Alpha-1 Foundation, Inc. and Subsidiary

Consolidated Financial Statements
And Supplemental Schedules
Years Ended June 30, 2021 and 2020

This report 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. and Subsidiary

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Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of Alpha-1 Foundation, Inc. and its subsidiary (collectively referred to as the Foundation), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the consolidated financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists.

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The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Basis for Opinion

Our audit of the consolidated financial statements included in the preceding section of this report was conducted for the purpose of forming an opinion on those consolidated statements as a whole. The supplementary information presented in the following section of this report 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 audit 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 GAAS. 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

November 1, 2021

Certified Public Accountants

Alpha-1 Foundation, Inc. and Subsidiary

Consolidated Statements of Financial Position

June 30,		**2021**		2020
Assets				
Current Assets				
Cash and cash equivalents	**$**	**8,745,218**	$	2,899,950
Investment securities		**18,418,361**		14,897,057
Contributions receivable, net		**980,955**		2,079,860
Other assets		**21,728**		35,014
Total current assets		**28,166,262**		19,911,881
Investment securities - non-current		**6,432,525**		7,277,341
Property and equipment, net		**21,749**		24,345
Other assets		**25,134**		25,134
Total assets	**$**	**34,645,670**	$	27,238,701
Liabilities and Net Assets				
Current Liabilities				
Accounts payable and accrued expenses	**$**	**955,301**	$	593,878
Grants payable		**1,038,555**		1,487,252
Refundable advances		**130,000**		200,000
Deferred revenue		**286,000**		84,000
Total current liabilities		**2,409,856**		2,365,130
Commitments and Contingencies (Note 4)				
Net assets – without donor restrictions		**29,114,292**		22,278,931
Net assets – with donor restrictions		**3,121,522**		2,594,640
Total net assets		**32,235,814**		24,873,571
Total liabilities and net assets	**$**	**34,645,670**	$	27,238,701

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

Alpha-1 Foundation, Inc. and Subsidiary

Consolidated Statements of Activities

Years ended, June 30,	**2021**	2020
Changes in Net Assets without Donor Restrictions		
Support and Revenue:		
Contributions, bequests and grant revenues	**$ 5,585,961**	$ 5,651,004
Fundraising revenues	**52,684**	150
Donated securities	**10,230**	32,116
Net realized and unrealized investment gains	**4,797,289**	1,367,325
Interest and dividends	**460,751**	504,313
Other income	**248,788**	316,781
Net assets released from restrictions	**1,816,820**	2,119,272
Total support and revenue without donor restrictions	**12,972,523**	9,990,961
Expenses		
Program services:		
Research and Clinical Studies	**3,713,401**	4,652,750
Patient Education	**1,075,527**	1,075,038
Patient Advocacy	**288,876**	300,401
The Alpha-1 Project	**16,933**	766,736
Total program services	**5,094,737**	6,794,925
Supporting Services		
General and administration	**492,150**	750,737
Fundraising	**550,275**	631,984
Total supporting services	**1,042,425**	1,382,721
Total expenses	**6,137,162**	8,177,646
Increase in net assets without donor restrictions	**6,835,361**	1,813,315
Changes in Net Assets with Donor Restrictions		
Contributions, bequests and grant revenues	**2,343,702**	2,253,436
Net assets released from restriction	**(1,816,820)**	(2,119,272)
Increase in net assets with donor restrictions	**526,882**	134,164
Increase in net assets	**7,362,243**	1,947,479
Net assets, beginning of year	**24,873,571**	22,926,092
Net assets, end of year	**$ 32,235,814**	$ 24,873,571

