



Alpha-1 Foundation, Inc.

Consolidated Financial Statements Years Ended June 30, 2016 and 2015

The report accompanying these financial statements was issued by BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of BDO International Limited, a UK company limited by guarantee.



Alpha-1 Foundation, Inc.

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Independent Auditor's Report

Board of Directors
Alpha-1 Foundation, Inc.
Coral Gables, Florida

We have audited the accompanying consolidated financial statements of Alpha-1 Foundation, Inc. and its subsidiaries, which comprise the consolidated statements of financial position as of June 30, 2016 and 2015, and the related consolidated statements of activities and change in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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



Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Alpha-1 Foundation, Inc. and its subsidiaries as of June 30, 2016 and 2015, and the changes in its net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Independent Auditor's Report on Supplementary Information

Our audits of the consolidated financial statements were conducted for the purpose of forming an opinion on those statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

A handwritten signature in black ink that reads "BDO USA, LLP". The signature is written in a cursive, flowing style.

October 14, 2016

Certified Public Accountants

Alpha-1 Foundation, Inc.

Consolidated Statements of Financial Position

<i>June 30,</i>	2016	2015
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,492,800	\$ 1,528,842
Investment Securities (Note 1)	15,068,884	15,155,799
Accounts receivable, net of allowance for bad debts	1,420,092	703,070
Other assets	38,223	257,015
Total current assets	18,019,999	17,644,726
Investment securities - non-current (Note 1)	3,547,903	4,102,370
Property and equipment, net (Note 2)	157,118	190,469
Other assets	25,135	30,135
Total assets	\$ 21,750,155	\$ 21,967,700
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses (Note 6)	\$ 1,515,078	\$ 1,324,087
Deferred revenue	159,500	83,500
Total current liabilities	1,674,578	1,407,587
Commitments and Contingencies (Note 3)		
Net Assets		
Unrestricted	18,023,727	17,205,623
Temporarily restricted (Note 4)	2,051,850	3,354,490
Total net assets	20,075,577	20,560,113
Total liabilities and net assets	\$ 21,750,155	\$ 21,967,700

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>	2016	2015
Changes in Unrestricted Net Assets		
Unrestricted Support and Revenue		
Contributions, bequests and grant revenues	\$ 7,188,940	\$ 5,631,266
Investment (losses) gains	(191,008)	277,822
Fundraising revenues	298,921	603,590
Donated shares	-	8,070
Other income, includes interest and dividends	876,266	853,935
Net assets released from restriction - satisfaction of program restrictions (Note 4)	2,877,640	3,020,017
Total unrestricted support and revenue	11,050,759	10,394,700
Unrestricted Expenses		
Program services		
Alpha-1 Research Network	3,855,927	4,045,588
Florida Detection Program	340,313	372,843
Alpha-1 National Conference	835,104	182,774
Alpha-1 Registry and ACT Trial	752,062	608,001
Alpha-1 Advocacy	673,174	433,249
Alpha-1 Education Days	259,208	300,115
Alpha-1 Patient Support Network	330,453	302,472
The Alpha-1 Project	633,603	916,966
Other Alpha-1 Services	830,663	816,239
Total program services	8,510,507	7,978,247
Supporting services		
Fundraising	881,310	852,606
Administration and general	840,838	754,453
Total supporting services	1,722,148	1,607,059
Total unrestricted expenses	10,232,655	9,585,306
Increase in unrestricted net assets	818,104	809,394
Changes in Temporarily Restricted Net Assets		
Contributions, bequests and grant revenues	1,575,000	3,488,155
Net assets released from restriction (Note 4)	(2,877,640)	(3,020,017)
(Decrease) increase in temporarily restricted net assets	(1,302,640)	468,138
(Decrease) increase in net assets	(484,536)	1,277,532
Net assets, beginning of year	20,560,113	19,282,581
Net assets, end of year	\$ 20,075,577	\$ 20,560,113

