



Alpha-1 Foundation, Inc.

Consolidated Financial Statements
Years Ended June 30, 2019 and 2018

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, 2019 and 2018, and the related consolidated statements of activities and changes 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 consolidated financial position of Alpha-1 Foundation, Inc. and its subsidiaries as of June 30, 2019 and 2018, 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.

BDO USA, LLP

Miami, Florida
November 6, 2019

Certified Public Accountants

Alpha-1 Foundation, Inc.

Consolidated Statements of Financial Position

<i>June 30,</i>	2019	2018
Assets		
Current Assets		
Cash and cash equivalents	\$ 2,009,840	\$ 775,173
Investment securities	17,733,069	16,029,094
Accounts receivable	1,689,367	2,127,798
Other assets	34,669	28,005
Total current assets	21,466,945	18,960,070
Investment securities - non-current (Note 1)	4,146,938	4,574,894
Property and equipment, net (Note 2)	43,179	69,378
Other assets	47,737	128,102
Total assets	\$ 25,704,799	\$ 23,732,444
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 2,694,707	\$ 2,191,995
Deferred revenue	84,000	160,000
Total current liabilities	2,778,707	2,351,995
Commitments and Contingencies		
Net Assets		
Without donor restrictions	20,465,616	18,612,506
With donor restrictions	2,460,476	2,767,943
Total net assets	22,926,092	21,380,449
Total liabilities and net assets	\$ 25,704,799	\$ 23,732,444

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

Years ended June 30,	2019	2018
Changes in net assets without donor restrictions		
Support and Revenue		
Contributions, bequests and grant revenues	\$ 6,425,297	\$ 6,130,590
Net realized and unrealized investment gains (Note 1)	2,195,078	1,723,525
Fundraising revenues	276,055	336,725
Donated shares	104	2,238
Other income	754,091	832,740
Net assets released from restriction - satisfaction of program restrictions	2,615,807	1,805,502
Total support and revenue without donor restrictions	12,266,432	10,831,320
Expenses without donor restrictions		
Program services		
Research and Clinical Studies	5,396,481	4,812,472
Patient Education	1,832,268	1,810,171
Patient Advocacy	589,784	731,141
The Alpha-1 Project	1,009,105	940,187
Total program services	8,827,638	8,293,971
Supporting services		
Administrative and general	723,945	852,709
Fundraising	861,739	1,001,550
Total supporting services	1,585,684	1,854,259
Total expenses without donor restrictions	10,413,322	10,148,230
Increase in net assets without donor restrictions	1,853,110	683,090
Changes in Net Assets with Donor Restrictions		
Contributions, bequests and grant revenues	2,308,340	1,742,356
Net assets released from restriction	(2,615,807)	(1,805,502)
Decrease in net assets with donor restrictions	(307,467)	(63,146)
Increase in net assets	1,545,643	619,944
Net assets, beginning of year	21,380,449	20,760,505
Net assets, end of year	\$ 22,926,092	\$ 21,380,449

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

Alpha-1 Foundation, Inc.

