

**COPD Foundation, Inc.  
and Subsidiary  
(Not-For-Profit Organization)  
Consolidated Financial Statements  
June 30, 2018**

# COPD Foundation, Inc. and Subsidiary

## Table of Contents

June 30, 2018

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|                                     |       |
|-------------------------------------|-------|
| <b>Independent Auditor's Report</b> | 1 – 2 |
|-------------------------------------|-------|

### **Financial Statements**

|   |   |
|---|---|
| Consolidated Statement of Financial Position  | 3 |
| Consolidated Statement of Activities          | 4 |
| Consolidated Statement of Functional Expenses | 5 |
| Consolidated Statement of Cash Flows          | 6 |

|   |        |
|---|--------|
| <b>Notes to Consolidated Financial Statements</b> | 7 – 13 |
|---|--------|

### **Supplementary Information**

|   |    |
|---|----|
| Schedule I – Consolidating Statements of Financial Position | 14 |
| Schedule II – Consolidating Statements of Activities        | 15 |

### **Reporting Section**

|  |         |
|--|---------|
| Independent Auditor's Report on Internal Control over<br>Financial Reporting and on Compliance and Other Matters<br>Based on an Audit of Financial Statements Performed in<br>Accordance with <i>Government Auditing Standards</i> | 16 – 17 |
|--|---------|

## Independent Auditor's Report

To the Board of Directors of  
COPD Foundation, Inc.

### Report on the Financial Statements

*Prager Metis CPAs, LLC*

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We have audited the accompanying consolidated financial statements of COPD Foundation, Inc. (a not-for-profit organization) and its subsidiary, hereafter collectively referred to as the "Organization", which comprise the consolidated statement of financial position as of June 30, 2018, 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.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our 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. 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 consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the consolidated financial statements referred to on page 1 present fairly, in all material respects, the financial position of the Organization as of June 30, 2018, 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 consolidated financial statements as a whole. The accompanying supplementary information shown on pages 13 and 14 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 consolidated financial statements as a whole.

#### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2018 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.

*Prager Metis CPAs, LLC*

Prager Metis CPAs, LLC  
Coral Gables, Florida  
November 21, 2018

COPD Foundation, Inc. and Subsidiary  
(Not-For-Profit Organization)  
Consolidated Statement of Financial Position  
June 30, 2018

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**Assets**

Current assets

|                             |                  |
|-----------------------------|------------------|
| Cash and cash equivalents   | \$ 3,366,359     |
| Marketable securities       | 2,918,232        |
| Accounts receivable         | 3,383,281        |
| Prepaid expenses            | <u>132,992</u>   |
| <b>Total current assets</b> | <b>9,800,864</b> |

**Property and equipment, net** 16,118

**Marketable securities, long term** 385,400

**Total assets** \$ 10,202,382

**Liabilities and net assets**

**Liabilities**

Current liabilities

|  |                  |
|--|------------------|
| Accounts payable and other current liabilities | \$ 1,335,740     |
| Note payable                                   | 250,000          |
| Deferred revenues                              | <u>1,440,329</u> |
| <b>Total current liabilities</b>               | <b>3,026,069</b> |

**Net assets**

|                         |                         |
|-------------------------|-------------------------|
| Unrestricted            | (585,422)               |
| Temporarily restricted  | <u>7,761,735</u>        |
| <b>Total net assets</b> | <b><u>7,176,313</u></b> |

**Total liabilities and net assets** \$ 10,202,382

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

COPD Foundation, Inc. and Subsidiary  
(Not-For-Profit Organization)  
Consolidated Statement of Activities  
Year Ended June 30, 2018