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, 2016

	Alpha-1 Research Network	Florida Detection Program	Alpha-1 National Conference	Alpha-1 Registry and ACT Trial	Alpha-1 Advocacy	Alpha-1 Education Days	Alpha-1 Support Network	The Alpha-1 Project	Other Alpha-1 Services	Total Program Services	Administrative and General	Fund Raising	Year ended June 30, 2016 Total
Awards and grants	\$ 2,986,337	\$ 160,400	\$ 17,386	\$ 691,424	\$ -	\$ -	\$ 44,589	\$ 325,000	\$ 74,603	\$ 4,299,739	\$ -	\$ -	\$ 4,299,739
Management fees	33,000	-	-	6,875	33,000	5,500	-	-	16,500	94,875	16,500	26,125	137,500
Salaries	277,824	69,177	86,039	24,224	221,903	89,135	114,644	185,421	283,244	1,351,611	153,800	321,325	1,826,736
Payroll taxes	20,699	5,161	6,260	1,639	15,978	6,624	8,150	11,984	20,058	96,553	14,438	24,038	135,029
Medical insurance	44,743	3,854	14,551	3,331	33,356	16,181	27,649	-	51,287	194,952	11,063	49,079	255,094
Simple IRA	6,722	687	1,157	569	4,009	1,008	709	-	3,238	18,099	2,199	2,579	22,877
Other benefits	20,594	4,094	6,125	1,964	16,301	7,252	14,235	25,553	25,932	122,050	9,437	25,536	157,023
Contract services	29,291	17,574	35,885	1,800	177,594	-	-	11,193	67,162	340,499	149,751	7,690	497,940
Professional fees	1,415	2,205	-	-	578	-	-	20,547	-	24,745	96,418	4,338	125,501
Supplies	16,318	10,084	15,862	5,656	2,103	601	4,807	5,522	4,470	65,423	28,890	23,071	117,384
Telephones	5,229	478	1,317	478	4,347	1,253	11,669	1,789	4,062	30,622	2,389	8,816	41,827
Online services	4,275	466	1,376	466	5,567	1,312	1,937	-	7,920	23,319	2,930	5,023	31,272
Postage and shipping	7,260	3,787	6,691	2,460	4,011	9,525	3,680	-	60,261	97,675	6,395	13,448	117,518
Occupancy	37,660	11,666	10,978	-	29,006	11,795	16,603	-	36,884	154,592	23,757	40,863	219,212
Equipment rental	1,284	143	357	143	1,070	357	499	-	1,213	5,066	713	1,355	7,134
Equipment repair and maintenance	4,654	517	1,293	517	3,878	1,293	1,810	-	4,396	18,358	2,586	14,948	35,892
Printing and publication	56,653	4,358	19,225	3,320	116	10,769	2,454	-	116,406	213,301	3,284	21,993	238,578
Travel	102,274	7,827	40,741	4,111	54,678	12,713	6,004	24,460	7,169	259,977	47,721	16,271	323,969
Conferences and meetings	164,731	36,543	566,630	1,794	45,035	80,660	66,492	12,827	23,943	998,655	93,271	123,485	1,215,411
Dues and subscriptions	23,333	-	-	-	10,951	-	-	600	10,932	45,816	11,281	1,649	58,746
Licenses, fees and taxes	-	-	-	-	-	-	-	3,255	-	3,255	147,391	37,516	188,162
Utilities	1,751	194	487	193	1,460	486	680	-	1,652	6,903	973	1,850	9,726
Insurance	-	-	-	-	-	-	-	5,230	-	5,230	10,162	-	15,392
Special events	-	-	-	-	-	-	-	-	-	-	-	99,883	99,883
Total expenses before depreciation	3,846,047	339,215	832,360	750,964	664,941	256,464	326,611	633,381	821,332	8,471,315	835,349	870,881	10,177,545
Depreciation and amortization	9,880	1,098	2,744	1,098	8,233	2,744	3,842	222	9,331	39,192	5,489	10,429	55,110
Total expenses	\$ 3,855,927	\$ 340,313	\$ 835,104	\$ 752,062	\$ 673,174	\$ 259,208	\$ 330,453	\$ 633,603	\$ 830,663	\$ 8,510,507	\$ 840,838	\$ 881,310	\$ 10,232,655