Consolidated Statement of Functional Expenses

<i>Year Ended June 30, 2019</i>	Research and Clinical Studies	Patient Education	Patient Advocacy	The Alpha-1 Project	Total Program Services	Administrative and General	Fund Raising	Year ended June 30, 2019 Total
Awards and grants	\$ 4,289,123	\$ 63,461	\$ -	\$ 600,000	\$ 4,952,584	\$ -	\$ -	\$ 4,952,584
Salaries	392,101	589,173	236,056	298,550	1,515,880	143,554	293,513	1,952,947
Payroll taxes	27,448	41,710	16,427	18,389	103,974	9,634	20,534	134,142
Medical insurance	41,078	110,437	31,136	44,240	226,891	10,752	30,315	267,958
Simple IRA	4,682	10,266	4,482	-	19,430	2,150	3,789	25,369
Other benefits	10,330	29,188	(3,145)	-	36,373	277	9,371	46,021
Contract services	60,667	166,280	99,752	1,705	328,404	213,770	32,450	574,624
Professional fees	23,195	525	1,537	755	26,012	118,588	3,056	147,656
Supplies	14,540	20,474	2,377	3,952	41,343	27,093	39,487	107,923
Telephones	4,597	19,430	926	1,665	26,618	1,260	5,129	33,007
Online services	6,807	18,000	4,508	-	29,315	2,192	5,214	36,721
Postage and shipping	11,179	73,071	177	-	84,427	701	10,370	95,498
Occupancy	59,761	87,652	11,655	-	159,068	20,768	41,337	221,173
Equipment rental	3,821	5,604	745	-	10,170	1,327	2,643	14,140
Equipment repair and maintenance	6,517	9,556	1,271	-	17,344	2,264	4,507	24,115
Printing and publication	23,068	98,517	2,151	-	123,736	1,052	24,013	148,801
Travel	141,027	22,064	56,878	21,602	241,571	43,276	19,658	304,505
Conferences and meetings	253,853	449,522	115,644	3,987	823,006	85,818	139,573	1,048,397
Dues and subscriptions	10,865	-	4,901	2,500	18,266	15,925	27,342	61,533
Licenses, fees and taxes	-	-	-	4,916	4,916	10,274	42,736	57,926
Utilities	2,755	4,040	537	-	7,332	957	1,906	10,195
Insurance	-	-	-	6,844	6,844	9,162	-	16,006
Special events	-	-	-	-	-	-	98,524	98,524
Total expenses before depreciation	5,387,414	1,818,970	588,015	1,009,105	8,803,504	720,794	855,467	10,379,765
Depreciation and amortization	9,067	13,298	1,769	-	24,134	3,151	6,272	33,557
Total expenses	\$ 5,396,481	\$ 1,832,268	\$ 589,784	\$ 1,009,105	\$ 8,827,638	\$ 723,945	\$ 861,739	\$ 10,413,322

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

Alpha-1 Foundation, Inc.

Consolidated Statement of Functional Expenses

<i>Year Ended June 30, 2018</i>	Research and Clinical Studies	Patient Education	Patient Advocacy	The Alpha-1 Project	Total Program Services	Administrative and General	Fund Raising	Year ended June 30, 2018 Total
Awards and grants	\$ 3,793,591	\$ 74,252	\$ -	\$ 650,000	\$ 4,517,843	\$ -	\$ -	\$ 4,517,843
Salaries	429,641	613,028	325,153	204,591	1,572,413	192,674	402,693	2,167,780
Payroll taxes	29,610	43,794	23,311	11,221	107,936	15,634	28,945	152,515
Medical insurance	62,578	114,863	42,113	20,671	240,225	18,860	58,193	317,278
Simple IRA	10,625	12,649	7,111	-	30,385	3,751	6,872	41,008
Other benefits	14,054	37,431	17,077	-	68,562	10,053	22,291	100,906
Contract services	48,293	103,489	168,649	2,250	322,681	249,470	7,343	579,494
Professional fees	6,247	-	8,736	6,442	21,425	86,085	2,881	110,391
Supplies	31,344	21,697	6,004	4,134	63,179	39,256	33,461	135,896
Telephones	5,726	19,245	4,044	1,034	30,049	2,977	7,643	40,669
Online services	5,057	12,897	14,978	-	32,932	2,174	5,204	40,310
Postage and shipping	14,194	82,642	629	-	97,465	3,988	9,074	110,527
Occupancy	54,304	68,843	31,641	-	154,788	29,150	39,766	223,704
Equipment rental	2,270	3,512	1,779	-	7,561	1,062	2,244	10,867
Equipment repair and maintenance	5,427	8,399	4,253	-	18,079	2,538	5,365	25,982
Printing and publication	42,489	103,159	1,930	-	147,578	1,921	13,945	163,444
Travel	84,768	37,406	27,727	24,086	173,987	53,516	15,034	242,537
Conferences and meetings	145,784	429,957	26,099	6,438	608,278	76,855	132,447	817,580
Dues and subscriptions	11,749	137	8,373	600	20,859	4,663	26,729	52,251
Licenses, fees and taxes	-	-	-	3,599	3,599	34,525	32,827	70,951
Utilities	2,003	3,095	1,568	-	6,666	936	1,979	9,581
Insurance	-	-	-	5,121	5,121	16,673	-	21,794
Special events	-	-	-	-	-	-	134,043	134,043
Total expenses before depreciation	4,799,754	1,790,495	721,175	940,187	8,251,611	846,761	988,979	10,087,351
Depreciation and amortization	12,718	19,676	9,966	-	42,360	5,948	12,571	60,879
Total expenses	\$ 4,812,472	\$ 1,810,171	\$ 731,141	\$ 940,187	\$ 8,293,971	\$ 852,709	\$ 1,001,550	\$ 10,148,230