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|  |                     |
|--|---------------------|
| <b>Public support</b>                                |                     |
| Grant revenues and contributions                     | \$ 4,679,222        |
| Investment and interest income                       | 63,186              |
| Special events (net of direct costs of \$86,035 )    | 229,670             |
| Publications and other income                        | 388,293             |
| Net assets released from restrictions                | <u>4,263,647</u>    |
| <b>Total public support</b>                          | <u>9,624,018</u>    |
| <b>Functional expenses</b>                           |                     |
| Program services                                     | 7,395,662           |
| General and support services                         | 746,552             |
| Fundraising  | <u>1,022,682</u>    |
| <b>Total functional expenses</b>                     | <u>9,164,896</u>    |
| <b>Increase in unrestricted net assets</b>           | 459,122             |
| <b>Changes in temporarily restricted net assets</b>  |                     |
| Grant revenues and contributions                     | 4,384,895           |
| Net assets released from restriction                 | <u>(4,263,647)</u>  |
| <b>Increase in temporarily restricted net assets</b> | 121,248             |
| <b>Increase in total net assets</b>                  | 580,370             |
| Net assets – beginning of year                       | <u>6,595,943</u>    |
| <b>Net assets – end of year</b>                      | <u>\$ 7,176,313</u> |

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

COPD Foundation, Inc. and Subsidiary  
(Not-For-Profit Organization)  
Consolidated Statement of Functional Expenses  
Year Ended June 30, 2018

|                                  | Program Expenses |               |                |               |              |                  |             | Supporting Services    |                              |              |              |
|----------------------------------|------------------|---------------|----------------|---------------|--------------|------------------|-------------|------------------------|------------------------------|--------------|--------------|
|                                  | Research         | Care Delivery | Communications | Public Policy | Publications | Information Line | Conferences | Total Program Expenses | General and Support Services | Fundraising  | Total        |
| Personnel costs                  |                  |               |                |               |              |                  |             |                        |                              |              |              |
| Salaries                         | \$ 637,536       | \$ 166,958    | \$ 117,629     | \$ 173,985    | \$ 20,069    | \$ -             | \$ 11,249   | \$ 1,127,426           | \$ 389,568                   | \$ 471,887   | \$ 1,988,881 |
| Payroll taxes                    | 49,762           | 13,347        | 8,917          | 14,689        | 1,632        | -                | 826         | 89,173                 | 28,345                       | 37,657       | 155,175      |
| Employee benefits                | 95,216           | 24,089        | 21,431         | 25,154        | 3,501        | -                | 2,125       | 171,516                | 54,915                       | 45,776       | 272,207      |
| Total personnel costs            | 782,514          | 204,394       | 147,977        | 213,828       | 25,202       | -                | 14,200      | 1,388,115              | 472,828                      | 555,320      | 2,416,263    |
| Contract services                | 3,298,344        | 47,527        | 83,944         | 101,523       | 123,994      | 203,271          | 6,720       | 3,865,323              | 19,757                       | 263,739      | 4,148,819    |
| Awards and grants                | 808,084          | -             | -              | -             | -            | -                | -           | 808,084                | -                            | -            | 808,084      |
| Professional fees                | 63,338           | 5,180         | 3,730          | 9,282         | 661          | -                | 1,748       | 83,939                 | 81,978                       | 14,460       | 180,377      |
| Supplies                         | 76,455           | 4,124         | 2,306          | 11,099        | 633          | -                | 4,735       | 99,352                 | 7,192                        | 13,232       | 119,776      |
| Telephones                       | 18,829           | 3,123         | 2,098          | 3,919         | 372          | 6,015            | 371         | 34,727                 | 9,191                        | 7,866        | 51,784       |
| Online services                  | 61,615           | 4,289         | 52,157         | 3,123         | 206          | 5,575            | 206         | 127,171                | 6,653                        | 5,489        | 139,313      |
| Postage and shipping             | 3,278            | (17,454)      | 30             | 2,943         | 19,217       | -                | 2,448       | 10,462                 | 4,004                        | 3,037        | 17,503       |
| Occupancy                        | 46,812           | 11,979        | 8,625          | 12,410        | 1,528        | -                | 1,527       | 82,881                 | 16,334                       | 32,336       | 131,551      |
| Equipment repair and maintenance | -                | -             | -              | -             | -            | -                | -           | -                      | 351                          | -            | 351          |
| Printing and publication         | 3,675            | 56,877        | -              | 6,837         | 38,930       | -                | 6,122       | 112,441                | 1,412                        | 1,673        | 115,526      |
| Travel                           | 194,244          | 14,173        | 1,868          | 15,309        | 1,227        | 1,728            | 32,554      | 261,103                | 39,201                       | 42,336       | 342,640      |
| Meals                            | 74,923           | 2,494         | 501            | 2,736         | 2,554        | -                | 86,954      | 170,162                | 17,967                       | 32,944       | 221,073      |
| Conferences and meetings         | 85,746           | 1,222         | -              | 2,315         | 1,643        | -                | 127,204     | 218,130                | 13,016                       | 9,101        | 240,247      |
| Licenses and fees                | 110,730          | 1,531         | 466            | 671           | 134          | -                | 3,263       | 116,795                | 29,296                       | 20,491       | 166,582      |
| Dues and subscriptions           | 8,420            | 1,302         | 847            | 6,090         | 318          | -                | -           | 16,977                 | 6,003                        | 20,658       | 43,638       |
| Insurance                        | -                | -             | -              | -             | -            | -                | -           | -                      | 15,877                       | -            | 15,877       |
| Depreciation                     | -                | -             | -              | -             | -            | -                | -           | -                      | 5,492                        | -            | 5,492        |
| Total functional expenses        | \$ 5,637,007     | \$ 340,761    | \$ 304,549     | \$ 392,085    | \$ 216,619   | \$ 216,589       | \$ 288,052  | \$ 7,395,662           | \$ 746,552                   | \$ 1,022,682 | \$ 9,164,896 |