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, 2015

	Alpha-1 Research Network	Florida Detection Program	Alpha-1 Registry and ACT Trial	Alpha-1 Advocacy	Alpha-1 Education Days	Alpha-1 Support Network	The Alpha-1 Project	Other Alpha-1 Services	Total Program Services	Fund Raising	Administrative and General	Year ended June 30, 2015 Total
Awards and grants	\$ 2,979,087	\$ 163,100	\$ 531,349	\$ -	\$ -	\$ 24,177	\$ 630,000	\$ 124,785	\$ 4,452,498	\$ -	\$ -	\$ 4,452,498
Management fees	33,000	-	6,875	33,000	5,500	-	-	16,500	94,875	26,125	16,500	137,500
Salaries	245,739	73,720	21,342	133,866	76,555	132,775	178,901	348,334	1,211,232	259,875	143,207	1,614,314
Payroll taxes	18,048	5,519	1,438	10,326	5,806	9,634	11,813	25,423	88,007	19,297	13,431	120,735
Medical insurance	37,016	4,213	2,675	18,392	13,989	27,053	-	56,181	159,519	35,094	8,907	203,520
Simple IRA	6,137	800	561	1,684	675	840	-	4,248	14,945	2,123	(282)	16,786
Other benefits	18,428	14,549	1,482	9,396	6,173	14,596	27,173	26,846	118,643	19,726	8,959	147,328
Contract services	31,967	17,610	3,890	133,571	-	-	7,159	53,850	248,047	22,265	91,635	361,947
Professional fees	9,250	-	-	-	-	-	15,082	276	24,608	3,476	101,567	129,651
Supplies	28,220	27,909	21,477	1,943	1,054	1,160	9,930	17,227	108,920	25,702	41,822	176,444
Telephones	5,955	788	333	2,986	1,444	11,316	2,111	5,830	30,763	10,203	2,782	43,748
Online services	4,037	645	272	2,601	1,101	1,977	-	11,795	22,428	4,797	2,276	29,501
Postage and shipping	10,336	2,150	1,357	2,178	14,812	2,471	-	50,192	83,496	18,337	5,764	107,597
Occupancy	38,759	9,759	2,615	21,319	10,575	18,981	-	45,414	147,422	41,494	21,847	210,763
Equipment rental	1,193	190	80	656	325	584	-	1,697	4,725	1,277	672	6,674
Equipment repair and maintenance	4,998	798	337	2,750	1,364	2,448	-	5,475	18,170	6,947	3,199	28,316
Printing and publication	5,691	2,587	6,142	909	14,556	-	-	129,319	159,204	4,619	7,158	170,981
Travel	210,418	6,781	4,086	23,951	19,711	6,105	23,442	31,486	325,980	20,209	28,416	374,605
Conferences and meetings	341,199	39,724	845	18,820	123,059	42,223	5,628	28,939	600,437	68,619	56,931	725,987
Dues and subscriptions	3,588	-	-	8,013	-	-	-	525	12,126	12,435	10,658	35,219
Licenses, fees and taxes	-	-	-	-	-	-	-	-	-	38,500	176,592	215,092
Utilities	1,914	306	129	1,053	522	937	-	2,242	7,103	2,049	1,079	10,231
Insurance	-	-	-	-	-	-	5,504	-	5,504	-	5,354	10,858
Special events	-	-	-	-	-	-	-	-	-	198,081	-	198,081
Total expenses before depreciation	4,034,980	371,148	607,285	427,414	297,221	297,277	916,743	986,584	7,938,652	841,250	748,474	9,528,376
Depreciation and amortization	10,608	1,695	716	5,835	2,894	5,195	223	12,429	39,595	11,356	5,979	56,930
Total expenses	\$ 4,045,588	\$ 372,843	\$ 608,001	\$ 433,249	\$ 300,115	\$ 302,472	\$ 916,966	\$ 999,013	\$ 7,978,247	\$ 852,606	\$ 754,453	\$ 9,585,306

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>	2016	2015
Operating Activities		
(Decrease) increase in net assets	\$ (484,536)	\$ 1,277,532
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Depreciation and amortization	55,110	56,930
Net realized/unrealized loss (gain) on investments	191,008	(277,822)
Donated shares	-	(8,070)
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(717,022)	144,729
Decrease (increase) in other assets	223,792	(202,882)
Increase in accounts payable and accrued expenses	190,991	399,236
Increase (decrease) in deferred revenue	76,000	(68,500)
Net cash (used in) provided by operating activities	(464,657)	1,321,153
Investing Activities		
Purchase of investment securities	(6,016,723)	(6,578,963)
Proceeds from redemption of investment securities	6,467,097	3,870,554
Purchase of property and equipment	(21,759)	(12,003)
Net cash provided by (used in) investing activities	428,615	(2,720,412)
Net decrease in cash	(36,042)	(1,399,259)
Cash and cash equivalent, at beginning of year	1,528,842	2,928,101
Cash and cash equivalent, at end of year	\$ 1,492,800	\$ 1,528,842
Supplemental Cash Flow Disclosures		
Cash paid for taxes	\$ 75,909	\$ 4,327

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. The mission of Alpha-1 Foundation is to provide the leadership and resources that will result in increased research, improved health, worldwide detection and find 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.

