u></u>	<u><u>\$ 10,452,382</u></u>
Liabilities and net assets		
Liabilities		
Current liabilities		
Accounts payable and other current liabilities	\$ 1,887,712	\$ 1,335,740
Note payable	250,000	250,000
Deferred revenues	967,746	1,440,329
Due from subsidiary	<u>-</u>	<u>3,506</u>
Total current liabilities	<u>\$ 3,105,458</u>	<u>\$ 3,029,575</u>
Net assets		
Without donor restrictions	1,552,744	(338,928)
With donor restrictions	<u>4,525,997</u>	<u>7,761,735</u>
Total net assets	<u><u>6,078,741</u></u>	<u><u>7,422,807</u></u>
Total liabilities and net assets	<u><u>\$ 9,184,199</u></u>	<u><u>\$ 10,452,382</u></u>

* Certain amounts have been reclassified for comparative purposes

COPD Foundation, Inc.
(Not-For-Profit Organization)
Statement of Activities
June 30, 2019
(With Summarized Comparative Totals for 2018)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Combined Totals</u>	
			<u>2019</u>	<u>2018*</u>
Public support				
Grant - Federal	\$ 1,728,090	\$ -	\$ 1,728,090	\$ 270,697
Contributions and other revenues	2,624,943	5,018,875	7,643,818	8,793,420
Investment and interest income	370,877	-	370,877	63,186
Special events (net of direct costs of \$170,608)	370,787	-	370,787	229,670
Publications and other income	101,668	20,000	121,668	388,293
Net assets released from restrictions	8,274,613	(8,274,613)	-	-
Total public support	<u>13,470,978</u>	<u>(3,235,738)</u>	<u>10,235,240</u>	<u>9,745,266</u>
Functional expenses				
Program services	9,103,083	-	9,103,083	7,395,662
General and support services	559,732	-	559,732	746,497
Fundraising	1,041,359	-	1,041,359	1,022,682
Total functional expenses	<u>10,704,174</u>	<u>-</u>	<u>10,704,174</u>	<u>9,164,841</u>
Excess (deficiency) of public support over expenses	2,766,804	(3,235,738)	(468,934)	580,425
Other change in net assets				
Loss on dissolution of subsidiary	(246,494)		(246,494)	
Change in net assets	<u>2,520,310</u>	<u>(3,235,738)</u>	<u>(715,428)</u>	<u>580,425</u>
Net assets as previously stated– beginning of year	(338,928)	7,761,735	7,422,807	6,842,382
Prior period adjustment (See Note 13)	(628,638)		(628,638)	
Net assets as restated	<u>(967,566)</u>	<u>7,761,735</u>	<u>6,794,169</u>	<u>6,842,382</u>
Net assets – end of year	<u>\$ 1,552,744</u>	<u>\$ 4,525,997</u>	<u>\$ 6,078,741</u>	<u>\$ 7,422,807</u>

* Certain amounts have been reclassified for comparative purposes

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

COPD Foundation, Inc.
(Not-For-Profit Organization)
Statement of Functional Expenses
Year Ended June 30, 2019
(With Summarized Comparative Totals for 2018)

