

COPD Foundation, Inc.
(Not-For-Profit Organization)
Financial Statements and Supplementary Information
June 30, 2020

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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, 2020, 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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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, 2020, 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.

Prior Period Financial Statements

ZOMMA Group, LLP demerged from Prager Metis CPAs, LLC on January 1, 2020. Prager Metis CPAs, LLC previously audited COPD Foundation, Inc.'s financial statements as of and for the year ended June 30, 2019, and expressed an unmodified audit opinion on those audited financial statements in the report dated October 23, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, 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 December 1, 2020 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 December 1, 2020 applicable to each major federal program. Such report should also be read in conjunction with the report in considering the results of our audit.

ZOMMA Group, LLP

ZOMMA Group, LLP
Coral Gables, Florida
December 1, 2020

COPD Foundation, Inc.
(Not-For-Profit Organization)
Statement of Financial Position
June 30, 2020
(With Summarized Comparative Totals for 2019)

	<u>2020</u>	<u>2019</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 2,539,024	\$ 1,791,204
Marketable securities	3,859,890	5,030,062
Accounts receivable	2,951,395	1,630,629
Prepaid expenses	722,571	304,044
Total current assets	<u>10,072,880</u>	<u>8,755,939</u>
Property and equipment, net	13,537	14,172
Marketable securities, long term	<u>447,420</u>	<u>414,088</u>
Total assets	<u><u>\$ 10,533,837</u></u>	<u><u>\$ 9,184,199</u></u>
Liabilities and net assets		
Liabilities		
Current liabilities		
Accounts payable and other current liabilities	\$ 1,025,722	\$ 1,887,712
Note payable	-	250,000
Deferred revenues	2,672,111	967,746
Total current liabilities	<u>3,697,833</u>	<u>3,105,458</u>
Long term debt		
Paycheck Protection Program Loan	<u>304,870</u>	<u>-</u>
Total liabilities	<u>4,002,703</u>	<u>3,105,458</u>
Net assets		
Without donor restrictions	1,678,821	1,552,744
With donor restrictions	4,852,313	4,525,997
Total net assets	<u>6,531,134</u>	<u>6,078,741</u>
Total liabilities and net assets	<u><u>\$ 10,533,837</u></u>	<u><u>\$ 9,184,199</u></u>

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

COPD Foundation, Inc.
(Not-For-Profit Organization)
Statement of Activities
June 30, 2020
(With Summarized Comparative Totals for 2019)

	Without Donor Restrictions	With Donor Restrictions	Combined Totals	
			2020	2019
Public support				
Grant - Federal	\$ 1,058,910	\$ -	\$ 1,058,910	\$ 1,728,090
Contributions and other revenues	3,576,114	4,207,227	7,783,341	7,643,818
Investment and interest income	128,896	-	128,896	370,877
Special events (net of direct costs of \$124,476)	282,320	-	282,320	370,787
Publications and other income	63,175	30,000	93,175	121,668
Net assets released from restrictions	3,910,911	(3,910,911)	-	-
Total public support	9,020,326	326,316	9,346,642	10,235,240
Functional expenses				
Program services	7,464,951	-	7,464,951	9,103,083
General and support services	411,506	-	411,506	559,732
Fundraising	1,017,792	-	1,017,792	1,041,359
Total functional expenses	8,894,249	-	8,894,249	10,704,174
Excess (deficiency) of public support over expenses	126,077	326,316	452,393	(468,934)
Other change in net assets				
Loss on dissolution of subsidiary	-	-	-	(246,494)
Change in net assets	126,077	326,316	452,393	(715,428)
Net assets as previously stated– beginning of year	1,552,744	4,525,997	6,078,741	7,422,807
Prior period adjustment (See Note 13)				(628,638)
Net assets as restated	1,552,744	4,525,997	6,078,741	6,794,169
Net assets – end of year	\$ 1,678,821	\$ 4,852,313	\$ 6,531,134	\$ 6,078,741

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, 2020
(With Summarized Comparative Totals for 2019)