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

COPD Foundation, Inc. and Subsidiary  
(Not-For-Profit Organization)  
Consolidated Statement of Cash Flows  
Year Ended June 30, 2018

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|  |                      |
|--|----------------------|
| <b>Cash flows from operating activities</b>          |                      |
| Cash received from grants and revenues               | <b>\$ 10,418,205</b> |
| Cash paid for daily operations                       | <b>(8,488,820)</b>   |
| Realized loss on investments                         | <b>(90,396)</b>      |
| Unrealized gain on investments                       | <b>123,493</b>       |
| <b>Net cash provided by operating activities</b>     | <b>1,962,482</b>     |
| <br><b>Cash flows used in investing activities</b>   |                      |
| Purchase of property and equipment                   | <b>(2,803)</b>       |
| Purchase of investment securities                    | <b>(2,442,398)</b>   |
| Proceeds from sale of investment securities          | <b>1,540,748</b>     |
| <b>Net cash used in investing activities</b>         | <b>(904,453)</b>     |
| <br><b>Net increase in cash and cash equivalents</b> | <b>1,058,029</b>     |
| <br>Cash and cash equivalents – beginning of year    | <b>2,308,330</b>     |
| <br><b>Cash and cash equivalents – end of year</b>   | <b>\$ 3,366,359</b>  |

**The net change in net assets may be reconciled to**  
**Net cash provided by operating activities as follows**

|   |                     |
|---|---------------------|
| Change in net assets  | <b>\$ 580,370</b>   |
| Add items which do not affect cash                          |                     |
| Depreciation  | <b>5,492</b>        |
| Realized loss on investments                                | <b>(90,396)</b>     |
| Unrealized gain on investments                              | <b>123,493</b>      |
| Add or (deduct) changes in operating assets and liabilities |                     |
| Deferred revenue  | <b>524,386</b>      |
| Grant and other receivables                                 | <b>672,939</b>      |
| Prepaid expenses  | <b>94</b>           |
| Accounts payable and accrued expenses                       | <b>146,104</b>      |
| <b>Net cash provided by operating activities</b>            | <b>\$ 1,962,482</b> |

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



**Note 1 Organization and Purpose**

COPD Foundation, Inc. (COPD) 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.

