



Alpha-1 Foundation, Inc.

Consolidated Financial Statements
Years Ended June 30, 2009 and 2008

Alpha-1 Foundation, Inc.

Consolidated Financial Statements Years Ended June 30, 2009 and 2008

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, 2009 and 2008, 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, 2009 and 2008, 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 19-24 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 23, 2009

BDO Seidman, LLP

Certified Public Accountants

Alpha-1 Foundation, Inc.

Consolidated Statements of Financial Position

<i>June 30,</i>	2009	2008
Assets		
Current Assets		
Cash (includes \$336,443 and \$1,394,004, respectively, which has been restricted by the donor)	\$ 2,856,648	\$ 2,298,081
Marketable securities (Note 1)	3,551,522	2,166,956
Accounts receivable, net	788,207	245,760
Other assets	83,293	22,682
Total current assets	7,279,670	4,733,479
Marketable securities - non-current (Note 1)	2,284,961	1,951,765
Property and equipment, net (Note 2)	75,350	28,106
Other assets	22,395	19,379
Total assets	\$ 9,662,376	\$ 6,732,729
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 1,437,837	\$ 840,948
Deferred revenue	7,906	141,906
Total current liabilities	1,445,743	982,854
Commitments and Contingencies (Note 3)		
Net Assets		
Unrestricted	2,874,596	2,373,203
Temporarily restricted (Note 4)	5,342,037	3,376,672
Total net assets	8,216,633	5,749,875
Total liabilities and net assets	\$ 9,662,376	\$ 6,732,729

*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>	2009	2008
Changes in Unrestricted Net Assets		
Unrestricted Support and Revenue		
Contributions, bequests and grant revenues (Note 5)	\$ 4,474,229	\$ 3,872,242
Special events revenues	368,151	554,854
Investment loss	(552,575)	(77,164)
Other income	814,723	740,277
Net assets released from restriction – satisfaction of program restrictions (Note 4)	3,735,551	2,664,343
Total unrestricted support and revenue	8,840,079	7,754,552
Unrestricted Expenses		
Program services		
Alpha-1 Research Network	2,346,802	2,270,118
Florida Detection Program	333,684	357,032
COPD Foundation	2,377,660	1,359,979
Alpha-1 Registry and ACT Trial	286,765	284,443
Alpha-1 Advocacy	191,038	317,876
PFT Study	562,374	334,602
Other Alpha-1 Services	643,267	612,624
Total program services	6,741,590	5,536,674
Supporting services		
Administration and general	708,847	567,833
Fund raising	888,249	543,350
Total supporting services	1,597,096	1,111,183
Total unrestricted expenses	8,338,686	6,647,857
Increase in unrestricted net assets	501,393	1,106,695
Changes in Temporarily Restricted Net Assets		
Contributions, bequests and grant revenues	5,700,916	2,374,968
Net assets released from restriction	(3,735,551)	(2,664,343)
Increase (decrease) in temporarily restricted net assets	1,965,365	(289,375)
Increase in net assets	2,466,758	817,320
Net assets, beginning of year	5,749,875	4,932,555
Net assets, end of year	\$ 8,216,633	\$ 5,749,875