	Program Expenses							Supporting Services		Combined Totals		
	Research	Care Delivery	Communications	Public Policy	Publications	Information Line	Conferences	Total Program Expenses	General and Support Services			Fundraising
										2019	2018	
Personnel costs												
Salaries	\$ 1,109,885	\$ 194,191	\$ 127,331	\$ 146,175	\$ 31,989	\$ -	\$ 9,157	\$ 1,618,728	\$ 247,156	\$ 580,217	\$ 2,446,101	\$ 1,988,881
Payroll taxes	89,376	15,700	10,131	11,367	2,996	-	698	130,268	18,598	47,390	196,256	155,175
Employee benefits	136,521	20,540	18,301	25,265	1,007	-	920	202,554	22,626	49,223	274,403	272,207
Total personnel costs	\$ 1,335,782	\$ 230,431	\$ 155,763	\$ 182,807	\$ 35,992	\$ -	\$ 10,775	\$ 1,951,550	\$ 288,380	\$ 676,830	\$ 2,916,760	\$ 2,416,263
Contract services	\$ 3,703,455	\$ 340,801	\$ 49,625	\$ 64,351	\$ 85,532	\$ 52,983	\$ 158,009	\$ 4,454,756	\$ 61,990	\$ 69,626	\$ 4,586,372	\$ 4,148,819
Awards and grants	1,936,959	-	-	-	-	-	-	1,936,959	2,590	-	1,939,549	808,084
Professional fees	53,652	2,931	1,816	1,599	424	-	80	60,502	37,233	8,959	106,694	180,377
Supplies	48,968	7,188	575	682	554	-	25	57,992	6,765	12,798	77,555	119,776
Telephones	29,354	4,678	2,897	1,762	676	6,428	127	45,922	6,093	12,756	64,771	51,784
Online services	68,387	6,440	46,433	1,740	4,414	396	59	127,869	4,832	9,457	142,158	139,313
Postage and shipping	1,388	(17,917)	229	3,008	(24)	-	5	(13,311)	3,289	2,974	(7,048)	17,503
Occupancy	61,479	11,651	7,217	4,202	1,684	-	318	86,551	18,091	32,180	136,822	131,551
Equipment repair and maintenance	-	-	-	-	-	-	-	-	-	-	-	351
Printing and publication	6,999	26,519	610	2,602	16,499	-	1,950	55,179	1,034	1,237	57,450	115,526
Travel	120,991	45,971	83	13,595	1,093	-	1,717	183,450	59,855	74,383	317,688	342,640
Meals	27,625	11,146	-	4,591	1,868	-	527	45,757	13,862	26,580	86,199	221,073
Conferences and meetings	36,492	3,208	72	82	2,342	-	228	42,424	15,537	53,861	111,822	240,247
Licenses and fees	15,212	2,337	482	280	112	7,120	21	25,564	30,220	26,889	82,673	166,527
Dues and subscriptions	13,844	2,263	1,121	12,288	6,079	-	49	35,644	2,357	30,575	68,576	43,638
Insurance	4,457	845	523	305	122	-	23	6,275	1,740	2,254	10,269	15,877
Depreciation	-	-	-	-	-	-	-	-	5,864	-	5,864	5,492
Total functional expenses	\$ 7,465,044	\$ 678,492	\$ 267,446	\$ 293,894	\$ 157,367	\$ 66,927	\$ 173,913	\$ 9,103,083	\$ 559,732	\$ 1,041,359	\$ 10,704,174	\$ 9,164,841

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

COPD Foundation, Inc.
(Not-For-Profit Organization)
Statement of Cash Flows
Year Ended June 30, 2019
(With Summarized Comparative for 2018)

	<u>2019</u>	<u>2018*</u>
Cash flows from operating activities		
Cash received from grants and revenues	\$ 11,359,254	\$ 10,418,205
Cash paid for daily operations	(10,789,973)	(8,488,820)
Realized loss on investments	(110,967)	(90,396)
Unrealized gain on investments	(126,805)	123,493
Net cash provided by operating activities	331,509	1,962,482
Cash flows from investing activities		
Purchase of property and equipment	(3,918)	(2,803)
Purchase of investment securities	(7,468,756)	(2,694,722)
Proceeds from sale of investment securities	5,818,334	1,540,748
Net cash used in investing activities	(1,654,340)	(1,156,777)
Net increase (decrease) in cash and cash equivalents	(1,322,831)	805,705
Cash and cash equivalents – beginning of year	<u>3,114,035</u>	<u>2,308,330</u>
Cash and cash equivalents – end of year	<u>\$ 1,791,204</u>	<u>\$ 3,114,035</u>
The net change in net assets may be reconciled to		
Net cash provided by operating activities as follows		
Change in net assets	\$ (715,428)	\$ 580,425
Add items which do not affect cash		
Depreciation	5,864	5,492
Realized gain on investments	(110,967)	(90,396)
Unrealized gain (loss) on investments	(126,805)	123,493
Add or (deduct) changes in operating assets and liabilities		
Deferred revenue	(472,583)	524,386
Grant and other receivables	1,124,014	672,884
Prepaid expenses	(171,052)	94
Accounts payable and accrued expenses	551,972	146,104
Investment in subsidiary	246,494	
Net cash provided by operating activities	<u>\$ 331,509</u>	<u>\$ 1,962,482</u>