Respiratory Logistics, Inc. (RLI), a wholly-owned subsidiary, is a for-profit entity incorporated in the state of Delaware in 2009. Its mission is to develop and manage commercial activities that are consistent with the overall goals and objectives of the COPD Foundation and to generate recurring sources of revenue to support their activities. COPD is the sole shareholder of RLI, therefore, the two entities are consolidated. However, RLI no longer has any activity and management intends to dissolve the company in the upcoming year.

**Note 2 Summary of Significant Accounting Policies**

The most significant accounting policies described below have been identified as those which impact the reader's understanding of the Organization's basis of financial statement presentation and those that require significant estimates and judgment on the part of management.

***Most Significant Accounting Policies***

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Basis of Financial Statements Presentation and Significant Estimates  
Fair Value Measurements

**Basis of Financial Statements Presentation and Significant Estimates**

Consolidation

The accompanying financial statements include the accounts of COPD Foundation, Inc. with those of RLI, hereafter referred to individually and combined as the Organization. All intercompany transactions and resulting balances have been eliminated in consolidation.

Reporting Requirements

The accounts of the Organization are maintained on the accrual basis of accounting. In addition, the Organization is required to report information regarding its financial position and activities according to the following three classes of net assets:

**Note 2 Summary of Significant Accounting Policies (continued)**

Reporting Requirements (continued)

|                               |   |
|-------------------------------|---|
| <b>Unrestricted</b>           | Unrestricted group reflects the Organization's unrestricted activities that are not subject to donor-imposed stipulations.  |
| <b>Temporarily Restricted</b> | Temporarily restricted group reflects the Organization's activities and resulting net assets from donors' restricted contributions that the Organization feels will be met, either by the passage of time or by actions of the Organization. (See Note 6)   |
| <b>Permanently Restricted</b> | Permanently restricted group reflects the Organization's activities and resulting net assets from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the organizations. The Organization has no permanently restricted net assets. |

In this connection, all donor-restricted support will be reported as an increase in temporarily restricted or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets will be classified to unrestricted net assets. Therefore support that is restricted by the donor will be reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized.

Uses 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,

**Note 2 Summary of Significant Accounting Policies (continued)**

**Fair Value Measurements (continued)**

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.

**Other Significant Accounting Policies**

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. 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.

**Note 2 Summary of Significant Accounting Policies (continued)**

**Other Significant Accounting Policies (continued)**

Investments (continued)

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.

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, 2018.

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, 2018, 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.

**Note 2 Summary of Significant Accounting Policies (continued)**

**Other Significant Accounting Policies (continued)**

Income Taxes (continued)

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, 2018, 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, 2018.

**Note 3 Investments**

Investments at June 30, 2018, as set forth by levels within the fair value hierarchy, consists of the following:

|                         | Fair Value<br>Level 1 | Cost         |
|-------------------------|-----------------------|--------------|
| U.S. equity securities  | \$ 2,073,069          | \$ 1,834,339 |
| Fixed income securities | 1,230,563             | 1,264,210    |
|                         | 3,303,632             | 3,098,549    |
| Current                 | (2,918,232)           | (2,680,339)  |
| Non Current             | \$ 385,400            | \$ 418,210   |

The fair value of long-term investments totaled \$385,400 with a scheduled maturity date of March 2026.

**Note 4 Property and Equipment**

Property and equipment consist of the following:

|                                |                  | Useful<br>Lives<br>(Years) |
|--------------------------------|------------------|----------------------------|
| Furniture and equipment        | \$ 80,527        | 5                          |
| Less: accumulated depreciation | 64,409           |                            |
|                                | <u>\$ 16,118</u> |                            |

Depreciation expense for the year ending June 30, 2018 totaled \$5,492.