On February 7, 2015, the respective board of directors of Alpha-1 Foundation and Alpha-1 Antitrypsin Deficiency Association, Inc. (the Association), a Minnesota nonprofit corporation whose mission is to provide education, advocacy, and support for those affected by Alpha-1 Antitrypsin Deficiency, unanimously approved the merger of the two organizations effective July 1, 2015.

The Alpha-1 Foundation remained as the surviving entity and all assets, liabilities, membership, and revenue sources including gifts and grants of the Association were assigned to Alpha-1 Foundation as of effective date of the merger. After the merger, the board of directors was comprised of 17 board members, of which 4 board members were from the Association. Alpha-1 Foundation did not transfer any consideration; hence, the business combination was accounted for under the acquisition method during the year ended June 30, 2015. The following table summarizes the fair value at acquisition date of the assumed assets and liabilities:

Assets:	
Cash	\$ 514,853
Accounts receivable	41,749
Contributions receivable	211,600
Fixed assets	7,838
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Total Assets	776,040
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Liabilities	
Accounts payable and accrued expenses	229,507
Deferred revenue	7,500
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Total Liabilities	237,007
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Net Assets	
Unrestricted	123,121
Temporarily restricted	415,912
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Total Net Assets	\$ 539,033

The Alpha-1 Project, Inc. ("TAP") was incorporated as a for-profit entity under the laws of the State of Delaware in 2009. Alpha-1 Foundation is the sole shareholder of The Alpha-1 Project, Inc. TAP was incorporated to focus on providing critical funding to expedite the commercialization of therapies for the elimination of COPD and liver disease caused by Alpha-1. TAP is also focused on funding drug therapies or devices in the translational research or clinical trial stage of development to expedite the commercialization of these therapies. It leverages the experience and scientific knowledge of the Alpha-1 Foundation as well as the drug therapy and device commercialization expertise of large pharmaceutical and biotechnology companies.

Alpha-1 Foundation, Inc.

Summary of Significant Accounting Policies

Accordingly, the two entities collectively referred to as the "Foundation", have been consolidated herein, for all periods presented. 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 the Foundation's net assets, revenues and expenses are based on the existence or absence of donor-imposed restrictions. The 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 the Foundation is limited by donor-imposed stipulations that either expire by passage of time or that can be fulfilled or removed by actions of the Foundation pursuant to those stipulations. For the years ended June 30, 2016 and 2015, temporarily restricted contributions and bequests include state grant revenues totaling \$330,160 and \$333,707, respectively. The Foundation had temporarily restricted net assets of \$2,051,850 and \$3,354,490 as of June 30, 2016 and 2015, respectively.
- **Permanently Restricted** - Net assets whose use by the 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 the Foundation. The Foundation did not have any permanently restricted net assets as of June 30, 2016 and 2015.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with maturities of three months or less when purchased.

Investment Securities

Investments in securities with readily determinable fair values and investments in debt securities are carried at their estimated fair values in the consolidated statements of financial position. Realized and unrealized gains and losses are included in the change in net assets in the accompanying consolidated statements of activities and changes in net assets.

Accounts Receivable

Accounts receivable represent pledges from donors. Management periodically performs a review of its accounts receivable balances to determine if they are impaired based on factors affecting the collectability of those balances. Management's estimate of collectability 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. Management believe that no allowance were required as of June 30, 2016 and 2015.

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.

Fundraising

Revenues from special fundraising events, and the related expenses incurred in generating such revenues are included in "Fundraising revenues" and "Unrestricted expenses - Fundraising," respectively in the accompanying June 30, 2016 and 2015 statements of activities and changes in net assets.

During the year ended June 30, 2016, the following fundraising special events were sponsored by the Foundation:

	Revenues	Direct Expenses	Net
Celebration of Life Dinner	\$ 298,291	\$ (99,883)	\$ 198,408
	\$ 298,291	\$ (99,883)	\$ 198,408

During the year ended June 30, 2015, the following fundraising special events were sponsored by the Foundation:

	Revenues	Direct Expenses	Net
Celebration of Life Dinner	\$ 360,405	\$ (75,273)	\$ 285,132
Other fundraising special events	243,185	(122,808)	120,377
	\$ 603,590	\$ (198,081)	\$ 405,509

Alpha-1 Foundation, Inc.