* Certain amounts have been reclassified for comparative purposes

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

Note 1 Organization and Purpose

COPD Foundation, Inc. (COPD or the "Organization") was incorporated in the state of Florida in 2004 as a not-for-profit organization. COPD's mission is to prevent and cure Chronic Obstructive Pulmonary Disease and to improve the lives of all people affected by COPD. The Organization's activities focus on achieving these results through research, education and advocacy programs that will lead to prevention and someday, a cure for the disease.

Note 2 Summary of Significant Accounting Policies

Basis of Financial Statements Presentation

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net Assets with Donor Restrictions – Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

New Accounting Pronouncement Adopted

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Comparative Financial Statements

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. In addition, the statement of functional expenses includes prior year summarized information in total but not by functional category. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

Note 2 Summary of Significant Accounting Policies (continued)

Use of Estimates

In preparing the financial statements of the Organization, management must make estimates based on future events that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities as of the statement of financial position date, and the revenues and expenses for the period then ended. Actual results could differ from those estimates. A description of some of the estimates used in the preparation of the financial statements is included in the following significant accounting policies.

Fair Value Measurements

Fair value measurements establish a hierarchy to prioritize the computation of fair value. Such hierarchy consist of a) - valuations based on unadjusted quoted prices in active markets for identical assets or liabilities (Level 1), b) - valuations based on observable unadjusted quoted prices for similar assets and liabilities in active markets (Level 2), and c) - valuations based on inputs that are unobservable and are supported by little or no market activity, therefore, requiring management's best estimate of what market participants would use as fair value (Level 3). A description of the Organization's accounting principles and basis of presentation with regards to the fair market value of its assets and liabilities follows:

Financial Assets and Liabilities

The Organization reflects certain financial assets and liabilities such as accounts receivable, payables, prepaid expense and accrued expenses at their carrying values in accordance with generally accepted accounting principles in the United States.

Non-Financial Assets

The Organization's non-financial assets comprise of assets which are measured at fair value on a nonrecurring basis such as investments (Note 3) and property and equipment. The Organization's property and equipment as further explained in Note 3 is tested for impairment and adjusted to fair market value based on a Level 2 or 3 type of valuation when circumstances indicate that the carrying value of an asset may not be recoverable.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with maturities of three months or less to be cash equivalents.

Investments

Investments include marketable securities (debt and equity securities) and are classified as trading.

Investments in marketable securities are carried at fair value on the statement of financial position in current assets, with the change in fair value during the period included in earnings.

Note 2 Summary of Significant Accounting Policies (continued)

Investments (continued)

These investments' fair value is determined using Level 1 inputs, when available, such as the bid-and-asked prices publicly reported as of the date of the consolidated financial statements. Level 1 inputs generally provide the most reliable evidence of fair value. Level 2 inputs were only used when Level 1 inputs were not available.

Realized gains and losses are determined from the proceeds from the sale in excess of related costs. Investment transactions are recognized on a trade date basis. Interest income is recognized when earned and dividend income is recognized on the ex-dividend date. Interest and dividend income is included in investment income in the accompanying consolidated statement of activities.

The preceding methods may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future values. While management believes their valuation methods are appropriate and consistent with other market participants, the use of different methodologies to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date and these differences could be material.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with these securities.

Accounts Receivable

The Organization considers the accounts receivable to be collectible; accordingly, no allowance for doubtful accounts is required. When amounts are determined to be uncollectible, they are charged to operations.

