



Alpha-1 Foundation, Inc.

Consolidated Financial Statements
Years Ended June 30, 2008 and 2007

Alpha-1 Foundation, Inc.

Consolidated Financial Statements Years Ended June 30, 2008 and 2007

Alpha-1 Foundation, Inc.

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Report of Independent Auditors

To the Board of Directors of
Alpha-1 Foundation, Inc.

We have audited the accompanying consolidated statements of financial position of Alpha-1 Foundation, Inc., as of June 30, 2008 and 2007, 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-1 Foundation, Inc. as of June 30, 2008 and 2007, 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-1 Foundation, Inc. taken as a whole. The accompanying separate financial statements of Alpha-1 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
August 26, 2008

BDO Seidman, LLP

Certified Public Accountants

Alpha-1 Foundation, Inc.

Consolidated Statements of Financial Position

<i>June 30,</i>	2008	2007
Assets		
Current Assets		
Cash (includes \$1,975,737 and \$1,394,004, respectively, which has been restricted by the donor)	\$ 2,298,081	\$ 1,663,143
Marketable securities (Note 1)	2,166,956	1,567,477
Accounts receivable, net (Note 1)	245,760	275,793
Other assets	22,682	54,053
Total current assets	4,733,479	3,560,466
Marketable securities - non-current (Note 1)	1,951,765	2,202,601
Property and equipment, net (Note 2)	28,106	45,951
Other assets	19,379	19,379
Total assets	\$ 6,732,729	\$ 5,828,397
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 840,948	\$ 777,333
Deferred revenue	141,906	118,509
Total current liabilities	982,854	895,842
Commitments and Contingencies (Note 3)		
Net Assets		
Unrestricted	2,705,568	1,254,319
Temporarily restricted (Note 4)	3,044,307	3,678,236
Total net assets	5,749,875	4,932,555
Total liabilities and net assets	\$ 6,732,729	\$ 5,828,397

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

Alpha-1 Foundation, Inc.

Consolidated Statements of Activities and Changes in Net Assets

<i>Years ended June 30,</i>	2008	2007
Changes in Unrestricted Net Assets		
Unrestricted Support and Revenue		
Contributions, bequests and grant revenues (Note 5)	\$ 4,013,242	\$ 3,934,672
Fund raising revenues	554,854	542,790
Investment income - net	145,283	168,949
Other income	517,830	174,107
Net assets released from restriction – satisfaction of program restrictions (Note 4)	2,523,343	1,433,186
Total unrestricted support and revenue	7,754,552	6,253,704
Unrestricted Expenses		
Program services		
Alpha-1 Research Network	2,078,282	1,802,799
Florida Detection Program	357,032	432,173
COPD Foundation	1,359,979	949,105
Alpha-1 Registry and ACT Trial	284,443	316,516
Alpha-1 Advocacy	317,876	272,403
National Targeted Detection Program	-	138,084
Alpha-1 Research Center	191,836	175,483
PFT Study	334,602	-
Other Alpha-1 Services	612,624	568,881
Total program services	5,536,674	4,655,444
Supporting services		
Administration and general	567,833	455,394
Fund raising	543,350	495,404
Total supporting services	1,111,183	950,798
Total unrestricted expenses	6,647,857	5,606,242
Increase in unrestricted net assets	1,106,695	647,462
Changes in Temporarily Restricted Net Assets		
Contributions, bequests and grant revenues	2,233,968	3,606,827
Net assets released from restriction	(2,523,343)	(1,433,186)
(Decrease) increase in temporarily restricted net assets	(289,375)	2,173,641
Increase in net assets	817,320	2,821,103
Net assets, beginning of year	4,932,555	2,111,452
Net assets, end of year	\$ 5,749,875	\$ 4,932,555

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

Alpha-1 Foundation, Inc.