Summary of Significant Accounting Policies

Income Taxes

Alpha-1 Foundation is 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, except for certain taxable transactions.

Alpha-1 Foundation has adopted the provisions of Financial Accounting Standards Board (“FASB”) Accounting Standard Codification (“ASC”) No. 740 *Income Taxes*. Under ASC 740, the Foundation must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more-likely-than-not that the position will be sustained. The adoption of ASC 740 had no impact on the Foundation’s consolidated financial statements. Management of the Foundation does not believe there are any material uncertain tax positions and accordingly has not recognized any liability for unrecognized tax benefits. The Foundation has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, The Foundation has filed Internal Revenue Service Form 990 tax returns as required and all other applicable returns in those jurisdictions where it is required. The Foundation believes that it is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2013. However, the Foundation is still open to examination by taxing authorities from fiscal year 2013 forward. For the years ended June 30, 2016 and 2015, there was no interest or penalties recorded or included in the statements of activities and changes in net assets.

For the year ended June 30, 2016, Alpha-1 Foundation reported a taxable income of \$133,443 from its publication activities and a tax expense of \$39,042 recorded in administration and general supporting services. For the year ended June 30, 2015, Alpha-1 Foundation reported a taxable income of \$237,531 and a tax expense of \$75,909. TAP is a for-profit entity that pays federal income tax. For the year ended June 30, 2016 and 2015, TAP recorded net operating losses of \$614,830 and \$825,281, respectively, which will be used to offset taxes relating to the future years’ income. Deferred taxes are not material to the consolidated financial statements and a full valuation allowance was recorded against such assets as a result of the uncertainty of generating future taxable income in this subsidiary.

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 fundraising campaigns. Because there is no objective means of valuing such services, no amounts for such services are recorded in the accompanying financial statements.

Alpha-1 Foundation, Inc.

Summary of Significant Accounting Policies

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

Financial instruments, which potentially subject the Foundation to significant concentrations of credit risk, consist principally of cash and cash equivalents, and investments. As of June 30, 2016 and 2015, the Foundation had cash and cash equivalent in excess of federally insured limits of \$1,299,027 and \$1,116,679.

The Foundation invests in a variety of publicly traded investment vehicles, including common stocks, government and money market funds totaling \$18,616,787 and \$19,258,169 as of June 30, 2016 and 2015, respectively. Management seeks to mitigate risks inherent in the Foundation's investment portfolio by investing primarily in highly-rated financial instruments and through regular monitoring of the Foundation's investment portfolio.

Fair Value Measurements

The Foundation adopted the provisions of ASC Topic 820 *Fair Value Measurements*, related to financial assets and financial liabilities.

ASC Topic 820 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. ASC Topic 820 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 Foundation measures fair value as an exit price using the procedures described below for all assets and liabilities measured at fair value. When available, the Foundation 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.

Alpha-1 Foundation, Inc.

Summary of Significant Accounting Policies

The Foundation's investment securities are valued as follows:

The table below presents a reconciliation of investment securities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the periods ended June 30, 2016 and 2015.

Balance of recurring Level 3 assets at July 1, 2014	\$	100,000
Purchase of securities		-
Sale of securities		-
		<hr/>
Balance of recurring Level 3 assets at June 30, 2015		100,000
Purchase of securities		1,000,000
Sale of securities		-
		<hr/>
Balance of recurring Level 3 assets at June 30, 2016	\$	<u>1,100,000</u>

Subsequent Events

The date to which events occurring after June 30, 2016, 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, 2016.

Alpha-1 Foundation, Inc.

Notes to Consolidated Financial Statements

1. Investment Securities

At June 30, 2016 and 2015, investment securities consisted primarily of corporate equity and debt securities. For the years ended June 30, 2015 and 2014, net investment (loss) income amounted to (\$191,008) and \$277,822, respectively.

Investment securities consist of the following at June 30:

	2016	2015
Corporate equity securities	\$ 14,455,505	\$ 14,929,618
Corporate debt securities	4,161,282	4,328,551
Total investments	18,616,787	19,258,169
Current	(15,068,884)	(15,155,799)
Non-current	\$ 3,547,903	\$ 4,102,370

Net unrealized gain on the Foundation's investment portfolio for the year ended June 30, 2016 was \$441,660. Net unrealized gain for the year ended June 30, 2015 was \$683,919.