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>	2019	2018
Operating Activities		
Increase in net assets	\$ 1,545,643	\$ 619,944
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	33,557	60,879
Investment gains	(2,195,078)	(1,723,525)
Donated shares	(104)	(2,238)
Changes in operating assets and liabilities:		
Changes in accounts receivable	438,431	389,732
Changes in other assets	73,701	(107,699)
Changes in accounts payable and accrued expenses	502,712	576,189
Changes in deferred revenue	(76,000)	2,000
Net cash provided by (used in) operating activities	322,862	(184,718)
Investing Activities		
Purchase of investment securities	(4,923,013)	(7,924,119)
Proceeds from redemption of investment securities	5,842,176	8,078,904
Purchase of property and equipment	(7,358)	(8,486)
Net cash provided by investing activities	911,805	146,299
Net increase (decrease) decrease in cash and cash equivalents	1,234,667	(38,419)
Cash and cash equivalents, at beginning of year	775,173	813,592
Cash and cash equivalents, at end of year	\$ 2,009,840	\$ 775,173
Supplemental Cash Flow Disclosures		
Cash paid for taxes	\$ 33,855	\$ 53,814

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” or “the 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, supporting 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, 2014, 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, 2014.

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 the effective date of the merger. After the merger, the Board of Directors was comprised of 17 Board members, of which 6 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.

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 TAP. 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.

Accordingly, the two entities, collectively referred to as the “Foundation”, have been consolidated herein, for all periods presented. All significant inter-company balances and transactions have been eliminated in consolidation.

Basis of Accounting and Presentation

The consolidated 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:

- **Without donor restrictions** - Net assets which are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation’s management and the board of directors.

Alpha-1 Foundation, Inc.

Summary of Significant Accounting Policies

- **With donor restrictions** - 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, 2019 and 2018, contributions with donor restrictions and bequests include state grant revenues totaling \$2,308,340 and \$1,742,356, respectively. The Foundation had net assets with donor restrictions of \$2,460,475 and \$2,767,943 as of June 30, 2019 and 2018, respectively.

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 believes that no allowance was required as of June 30, 2019 and 2018.

Property and Equipment, Net

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 "Without Restriction Expenses - Fundraising", respectively, in the consolidated statements of activities and changes in net assets.

During the year ended June 30, 2019, the following fundraising special events were sponsored by the Foundation:

	Revenues	Direct Expenses	Net
Celebration of Life Dinner	\$ 276,055	\$ 98,524	\$ 177,531

Alpha-1 Foundation, Inc.

Summary of Significant Accounting Policies

During the year ended June 30, 2018, the following fundraising special events were sponsored by the Foundation:

	Revenues	Direct Expenses	Net
Celebration of Life Dinner	\$ 336,725	\$ 134,043	\$ 202,682

Income Taxes

Alpha-1 Foundation is exempt from Federal income taxes under Section 501 (c)(3) of the Internal Revenue Code. Accordingly, the consolidated 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. 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 2016. However, the Foundation is still open to examination by taxing authorities from fiscal year 2016 forward. For the years ended June 30, 2019 and 2018, there was no interest or penalties recorded or included in the consolidated statements of activities and changes in net assets.