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, 2009

	Alpha-1 Research Network	Florida Detection Program	COPD Foundation	Alpha-1 Registry and ACT Trial	Alpha-1 Advocacy	PFT Study	Other Alpha-1 Services	Total Program Services	Administration and General	Fund Raising	Year ended June 30, 2009 Total
Awards and grants (Note 7)	\$ 1,587,419	\$ 165,400	\$ 271,340	\$ 243,670	\$ -	\$ 561,379	\$ 64,852	\$ 2,894,060	\$ -	\$ -	\$ 2,894,060
Management fees (Note 5)	30,000	3,451	130,916	6,250	30,000	-	20,000	220,617	70,947	96,197	387,761
Salaries	153,564	74,181	99,104	15,612	25,820	-	226,591	594,872	124,738	197,288	916,898
Payroll taxes	12,376	5,205	7,102	1,169	1,992	-	17,919	45,763	11,537	15,651	72,951
Medical insurance	22,866	10,371	-	2,218	1,479	-	42,468	79,402	12,466	16,988	108,856
Other fringe benefits	1,860	659	-	282	707	-	3,619	7,127	3,129	3,509	13,765
Other benefits	9,441	3,639	18,347	1,105	1,583	-	20,942	55,057	12,708	17,560	85,325
Contract services	61,420	15,862	804,532	1,680	97,447	450	44,401	1,025,792	89,434	200,639	1,315,865
Professional fees	4,407	-	6,697	164	-	-	732	12,000	64,502	168	76,670
Supplies	5,154	10,706	210,854	5,543	2,535	32	22,868	257,692	22,964	28,459	309,115
Telephone	6,514	672	46,463	-	4,922	-	4,133	62,704	6,511	9,641	78,856
Online services	669	99	2,649	-	222	-	8,454	12,093	815	935	13,843
Postage and shipping	22,146	1,189	105,161	1,174	980	461	35,631	166,742	11,034	15,560	193,336
Occupancy	33,000	8,964	13,549	2,640	2,640	-	31,680	92,473	33,303	30,465	156,241
Equipment rental	1,490	221	11,911	-	227	-	1,357	15,206	1,223	1,859	18,288
Equipment repair and maintenance	2,892	428	8,449	-	441	-	2,633	14,843	3,591	12,831	31,265
Printing and publication	63,663	3,684	212,410	5,258	-	-	61,772	346,787	15,399	27,180	389,366
Travel	134,917	7,410	116,331	-	8,375	-	15,187	282,220	48,432	27,470	358,122
Conferences and meetings	183,951	20,704	310,052	-	6,553	52	12,865	534,177	117,602	29,648	681,427
Dues and subscriptions	3,382	-	-	-	4,250	-	-	7,632	9,589	4,679	21,900
Licenses, fees and other	-	-	339	-	-	-	-	339	28,512	19,590	48,441
Utilities	1,720	254	494	-	262	-	1,566	4,296	1,271	2,147	7,714
Insurance	1,153	171	-	-	176	-	1,050	2,550	11,845	1,308	15,703
Special events	-	-	-	-	-	-	-	-	-	125,303	125,303
Total expenses before depreciation and amortization	2,344,004	333,270	2,376,700	286,765	190,611	562,374	640,720	6,734,444	701,552	885,075	8,321,071
Depreciation and amortization	2,798	414	960	-	427	-	2,547	7,146	7,295	3,174	17,615
Total expenses	\$ 2,346,802	\$ 333,684	\$ 2,377,660	\$ 286,765	\$ 191,038	\$ 562,374	\$ 643,267	\$ 6,741,590	\$ 708,847	\$ 888,249	\$ 8,338,686

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	Other Alpha-1 Services	Total Program Services	Administration and General	Fund Raising	Year ended June 30, 2008 Total
Awards and grants (Note 7)	\$ 1,556,944	\$ 212,300	\$ 140,082	\$ 229,386	\$ -	\$ 313,005	\$ 25,980	\$ 2,477,697	\$ -	\$ -	\$ 2,477,697
Management fees (Note 5)	59,988	-	-	12,492	60,000	-	39,984	172,464	30,040	47,496	250,000
Salaries	161,271	64,348	84,681	19,682	22,375	-	166,634	518,991	104,668	148,964	772,623
Payroll taxes	12,933	5,056	6,901	1,530	1,748	-	12,890	41,058	8,235	11,988	61,281
Medical insurance	24,994	8,314	18,176	3,146	976	-	31,579	87,185	12,110	19,155	118,450
Other fringe benefits	1,722	941	2,157	350	675	-	3,183	9,028	2,800	2,234	14,062
Other benefits	11,161	2,403	10,475	1,383	1,187	-	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	2,265,772	355,843	1,359,019	284,443	317,213	334,602	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	\$ 2,270,118	\$ 357,032	\$ 1,359,979	\$ 284,443	\$ 317,876	\$ 334,602	\$ 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 Statements of Cash Flows