**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, 2018, the principal of the loan has not been used.

**Note 6 Temporarily Restricted Net Assets**

Temporarily restricted net assets consist of the following at June 30, 2018:

|   |                     |
|---|---------------------|
| Research Network                        | \$ 7,270,132        |
| Other Services                          | <u>491,603</u>      |
| Total temporarily restricted net assets | <u>\$ 7,761,735</u> |

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

|   |                     |
|---|---------------------|
| Research Network                            | \$ 4,036,366        |
| Other Services                              | <u>227,281</u>      |
| Total net assets released from restrictions | <u>\$ 4,263,647</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, 2018 amounted to \$131,901.

The Organization is obligated under a lease for office space which expires in November 2019. The minimum rental commitment under this operating lease approximates the following:

| Year Ending<br>June 30, |                   |
|-------------------------|-------------------|
| 2019                    | \$ 110,000        |
| 2020                    | <u>46,000</u>     |
| Total                   | <u>\$ 156,000</u> |

**Note 7 Commitments and Contingencies (continued)**

**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, 2018, the Organization's uninsured cash balance approximated \$2,480,000. 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 \$29,136 for the year ended June 30, 2018.

**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, 2018, the Organization's private grants and contributions approximate 93% of total revenues.

**Note 11 Subsequent Events**

Subsequent events have been evaluated through November 21, 2018, which is the date the financial statements were available to be issued.

## **Supplementary Information**



**COPD Foundation, Inc. and Subsidiary**  
(Not-For-Profit Organization)  
**Schedule I – Consolidating Statements of Financial Position**  
**June 30, 2018**

|  |                      | Elimination Entries |                   |                      | COPD                 | Respiratory     |
|--|----------------------|---------------------|-------------------|----------------------|----------------------|-----------------|
|  | Consolidated         | Debit               | Credit            | Consolidated         | Foundation, Inc.     | Logistics, Inc. |
| <b>ASSETS</b>  |                      |                     |                   |                      |                      |                 |
| <b>Current assets</b>  |                      |                     |                   |                      |                      |                 |
| Cash and cash equivalents  | \$ 3,366,359         |                     | \$ 3,506          | \$ 3,369,865         | \$ 3,366,359         | \$ 3,506        |
| Marketable securities  | 2,918,232            |                     |                   | 2,918,232            | 2,918,232            |                 |
| Accounts receivable  | 3,383,281            |                     |                   | 3,383,281            | 3,383,281            |                 |
| Prepaid expenses   | 132,992              |                     |                   | 132,992              | 132,992              |                 |
| <b>Total current assets</b>  | <b>9,800,864</b>     |                     | <b>3,506</b>      | <b>9,804,370</b>     | <b>9,800,864</b>     | <b>3,506</b>    |
| <b>Property and equipment, net</b>   | <b>16,118</b>        |                     |                   | <b>16,118</b>        | <b>16,118</b>        |                 |
| <b>Marketable securities, long term</b>                                    | <b>385,400</b>       |                     |                   | <b>385,400</b>       | <b>385,400</b>       |                 |
| <b>Investment in subsidiary</b>  | <b>-</b>             |                     | <b>250,000</b>    | <b>250,000</b>       | <b>250,000</b>       |                 |
|  | <b>\$ 10,202,382</b> |                     | <b>\$ 253,506</b> | <b>\$ 10,455,888</b> | <b>\$ 10,452,382</b> | <b>\$ 3,506</b> |
| <b>LIABILITIES AND EQUITY</b>  |                      |                     |                   |                      |                      |                 |
| <b>Current liabilities</b>   |                      |                     |                   |                      |                      |                 |
| Accounts payable and other current liabilities                             | \$ 1,335,740         |                     |                   | \$ 1,335,740         | \$ 1,335,740         |                 |
| Note payable   | 250,000              |                     |                   | 250,000              | 250,000              |                 |
| Deferred revenues  | 1,440,329            |                     |                   | 1,440,329            | 1,440,329            |                 |
| Due to subsidiary  | -                    | \$ 3,506            |                   | 3,506                | 3,506                |                 |
| <b>Total current liabilities</b>   | <b>3,026,069</b>     | <b>3,506</b>        |                   | <b>3,029,575</b>     | <b>3,029,575</b>     |                 |
| <b>Equity</b>  |                      |                     |                   |                      |                      |                 |
| Common stock (\$0.01 par value, 100,000 authorized issued and outstanding) | -                    | 1,000               |                   | 1,000                |                      | \$ 1,000        |
| Additional paid in capital   | -                    | 249,000             |                   | 249,000              |                      | 249,000         |
| Unrestricted   |                      |                     |                   |                      |                      |                 |
| Accumulated deficit  | (246,494)            |                     |                   | (246,494)            |                      | (246,494)       |
| Net assets   | (338,928)            |                     |                   | (338,928)            | (338,928)            |                 |
| Total unrestricted   | (585,422)            | -                   | -                 | (585,422)            | (338,928)            | (246,494)       |
| Temporarily restricted   | 7,761,735            |                     |                   | 7,761,735            | 7,761,735            |                 |
| <b>Total equity</b>  | <b>7,176,313</b>     | <b>250,000</b>      |                   | <b>7,426,313</b>     | <b>7,422,807</b>     | <b>3,506</b>    |
|  | <b>\$ 10,202,382</b> | <b>\$ 253,506</b>   |                   | <b>\$ 10,455,888</b> | <b>\$ 10,452,382</b> | <b>\$ 3,506</b> |

