



**Alpha One Foundation, Inc.**

---

**Consolidated Financial Statements**  
Years Ended June 30, 2007 and 2006

# **Alpha One Foundation, Inc.**

## **Consolidated Financial Statements**

**Years Ended June 30, 2007 and 2006**

# Alpha One Foundation, Inc.

## Contents

	<u>Page</u>
<b>Report of Independent Auditors</b>	2
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities and Changes in Net Assets	4
Consolidated Statements of Functional Expenses	5
Consolidated Statements of Cash Flows	7
Summary of Significant Accounting Policies	8
Notes to Consolidated Financial Statements	12
Supplemental Information	18



## Report of Independent Auditors

To the Board of Directors of  
Alpha One Foundation, Inc.

We have audited the accompanying consolidated statements of financial position of Alpha One Foundation, Inc., as of June 30, 2007 and 2006, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Alpha One Foundation, Inc. as of June 30, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the basic consolidated financial statements of Alpha One Foundation, Inc. taken as a whole. The accompanying separate financial statements of Alpha One Foundation, Inc. and COPD Foundation, Inc. on pages 19-23 are not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Miami, Florida  
September 5, 2007

*BDO Seidman, LLP*

Certified Public Accountants

# Alpha One Foundation, Inc.

## Consolidated Statements of Financial Position

<i>June 30,</i>	2007	2006
<b>Assets</b>		
<b>Current Assets</b>		
Cash (includes \$1,394,004 and \$1,313,942, respectively, which has been restricted by the donor)	\$ 1,663,143	\$ 1,382,417
Marketable securities (Note 1)	1,567,477	490,715
Accounts receivable	275,793	223,768
Other assets	54,053	40,707
Total current assets	3,560,466	2,137,607
Marketable securities - non-current (Note 1)	2,202,601	979,984
Property and equipment, net (Note 2)	45,951	50,211
Other assets	19,379	21,399
Total assets	\$ 5,828,397	\$ 3,189,201
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 777,333	\$ 871,181
Deferred revenue	118,509	106,568
Total current liabilities	895,842	977,749
Note payable (Note 6)	-	100,000
Total liabilities	895,842	1,077,749
<b>Commitments and Contingencies (Note 3)</b>		
<b>Net Assets</b>		
Unrestricted	1,254,319	619,045
Temporarily restricted (Note 4)	3,678,236	1,492,407
Total net assets	4,932,555	2,111,452
Total liabilities and net assets	\$ 5,828,397	\$ 3,189,201

*See accompanying summary of significant accounting policies  
and notes to consolidated financial statements.*

# Alpha One Foundation, Inc.

## Consolidated Statements of Activities and Changes in Net Assets

<i>Years ended June 30,</i>	<b>2007</b>	2006
<b>Changes in Unrestricted Net Assets</b>		
<b>Unrestricted Support and Revenue</b>		
Contributions, bequests and grant revenues (Note 5)	\$ 3,934,672	\$ 3,356,383
Fund raising revenues	542,790	270,997
Investment income - net	168,949	69,297
Other income	174,107	316,391
Net assets released from restriction – satisfaction of program restrictions (Note 4)	1,433,186	1,673,415
<b>Total unrestricted support and revenue</b>	<b>6,253,704</b>	<b>5,686,483</b>
<b>Unrestricted Expenses</b>		
Program services		
Alpha-1 Research Network	1,802,799	2,504,252
Florida Detection Program	432,173	461,995
COPD Foundation	949,105	187,093
Alpha-1 Registry and ACT Trial	316,516	301,740
Alpha-1 Advocacy	272,403	273,721
National Targeted Detection Program	138,084	258,558
Alpha-1 Research Center	175,483	194,515
Other Alpha-1 Services	568,881	623,002
<b>Total program services</b>	<b>4,655,444</b>	<b>4,804,876</b>
Supporting services		
Administration and general	455,394	624,422
Fund raising	495,404	436,542
<b>Total supporting services</b>	<b>950,798</b>	<b>1,060,964</b>
<b>Total unrestricted expenses</b>	<b>5,606,242</b>	<b>5,865,840</b>
<b>Increase (decrease) in unrestricted net assets</b>	<b>647,462</b>	<b>(179,357)</b>
<b>Changes in Temporarily Restricted Net Assets</b>		
Contributions, bequests and grant revenues	3,606,827	2,056,263
Net assets released from restriction	(1,433,186)	(1,673,415)
<b>Increase in temporarily restricted net assets</b>	<b>2,173,641</b>	<b>382,848</b>
<b>Increase in net assets</b>	<b>2,821,103</b>	<b>203,491</b>
<b>Net assets, beginning of year</b>	<b>2,111,452</b>	<b>1,907,961</b>
<b>Net assets, end of year</b>	<b>\$ 4,932,555</b>	<b>\$ 2,111,452</b>