Consolidated Statement of Functional Expenses for the Year Ended June 30, 2008

	Alpha-1 Research Network	Florida Detection Program	COPD Foundation	Alpha-1 Registry and ACT Trial	Alpha-1 Advocacy	PFT Study	Alpha-1 Research Center	Other Alpha-1 Services	Total Program Services	Administration and General	Fund Raising	Year ended June 30, 2008 Total
Awards and grants (Note 7)	\$ 1,407,244	\$ 212,300	\$ 140,082	\$ 229,386	\$ -	\$ 313,005	\$ 149,700	\$ 25,980	\$ 2,477,697	-	-	\$ 2,477,697
Management fees (Note 5)	47,496	-	-	12,492	60,000	-	12,492	39,984	172,464	30,040	47,496	250,000
Salaries	138,429	64,348	84,681	19,682	22,375	-	22,842	166,634	518,991	104,668	148,964	772,623
Payroll taxes	11,144	5,056	6,901	1,530	1,748	-	1,789	12,890	41,058	8,235	11,988	61,281
Medical insurance	22,058	8,314	18,176	3,146	976	-	2,936	31,579	87,185	12,110	19,155	118,450
Other fringe benefits	1,209	941	2,157	350	675	-	513	3,183	9,028	2,800	2,234	14,062
Other benefits	9,597	2,403	10,475	1,383	1,187	-	1,564	13,239	39,848	12,723	14,441	67,012
Contract services	76,146	3,761	277,033	3,200	168,074	395	-	84,551	613,160	25,799	27,420	666,379
Professional fees	16,746	-	345	-	1,041	11,943	-	3,465	33,540	131,241	-	164,781
Supplies	1,417	24,211	132,720	10	2,615	7,578	-	16,696	185,247	32,140	18,539	235,926
Telephone	7,969	1,398	35,880	-	6,359	-	-	5,455	57,061	9,023	7,325	73,409
Online services	665	182	933	-	479	-	-	8,656	10,915	1,024	848	12,787
Postage and shipping	24,132	2,019	93,323	536	1,502	1,681	-	44,372	167,565	13,240	15,611	196,416
Occupancy	32,330	8,635	12,717	2,586	2,586	-	-	31,037	89,891	20,968	27,434	138,293
Equipment rental	1,477	404	399	-	225	-	-	1,975	4,480	1,585	1,358	7,423
Equipment repair and maintenance	3,205	877	5,360	-	489	-	-	3,421	13,352	4,077	2,946	20,375
Printing and publication	3,115	2,630	244,229	10,142	29	-	-	71,960	332,105	6,758	21,935	360,798
Travel	97,011	6,260	58,815	-	9,047	-	-	20,887	192,020	29,559	5,019	226,598
Conferences and meetings	165,943	11,444	230,522	-	22,538	-	-	18,902	449,349	72,386	16,320	538,055
Dues and subscriptions	4,190	-	-	-	14,900	-	-	554	19,644	7,356	3,606	30,606
Licenses, fees and other	-	-	4,271	-	-	-	-	-	4,271	25,034	17,426	46,731
Utilities	1,467	401	-	-	224	-	-	1,557	3,649	1,585	1,349	6,583
Insurance	946	259	-	-	144	-	-	1,009	2,358	10,824	869	14,051
Special events	-	-	-	-	-	-	-	-	-	-	127,072	127,072
Total expenses before depreciation and amortization	2,073,936	355,843	1,359,019	284,443	317,213	334,602	191,836	607,986	5,524,878	563,175	539,355	6,627,408
Depreciation and amortization	4,346	1,189	960	-	663	-	-	4,638	11,796	4,658	3,995	20,449
Total expenses	\$ 2,078,282	\$ 357,032	\$ 1,359,979	\$ 284,443	\$ 317,876	\$ 334,602	\$ 191,836	\$ 612,624	\$ 5,536,674	\$ 567,833	\$ 543,350	\$ 6,647,857

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

Alpha-1 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-1 Foundation, Inc.

Consolidated Statements of Cash Flows

<i>Years ended June 30,</i>	2008	2007
Operating Activities		
Increase in net assets	\$ 817,320	\$ 2,821,103
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation and amortization	20,449	22,987
Net unrealized loss on investments	77,164	28,709
Forgiveness of note	-	100,000
Allowance for doubtful accounts	-	10,000
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable	30,033	(52,025)
Decrease (increase) in other assets	31,371	(11,327)
Increase in accounts payable and accrued expense	63,615	93,847
Increase in deferred revenue	23,397	11,941
Net cash provided by operating activities	1,063,349	3,025,235
Investing Activities		
Purchase of marketable securities	(785,828)	(2,888,262)
Proceeds from redemption of marketable securities	360,021	162,483
Purchase of furniture and equipment	(2,604)	(18,730)
Net cash (used in) investing activities	(428,411)	(2,744,509)
Net increase in cash	634,938	280,726
Cash, at beginning of year	1,663,143	1,382,417
Cash, at end of year	\$ 2,298,081	1,663,143
Supplemental disclosure of cash information non cash transactions:		
Donated securities	\$ 45,876	55,868

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

Alpha-1 Foundation, Inc.

Summary of Significant Accounting Policies

Organization

Alpha-1 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, 2008 and 2007. 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-1 Antitrypsin Deficiency (“Alpha-1”). Alpha-1 Foundation’s services include sponsoring research, funding a national registry, promoting awareness, a National Targeted Detection 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, and 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-1 Foundation, Inc.