	Program Expenses					Supporting Services		Combined Totals	
	Research	Care Delivery	Communications	Publications	Total Program Expenses	General and Support Services	Fundraising	2020	2019
Personnel costs									
Salaries	\$ 1,186,951	\$ 449,344	\$ 123,116	\$ 36,685	\$ 1,796,096	\$ 218,652	\$ 692,078	\$ 2,706,826	\$ 2,446,101
Payroll taxes	85,231	36,633	10,660	3,138	135,662	13,225	46,614	195,501	196,256
Employee benefits	160,291	55,496	16,516	2,707	235,010	22,976	59,059	317,045	274,403
Total personnel costs	<u>\$ 1,432,473</u>	<u>\$ 541,473</u>	<u>\$ 150,292</u>	<u>\$ 42,530</u>	<u>\$ 2,166,768</u>	<u>\$ 254,853</u>	<u>\$ 797,751</u>	<u>\$ 3,219,372</u>	<u>\$ 2,916,760</u>
Contract services	\$ 3,382,334	\$ 285,372	\$ 11,463	\$ 72,442	\$ 3,751,611	\$ 57,554	\$ 91,879	\$ 3,901,044	\$ 4,586,372
Awards and grants	789,670	-	-	-	789,670	1,000	-	790,670	1,939,549
Professional fees	12,980	-	-	-	12,980	20,261	3,045	36,286	106,694
Supplies	65,984	26,547	382	73	92,986	1,485	5,603	100,074	77,555
Telephones	11,291	3,371	860	238	15,760	1,783	4,298	21,841	64,771
Online services	53,162	5,388	27,881	278	86,709	2,632	5,327	94,668	142,158
Postage and shipping	1,170	(17,689)	25	(334)	(16,828)	2,527	1,785	(12,516)	(7,048)
Occupancy	30,044	9,510	3,236	751	43,541	6,720	16,938	67,199	136,822
Printing and publication	4,414	14,863	-	6,166	25,443	134	9,450	35,027	57,450
Travel	155,749	25,269	-	-	181,018	12,850	13,090	206,958	317,688
Meals	8,066	7,410	-	-	15,476	3,323	11,771	30,570	86,199
Conferences and meetings	30,871	174	-	-	31,045	1,829	(10,339)	22,535	111,822
Licenses and fees	198,766	10,449	3,602	2,022	214,839	37,451	24,822	277,112	82,673
Dues and subscriptions	25,178	7,421	2,344	1,654	36,597	26	35,503	72,126	68,576
Insurance	12,070	3,838	1,090	338	17,336	739	6,869	24,944	10,269
Depreciation	-	-	-	-	-	6,339	-	6,339	5,864
Total functional expenses	<u>\$ 6,214,222</u>	<u>\$ 923,396</u>	<u>\$ 201,175</u>	<u>\$ 126,158</u>	<u>\$ 7,464,951</u>	<u>\$ 411,506</u>	<u>\$ 1,017,792</u>	<u>\$ 8,894,249</u>	<u>\$ 10,704,174</u>

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, 2020
(With Summarized Comparative for 2019)

	2020	2019
Cash flows from operating activities		
Cash received from grants and revenues	\$ 8,025,876	\$ 11,359,254
Cash paid for daily operations	(8,464,062)	(10,789,973)
Realized loss on investments	(81,117)	(110,967)
Unrealized gain/(loss) on investments	86,943	(126,805)
Net cash (used in) provided by operating activities	(432,360)	331,509
Cash flows from investing activities		
Purchase of property and equipment	(5,704)	(3,918)
Purchase of investment securities	(4,497,761)	(7,468,756)
Proceeds from sale of investment securities	5,628,775	5,818,334
Net cash (used in) provided by investing activities	1,125,310	(1,654,340)
Cash flows from financing activities		
Payment on note payable	(250,000)	-
Proceeds from Paycheck Protection Program borrowing	304,870	-
Net cash provided by financing activities	54,870	-
Net increase (decrease) in cash and cash equivalents	747,820	(1,322,831)
Cash and cash equivalents – beginning of year	1,791,204	3,114,035
Cash and cash equivalents – end of year	\$ 2,539,024	\$ 1,791,204
The net change in net assets may be reconciled to		
Net cash provided by (used in) operating activities as follows		
Change in net assets	\$ 452,393	\$ (715,428)
Add items which do not affect cash		
Depreciation	6,339	5,864
Realized gain on investments	(81,117)	(110,967)
Unrealized gain (loss) on investments	86,943	(126,805)
Add or (deduct) changes in operating assets and liabilities		
Deferred revenue	1,704,365	(472,583)
Grant and other receivables	(1,320,766)	1,124,014
Prepaid expenses	(418,527)	(171,052)
Accounts payable and accrued expenses	(861,990)	551,972
Investment in subsidiary	-	246,494
Net cash (used in) provided by operating activities	\$ (432,360)	\$ 331,509

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 speed innovations which will make treatment more effective and affordable, to undertake initiatives that result in expanded services for COPD patients, and improve the lives of patients with COPD and related disorders (through scientific research, education & awareness) that will lead to prevention and a stop in the progression of 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.

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, 2019, 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 4 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.

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, 2020 and 2019.

Note 2 Summary of Significant Accounting Policies (continued)

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.

Deferred Revenue

Deferred revenue represents revenues collected but not earned as of June 30, 2020 and 2019. This is primarily composed of revenue for new research studies as well as ongoing studies.

Accrued Compensated Absences

The amount of leave earned but not taken by employees is recorded and included as other current liability on the statement of position. The amount reflects, as of June 30, 2020 and 2019, all unused personal time off and taxes payable.

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 years ended June 30, 2020 and 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, 2020 and 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, 2020 and 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 Organization will implement the new changes, if any, for the year ended June 30, 2021.

Note 2 Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements (continued)

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, 2019. The Company will implement the new changes, if any, for the year ended June 30, 2021.