*See accompanying summary of significant accounting policies and notes to consolidated financial statements.*

# Alpha One Foundation, Inc.

## Consolidated Statement of Functional Expenses for the Year Ended June 30, 2007

	Alpha-1 Research Network	Florida Detection Program	COPD Foundation	Alpha-1 Registry and ACT Trial	Alpha-1 Advocacy	National Targeted Detection Program	Alpha-1 Research Center	Other Alpha-1 Services	Total Program Services	Administration and General	Fund Raising	Year ended June 30, 2007 Total
Awards and grants (Note 7)	\$1,258,469	\$259,325	\$25,000	\$264,024	-	\$1,000	\$140,400	\$29,480	\$1,977,698	-	-	\$1,977,698
Management fees (Note 5)	46,000	8,000	-	10,000	48,000	8,000	10,000	8,000	138,000	24,000	38,000	200,000
Salaries	102,712	69,555	49,226	21,025	42,429	56,490	19,106	87,881	448,424	102,363	127,636	678,423
Payroll taxes	8,089	5,562	3,461	1,651	3,355	4,286	1,493	6,840	34,737	8,845	10,192	53,774
Medical insurance	15,629	11,393	7,636	2,800	3,289	7,561	2,399	12,409	63,116	16,615	16,357	96,088
Other fringe benefits	1,091	1,690	667	405	1,076	1,258	405	1,340	7,932	2,412	1,555	11,899
Other benefits	5,308	5,034	6,095	1,496	3,444	1,815	1,333	4,974	29,499	6,764	7,452	43,715
Contract services	49,535	3,690	293,071	1,683	88,793	8,635	-	136,129	581,536	13,206	12,040	606,782
Professional fees	7,144	-	-	-	32,250	12,834	347	1,937	54,512	71,826	554	126,892
Supplies	1,363	31,687	72,960	213	1,263	3,660	-	19,519	130,665	32,649	17,581	180,895
Telephone	7,482	1,607	10,548	-	3,853	2,772	-	1,654	27,916	13,549	5,692	47,157
Online services	731	303	1,001	-	63	756	-	2,724	5,578	736	598	6,912
Postage and shipping	18,464	3,238	59,631	829	1,056	2,356	-	28,798	114,372	6,444	16,188	137,004
Occupancy	30,144	6,029	7,448	2,411	8,323	6,029	-	22,909	83,293	19,892	25,702	128,887
Equipment rental	1,361	608	737	-	126	584	-	614	4,030	789	1,201	6,020
Equipment repair and maintenance	2,863	1,280	1,480	-	266	1,229	-	1,292	8,410	11,151	2,521	22,082
Printing and publication	7,244	2,263	108,650	9,979	203	-	-	72,733	201,072	8,714	9,949	219,735
Travel	92,201	5,410	77,552	-	10,150	3,999	-	33,515	222,827	19,437	7,748	250,012
Conferences and meetings	135,706	12,022	220,016	-	6,983	11,482	-	92,581	478,790	44,578	14,720	538,088
Dues and subscriptions	3,486	-	-	-	16,450	-	-	46	19,982	12,968	3,130	36,080
Licenses, fees and other	-	-	2,549	-	-	-	-	-	2,549	25,280	14,615	42,444
Utilities	1,656	740	897	-	154	711	-	747	4,905	962	1,461	7,328
Insurance	1,035	462	-	-	405	444	-	463	2,809	6,294	870	9,973
Special events	-	-	-	-	-	-	-	-	-	-	155,367	155,367
Total expenses before depreciation and amortization	1,797,713	429,898	948,625	316,516	271,931	135,901	175,483	566,585	4,642,652	449,474	491,129	5,583,255
Depreciation and amortization	5,086	2,275	480	-	472	2,183	-	2,296	12,792	5,920	4,275	22,987
Total expenses	\$1,802,799	\$432,173	\$949,105	\$316,516	\$272,403	\$138,084	\$175,483	\$568,881	\$4,655,444	\$455,394	\$495,404	\$5,606,242

See accompanying summary of significant accounting policies and notes to consolidated financial statements.