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

Alpha-1 Foundation, Inc. and Subsidiary

Consolidated Statement of Functional Expenses

Year ended June 30, 2021	*Research and Clinical Studies*	*Patient Education*	*Patient Advocacy*	*The Alpha-1 Project*	*Total Program Services*	*General and Administration*	*Fundraising*	*Total*
Awards and grants	$ 2,871,188	$ 40,000	$ 4,000	$ -	$ 2,915,188	$ -	$ -	$ 2,915,188
Salaries	485,182	453,933	127,468	-	1,066,583	86,955	261,582	1,415,120
Payroll taxes	34,878	31,643	8,437	-	74,958	7,529	18,448	100,935
Medical insurance	44,909	51,782	10,016	-	106,707	463	18,525	125,695
Simple IRA	6,435	8,029	1,710	-	16,174	2,199	4,126	22,499
Other benefits	20,845	27,232	5,620	8,266	61,963	4,625	12,199	78,787
Contract services	51,912	51,661	89,392	-	192,965	220,342	14,500	427,807
Professional fees	11,861	4,084	80	103	16,128	89,662	10,861	116,651
Supplies	28,140	12,651	-	-	40,791	10,468	25,629	76,888
Telephone	3,997	9,247	1,623	-	14,867	668	6,193	21,728
Online services	10,756	23,565	4,926	3,195	42,442	1,671	5,171	49,284
Postage and shipping	2,678	71,386	-	-	74,064	3,249	6,624	83,937
Occupancy	72,005	69,619	18,632	-	160,256	12,373	38,283	210,912
Equipment rental	2,039	1,972	528	-	4,539	350	1,084	5,973
Equipment repair and maintenance	9,161	8,363	2,238	-	19,762	1,486	4,599	25,847
Printing and publications	5,223	91,817	-	-	97,040	1,431	32,053	130,524
Travel	(166)	-	-	-	(166)	(127)	-	(293)
Conferences and meetings	950	-	409	-	1,359	(236)	350	1,473
Dues and subscriptions	36,532	104,160	9,948	-	150,640	17,264	43,589	211,493
Licenses, fees and taxes	-	-	-	450	450	20,788	38,549	59,787
Utilities	2,411	2,331	624	-	5,366	414	1,282	7,062
Insurance	7,146	6,909	1,849	4,919	20,823	3,662	3,800	28,285
Bad debt expense	-	-	-	-	-	6,000	-	6,000
Total expenses before depreciation and amortization	3,708,082	1,070,384	287,500	16,933	5,082,899	491,236	547,447	6,121,582
Depreciation and amortization	5,319	5,143	1,376	-	11,838	914	2,828	15,580
Total expenses	$ 3,713,401	$ 1,075,527	$ 288,876	$ 16,933	$ 5,094,737	$ 492,150	$ 550,275	$ 6,137,162

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

Alpha-1 Foundation, Inc. and Subsidiary

Consolidated Statement of Functional Expenses

Year ended June 30, 2020	*Research and Clinical Studies*	*Patient Education*	*Patient Advocacy*	*The Alpha-1 Project*	*Total Program Services*	*General and Administration*	*Fundraising*	*Total*
Awards and grants	$ 3,634,209	$ 25,000	$ 4,000	$ 285,582	$ 3,948,791	$ -	$ -	$ 3,948,791
Salaries	438,374	436,368	111,353	357,455	1,343,550	123,953	245,324	1,712,827
Payroll taxes	29,231	30,740	7,181	28,725	95,877	8,946	20,250	125,073
Medical insurance	45,412	64,318	9,379	32,884	151,993	7,402	16,123	175,518
Simple IRA	4,465	7,236	666	2,783	15,150	1,746	2,946	19,842
Other benefits	33,212	22,025	4,994	-	60,231	10,286	19,116	89,633
Contract services	72,324	63,729	75,846	5,000	216,899	227,168	1,900	445,967
Professional fees	28,163	-	-	21,621	49,784	90,281	1,610	141,675
Supplies	20,669	3,267	204	754	24,894	20,216	35,535	80,645
Telephone	9,541	14,636	2,169	888	27,234	2,163	6,806	36,203
Online services	8,728	13,881	5,040	2,904	30,553	2,376	4,885	37,814
Postage and shipping	4,512	65,186	-	72	69,770	2,880	10,202	82,852
Occupancy	70,957	59,908	15,345	-	146,210	19,426	37,070	202,706
Equipment rental	3,657	2,610	669	-	6,936	846	1,615	9,397
Equipment repair and maintenance	8,191	6,915	1,771	-	16,877	2,242	4,460	23,579
Printing and publications	25,744	90,355	1,417	-	117,516	3,944	22,238	143,698
Travel	53,473	9,956	15,210	6,188	84,827	23,559	21,357	129,743
Conferences and meetings	138,626	105,183	28,928	7,968	280,705	38,409	113,944	433,058
Dues and subscriptions	10,558	43,000	13,481	600	67,639	23,990	25,393	117,022
Licenses, fees and taxes	-	-	-	5,537	5,537	28,098	34,574	68,209
Utilities	2,969	2,507	642	-	6,118	813	1,551	8,482
Insurance	2,771	2,339	600	7,775	13,485	10,087	1,447	25,019
Bad debt expense	-	-	-	-	-	100,000	-	100,000
Total expenses before depreciation and amortization	4,645,786	1,069,159	298,895	766,736	6,780,576	748,831	628,346	8,157,753
Depreciation and amortization	6,964	5,879	1,506	-	14,349	1,906	3,638	19,893
Total expenses	$ 4,652,750	$ 1,075,038	$ 300,401	$ 766,736	$ 6,794,925	$ 750,737	$ 631,984	$ 8,177,646