The following summarizes the contractual scheduled maturities of the Foundation's investments in corporate debt securities at face value:

<i>Year ended June 30</i>	<i>Amount</i>
2017	\$ 575,000
2018	450,000
2019	575,000
2020	550,000
2021	300,000
Thereafter	1,380,000
	\$ 3,830,000

As of June 30, 2016, yields on the Foundation's corporate debt securities investments maturing through the year 2024 ranged from approximately 2.5% to 6.6%.

2. Property and Equipment

Property and equipment consists of the following at June 30:

	2016	2015
Furniture and equipment	\$ 160,844	\$ 140,198
Leasehold improvements	200,825	200,825
	361,669	341,023
Less: Accumulated depreciation and amortization	(204,551)	(150,554)
	\$ 157,118	\$ 190,469

Alpha-1 Foundation, Inc.

Notes to Consolidated Financial Statements

3. Commitments and Contingencies

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 each of the years ended June 30, 2016 and 2015 amounted to \$164,955 and \$260,341, 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.

Healthcare Legislation

Certain healthcare-related legislation has been approved and legislation 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 the 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 the 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:

	2016		2015	
Research Network	\$	1,128,141	\$	1,339,816
Other Services		923,709		2,014,674
	\$	2,051,850	\$	3,354,490

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

<i>Years ended June 30,</i>	2016		2015	
Research Network	\$	994,983	\$	1,163,741
Other Services		1,882,657		1,856,276
Total restrictions released	\$	2,877,640	\$	3,020,017

Alpha-1 Foundation, Inc.

Notes to Consolidated Financial Statements

5. Transactions with Related Parties

Management Agreement

In July 2004, Alpha-1 Foundation and COPD Foundation, a related party, entered into a management agreement with AlphaNet to receive management services from certain AlphaNet employees for an annual fee of \$250,000, which would be allocated between the Foundations. This agreement is for a one-year period and automatically renews itself at the end of the current term for additional one-year periods. Management fee expense for the years ended June 30, 2016 and 2015 amounted to \$137,500. Alpha-1 Foundation also made payments to AlphaNet on behalf of COPD for their portion of management fees, \$112,500, which is classified as a component of awards and grants expense in the consolidated statements of functional expenses.

Service Agreement

During 2010, Alpha-1 Foundation entered into an annual agreement, automatically renewed for successive one year periods, with AlphaNet whereby AlphaNet conducts certain accounting, payroll, and human resources functions, manages information technology and telecommunication system services on behalf of Alpha-1 Foundation. Service fee expense for the years ended June 30, 2016, and 2015, was \$110,181 and \$127,333, respectively, which is classified as a component of contract services in the consolidated statements of functional expenses.

Lease Agreement

In November 2013, the Foundation entered into an office lease agreement with AlphaNet, Inc. for a term of four years. For the year ended June 30, 2016 and 2015, AlphaNet did not require payments of the rental charges totaling \$162,500 and \$155,000 and treated the total amount as an in-kind contribution to the Foundation. Total charges related to this agreement are reflected as occupancy expense in the accompanying consolidated statement of functional expenses and as a component of contributions, bequest and grant revenues in the consolidated statements of activities and changes in net assets.

Contributions

During the years ended June 30, 2016 and 2015, AlphaNet made contributions to Alpha-1 Foundation totaling \$3,700,000 and \$3,600,000, respectively.

During the years ended June 30, 2016 and 2015, the Foundation made various unsecured, non-interest bearing, due on demand, advances to related entities. These advances are offset against amount owed to the related entities. In addition, the Foundation receives support services from its related entities on a cost reimbursement basis. At June 30, 2016, the related parties' receivables and payables of \$23,391 and \$26,923, respectively, were reported as a component of the corresponding accounts receivable and accounts payable in the accompanying consolidated statement of financial position. At June 30, 2015, the related parties' receivables and payables of \$46,812 and \$15,171, respectively, were reported as a component of the corresponding accounts receivable and accounts payable in the accompanying consolidated statement of financial position.

6. Grant Commitments

The Foundation provides resources to different institutions to conduct research related to 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, 2016 and 2015 was approximately \$4.3 million and \$4.4 million, respectively. As of June 30, 2016 and 2015, the Foundation accrued \$672,272 and \$220,795 as future grant commitments, respectively.