# Alpha One Foundation, Inc.

## Consolidated Statement of Functional Expenses for the Year ended June 30, 2006

	Alpha-1 Research Network	Florida Detection Program	COPD Foundation	Alpha-1 Registry and ACT Trial	Alpha-1 Advocacy	National Targeted Detection Program	Alpha-1 Research Center	Other Alpha-1 Services	Total Program Services	Administration and General	Fund Raising	Year ended June 30, 2006 Total
Awards and grants (Note 7)	\$ 1,931,815	\$ 288,100	\$ 9,800	\$ 243,269	\$ -	\$ 3,000	\$ 146,000	\$ 34,200	\$ 2,656,184	\$ -	\$ -	\$ 2,656,184
Management fees (Note 5)	46,000	8,000	-	10,000	48,000	8,000	10,000	8,000	138,000	24,000	38,000	200,000
Salaries	147,679	63,118	12,720	24,288	36,457	77,776	26,164	91,188	479,390	94,670	168,527	742,587
Payroll taxes	11,758	5,041	-	1,937	2,954	6,090	2,080	7,400	37,260	8,208	13,572	59,040
Medical insurance	29,811	13,512	-	4,094	4,883	13,762	4,647	8,306	79,015	14,658	21,426	115,099
Other fringe benefits	2,701	1,564	-	428	871	1,939	587	2,227	10,317	2,640	2,381	15,338
Other benefits	6,248	2,449	-	1,065	1,777	3,508	1,037	3,150	19,234	9,242	6,515	34,991
Contract services	58,608	2,850	44,334	2,320	103,834	34,316	900	137,340	384,502	202,784	7,950	595,236
Professional fees	1,883	-	15,157	-	11,000	-	990	144	29,174	38,509	723	68,406
Supplies	1,484	37,360	921	-	713	1,168	-	14,258	55,904	26,667	6,103	88,674
Telephone	7,139	1,260	-	473	7,204	4,986	473	2,057	23,592	12,965	4,216	40,773
Online services	688	264	2,755	99	373	1,999	99	2,650	8,927	808	528	10,263
Postage and shipping	12,357	889	16,113	740	430	46,185	104	40,714	117,532	21,960	12,332	151,824
Occupancy	28,023	11,229	-	4,430	12,623	11,229	-	15,694	83,228	16,826	22,418	122,472
Equipment rental	740	296	-	111	407	444	111	444	2,553	1,682	592	4,827
Equipment repair and maintenance	1,696	678	-	254	933	1,053	254	1,017	5,885	17,614	1,357	24,856
Printing and publication	787	2,340	57,405	7,162	531	23,896	-	80,396	172,517	13,869	10,848	197,234
Travel	75,230	6,232	4,029	-	18,598	6,526	-	47,873	158,488	28,111	13,069	199,668
Conferences and meetings	128,847	13,959	3,681	-	16,761	8,401	-	119,459	291,108	63,902	14,370	369,380
Dues and subscriptions	3,623	-	687	-	1,447	-	-	2,201	7,958	8,793	3,179	19,930
Licenses, fees and other	-	-	18,295	-	-	-	-	-	18,295	7,424	9,237	34,956
Utilities	1,240	496	-	186	682	744	184	744	4,276	932	992	6,200
Insurance	1,200	480	1,196	180	662	720	180	723	5,341	4,634	960	10,935
Special events	-	-	-	-	-	-	-	-	-	-	73,492	73,492
Total expenses before depreciation and amortization	2,499,557	460,117	187,093	301,036	271,140	255,742	193,810	620,185	4,788,680	620,898	432,787	5,842,365
Depreciation and amortization	4,695	1,878	-	704	2,581	2,816	705	2,817	16,196	3,524	3,755	23,475
Total expenses	\$ 2,504,252	\$ 461,995	\$ 187,093	\$ 301,740	\$ 273,721	\$ 258,558	\$ 194,515	\$ 623,002	\$ 4,804,876	\$ 624,422	\$ 436,542	\$ 5,865,840

See accompanying summary of significant accounting policies and notes to financial statements.

# Alpha One Foundation, Inc.

## Consolidated Statements of Cash Flows

<i>Years ended June 30,</i>	<b>2007</b>	<b>2006</b>
<b>Operating Activities</b>		
Increase in net assets	\$ 2,821,103	\$ 203,491
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation and amortization	22,987	23,474
Net unrealized loss on investments	28,709	16,589
Forgiveness of note	100,000	-
Allowance for doubtful account	10,000	-
Changes in operating assets and liabilities:		
(Increase) in accounts receivable	(52,025)	(23,360)
(Increase) in other assets	(11,327)	(6,269)
Increase in accounts payable and accrued expense	93,847	528,391
Increase (decrease) in deferred revenue	11,941	(26,632)
<b>Net cash provided by operating activities</b>	<b>3,025,235</b>	<b>715,684</b>
<b>Investing Activities</b>		
Purchase of marketable securities	(2,888,262)	(696,301)
Proceeds from redemption of marketable securities	162,483	100,280
Purchase of furniture and equipment	(18,730)	(7,919)
<b>Net cash (used in) investing activities</b>	<b>(2,744,509)</b>	<b>(603,940)</b>
<b>Financing Activities</b>		
Payment on notes payable	-	(150,000)
<b>Net cash (used in) in financing activities</b>	<b>-</b>	<b>(150,000)</b>
<b>Net increase (decrease) in cash</b>	<b>280,726</b>	<b>(38,256)</b>
<b>Cash, at beginning of year</b>	<b>1,382,417</b>	<b>1,420,673</b>
<b>Cash, at end of year</b>	<b>\$ 1,663,143</b>	<b>\$ 1,382,417</b>
<b>Interest paid</b>	<b>\$ -</b>	<b>\$ 12,360</b>
<b>Supplemental disclosure of cash information non cash transactions:</b>		
Donated securities	\$ 55,868	-