Summary of Significant Accounting Policies

ended June 30, 2008 and 2007, temporarily restricted contributions and bequests include state grant revenues totaling \$344,533 and \$364,048, respectively. Alpha-1 Foundation had temporarily restricted net assets of \$3,044,307 and \$3,678,236 as of June 30, 2008 and 2007, respectively. For the year ended June 30, 2007 donations from one contributor represented 53% 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, 2008 and 2007.

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

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-1 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, 2008 and 2007, the Foundation recorded \$0 and \$10,000, respectively, 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, 2008 and 2007 statements of activities and changes in net assets.

During the year ended June 30, 2008, the following fund raising special events were sponsored by the Alpha-1 Foundation:

	Revenues	Expenses	Net
Celebration of Life Dinner	\$ 330,787	\$ 90,725	\$ 240,062
John E. Kushner Dinner	118,191	11,600	106,591
Other fund raising events	105,876	24,747	81,129
	\$ 554,854	\$ 127,072	\$ 427,782

Alpha-1 Foundation, Inc.

Summary of Significant Accounting Policies

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

	Revenues	Expenses	Net
Celebration of Life Dinner	\$ 418,300	\$ 100,000	\$ 318,300
Other fund raising events	124,490	55,367	69,123
	<u>\$ 542,790</u>	<u>\$ 155,367</u>	<u>\$ 387,423</u>

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 the Federal Deposit Insurance Corporation (FDIC) for up to \$100,000.

Alpha-1 Foundation, Inc.

Notes to Consolidated Financial Statements

1. Marketable Securities

At June 30, 2008 and 2007, marketable securities consisted primarily of U.S. government backed securities, corporate debt and equity securities and index traded funds. For the year ended June 30, 2008, net investment return amounted to \$145,283 which was comprised of interest and dividends of \$222,447 and a net investment loss of \$77,164. For the year ended June 30, 2007, net investment returns amounted to \$168,949, which was comprised of interest and dividends of \$197,658 and a net investment loss of \$28,709.

Investments consist of the following at June 30,

	2008	2007
U.S. government backed securities	\$ 1,665,987	\$ 2,048,194
Corporate debt securities	1,188,343	1,145,282
Corporate equity securities	1,083,903	377,443
Index traded funds	180,488	199,159
Total investments	\$ 4,118,721	\$ 3,770,078

Net unrealized loss on Alpha-1 Foundation's investment portfolio at June 30, 2008 and 2007 was \$126,490 and \$53,768, 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>
2009	\$ 900,000
2010	650,000
2011	224,000
Thereafter	1,100,000
	\$ 2,874,000

Alpha-1 Foundation, Inc.

Notes to Consolidated Financial Statements

The Foundation used a portion of its restricted cash to purchase investments. Accordingly, as of June 30, 2008 and 2007 the restricted cash used to purchase investment amounted to \$1,068,570 and \$2,011,000.

2. Property and Equipment

Property and equipment consists of the following at June 30:

	2008	2007
Furniture and equipment	\$ 169,196	\$ 166,593
Leasehold improvements	30,986	30,986
	200,182	197,579
Less: Accumulated depreciation and amortization	(172,076)	(151,628)
	\$ 28,106	\$ 45,951

3. Commitments and Contingencies

Operating Leases

Future minimum annual commitments under an operating lease agreement to rent office space, are as follow;

<i>Year ended June 30,</i>	<i>Amount</i>
2009	\$ 82,000
2010	86,000
2011	89,000
2012	93,000
2013	98,000
Total lease commitments	\$ 448,000

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

Alpha-1 Foundation, Inc.

Notes to Consolidated Financial Statements

periods. Data input and management services expense for the years ended June 30, 2008 and 2007 was approximately \$229,000 and \$264,000, 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.

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:

	2008	2007
Research Network	\$ 2,932,632	\$ 3,483,698
Other Services	111,675	194,538
	\$ 3,044,307	\$ 3,678,236

Alpha-1 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>	2008	2007
Research Network	\$ 2,255,481	\$ 1,122,837
Other Services	267,862	310,349
Total restrictions released	\$ 2,523,343	\$ 1,433,186

5. Transactions with Related Parties

During the years ended June 30, 2008 and 2007, AlphaNet, Inc. made contributions to Alpha-1 Foundation totaling \$2,960,000 and \$2,800,000, 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. During 2008, the agreement was amended to increase the annual fee from \$200,000 to \$250,000 annually. Management fee expense for the years ended June 30, 2008 and 2007 was \$250,000 and \$200,000 respectively.