Note 3 Investments

Investments as of June 30, 2020 and 2019, as set forth by levels within the fair value hierarchy, consists of the following:

	2020		2019	
	Fair Value Level 1	Cost	Fair Value Level 1	Cost
U.S. equity securities	\$ 2,289,074	\$ 2,079,186	\$ 2,561,903	\$ 1,979,395
Fixed income securities	2,018,236	1,980,804	2,882,247	2,883,043
	4,307,310	4,059,990	5,444,150	4,862,438
Current	(3,859,890)	(3,646,186)	(5,030,062)	(4,446,395)
Non Current	\$ 447,420	\$ 413,804	\$ 414,088	\$ 416,043

The fair value of long-term investments totaled \$447,420 and \$414,088 at June 30, 2020 and 2019, respectively, with a scheduled maturity date of March 2026.

Note 4 Property and Equipment

Property and equipment as of June 30, 2020 and 2019 consist of the following:

	2020	2019	Useful Lives (Years)
Furniture and equipment	\$ 54,799	\$ 50,548	5
Less: accumulated depreciation	41,262	36,376	
	\$ 13,537	\$ 14,172	

Depreciation expense for the years ending June 30, 2020 and 2019 totaled \$6,339 and \$5,864, respectively.

Note 5 Paycheck Protection Program Loan

In May 2020, the Organization received loan proceeds in the amount of \$304,870 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides loans to businesses for amounts based on the average monthly payroll expenses of the qualifying business. The loan matures in May 2022 at a 1% annual interest rate payable monthly commencing November 2020. The Organization intends to use the entire loan amount for qualifying expenses, which include payroll costs, rent payments, covered utilities, etc. Under the terms of the PPP, the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. The Organization intends to apply for 100% forgiveness of this loan during the fiscal year ending June 30, 2021.

In accordance with the most recent PPP legislation, advances can be deferred up to 10 months from the end of the 24 period of eligible expenses. The PPP advance is classified as a long-term loan as of June 30, 2020.

Note 6 Net Assets with Donor Restrictions

Net assets with donor restrictions consists of the following for the years ended June 30, 2020 and 2019:

	2020	2019
Research Network	\$ 3,853,171	\$ 4,874,855
Care Delivery	354,056	144,020
Publications - JCOPDF	30,000	20,000
Total donor restricted net assets	<u>\$ 4,237,227</u>	<u>\$ 5,038,875</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose as follows for the years ended June 30, 2020 and 2019:

	2020	2019
Research Network	\$ 3,465,827	\$ 5,527,918
Care Delivery	362,140	430,905
Publications - JCOPDF	875	5,500
Released due to fulfillment of terms	82,069	2,310,290
Total net assets released from restrictions	<u>\$ 3,910,911</u>	<u>\$ 8,274,613</u>

Note 7 Commitments and Contingencies

Commitments

The Organization has several leases for office space, however, most of them are on a month to month basis. Rental expense for the years ended June 30, 2020 and 2019 amounted to \$67,198 and \$127,080, respectively.

The Organization is obligated under a lease for office space which expires in November 2020. The minimum rental commitment under this operating lease approximates \$8,700 for the year ending June 30, 2021.

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, 2020 and 2019, the Organization's uninsured cash balances approximated \$1,531,000 and \$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 \$40,967 and \$35,632 for the years ended June 30, 2020 and 2019.

Note 10 Business and Credit Concentration

The Organization's services are substantially paid for by private grants and contributions. For the years ended June 30, 2020 and 2019, the Organization's private grants and contributions approximate 83% and 75% of total revenues.

Note 11 Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of June 30, 2020 and 2019, 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>2020</u>	<u>2019</u>
Current assets, excluding non-financial assets	\$ 9,350,309	\$ 8,451,895
Less: donor restrictions for specific purposes		
Note payable	-	250,000
Donor restricted assets	<u>4,852,313</u>	<u>4,525,997</u>
	<u>4,852,313</u>	<u>4,775,997</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,497,996</u>	<u>\$ 3,675,898</u>

Note 12 Subsequent Events

Subsequent events have been evaluated through December 1, 2020, which is the date the financial statements were available to be issued.

Subsequent to year end, the Organization resolved claims relating to the termination of several executive and management employees. The settlements state that the Organization will pay \$488,200 to the individuals based on various employment claims. The Organization filed claims with their professional liability insurance carrier and has been reimbursed \$246,000. These amounts were not accrued and therefore are not included in the statement of financial position. Approximately \$388,200 was recorded and paid in November 2020.

Supplementary Information

COPD Foundation, Inc.
 (Not-For-Profit Organization)
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2020

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	\$ 549,735
Lung Diseases Research – RETHINC	93.838	5U01HL128954-04	<u>509,175</u>
Total expenditures of federal awards			<u>\$ 1,058,910</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.

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, 2020, 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 December 1, 2020.

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) as a basis for designing 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 financial statements. 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,

ZOMMA Group, LLP

ZOMMA Group, LLP
Coral Gables, Florida
December 1, 2020



**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.

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, 2020. 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, 2020.

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.

ZOMMA Group, LLP

ZOMMA Group, LLP
Coral Gables, Florida
December 1, 2020

COPD Foundation, Inc.
(Not-For-Profit Organization)
Schedule of Findings and Questioned Costs
June 30, 2020

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	\$1,058,910

8. For the June 30, 2020, 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