Property and Equipment

Property and equipment is recorded at cost when purchased or constructed, or at market value when donated. The Organization capitalizes all expenditures in excess of \$1,000 for property and equipment at cost. Donations are reported as unrestricted support unless the donor has restricted the donated asset for a specific purpose. Expenditures for major renewals and betterment that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Depreciation is included in the statement of activities and is computed on the straight-line basis over the estimated useful life of the assets.

Functional Allocation of Expenses

The costs of providing the programs and supporting service activities have been directly charged. Management and general costs primarily consist of management fees, accounting and audit expenses, and miscellaneous administrative expense.

Note 2 Summary of Significant Accounting Policies (continued)

Impairment

Long-lived assets are reviewed for impairment when circumstances indicate that the carrying value of an asset may not be recoverable. If the carrying value is impaired, the long-lived assets will be written down to their fair market value with a corresponding charge to earnings. No such impairment was recorded for the years ended June 30, 2019.

Income Taxes

The Organization is organized as a not-for-profit entity and is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code. Unrelated business income, of which the Organization had none for the year ended June 30, 2019, would be subject to federal income taxes. The Organization's information returns filed with the Internal Revenue Service have not been examined in the past. The Organization is not aware of any uncertainties that could jeopardize its not-for-profit status. Therefore, no provision or liability for income taxes is deemed necessary.

The Organization follows the provisions of uncertain tax provisions addressed by FAS ASC 740-10 *Accounting For Uncertainty in Income Taxes*. The Organization has no uncertain tax positions at June 30, 2019, for which the ultimate deductibility is highly certain but for which there are uncertainty about the timing of such deductibility. The Organization recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expense. The Organization has determined that no amount required to be accrued for taxes or related penalties and interest for any tax position taken through June 30, 2019.

Recent Accounting Pronouncements

Leases

In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases*, which will require leases to be recorded as an asset on the balance sheet for the right to use the leased asset and a liability for the corresponding lease obligation for leases with terms of more than twelve months. ASU 2016-02 is effective for non-public companies for fiscal years beginning after December 15, 2019, with early adoption permitted. The Company will implement the new changes for the year ended June 30, 2020.

Revenue

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. This guidance provides a five-step analysis in determining when and how revenue is recognized so that an entity will recognize revenue when it transfers promised goods and services to customers in an amount that reflects what it expects in exchange for the goods and services. It also requires more detailed disclosures. The effective date is for fiscal years beginning after December 15, 2018. The Company will implement the new changes for the year ended December 31, 2019.

Note 3 Investments

Investments at June 30, 2019, as set forth by levels within the fair value hierarchy, consists of the following:

	Fair Value Level 1	Cost
U.S. equity securities	\$ 2,561,903	\$ 1,979,395
Fixed income securities	2,882,247	2,883,043
	5,444,150	4,862,438
Current	(5,030,062)	(4,446,395)
Non Current	<u>\$ 414,088</u>	<u>\$ 416,043</u>

The fair value of long-term investments totaled \$414,088 with a scheduled maturity date of March 2026.

Note 4 Property and Equipment

Property and equipment consist of the following:

		Useful Lives (Years)
Furniture and equipment	\$ 50,548	5
Less: accumulated depreciation	<u>36,376</u>	
	<u>\$ 14,172</u>	

Depreciation expense for the year ending June 30, 2019 totaled \$5,864.

Note 5 Note Payable

Note payable consists of a loan entered in December 2016 with an anonymous lender. This promissory note is interest free and matures on or before December 2019. As of June 30, 2019, the principal of the loan has not been used.