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, 2008, and 2007, was \$30,000, which is classified as contract services in the Consolidated 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 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, 2008 and 2007 were approximately \$2.1 million and \$2.0 million, respectively. As of June 30, 2008 and 2007 the Foundation accrued \$653,695 and \$486,117 as future grant commitments, 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-1 Foundation, Inc.

Statement of Financial Position

<i>June 30,</i>	2008	2007
Assets		
Current Assets		
Cash (includes \$1,033,116 and \$1,085,336, respectively, which has been restricted by the donor)	\$ 1,267,161	\$ 1,297,065
Marketable securities	2,166,956	1,567,477
Accounts receivable	212,240	301,270
Due from COPD Foundation	-	99,999
Other assets	9,631	50,245
Total current assets	3,655,988	3,316,056
Marketable securities – non-current	1,951,765	2,202,601
Property and equipment, net	24,751	41,636
Other assets	19,379	19,379
Total assets	\$ 5,651,883	\$ 5,579,672
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 717,704	\$ 710,259
Deferred revenue	141,906	118,509
Total current liabilities	859,610	828,768
Net Assets		
Unrestricted	2,235,716	1,673,496
Temporarily restricted	2,556,557	3,077,408
Total net assets	4,792,273	4,750,904
Total liabilities and net assets	\$ 5,651,883	\$ 5,579,672

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Alpha-1 Foundation, Inc.

Statement of Activities and Changes in Net Assets

<i>Years ended June 30,</i>	2008	2007
Changes in Unrestricted Net Assets		
Unrestricted Support and Revenue		
Contributions, bequests and grant revenues	\$ 3,601,038	\$ 3,468,818
Fund raising revenues	554,854	542,790
Investment income – net	127,786	156,761
Other income	112,841	48,000
Net assets released from restriction – satisfaction of program restrictions	1,769,620	1,052,139
Total unrestricted support and revenue	6,166,139	5,268,508
Unrestricted Expenses		
Program services		
Alpha-1 Research Network	2,519,282	1,802,799
Florida Detection Program	357,032	432,173
Alpha-1 Registry and ACT Trial	284,443	316,516
Alpha-1 Advocacy	317,876	272,403
National Targeted Detection Program	-	138,084
PFT Study	334,602	-
Alpha-1 Research Center	191,836	175,483
Other Alpha-1 Services	612,624	568,881
Total program services	4,617,695	3,706,339
Supporting services		
Administration and general	483,419	395,832
Fund raising	502,805	478,300
Total supporting services	986,224	874,132
Total unrestricted expenses	5,603,919	4,580,471
Increase in unrestricted net assets	562,220	688,037
Changes in Temporarily Restricted Net Assets		
Contributions, bequests and grant revenues	1,248,769	2,805,513
Net assets released from restriction	(1,769,620)	(1,052,139)
(Decrease) increase in temporarily restricted net assets	(520,851)	1,753,374
Increase in net assets	41,369	2,441,411
Net assets, beginning of year	4,750,904	2,309,493
Net assets, end of year	\$ 4,792,273	\$ 4,750,904

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Alpha-1 Foundation, Inc.