For the year ended June 30, 2019, Alpha-1 Foundation reported a taxable income of \$17,767 from its publication activities and a tax expense of \$3,773 recorded in administration and general supporting services. For the year ended June 30, 2018, Alpha-1 Foundation reported a taxable income of \$108,076 from its publication activities and a tax expense of \$28,594 recorded in administration and general supporting services. TAP is a for-profit entity that pays federal income tax. For the years ended June 30, 2019 and 2018, TAP recorded net operating losses of \$1,009,604 and \$862,009, 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 consolidated 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.

Alpha-1 Foundation, Inc.

Summary of Significant Accounting Policies

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 consolidated 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

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, 2019 and 2018, the Foundation had cash and cash equivalent in excess of federally insured limits of \$903,818 and \$258,331.

The Foundation invests in a variety of publicly traded investment vehicles, including common stocks, government and money market funds totaling \$21,880,007 and \$20,603,988 as of June 30, 2019 and 2018, 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).

Alpha-1 Foundation, Inc.

Summary of Significant Accounting Policies

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.

The Foundation periodically reviews its investments and marketable securities for impairment. If it is concluded that any of these investments are impaired, it is then determined if the impairment is “other-than-temporary”. Factors considered to make such determination include the duration and severity of the impairment, the reason for the decline in value and the Organization’s intent to hold the investment. If the impairment is considered “other-than-temporary”, the asset will be written down to its fair value and take a corresponding charge for the impairment.

The Foundation’s investment securities are valued using level 1 inputs at June 30, 2019 and 2018.

Recently Issued Accounting Pronouncements Adopted

The Organization adopted Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements of Not-for-Profit Entities during the year ended June 30, 2019. The ASU amends the current reporting model for nonprofit organizations and enhances the required disclosures. The major changes in the ASU address the net asset classification, presentation of underwater endowments and related disclosures, use of the placed in service approach to recognize expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, presentation of an analysis of expenses by both function and nature, presentation of net investment return and additional disclosures to improve the usefulness of nonprofit financial statements. The ASU has been applied retrospectively to all periods presented which resulted in reclassification of certain prior year amounts to conform to the current year presentation. These reclassifications had no effect on the previously reported change in net assets or net assets as of June 30, 2018.

Alpha-1 Foundation, Inc.

Notes to Consolidated Financial Statements

1. Investment Securities

At June 30, 2019 and 2018, investment securities consisted primarily of corporate equity and debt securities. For the years ended June 30, 2019 and 2018, net investment gains amounted to \$2,195,078 and \$1,723,525, respectively.

Investment securities consist of the following at June 30:

	2019	2018
Corporate equity securities	\$ 17,226,982	\$ 15,750,372
Corporate debt securities	4,653,025	4,853,616
Total investments	21,880,007	20,603,988
Current	(17,733,069)	(16,029,094)
Non-current	\$ 4,146,938	\$ 4,574,894

Net unrealized gain on the Foundation's investment portfolio for the year ended June 30, 2019 was \$1,367,606. Net unrealized loss on the Foundation's investment portfolio for the year ended June 30, 2018 was \$117,669

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>
2020	\$ 475,000
2021	175,000
2022	480,000
2023	650,000
2024	350,000
Thereafter	2,300,000
	\$ 4,430,000

2. Property and Equipment, Net

Property and equipment, net, consists of the following at June 30:

	2019	2018
Furniture and equipment	\$ 200,036	\$ 192,679
Leasehold improvements	200,826	200,826
	400,862	393,505
Less: Accumulated depreciation and amortization	(357,683)	(324,127)
	\$ 43,179	\$ 69,378

Depreciation expense for the years ended June 30, 2019 and 2018 was \$33,557 and \$60,879, respectively.

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, 2019 and 2018 amounted to \$165,156 and \$167,363, respectively, which are included as Research and Clinical Studies in the consolidated statements of activities and changes in net assets.

4. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for purpose. The purpose restrictions will be met when net assets are used for the net assets with donor restrictions at June 30, 2019 and 2018 and consist of the following:

<i>Years ended June 30,</i>	2019	2018
Specific Purpose		
Research Network	\$ 357,814	\$ 536,317
Alpha-1 Website	220,269	169,066
Alpha-1 Global	75,682	160,000
Education Materials	320,942	295,874
John W. Walsh Research		
Funds	1,376,000	1,450,000
Other Services	109,768	156,686
	\$ 2,460,475	\$ 2,767,943

5. Transactions with Related Parties

Management Agreement

On April 2016, Alpha-1 Foundation entered into an employment agreement with AlphaNet, Inc. (“AlphaNet”), a related organization, for an annual fee of \$100,000 effective July 1, 2016 in which AlphaNet’s CFO was appointed as the sole provider of management services to Alpha-1 Foundation. This agreement is valid for a 3-year period renewable automatically for additional one-year periods. The management fee is included in other income in the accompanying consolidated statements of activities and changes in net assets.

Service Agreement

During 2010, the 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, 2019 and 2018, was \$229,006 and \$250,505, respectively, which is classified as a component of contract services in the consolidated statements of functional expenses.

Alpha-1 Foundation, Inc.

Notes to Consolidated Financial Statements

Lease Agreement

In November 2013, the Foundation entered into an office lease agreement with AlphaNet for a term of four years. For the years ended June 30, 2019 and 2018, AlphaNet did not require payments of the rental charges totaling \$185,000 and \$173,750, respectively, 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 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, 2019 and 2018, AlphaNet made contributions to Alpha-1 Foundation totaling \$3,415,000 and \$3,200,000, respectively.

During the years ended June 30, 2019 and 2018, the Foundation made various unsecured, non-interest bearing, due on demand, advances to related entities. These advances are offset against amounts owed to the related entities. In addition, the Foundation receives support services from its related entities on a cost reimbursement basis. At June 30, 2019, the related parties' receivables and (payables) of \$2,063 and (\$130,660), respectively, were reported as a component of the corresponding accounts receivable and accounts payable in the consolidated statements of financial position. At June 30, 2018, the related parties' receivables and (payables) of \$29,123 and (\$59,407), respectively, were reported as a component of the corresponding accounts receivable and accounts payable in the consolidated statements 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, 2019 and 2018 was approximately \$4.9 million and \$4.5 million, respectively. As of June 30, 2019 and 2018, the Foundation accrued \$1,354,842 and \$811,600 as future grant commitments, respectively.

7. Liquidity

At June 30, 2019, the financial assets are without donor restrictions and are available to meet cash needs for general expenditures of the Foundation within one year, except for net assets with donor restrictions of \$2,460,476 and \$2,767,943 for the years ended June 30, 2019 and 2018, respectively

The Foundation's liquidity management includes a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

Alpha-1 Foundation, Inc.

Notes to Consolidated Financial Statements

8. Subsequent Events

AlphaNet is projected to contribute \$500,000 less in FY2020 due to the loss of a disease management partner. The Foundation has raised additional funds, adjusted costs, and has material reserves available to fund the change in contribution.

The Alpha-1 Project, Inc. ("TAP") decided to not sign new funding commitments to expedite the commercialization of therapies for the elimination of COPD and liver disease caused by Alpha-1 until such time TAP determines new funding is needed. As a result, TAP's operations are scheduled to substantially decrease effective December 15, 2019 including termination of TAP's two employees. TAP estimates the results of this decision will reduce related annual operating by approximately \$400,000 going forward. The decision has no impact on the consolidated financial statements at June 30, 2019.

The date to which events occurring after June 30, 2019, the date of the most recent consolidated statement of financial position, has been evaluated for possible adjustment to the financial statements or disclosure is November 6, 2019.