**COPD Foundation, Inc. and Subsidiary**  
**(Not-For-Profit Organization)**  
**Schedule II – Consolidating Statements of Activities**  
**June 30, 2018**

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|   | <u>Consolidated</u> | <u>Elimination Entries</u> |               | <u>Consolidated</u> | <u>COPD<br/>Foundation, Inc.</u> | <u>Respiratory<br/>Logistics, Inc.</u> |
|---|---------------------|----------------------------|---------------|---------------------|----------------------------------|--|
|   |                     | <u>Debit</u>               | <u>Credit</u> |                     |                                  |  |
| Grant revenues and contributions                  | \$ 9,064,117        |                            |               | \$ 9,064,117        | \$ 9,064,117                     |  |
| Investment and interest income                    | 63,186              |                            |               | 63,186              | 63,186                           |  |
| Special events (net of direct costs of \$86,035 ) | 229,670             |                            |               | 229,670             | 229,670                          |  |
| Publications and other income                     | 388,293             |                            |               | 388,293             | 388,293                          |  |
|   |                     |                            |               |                     |                                  |  |
| Total support and revenue                         | 9,745,266           | -                          |               | 9,745,266           | 9,745,266                        | -                                      |
|   |                     |                            |               |                     |                                  |  |
| Functional expenses                               |                     |                            |               |                     |                                  |  |
| Program services                                  | 7,395,662           |                            |               | 7,395,662           | 7,395,662                        |  |
| General and support services                      | 746,552             |                            |               | 746,552             | 746,497                          | \$ 55                                  |
| Fundraising                                       | 1,022,682           |                            |               | 1,022,682           | 1,022,682                        |  |
|   | 9,164,896           |                            | -             | 9,164,896           | 9,164,841                        | 55                                     |
|   |                     |                            |               |                     |                                  |  |
| Net change in net assets                          | 580,370             |                            |               | 580,370             | 580,425                          | (55)                                   |
|   |                     |                            |               |                     |                                  |  |
| Net assets - beginning of year                    | 6,595,943           |                            |               | 6,595,943           | 6,842,382                        | (246,439)                              |
|   |                     |                            |               |                     |                                  |  |
| Net assets - end of year                          | \$ 7,176,313        |                            |               | \$ 7,176,313        | \$ 7,422,807                     | \$ (246,494)                           |

## **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***

Prager Metis CPAs, LLC

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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, 2018, 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 November 21, 2018.

**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.

*Prager Metis CPAs, LLC*

Prager Metis CPAs, LLC  
Coral Gables, Florida  
November 21, 2018