*See accompanying summary of significant accounting policies and notes to consolidated financial statements.*

# Alpha One Foundation, Inc.

## Summary of Significant Accounting Policies

### Organization

Alpha One Foundation, Inc. (“Alpha-1 Foundation”) was incorporated as a not-for-profit organization under the laws of the State of Florida in 1995. COPD Foundation, Inc. was incorporated as a not-for-profit organization under the laws of the State of Florida in 2004. Alpha-1 Foundation has the ability to appoint a majority of the members of the COPD Foundation’s Executive Committee. As a result of this control, the financial statements of COPD Foundation, Inc. have been consolidated with Alpha-1 Foundation for the years ended June 30, 2007 and 2006. The mission of Alpha-1 Foundation is to provide the leadership and resources that will result in increased research, improved health, worldwide detection and a cure for Alpha<sub>1</sub>-Antitrypsin Deficiency (“Alpha-1”). Alpha-1 Foundation’s services include sponsoring research, funding a national registry, promoting awareness, a National Targeted Distribution Program, the State of Florida Detection Program, advocacy, educational programs, and providing an interactive web site on the Internet. The mission of the COPD Foundation, Inc. is to support charitable, educational and scientific programs, to identify and serve persons throughout the United States whose lives are impacted by a diagnosis of chronic obstructive pulmonary disease (COPD), which include those with Alpha-1. All significant inter-company transactions have been eliminated in consolidation.

### Basis of Accounting and Presentation

The financial statements have been prepared on the accrual basis of accounting. Classification of Alpha-1 Foundation’s net assets revenues and expenses are based on the existence or absence of donor-imposed restrictions. Alpha-1 Foundation classifies net assets by the following categories:

- **Unrestricted** – Net assets which are free of donor-imposed restrictions; all revenues, expenses, gains, and losses that are not changes in permanently or temporarily restricted net assets.
- **Temporarily Restricted** – Net assets whose use by Alpha-1 Foundation is limited by donor-imposed stipulations that either expire by passage of time or that can be fulfilled or removed by actions of Alpha-1 Foundation pursuant to those stipulations. For the years

# Alpha One Foundation, Inc.

## Summary of Significant Accounting Policies

ended June 30, 2007 and 2006, temporarily restricted contributions and bequests include state grant revenues totaling \$364,048 each year. Alpha-1 Foundation had temporarily restricted net assets of \$3,678,236 and \$1,492,407 as of June 30, 2007 and 2006, respectively. For the years ended June 30, 2007 and 2006, donations from one contributor represented 57% and 30% of the temporarily restricted contributions, bequests and grant revenues, respectively.

- **Permanently Restricted** – Net assets whose use by Alpha-1 Foundation is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of Alpha-1 Foundation. Alpha-1 Foundation did not have any permanently restricted net assets as of June 30, 2007 and 2006.

**Cash Equivalents** Cash equivalents include all highly liquid investments with maturities of three months or less.

**Reclassifications** Certain expense account balances for 2006 have been reclassified with no effect on net asset to be consistent with the classification for the fiscal year ended June 30, 2007.

**Marketable Securities** Alpha-1 Foundation carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities and changes in net assets.

# Alpha One Foundation, Inc.

## Summary of Significant Accounting Policies

### Accounts Receivable

Management periodically performs a review of its accounts receivable balances to determine if they are impaired based on factors affecting the collectibility of those balances. Management's estimate of collectibility of these receivables requires management to exercise significant judgment about the timing, frequency and severity of collection losses, if any, which may affect recoverability of such receivables. As of June 30, 2007 the Foundation recorded \$10,000 of allowance on its receivable.

### Property and Equipment

Property and equipment are recorded at cost or, if donated, at fair market value at the date of donation. Depreciation is provided on the straight-line basis over the estimated useful lives of the assets, ranging from five to seven years. Leasehold improvements are recorded at cost and are amortized on a straight-line basis over five years, the term of the underlying lease, which is shorter than the life of the improvements.

### Fund Raising

Revenues from special fund raising events, and the related expenses incurred in generating such revenues are included in "Fund raising revenues" and "Unrestricted expenses – Fund raising," respectively in the accompanying June 30, 2007 and 2006 statements of activities and changes in net assets.