Supplemental Information

Alpha-1 Foundation, Inc.
Statement of Financial Position

<i>June 30,</i>	2016	2015
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,134,854	\$ 1,473,152
Investment securities	14,131,370	13,770,534
Accounts receivable	1,389,884	703,070
Due from TAP	7,010	5,431
Other current assets	34,637	253,257
Total current assets	16,697,755	16,205,444
Investments securities - non-current	3,437,005	3,994,136
Investment in TAP	4,238,200	3,738,200
Property and equipment, net	157,118	190,246
Other assets	25,135	30,135
Total assets	\$ 24,555,213	\$ 24,158,161
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 1,489,525	\$ 1,294,236
Due to TAP	-	2,692
Due to COPD Foundation	2,579	4,418
Deferred revenue	159,500	83,500
Total current liabilities	1,651,604	1,384,846
Net Assets		
Unrestricted	20,851,759	19,418,825
Temporarily restricted	2,051,850	3,354,490
Total net assets	22,903,609	22,773,315
Total liabilities and net assets	\$ 24,555,213	\$ 24,158,161

See Independent Auditor's Report

Alpha-1 Foundation, Inc.

Statement of Activities and Changes in Net Assets

<i>Years ended June 30,</i>	2016	2015
Changes in Unrestricted Net Assets		
Unrestricted Support and Revenue		
Contributions, bequests and grant revenues	\$ 7,188,940	\$ 5,631,266
Donated shares	-	8,070
Fundraising revenues	298,921	603,590
Investment income	(157,055)	218,476
Other income	826,438	824,288
Net assets released from restriction - satisfaction of program restrictions	2,877,640	3,020,017
Total unrestricted support and revenue	11,034,884	10,305,707
Unrestricted Expenses		
Program services		
Alpha-1 Research Network	3,858,825	4,048,280
Florida Detection Program	340,313	372,843
Alpha-1 National Conference	835,104	182,774
Alpha-1 Registry and ACT Trial	752,062	608,001
Alpha-1 Advocacy	673,174	433,249
Alpha-1 Education Days	259,208	300,115
Alpha-1 Patient Support Network	330,453	302,472
Other Alpha-1 Services	830,663	816,239
Total program services	7,879,802	7,063,973
Supporting services		
Fundraising	881,310	852,606
Administration and general	840,838	754,453
Total supporting services	1,722,148	1,607,059
Total unrestricted expenses	9,601,950	8,671,032
Increase in unrestricted net assets	1,432,934	1,634,675
Changes in Temporarily Restricted Net Assets		
Contributions, bequests and grant revenues	1,575,000	3,488,155
Net assets released from restriction	(2,877,640)	(3,020,017)
(Decrease) increase in temporarily restricted net assets	(1,302,640)	468,138
Increase in net assets	130,294	2,102,813
Net assets, beginning of year	22,773,315	20,670,502
Net assets, end of year	\$ 22,903,609	\$ 22,773,315

See Independent Auditor's Report

Alpha-1 Foundation, Inc.