<i>Years ended June 30,</i>	2009	2008
Operating Activities		
Increase in net assets	\$ 2,466,758	\$ 817,320
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation and amortization	17,615	20,449
Net realized/unrealized loss on investments	552,575	77,164
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(542,447)	30,033
(Increase) decrease in other assets	(63,627)	31,371
Increase in accounts payable and accrued expense	596,889	63,615
(Decrease) increase in deferred revenue	(134,000)	23,397
Net cash provided by operating activities	2,893,763	1,063,349
Investing Activities		
Purchase of marketable securities	(2,366,359)	(785,828)
Proceeds from disposition of assets	1,455	-
Proceeds from redemption of marketable securities	96,022	360,021
Purchase of property and equipment	(66,314)	(2,604)
Net cash used in investing activities	(2,335,196)	(428,411)
Net increase in cash	558,567	634,938
Cash, at beginning of year	2,298,081	1,663,143
Cash, at end of year	\$ 2,856,648	\$ 2,298,081
Supplemental disclosure of cash information non cash transactions:		
Donated securities	\$ -	\$ 45,876

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

Alpha-1 Foundation, Inc.

Summary of Significant Accounting Policies

Organization and principles of consolidation

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, 2009 and 2008. 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, 2009 and 2008, temporarily restricted contributions and bequests include state grant revenues totaling \$333,684 and \$344,533, respectively. Alpha-1 Foundation had temporarily restricted net assets of \$5,342,037 and \$3,376,672 as of June 30, 2009 and 2008, 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, 2009 and 2008.

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 estimated 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.

Accounts Receivable Accounts receivable represent amounts due in the normal course of business. 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, 2009 and 2008, the Foundation did not believe an allowance was necessary.

Alpha-1 Foundation, Inc.

Summary of Significant Accounting Policies

Property and Equipment

Property and equipment are recorded at cost or, if donated, at estimated fair market value at the date of donation. Depreciation and amortization 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 estimated useful 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, 2009 and 2008 statements of activities and changes in net assets.

During the year ended June 30, 2009, the following fund raising special events were sponsored by the Alpha-1 Foundation:

	Revenues	Expenses	Net
Celebration of Life Dinner	\$ 301,215	\$ (79,600)	\$ 221,615
Other fund raising special events	66,936	(45,703)	21,233
	\$ 368,151	\$ (125,303)	\$ 242,848

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 special events	105,876	(24,187)	81,689
	\$ 554,854	\$ (126,512)	\$ 428,342

Income Taxes

Alpha-1 Foundation and the 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.

Alpha-1 Foundation, Inc.

Summary of Significant Accounting Policies

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 and financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000. As of June 30, 2009, the Foundation's cash balance exceeded such limits.
Fair Value Measurements	<p>In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 157 – Fair Value Measurements ("SFAS 157"), which defines fair value, establishes a framework for measuring fair value in accordance with GAAP and expands disclosure about fair value measurements.</p> <p>In February 2008, the FASB issued FASB Staff Position No. 157-2 which delayed the effective date of SFAS 157 for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis. Where generally accepted accounting principles</p>

Alpha-1 Foundation, Inc.

Summary of Significant Accounting Policies

specifically requires the use of fair value, the Foundation has adopted the provisions of SFAS 157 related to financial assets and financial liabilities as of July 1, 2008. The adoption of SFAS 157 had no impact on the Foundation's financial position or results of operations.

Reclassifications Certain reclassifications have been made to prior period balances in order to conform to the current period presentation.

Subsequent Events The date to which events occurring after June 30, 2009, the date of the most recent statement of financial position, has been evaluated for possible adjustment to the financial statements or disclosure is September 23, 2009.

Alpha-1 Foundation, Inc.

Notes to Consolidated Financial Statements

1. Marketable Securities

At June 30, 2009 and 2008, marketable securities consisted primarily of U.S. government backed securities, corporate debt and equity securities and index traded funds. For the years ended June 30, 2009 and 2008, net investment loss amounted to \$552,575 and \$77,164.

Investments consist of the following at June 30,

	2009	2008
U.S. government backed securities	\$ 1,048,902	\$ 1,665,987
Corporate debt securities	2,378,225	1,188,343
Corporate equity securities	2,186,484	1,083,903
Index traded funds	222,872	180,488
Total investments	\$ 5,836,483	\$ 4,118,721

Net unrealized loss on Alpha-1 Foundation's investment portfolio at June 30, 2009 and 2008 was \$366,795 and \$126,490, respectively.