During the year ended June 30, 2007, the following fund raising events were sponsored by Alpha-1 Foundation.

	Revenues	Expenses	Net
Celebration of Life dinner	\$ 418,300	\$ 100,000	\$ 318,300
Other fund raising events	124,490	45,367	79,123
	\$ 542,790	\$ 145,367	\$ 397,423

# Alpha One Foundation, Inc.

## Summary of Significant Accounting Policies

During the year ended June 30, 2006, the following fund raising event was sponsored by Alpha-1 Foundation.

	Revenues	Expenses	Net
Celebration of Life dinner	\$ 211,306	\$ 61,116	\$ 150,190
Other fund raising events	59,691	12,376	47,315
	\$ 270,997	\$ 73,492	\$ 197,505

### **Income Taxes**

Alpha-1 Foundation and COPD Foundation are exempt from Federal income taxes under Section 501 (c)(3) of the Internal Revenue Code. Accordingly, the financial statements do not include an income tax provision.

### **Allocation of Functional Expenses**

Identifiable expenditures made in direct fulfillment of Alpha-1 Foundation's expressed goals are classified as program services. The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of functional expenses. Certain common expenses have been allocated among the programs and supporting services based upon management's estimate including factors such as time spent or space utilized.

### **Volunteer Services**

Alpha-1 Foundation utilizes the services of volunteers in their fund raising campaigns. Because there is no objective means of valuing such services, no amounts for such services are recorded in the accompanying financial statements.

### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **Concentration of Credit Risk**

Alpha-1 Foundation maintains cash balances at various banks. Accounts at each institution are insured by Federal Deposit Insurer Corporation for up to \$100,000.

# Alpha One Foundation, Inc.

## Notes to Consolidated Financial Statements

### 1. Marketable Securities

At June 30, 2007 and 2006, marketable securities consisted primarily of U.S. government backed securities, corporate debt and equity securities and indexed traded funds. For the year ended June 30, 2007, net investment return amounted to \$168,949 which was comprised of interest and dividends of \$197,658 and a net investment loss of \$28,709. For the year ended June 30, 2006, net investment returns amounted to \$69,300, which was comprised of interest and dividends of \$85,886 and a net investment loss of \$16,586.

Investments consist of the following at June 30,

	<b>2007</b>	2006
U.S. government backed securities	\$ 2,048,194	\$ 1,278,464
Corporate debt securities	1,145,282	192,235
Corporate equity securities	377,443	-
Index traded funds	199,159	-
<b>Total investments</b>	<b>\$ 3,770,078</b>	<b>\$ 1,470,699</b>

Net unrealized loss on Alpha-1 Foundation's investment portfolio at June 30, 2007 and 2006 was \$53,768 and \$31,791, respectively.

The following summarizes the scheduled maturities of Alpha-1 Foundation's investments in U.S. government and corporate debt securities:

<i>Year ended June 30,</i>	<i>Amount</i>
2008	\$ 993,000
2009	900,000
2010	653,000
2011	350,000
Thereafter	350,000
	<b>\$ 3,246,000</b>

# Alpha One Foundation, Inc.

## Notes to Consolidated Financial Statements

During 2007, Alpha-1 Foundation used its restricted cash to purchase \$2,011,000 of investments. Accordingly, as of June 30, 2007 such amounts are restricted.

As of June 30, 2007, yields on Alpha-1 Foundation's investments in U.S. government backed and corporate debt securities ranged from approximately 3.00% to 5.80%.

### 2. Property and Equipment

Property and equipment consists of the following at June 30:

	2007	2006
Furniture and equipment	\$ 166,593	\$ 148,287
Leasehold improvements	30,986	30,986
	<b>197,579</b>	179,273
Less: Accumulated depreciation and amortization	<b>(151,628)</b>	(129,062)
	<b>\$ 45,951</b>	\$ 50,211

### 3. Commitments and Contingencies

#### Operating Leases

Future minimum annual commitments under an operating lease agreement to rent office space, which expires in June 2008, amounts to approximately \$78,000.

#### Registry Agreement

In July 2001, Alpha-1 Foundation entered into an Agreement with the Medical University of South Carolina, Division of Pulmonary and Critical Care Medicine, Allergy and Clinical Immunology ("MUSC") whereby MUSC provides data input and management services, including administration for the Alpha-1 Foundation Research Registry and the ACT Trial. The agreement is for a period of one year and is renewable for additional one year periods. Data input and management services expense for the years ended June 30, 2007 and 2006 was approximately \$264,000 and \$243,000, respectively (See note 7) which are included as Alpha-1 Registry and ACT Trial Program Services in the accompanying Consolidated Statements of Activities and Changes in Net Assets.