Note 6 Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following at June 30, 2019:

Research Network	\$ 4,874,855
Care Delivery	144,020
Publications - JCOPDF	<u>20,000</u>
Total donor restricted net assets	<u>\$ 5,038,875</u>

Note 6 Net Assets with Donor Restrictions (continued)

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

Research Network	\$ 5,527,918
Care Delivery	430,905
Publications - JCOPDF	5,500
Released due to fulfillment of terms	<u>2,310,290</u>
Total net assets released from restrictions	<u>\$ 8,274,613</u>

Note 7 Commitments and Contingencies

Commitments

The Organization has several leases which include office space as well as equipment, however, most of them are on a month to month basis. Rental expense for the year ended June 30, 2019 amounted to \$127,080.

The Organization is obligated under a lease for office space which expires in November 2020. The minimum rental commitment under this operating lease approximates the following:

Year Ending June 30,	
2020	\$ 52,000
2021	<u>4,000</u>
Total	<u>\$ 56,000</u>

Contingencies

Expenses reflected in the accompanying financial statements relating to government programs are subject to audit by the respective grantor. The possible disallowance by the related Organization of any item charged to the program cannot be determined at this time. No provision for any liability that may result has been made to the financial statements. Management is of the opinion that no material liability will result from such audits.

Note 8 Credit Risk

At times during the year, the Organization's cash balances were in excess of the federal insured limits of \$250,000. At June 30, 2019, the Organization's uninsured cash balance approximated \$1,084,000. However, the Organization maintains its cash with a high quality financial institution which the Organization believes limits the risk of having uninsured deposits.

Note 9 Employees' 401 K

The Organization has a 401 K Roth Plan. This plan is a voluntary retirement savings program eligible to all full-time employees. Such plan provides for the Organization to match up to 4% of safe harbor of the employee's annual salary providing that the employee is eligible for the plan benefits. The Organization contributed \$35,632 for the year ended June 30, 2019.

Note 10 Business and Credit Concentration

The Organization's services are substantially paid for by private grants and contributions. For the year ended June 30, 2019, the Organization's private grants and contributions approximate 75% of total revenues.

Note 11 Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of June 30, 2019 and 2018, reduced by the amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions or internal designations.

	<u>2019</u>	<u>2018</u>
Current assets, excluding non-financial assets	\$ 8,451,895	\$ 9,667,872
Less: donor restrictions for specific purposes		
Note payable (due 12/1/19)	250,000	250,000
Donor restricted assets	4,525,997	7,762,735
	<u>4,775,997</u>	<u>8,012,735</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,675,898</u>	<u>\$ 1,655,137</u>

Note 12 Reclassification of Temporarily Restricted Funds

Effective July 1, 2018, the Organization has adopted ASU 2016-14 (Note 2). The presentation in these financial statements has been adjusted accordingly. Net assets as of July 1, 2018, prior to the prior period adjustment referred to on Note 14, were restated by category with no impact on the total as follows:

Net asset class	As Originally Presented	After Adoption of ASU 2016-14
Unrestricted net assets	\$ (338,928)	\$ -
Temporarily restricted net assets	7,761,735	-
Net assets without donor restrictions	-	(338,928)
Net assets with donor restrictions	-	7,761,735
Total net assets	<u>\$ 7,422,807</u>	<u>\$ 7,422,807</u>

Note 13 Loss on Dissolution of Subsidiary

Respiratory Logistics, Inc. was a wholly-owned subsidiary of the Foundation. Its mission was to develop and manage commercial activities that were consistent with the overall goals and objectives of the COPD Foundation, Inc. and to generate recurring sources of revenue to support their activities. However, it no longer had any activity during the current and previous years and was therefore dissolved in May 2019. This resulted in a loss on dissolution of \$246,494 at June 30, 2019 which has been reflected on the Statement of Activities.

Note 14 Prior Period Adjustment

The prior period adjustment represents an adjustment made by an existing grant agreement with the Organization. In this connection, the Organization adjusted accounts receivable and revenues that was previously recognized by \$628,638.

Note 15 Subsequent Events

Subsequent events have been evaluated through October 23, 2019, which is the date the financial statements were available to be issued.