The following summarizes the contractual 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>
2010	\$ 1,148,000
2011	224,000
2012	125,000
2013	380,000
2014	150,000
Thereafter	1,350,000
	\$ 3,337,000

As of June 30, 2009, yields on Alpha-1 Foundation's, U.S. government backed securities and corporate debt securities investments ranged from approximately 2.1% to 7.0%.

Notes to Consolidated Financial Statements

The Foundation used a portion of its restricted cash to purchase investments. Accordingly, as of June 30, 2009 and 2008 the restricted cash used to purchase investments amounted to \$127,129 and \$1,068,570.

SFAS 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market, or if none exists, the most advantageous market, for the specific asset or liability at the measurement date (the exit price). The fair value should be based on assumptions that market participants would use when pricing the asset or liability. SFAS 157 establishes a fair value hierarchy that prioritizes the information used in measuring fair value as follows:

- Level 1** Inputs include unadjusted quoted prices in active markets for identical assets or liabilities that can be accessed at the measurement date.
- Level 2** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3** Inputs that are significant to the measurement that are not observable in the market and include management's judgments about the assumptions market participants would use in pricing the asset or liability (including assumptions about risk).

The Company measures fair value as an exit price using the procedures described below for all assets and liabilities measured at fair value. When available, the Company uses unadjusted quoted market prices to measure fair value and classifies such items within Level 1. If quoted market prices were not available, fair value would be based upon internally or third party developed models that use, where possible, current market-based or independently-sourced market parameters such as interest rates and currency rates. Items valued using internally generated models would be classified according to the lowest level input or value driver that is significant to the valuation. The Company's marketable securities are valued using Level 1 inputs at June 30, 2009.

Alpha-1 Foundation, Inc.

Notes to Consolidated Financial Statements

2. Property and Equipment

Property and equipment consists of the following at June 30:

	2009	2008
Furniture and equipment	\$ 233,430	\$ 169,196
Leasehold improvements	30,986	30,986
	264,416	200,182
Less: Accumulated depreciation and amortization	(189,066)	(172,076)
	\$ 75,350	\$ 28,106

3. Commitments and Contingencies

Operating Leases

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

<i>Year ended June 30,</i>	<i>Amount</i>
2010	\$ 86,000
2011	89,000
2012	93,000
2013	98,000
Total lease commitments	\$ 366,000

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, 2009 and 2008 was approximately \$244,000 and \$229,000, respectively, which are included as Alpha-1 Registry and ACT Trial Program Services in the accompanying Consolidated Statements of Activities and Changes in Net Assets.

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:

	2009	2008
Research Network	\$ 5,157,556	\$ 3,264,997
Other Services	184,481	111,675
	\$ 5,342,037	\$ 3,376,672

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

<i>Years ended June 30,</i>	2009	2008
Research Network	\$ 3,416,270	\$ 2,396,481
Other Services	319,281	267,862
Total restrictions released	\$ 3,735,551	\$ 2,664,343

Notes to Consolidated Financial Statements

- 5. Transactions with Related Parties** During the years ended June 30, 2009 and 2008, AlphaNet, Inc. (“AlphaNet”) made contributions to Alpha-1 Foundation totaling \$2,987,000 and \$2,960,000, respectively.

Management Agreement

In January 2000, Alpha-1 Foundation entered into an agreement with 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, 2009 and 2008 was \$250,000, 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, 2009, and 2008, was \$30,000, which is classified as contract services in the Consolidated Statements of Functional Expenses.

- 6. Grant Commitments** Alpha-1 Foundation provides resources to different institutions to conduct research related to Alpha-1 Antitrypsin Deficiency (“Alpha-1”). The projects include clinical research, screening, detection, education, in order to improve health and a cure for Alpha-1. Awards and grants expense for the years ended June 30, 2009 and 2008 was approximately \$2.9 million and \$2.5 million, respectively. As of June 30, 2009 and 2008 the Foundation accrued \$728,617 and \$653,695 as future grant commitments, respectively.

Supplemental Information

Alpha-1 Foundation, Inc.