# Alpha One Foundation, Inc.

## Notes to Consolidated Financial Statements

### Healthcare Legislation

Healthcare-related legislation has been and is expected to continue to be introduced in the U.S. Congress and the State of Florida Legislature. Such legislation may address, among other things, benefits provided, insurance coverage and provider reimbursement. It is possible that such legislation could result in a reduction in Medicare and Medicaid spending over the next several years.

At this time, it is not possible to determine the impact on Alpha-1 Foundation of any national or state healthcare-related legislation that might be enacted. However, any spending reductions in healthcare coverage or services would likely have an adverse impact on operating results and cash flows. Should such spending reductions be imposed, management believes it can make changes to Alpha-1 Foundation's cost structures to reduce the adverse impact. However, there is no assurance that such changes will be sufficient.

#### **4. Temporarily Restricted Net Assets**

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

	<b>2007</b>	2006
Research Network	<b>\$ 3,483,698</b>	\$ 1,063,318
Other Services	<b>194,538</b>	429,089
	<b>\$ 3,678,236</b>	\$ 1,492,407

# Alpha One Foundation, Inc.

## Notes to Consolidated Financial Statements

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

<i>Years ended June 30,</i>	<b>2007</b>	2006
Research Network	\$ <b>1,122,837</b>	\$ 1,478,087
Other Services	<b>310,349</b>	195,328
Total restrictions released	\$ <b>1,433,186</b>	\$ 1,673,415

### 5. Transactions with Related Parties

During the years ended June 30, 2007 and 2006, AlphaNet, Inc. made contributions to Alpha-1 Foundation totaling \$2,800,000 and \$2,740,000, respectively.

#### Management Agreement

In January 2000, Alpha-1 Foundation entered into an agreement with AlphaNet, Inc. ("AlphaNet") whereby AlphaNet provides employees to operate and manage Alpha-1 Foundation. The management agreement, as amended in January 2004, is for a period of one year and is renewable for additional one year periods. The management fee charged by AlphaNet each month approximates the time spent by each of such employees assigned to Foundation activities. In July 2004, Alpha-1 Foundation entered into a new agreement with AlphaNet to receive management services from certain AlphaNet employees for an annual fee of \$200,000. This agreement is for a one-year period and it automatically renews itself at the end of the current term for additional one-year periods. Management fee expense for the years ended June 30, 2007 and 2006 was \$200,000 each year.

### Service Agreement

In October 2005, Alpha-1 Foundation entered into an agreement with AlphaNet whereby AlphaNet conducts certain human resources functions, manages information technology and telecommunication system services on behalf of Alpha-1 Foundation, for an annual fee of \$30,000 payable in monthly installments. This agreement is effective as of July 1, 2005 for one year, and is automatically renewed for successive one year periods. Service fee expense for the years ended June 30, 2007, and 2006, was \$30,000, which is classified as contract services in the statements of functional expenses.

### **6. Notes Payable**

In January 2005, COPD Foundation, Inc. entered into a \$100,000 note payable with one of its officers. On May 18, 2007, the note was forgiven along with its imputed interest of \$7,125.

### **7. Grant Commitments**

Alpha-1 Foundation provides resources to different institutions to conduct work related to the Alpha-1 Antitrypsin Deficiency (Alpha-1). The projects include screening, detection, education, in order to improve health and a cure for Alpha-1. Awards and grants expenses for the years ended June 30, 2007 and 2006 were approximately \$2.0 million and \$2.7 million, respectively.

### **8. Consolidation**

In 2004, the COPD Foundation, Inc. was formed under the laws of the State of Florida to support charitable, educational and scientific programs, to identify and serve persons throughout the United States whose lives are impacted by a diagnosis of chronic obstructive pulmonary disease (COPD), which include those with Alpha-1.



# Supplemental Information

# Alpha One Foundation, Inc.

## Statement of Financial Position

<i>June 30,</i>	<b>2007</b>	<b>2006</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash (includes \$1,085,336 and \$1,145,560, respectively, which has been restricted by the donor)	\$ 1,297,065	\$ 1,209,160
Marketable securities	1,567,477	490,715
Accounts receivable	301,270	222,005
Due from COPD Foundation	99,999	199,912
Other assets	50,245	40,707
<b>Total current assets</b>	<b>3,316,056</b>	<b>2,162,499</b>
Marketable securities - non-current	2,202,601	979,984
Property and equipment, net	41,636	50,211
Other assets	19,379	21,399
<b>Total assets</b>	<b>\$ 5,579,672</b>	<b>\$ 3,214,093</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 710,259	\$ 798,032
Deferred revenue	118,509	106,568
<b>Total current liabilities</b>	<b>828,768</b>	<b>904,600</b>
<b>Net Assets</b>		
Unrestricted	1,673,496	985,459
Temporarily restricted	3,077,408	1,324,034
<b>Total net assets</b>	<b>4,750,904</b>	<b>2,309,493</b>
<b>Total liabilities and net assets</b>	<b>\$ 5,579,672</b>	<b>\$ 3,214,093</b>