Supplementary Information

Alpha-1 Foundation, Inc.
Statements of Financial Position

<i>June 30,</i>	2019	2018
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,878,690	\$ 628,449
Marketable securities	17,733,069	15,992,512
Accounts receivable	1,689,367	2,127,798
Due from TAP	2,231	3,724
Other current assets	30,884	24,026
Total current assets	21,334,241	18,776,509
Investments securities - non-current	4,146,938	4,469,734
Investment in TAP	5,138,200	4,238,200
Property and equipment, net	43,179	69,378
Other assets	47,737	128,102
Total assets	\$ 30,710,295	\$ 27,681,923
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 2,457,126	\$ 1,918,124
Due to TAP	10,124	-
Deferred revenue	84,000	160,000
Total current liabilities	2,551,250	2,078,124
Net Assets		
Without donor restrictions	25,698,569	22,835,856
With donor restrictions	2,460,476	2,767,943
Total net assets	28,159,045	25,603,799
Total liabilities and net assets	\$ 30,710,295	\$ 27,681,923

See independent auditor's report.

Alpha-1 Foundation, Inc.

Statements of Activities and Changes in Net Assets

<i>Years ended June 30,</i>	2019	2018
Changes in net assets without donor restrictions		
Support and Revenue		
Contributions, bequests and grant revenues	\$ 6,425,297	\$ 6,130,590
Donated shares	104	2,238
Fundraising revenues	276,055	336,725
Investment gains	2,195,828	1,657,299
Other income	753,839	820,868
Net assets released from restriction - satisfaction of program restrictions	2,615,807	1,805,502
Total support and revenue without donor restrictions	12,266,930	10,753,222
Expenses without donor restrictions		
Program services		
Research and Clinical Studies	5,396,481	4,812,472
Patient Education	1,832,268	1,810,171
Patient Advocacy	589,784	731,141
Total program services	7,818,533	7,353,784
Supporting services		
Administration and general	723,945	852,788
Fundraising	861,739	1,001,550
Total supporting services	1,585,684	1,854,338
Total expenses without donor restrictions	9,404,217	9,208,122
Increase in net assets without donor restrictions	2,862,713	1,545,100
Changes in net assets with donor restrictions		
Contributions, bequests and grant revenues	2,308,340	1,742,356
Net assets released from restriction	(2,615,807)	(1,805,502)
Changes in net assets with donor restrictions	(307,467)	(63,146)
Increase in net assets	2,555,246	1,481,954
Net assets, beginning of year	25,603,799	24,121,845
Net assets, end of year	\$ 28,159,045	\$ 25,603,799

See independent auditor's report.

The Alpha-1 Project, Inc.

Balance Sheets

<i>June 30,</i>	2019	2018
Assets		
Current Assets		
Cash and cash equivalents	\$ 131,150	\$ 146,724
Investment securities	-	36,582
Other assets	13,909	3,979
Total current assets	145,059	187,285
Marketable securities - non-current	-	105,160
Total assets	\$ 145,059	\$ 292,445
Liabilities and Stockholder's (Deficit) Equity		
Current Liabilities		
Accounts payable and accrued expenses	\$ 237,581	\$ 273,870
Due to Alpha-1 Foundation	2,231	3,724
Total current liabilities	239,812	277,594
Stockholder's (deficit) equity		
Common stock \$1.00 par value		
1,000 authorized, issued and outstanding shares	1,000	1,000
Additional paid in capital	5,137,200	4,237,200
Accumulated deficit	(5,232,953)	(4,223,349)
Total stockholder's (deficit) equity	(94,753)	14,851
Total liabilities and stockholder's (deficit) equity	\$ 145,059	\$ 292,445

See independent auditor's report.

The Alpha-1 Project, Inc.
Statements of Operations

<i>Years ended June 30,</i>	2019	2018
Revenues	\$ -	\$ 79,480
Expenses		
Salaries and benefits	361,179	236,483
Contract and professional fees	602,460	658,692
Management fees	-	1,302
Travel, conferences and meetings	25,589	30,524
Office expenses	20,376	14,488
	1,009,604	
Total expenses		941,489
Net loss	(1,009,604)	(862,009)
Capital contributions during the year	900,000	-
Stockholder's equity, beginning of year	14,851	876,860
Stockholder's (deficit)/equity, end of year	\$ (94,753)	\$ 14,851

See independent auditor's report.