Statement of Financial Position

<i>June 30,</i>	2009	2008
Assets		
Current Assets		
Cash (includes \$127,129 and \$1,033,116, respectively, which has been restricted by the donor)	\$ 739,228	\$ 1,267,161
Marketable securities	3,551,522	2,166,956
Accounts receivable	698,806	187,261
Due from COPD Foundation	25,695	24,979
Other assets	75,811	9,631
Total current assets	5,091,062	3,655,988
Marketable securities – non-current	2,284,961	1,951,765
Property and equipment, net	55,327	24,751
Other assets	19,495	19,379
Total assets	\$ 7,450,845	\$ 5,651,883
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 1,134,051	\$ 717,704
Deferred revenue	7,906	141,906
Total current liabilities	1,141,957	859,610
Net Assets		
Unrestricted	2,839,184	2,235,716
Temporarily restricted	3,469,704	2,556,557
Total net assets	6,308,888	4,792,273
Total liabilities and net assets	\$ 7,450,845	\$ 5,651,883

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Alpha-1 Foundation, Inc.

Statement of Activities and Changes in Net Assets

<i>Years ended June 30,</i>	2009	2008
Changes in Unrestricted Net Assets		
Unrestricted Support and Revenue		
Contributions, bequests and grant revenues	\$ 3,676,773	\$ 3,601,038
Fund raising revenues	368,151	554,854
Investment income – net	(373,823)	127,786
Other income	264,310	112,841
Net assets released from restriction – satisfaction of program restrictions	2,309,655	1,769,620
Total unrestricted support and revenue	6,245,066	6,166,139
Unrestricted Expenses		
Program services		
Alpha-1 Research Network	2,471,802	2,711,118
Florida Detection Program	333,684	357,032
Alpha-1 Registry and ACT Trial	286,765	284,443
Alpha-1 Advocacy	191,038	317,876
PFT Study	562,374	334,602
Other Alpha-1 Services	643,267	612,624
Total program services	4,488,930	4,617,695
Supporting services		
Administration and general	515,538	483,419
Fund raising	637,130	502,805
Total supporting services	1,152,668	986,224
Total unrestricted expenses	5,641,598	5,603,919
Increase in unrestricted net assets	603,468	562,220
Changes in Temporarily Restricted Net Assets		
Contributions, bequests and grant revenues	3,222,802	1,248,769
Net assets released from restriction	(2,309,655)	(1,769,620)
Increase (decrease) in temporarily restricted net assets	913,147	(520,851)
Increase in net assets	1,516,615	41,369
Net assets, beginning of year	4,792,273	4,750,904
Net assets, end of year	\$ 6,308,888	\$ 4,792,273

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Alpha-1 Foundation, Inc.