*See Report of Independent Auditors*

# Alpha One Foundation, Inc.

## Statement of Activities and Changes in Net Assets

<i>Years ended June 30,</i>	<b>2007</b>	2006
<b>Changes in Unrestricted Net Assets</b>		
<b>Unrestricted Support and Revenue</b>		
Contributions, bequests and grant revenues	\$ 3,468,818	\$ 3,212,016
Fund raising revenues	542,790	270,997
Investment income - net	156,761	66,091
Other income	48,000	158,684
Net assets released from restriction – satisfaction of program restrictions	1,052,139	1,661,298
<b>Total unrestricted support and revenue</b>	<b>5,268,508</b>	<b>5,369,086</b>
<b>Unrestricted Expenses</b>		
Program services		
Alpha-1 Research Network	1,802,799	2,504,252
Florida Detection Program	432,173	461,995
Alpha-1 Registry and ACT Trial	316,516	301,740
Alpha-1 Advocacy	272,403	273,721
National Targeted Detection Program	138,084	258,558
Alpha-1 Research Center	175,483	194,515
Rare Lung Disease Network	1,361	154,320
Other Alpha-1 Services	567,520	468,682
<b>Total program services</b>	<b>3,706,339</b>	<b>4,617,783</b>
Supporting services		
Administration and general	395,832	432,340
Fund raising	478,300	436,542
<b>Total supporting services</b>	<b>874,132</b>	<b>868,882</b>
<b>Total unrestricted expenses</b>	<b>4,580,471</b>	<b>5,486,665</b>
<b>Increase (decrease) in unrestricted net assets</b>	<b>688,037</b>	<b>(117,579)</b>
<b>Changes in Temporarily Restricted Net Assets</b>		
Contributions, bequests and grant revenues	2,805,513	1,875,773
Net assets released from restriction	(1,052,139)	(1,661,298)
<b>Increase in temporarily restricted net assets</b>	<b>1,753,374</b>	<b>214,475</b>
<b>Increase in net assets</b>	<b>2,441,411</b>	<b>96,896</b>
<b>Net assets, beginning of year</b>	<b>2,309,493</b>	<b>2,212,597</b>
<b>Net assets, end of year</b>	<b>\$ 4,750,904</b>	<b>\$ 2,309,493</b>

*See Report of Independent Auditors*

# Alpha One Foundation, Inc.

## Statement of Functional Expenses For the Year Ended June 30, 2007

	Alpha-1 Research Network	Florida Detection Program	Alpha-1 Registry and ACT Trial	Alpha-1 Advocacy	Alpha-1 Research Center	National Targeted Detection Program	Other Alpha-1 Services	Total Program Services	Administrative and General	Fund Raising	Year ended June 30, 2007 Total
Awards and grants	\$ 1,258,469	\$ 259,325	\$ 264,024	\$ -	\$ 140,400	\$ 1,000	\$ 29,480	\$ 1,952,698	\$ -	\$ -	\$ 1,952,698
Management fees	46,000	8,000	10,000	48,000	10,000	8,000	8,000	138,000	24,000	38,000	200,000
Salaries	102,712	69,555	21,025	42,429	19,106	56,490	87,881	399,198	90,184	123,289	612,671
Payroll taxes	8,089	5,562	1,651	3,355	1,493	4,286	6,840	31,276	8,062	9,877	49,215
Medical insurance	15,629	11,393	2,800	3,289	2,399	7,561	12,409	55,480	13,010	15,749	84,239
Other fringe benefits	1,091	1,690	405	1,076	405	1,258	1,340	7,265	2,412	1,555	11,232
Other benefits	5,308	5,034	1,496	3,444	1,333	1,815	4,974	23,404	6,764	7,452	37,620
Contract services	49,535	3,690	1,683	88,793	-	8,635	136,129	288,465	5,853	11,758	306,076
Professional fees	7,144	-	-	32,250	347	12,834	1,937	54,512	62,329	554	117,395
Supplies	1,363	31,687	213	1,263	-	3,660	19,519	57,705	31,335	17,552	106,592
Telephone	7,482	1,607	-	3,853	-	2,772	1,654	17,368	12,878	5,542	35,788
Online services	731	303	-	63	-	756	2,724	4,577	661	570	5,808
Postage and shipping	18,464	3,238	829	1,056	-	2,356	28,798	54,741	5,672	12,775	73,188
Occupancy	30,144	6,029	2,411	8,323	-	6,029	22,909	75,845	18,305	24,115	118,265
Equipment rental	1,361	608	-	126	-	584	614	3,293	638	1,144	5,075
Equipment repair and maintenance	2,863	1,280	-	266	-	1,229	1,292	6,930	10,585	2,407	19,922
Printing and publication	7,244	2,263	9,979	203	-	-	72,733	92,422	7,124	7,977	107,523
Travel	92,201	5,410	-	10,150	-	3,999	33,515	145,275	18,230	7,748	171,253
Conferences and meetings	135,706	12,022	-	6,983	-	11,482	92,581	258,774	43,164	14,720	316,658
Dues and subscriptions	3,486	-	-	16,450	-	-	46	19,982	12,968	3,130	36,080
Licenses, fees and other	-	-	-	-	-	-	-	-	8,944	10,482	19,426
Utilities	1,656	740	-	154	-	711	747	4,008	777	1,392	6,177
Insurance	1,035	462	-	405	-	444	463	2,809	6,017	870	9,696
Special events	-	-	-	-	-	-	-	-	-	155,367	155,367
Total expenses before depreciation and amortization	1,797,713	429,898	316,516	271,931	175,483	135,901	566,585	3,694,027	389,912	474,025	4,557,964
Depreciation and amortization	5,086	2,275	-	472	-	2,183	2,296	12,312	5,920	4,275	22,507
<b>Total expenses</b>	<b>\$1,802,799</b>	<b>\$432,173</b>	<b>\$316,516</b>	<b>\$272,403</b>	<b>\$175,483</b>	<b>\$138,084</b>	<b>\$568,881</b>	<b>\$3,706,339</b>	<b>\$395,832</b>	<b>\$478,300</b>	<b>\$4,580,471</b>