Statement of Functional Expenses For the Year Ended June 30, 2008

	Alpha-1 Research Network	Florida Detection Program	Alpha-1 Registry and ACT Trial	Alpha-1 Alpha-1 Advocacy	Alpha-1 Research Center	PFT Study	Other Alpha-1 Services	Total Program Services	Administrative and General	Fund Raising	Year ended June 30, 2008 Total
Awards and grants	\$ 1,848,244	\$ 212,300	\$ 229,386	\$ -	\$ 149,700	\$ 313,005	\$ 25,980	\$ 2,778,615	\$ -	\$ -	\$ 2,778,615
Management fees	47,496	-	12,492	60,000	12,492	-	39,984	172,464	30,040	47,496	250,000
Salaries	138,429	64,348	19,682	22,375	22,842	-	166,634	434,310	101,108	145,403	680,821
Payroll taxes	11,144	5,056	1,530	1,748	1,789	-	12,890	34,157	7,834	11,588	53,579
Medical insurance	22,058	8,314	3,146	976	2,936	-	31,579	69,009	11,342	18,388	98,739
Other fringe benefits	1,209	941	350	675	513	-	3,183	6,871	2,709	2,143	11,723
Other benefits	9,597	2,403	1,383	1,187	1,564	-	13,239	29,373	12,280	13,998	55,651
Contract services	76,146	3,761	3,200	168,074	-	395	84,551	336,127	9,749	11,344	357,220
Professional fees	16,746	-	-	1,041	-	11,943	3,465	33,195	117,845	-	151,040
Supplies	1,417	24,211	10	2,615	-	7,578	16,696	52,527	29,109	17,640	99,276
Telephone	7,969	1,398	-	6,359	-	-	5,455	21,181	6,402	7,325	34,908
Online services	665	182	-	479	-	-	8,656	9,982	776	848	11,606
Postage and shipping	24,132	2,019	536	1,502	-	1,681	44,372	74,242	5,745	15,108	95,095
Occupancy	32,330	8,635	2,586	2,586	-	-	31,037	77,174	19,398	25,864	122,436
Equipment rental	1,477	404	-	225	-	-	1,975	4,081	1,035	1,358	6,474
Equipment repair and maintenance	3,205	877	-	489	-	-	3,421	7,992	2,594	2,946	13,532
Printing and publication	3,115	2,630	10,142	29	-	-	71,960	87,876	5,056	11,650	104,582
Travel	97,011	6,260	-	9,047	-	-	20,887	133,205	23,245	5,019	161,469
Conferences and meetings	165,943	11,444	-	22,538	-	-	18,902	218,827	63,534	16,320	298,681
Dues and subscriptions	4,190	-	-	14,900	-	-	554	19,644	7,356	3,606	30,606
Licenses, fees and other	-	-	-	-	-	-	-	-	16,708	11,476	28,184
Utilities	1,467	401	-	224	-	-	1,557	3,649	1,039	1,349	6,037
Insurance	946	259	-	144	-	-	1,009	2,358	3,857	869	7,084
Special events	-	-	-	-	-	-	-	-	-	127,072	127,072
Total expenses before depreciation and amortization	2,514,936	355,843	284,443	317,213	191,836	334,602	607,986	4,606,859	478,761	498,810	5,584,430
Depreciation and amortization	4,346	1,189	-	663	-	-	4,638	10,836	4,658	3,995	19,489
Total expenses	\$ 2,519,282	\$ 357,032	\$ 284,443	\$ 317,876	\$ 191,836	\$ 334,602	\$ 612,624	\$ 4,617,695	\$ 483,419	\$ 502,805	\$ 5,603,919

COPD Foundation, Inc.

Statement of Financial Position

<i>June 30,</i>	2008	2007
Assets		
Cash (includes \$942,620 and 308,669, respectively, which has been restricted by the donor)	\$ 1,030,921	\$ 366,078
Accounts receivable	58,500	41,928
Prepaid expenses	13,050	3,808
Property, plant & equipment, Net	3,355	4,315
Total assets	\$ 1,105,826	\$ 416,129
Liabilities and Net Assets		
Accounts payable	\$ 148,224	\$ 134,479
Due to Alpha-1 Foundation	-	99,999
Total liabilities	148,224	234,478
Net Assets		
Unrestricted	137,487	(406,989)
Temporarily restricted	820,115	588,640
Total net assets	957,602	181,651
Total liabilities and net assets	\$ 1,105,826	\$ 416,129

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COPD Foundation, Inc.

Statement of Activities and Changes in Net Assets

<i>Years ended June 30,</i>	2008	2007
Changes in Unrestricted Net Assets		
Unrestricted Support and Revenue		
Contributions, bequests and grant revenues	\$ 712,204	\$ 465,854
Investment income - net	17,496	12,188
Other income	404,990	126,107
Net assets released from restriction – satisfaction of program restrictions	894,723	381,047
Total unrestricted support and revenue	2,029,413	985,196
Unrestricted Expenses		
Program expenses		
Mobile Spirometry Unit	371,435	265,871
COPD Digest	382,420	213,314
COPD Research Network	256,985	209,142
COPD Breathing Room	8,835	136,767
COPD Patient Education	221,519	124,011
COPD Information Line	118,785	-
Total program services	1,359,979	949,105
Supporting Services		
Administration and general	84,414	59,562
Fund raising	40,545	17,104
Total administration and general	124,959	76,666
Total unrestricted expenses	1,484,938	1,025,771
Increase (decrease) in unrestricted net assets	544,475	(40,575)
Changes in Temporarily Restricted Net Assets		
Contributions, bequests and grant revenues	1,126,199	801,314
Net assets released from restriction	(894,723)	(381,047)
Increase in temporarily restricted net assets	231,476	420,267
Increase in net assets	775,951	379,692
Net assets, beginning of year	181,651	(198,041)
Net assets, end of year	\$ 957,602	\$ 181,651

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