Statements of Functional Expenses for the Year Ended June 30, 2016

	Alpha-1 Research Network	Florida Detection Program	Alpha-1 Registry and ACT Trial	Alpha-1 Advocacy	Alpha-1 Education Days	Alpha-1 Support Network	Alpha-1 National Conference	Other Alpha-1 Services	Total Program Services	Administrative and General	Fund Raising	Year ended June 30, 2016 Total
Awards and grants	\$ 2,986,337	\$ 160,400	\$ 691,424	\$ -	\$ -	\$ 44,589	\$ 17,386	\$ 74,603	\$ 3,974,739	\$ -	\$ -	\$ 3,974,739
Management fees	33,000	-	6,875	33,000	5,500	-	-	16,500	94,875	16,500	26,125	137,500
Salaries	277,824	69,177	24,224	221,903	89,135	114,644	86,039	283,244	1,166,190	153,800	321,325	1,641,315
Payroll taxes	20,699	5,161	1,639	15,978	6,624	8,150	6,260	20,058	84,569	14,438	24,038	123,045
Medical insurance	44,743	3,854	3,331	33,356	16,181	27,649	14,551	51,287	194,952	11,063	49,079	255,094
Simple IRA	6,722	687	569	4,009	1,008	709	1,157	3,238	18,099	2,199	2,579	22,877
Other benefits	20,594	4,094	1,964	16,301	7,252	14,235	6,125	25,932	96,497	9,437	25,536	131,470
Contract services	32,189	17,574	1,800	177,594	-	-	35,885	67,162	332,204	149,751	7,690	489,645
Professional fees	1,415	2,205	-	578	-	-	-	-	4,198	96,418	4,338	104,954
Supplies	16,318	10,084	5,656	2,103	601	4,807	15,862	4,470	59,901	28,890	23,071	111,862
Telephones	5,229	478	478	4,347	1,253	11,669	1,317	4,062	28,833	2,389	8,816	40,038
Online services	4,275	466	466	5,567	1,312	1,937	1,376	7,920	23,319	2,930	5,023	31,272
Postage and shipping	7,260	3,787	2,460	4,011	9,525	3,680	6,691	60,261	97,675	6,395	13,448	117,518
Occupancy	37,660	11,666	-	29,006	11,795	16,603	10,978	36,884	154,592	23,757	40,863	219,212
Equipment rental	1,284	143	143	1,070	357	499	357	1,213	5,066	713	1,355	7,134
Equipment repair and maintenance	4,654	517	517	3,878	1,293	1,810	1,293	4,396	18,358	2,586	14,948	35,892
Printing and publication	56,653	4,358	3,320	116	10,769	2,454	19,225	116,406	213,301	3,284	21,993	238,578
Travel	102,274	7,827	4,111	54,678	12,713	6,004	40,741	7,169	235,517	47,721	16,271	299,509
Conferences and meetings	164,731	36,543	1,794	45,035	80,660	66,492	566,630	23,943	985,828	93,271	123,485	1,202,584
Dues and subscriptions	23,333	-	-	10,951	-	-	-	10,932	45,216	11,281	1,649	58,146
Licenses, fees and taxes	-	-	-	-	-	-	-	-	-	147,391	37,516	184,907
Utilities	1,751	194	193	1,460	486	680	487	1,654	6,905	973	1,850	9,728
Insurance	-	-	-	-	-	-	-	-	-	10,162	-	10,162
Special events	-	-	-	-	-	-	-	-	-	-	99,883	99,883
Total expenses before depreciation	3,848,945	339,215	750,964	664,941	256,464	326,611	832,360	821,332	7,840,832	835,349	870,881	9,547,062
Depreciation and amortization	9,880	1,098	1,098	8,233	2,744	3,842	2,744	9,331	38,970	5,489	10,429	54,888
Total expenses	\$ 3,858,825	\$ 340,313	\$ 752,062	\$ 673,174	\$ 259,208	\$ 330,453	\$ 835,104	\$ 830,663	\$ 7,879,802	\$ 840,838	\$ 881,310	\$ 9,601,950

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The Alpha-1 Project, Inc.

Balance Sheets

<i>June 30,</i>	2016	2015
Assets		
Current Assets		
Cash and cash equivalents	\$ 357,946	\$ 55,690
Investment Securities	937,514	1,493,499
Other assets	33,794	6,450
Total current assets	1,329,254	1,555,639
Marketable securities - non-current	110,898	-
Property and equipment, net	-	223
Total assets	\$ 1,440,152	\$ 1,555,862
Liabilities and Stockholder's Equity		
Current Liabilities		
Accounts payable	\$ 22,974	\$ 25,433
Due to Alpha-1 Foundation	7,010	5,431
Total current liabilities	29,984	30,864
Stockholder's equity		
Common stock \$1.00 par value authorized shares- 1,000 issued and outstanding	1,000	1,000
Additional paid in capital	4,237,200	3,737,200
Accumulated deficit	(2,828,032)	(2,213,202)
Total stockholder's equity	1,410,168	1,524,998
Total liabilities and stockholder's equity	\$ 1,440,152	\$ 1,555,862

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The Alpha-1 Project, Inc.

Statements of Operations

<i>Years ended June 30,</i>	2016	2015
Revenues	\$ 21,929	\$ 94,424
Expenses		
Salaries and benefits	220,060	215,195
Contract and professional fees	356,739	652,241
Management fees	6,054	5,432
Travel, conferences and meetings	37,287	29,070
Office expenses	16,619	17,767
Total expenses	636,759	919,705
Net loss	\$ (614,830)	\$ (825,281)