See Report of Independent Auditors

# COPD Foundation, Inc.

## Statement of Financial Position

<i>June 30,</i>	<b>2007</b>	<b>2006</b>
<b>Assets</b>		
Cash (includes \$308,669 and \$168,382, respectively, which has been restricted by the donor)	\$ <b>366,078</b>	\$ 173,257
Accounts receivable	<b>41,928</b>	1,763
Prepaid Expenses	<b>3,808</b>	-
Property, Plan & equipment	<b>4,315</b>	-
<b>Total assets</b>	<b>\$ 416,129</b>	<b>\$ 175,020</b>
<b>Liabilities and Net Assets</b>		
Accounts payable	\$ <b>134,479</b>	\$ 73,149
Due to Alpha-1 Foundation	<b>99,999</b>	199,912
<b>Total current liabilities</b>	<b>234,478</b>	<b>273,061</b>
Note payable	-	100,000
<b>Total liabilities</b>	<b>234,478</b>	<b>373,061</b>
<b>Net Assets</b>		
Unrestricted	<b>(406,989)</b>	(366,414)
Temporarily restricted	<b>588,640</b>	168,373
<b>Total net assets</b>	<b>181,651</b>	<b>(198,041)</b>
<b>Total liabilities and net assets</b>	<b>\$ 416,129</b>	<b>\$ 175,020</b>

*See Report of Independent Auditors*

# COPD Foundation, Inc.

## Statement of Activities and Changes in Net Assets

<i>Years ended June 30,</i>	<b>2007</b>	2006
<b>Changes in Unrestricted Net Assets</b>		
<b>Unrestricted Support and Revenue</b>		
Contributions, bequests and grant revenues	\$ 465,854	\$ 144,367
Investment income - net	12,188	3,206
Other income	126,107	157,707
Net assets released from restriction – satisfaction of program restrictions	381,047	12,117
<b>Total unrestricted support and revenue</b>	<b>985,196</b>	317,397
<b>Unrestricted Expenses</b>		
Program expenses		
Mobile Spirometry	265,871	-
COPD Digest	213,314	-
COPD Research	209,142	187,093
COPD Breathing	136,767	-
COPD Patient Education	124,011	-
<b>Total program services</b>	<b>949,105</b>	187,093
Supporting Services		
Administration and general	59,562	192,082
Fund Raising	17,104	-
<b>Total administration and general</b>	<b>76,666</b>	192,082
<b>Total unrestricted expenses</b>	<b>1,025,771</b>	379,175
<b>(Decrease) in unrestricted net assets</b>	<b>(40,575)</b>	(61,778)
<b>Changes in Temporarily Restricted Net Assets</b>		
Contributions, bequests and grant revenues	801,314	180,490
Net assets released from restriction	(381,047)	(12,117)
<b>Increase in temporarily restricted net assets</b>	<b>420,267</b>	168,373
<b>Increase in net assets</b>	<b>379,692</b>	106,595
<b>Net assets, beginning of year</b>	<b>(198,041)</b>	(304,636)
<b>Net assets, end of year</b>	<b>\$ 181,651</b>	\$ (198,041)

*See Report of Independent Auditors*