Supplementary Information

COPD Foundation, Inc.
 (Not-For-Profit Organization)
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2019

Federal/State Agency, Pass-through Entity Federal Program/State Project	CFDA/ CSFA Number	Contract Grant Number	Expenditures
Federal Agency			
National Institute of Health			
<i>Passed through University of Pittsburgh</i>			
Lung Diseases Research – INSIGHT	93.838	5U01HL128954-04	\$ 1,176,340
Lung Diseases Research – RETHINC	93.838	5U01HL128954-04	501,211
<i>Passed through Weill Medical College of Cornell University</i>			
Lung Diseases Research – CAPTURE	93.838	5 R01 HL136682-02	35,539
<i>Pass through Porter Novelli Public Services</i>			
Lung Diseases Research – TOUCH	93.838	GS-23F-0231N	<u>15,000</u>
Total expenditures of federal awards			<u>\$ 1,728,090</u>

Note 1 Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) reflects the federal grant activity which was originally provided to COPD Foundation, Inc., and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of COPD Foundation, Inc., it is not intended and does not present the financial position, changes in net assets, or cash flows of COPD Foundation, Inc.

Note 2 Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Organization has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Reporting Section

**Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Board of Directors of
COPD Foundation, Inc.

Prager Metis CPAs, LLC

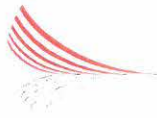
355 ALHAMBRA CIRCLE
SUITE 1100
CORAL GABLES, FL 33134
T 305.444.8288
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We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of COPD Foundation, Inc. (a not-for-profit organization) (the Organization), which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 23, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Very truly yours,

Prager Metis CPAs, LLC

Prager Metis CPAs, LLC
Coral Gables, Florida
October 23, 2019

**Independent Auditor's Report on Compliance for Each
Major Program and on Internal Control Over Compliance
Required by The Uniform Guidance**

To the Board of Directors of
COPD Foundation, Inc.

Prager Metis CPAs, LLC

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Report on Compliance for Each Major Federal Program

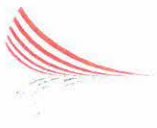
We have audited COPD Foundation, Inc.'s (a not-for-profit organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect of each of COPD Foundation, Inc.'s major federal programs for the year ended June 30, 2019. COPD Foundation, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of COPD Foundation, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on test basis, evidence about COPD Foundation, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.



We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our, audit does not provide a legal determination of COPD Foundation, Inc.'s compliance.

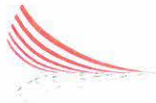
Opinion on Each Major Federal Program

In our opinion, COPD Foundation, Inc. complied, in all material respects, with the types of compliance requirements referred to on page 22 that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of COPD Foundation, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to on page 22. In planning and performing our audit of compliance, we considered COPD Foundation, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of COPD Foundation, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.



Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Prager Metis CPAs, LLC

Prager Metis CPAs, LLC
Coral Gables, Florida
October 23, 2019

COPD Foundation, Inc.
(Not-For-Profit Organization)
Schedule of Findings and Questioned Costs
June 30, 2019

1. The auditor's report expresses an unmodified opinion on the financial statements of COPD Foundation, Inc.
2. No significant deficiencies or material weaknesses were disclosed as a result of the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of COPD Foundation, Inc. were disclosed as result of the audit.
4. No significant deficiencies or material weaknesses were disclosed as a result of the audit of the major federal award program.
5. The auditor's report on compliance with the major federal award program for COPD Foundation, Inc. expresses an unmodified opinion.
6. No findings were disclosed as result of the audit relative to the major federal award program.
7. The program tested as a major program included:

<u>Agency</u>	<u>Program</u>	<u>CFDA Number</u>	<u>Amount</u>
National Institute of Health	Lung Diseases Research	93.868	\$1,728,090

8. For the June 30, 2019, Single Audit, the threshold used to distinguish between Type A and Type B programs was \$750,000.
9. COPD Foundation, Inc. was determined to be a high-risk audit.

Findings – Financial Statements Audit

None

Findings and Questioned Costs – Major Federal Award Program Audit

None

Findings and Questioned Costs – for prior year

None