Statement of Functional Expenses For the Year Ended June 30, 2009

	Alpha-1 Research Network	Florida Detection Program	Alpha-1 Registry and ACT Trial	Alpha-1 Advocacy	PFT Study	Other Alpha-1 Services	Total Program Services	Administrative and General	Fund Raising	Year ended June 30, 2009 Total
Awards and grants	\$ 1,712,419	\$ 165,400	\$ 243,670	\$ -	\$ 561,379	\$ 64,852	\$ 2,747,720	\$ -	\$ -	\$ 2,747,720
Management fees	30,000	3,451	6,250	30,000	-	20,000	89,701	15,000	23,750	128,451
Salaries	153,564	74,181	15,612	25,820	-	226,591	495,768	113,011	159,448	768,227
Payroll taxes	12,376	5,205	1,169	1,992	-	17,919	38,661	9,865	12,916	61,442
Medical insurance	22,866	10,371	2,218	1,479	-	42,468	79,402	12,466	16,988	108,856
Other fringe benefits	1,860	659	282	707	-	3,619	7,127	3,129	3,509	13,765
Other benefits	9,441	3,639	1,105	1,583	-	20,942	36,710	9,309	11,394	57,413
Contract services	61,420	15,862	1,680	97,447	450	44,401	221,260	64,221	128,351	413,832
Professional fees	4,407	-	164	-	-	732	5,303	53,358	-	58,661
Supplies	5,154	10,706	5,543	2,535	32	22,868	46,838	19,024	27,549	93,411
Telephone	6,514	672	-	4,922	-	4,133	16,241	5,115	9,128	30,484
Online services	669	99	-	222	-	8,454	9,444	792	759	10,995
Postage and shipping	22,146	1,189	1,174	980	461	35,631	61,581	8,350	14,594	84,525
Occupancy	33,000	8,964	2,640	2,640	-	31,680	78,924	31,861	26,400	137,185
Equipment rental	1,490	221	-	227	-	1,357	3,295	1,049	1,691	6,035
Equipment repair and maintenance	2,892	428	-	441	-	2,633	6,394	3,073	4,825	14,292
Printing and publication	63,663	3,684	5,258	-	-	61,772	134,377	10,435	17,761	162,573
Travel	134,917	7,410	-	8,375	-	15,187	165,889	30,725	22,325	218,939
Conferences and meetings	183,951	20,704	-	6,553	52	12,865	224,125	80,745	25,762	330,632
Dues and subscriptions	3,382	-	-	4,250	-	-	7,632	9,573	4,627	21,832
Licenses, fees and other	-	-	-	-	-	-	-	25,531	11,556	37,087
Utilities	1,720	254	-	262	-	1,566	3,802	1,211	1,952	6,965
Insurance	1,153	171	-	176	-	1,050	2,550	4,508	1,308	8,366
Special events	-	-	-	-	-	-	-	-	107,363	107,363
Total expenses before depreciation and amortization	2,469,004	333,270	286,765	190,611	562,374	640,720	4,482,744	512,351	633,956	5,629,051
Depreciation and amortization	2,798	414	-	427	-	2,547	6,186	3,187	3,174	12,547
Total expenses	\$ 2,471,802	\$ 333,684	\$ 286,765	\$ 191,038	\$ 562,374	\$ 643,267	\$ 4,488,930	\$ 515,538	\$ 637,130	\$ 5,641,598

COPD Foundation, Inc.

Statement of Financial Position

<i>June 30,</i>	2009	2008
Assets		
Cash (includes \$209,314 and \$308,669, respectively, which has been restricted by the donor)	\$ 2,117,420	\$ 1,030,921
Accounts receivable	89,401	58,500
Prepaid expenses	10,383	13,050
Property, plant & equipment, net	20,023	3,355
Total assets	\$ 2,237,227	\$ 1,105,826
Liabilities and Net Assets		
Accounts payable	\$ 303,787	\$ 123,245
Due to Alpha-1 Foundation, net	25,695	24,979
Total liabilities	329,482	148,224
Net Assets		
Unrestricted	35,412	137,487
Temporarily restricted	1,872,333	820,115
Total net assets	1,907,745	957,602
Total liabilities and net assets	\$ 2,237,227	\$ 1,105,826

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COPD Foundation, Inc.

Statement of Activities and Changes in Net Assets

<i>Years ended June 30,</i>	2009	2008
Changes in Unrestricted Net Assets		
Unrestricted Support and Revenue		
Contributions, bequests and grant revenues	\$ 922,456	\$ 712,204
Investment income – net	8,412	17,496
Other income	363,249	404,990
Net assets released from restriction – satisfaction of program restrictions	1,425,896	894,723
Total unrestricted support and revenue	2,720,013	2,029,413
Unrestricted Expenses		
Program expenses		
Mobile Spirometry Unit	411,860	371,435
COPD Digest	329,824	382,420
COPD Research Network	430,156	256,985
COPD Medical Education	51,721	-
COPD Public Policy	142,030	-
COPD Patient Education	888,618	230,354
COPD Information Line	123,451	118,785
Total program services	2,377,660	1,359,979
Supporting Services		
Administration and general	193,309	84,414
Fund raising	251,119	40,545
Total administration and general	444,428	124,959
Total unrestricted expenses	2,822,088	1,484,938
(Decrease) increase in unrestricted net assets	(102,075)	544,475
Changes in Temporarily Restricted Net Assets		
Contributions, bequests and grant revenues	2,478,114	1,126,199
Net assets released from restriction	(1,425,896)	(894,723)
Increase in temporarily restricted net assets	1,052,218	231,476
Increase in net assets	950,143	775,951
Net assets, beginning of year	957,602	181,651
Net assets, end of year	\$ 1,907,745	\$ 957,602

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