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

Alpha-1 Foundation, Inc. and Subsidiary

Consolidated Statements of Cash Flows

Years ended June 30,	**2021**	2020
Cash Flows from Operating Activities		
Increase in net assets	**$ 7,362,243**	$ 1,947,479
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	**15,580**	19,893
Realized and unrealized gains on investments, net	**(4,797,289)**	(1,367,323)
Donated securities	**(10,230)**	(32,116)
Bad debt expense	**6,000**	100,000
Changes in operating assets and liabilities:		
Changes in contributions receivable	**1,092,905**	(490,493)
Changes in other assets	**13,286**	22,258
Changes in accounts payable and accrued expenses	**361,423**	(745,987)
Changes in grants payable	**(448,697)**	132,410
Changes in refundable advances	**(70,000)**	200,000
Changes in deferred revenue	**202,000**	-
Net cash provided by (used in) operating activities	**3,727,221**	(213,879)
Cash Flows from Investing Activities		
Purchase of investment securities	**(5,215,029)**	(10,475,633)
Redemptions of investment securities	**7,346,060**	11,580,681
Additions of property and equipment	**(12,984)**	(1,059)
Net cash provided by investing activities	**2,118,047**	1,103,989
Net Increase in Cash and Cash Equivalents	**5,845,268**	890,110
Cash and Cash Equivalents, beginning of year	**2,899,950**	2,009,840
Cash and Cash Equivalents, ending of year	**8,745,218**	2,899,950
Supplemental Cash Flow Disclosures		
Cash paid for taxes	**$ 13,815**	$ 15,363

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

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, supporting a National Targeted Detection Program, the State of Florida Detection Program, advocacy, educational programs, and providing an interactive web site on the Internet.

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:

- **Net Assets With 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.

- **Net Assets Without 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.

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 without donor restrictions in the accompanying consolidated statements of activities. Realized and unrealized gains and losses are shown net of investment expenses of approximately $136,000 and $94,000 for the years ended June 30, 2021 and 2020, respectively.

Contributions Receivable

Contributions receivable represent unconditional pledges from donors. Contributions to be received in future periods greater than one year are generally discounted to their net present value in the year the contribution is made. There are no such contributions as of June 30, 2021 and 2020.

Management periodically performs a review of its contribution 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. The allowance for uncollectible receivables totaled $6,000 as of June 30, 2021. Management believes that no allowance was required as of June 30, 2020.

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. 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.

Other Income

Other Income consists mainly of publication revenue generated through ad sales sold for the periodic publications produced by the Foundation. Revenues are recognized when control of the promised good or services is transferred to customers, in an amount that reflects the consideration the Foundation expects to be entitled to in exchange for those goods or services. These revenues are recognized net of discounts, waivers, and refunds. Revenue is recognized using the five-step approach, as follows:

- Identification of the contract with a customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligation in the contract
- Recognition of revenue when, or as, performance obligations are satisfied

Performance Obligations and Significant Judgements

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each performance obligation identified in the arrangement based on the relative standalone selling price of each distinct good or service and recognized as revenue when, or as, the performance obligation is satisfied. If a distinct good or service does not have an observable standalone selling price, then the primary method used to estimate the standalone selling price is the adjusted market assessment approach, under which we evaluate the market and estimate a price that a customer would be willing to pay for the goods or services we provide.

The Foundation has determined that the performance obligation for publication revenue is the final release of the publication with the appropriate ad space. Therefore, the revenue is recognized at the point-in-time that the publication is released.

Contract Balances

The timing of billings, cash collections, and revenue recognition result in contract assets or liabilities reported in the consolidated statements of financial position as accounts receivables, or deferred revenue.

Costs to Obtain a Contract

The Foundation has elected the practical expedient available, in which any incremental costs of obtaining a contract are recognized as an expense when incurred if the amortization period of the asset that would have been recognized is one year or less.

Contributions, Bequests, and Grant Revenues

The Foundation recognizes unconditional contributions, bequests, and grant revenue when cash, securities, other assets, or an unconditional promise to give is received. Conditional promises to give, that is those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. As of June 30, 2021 and 2020, the Foundation recorded $130,000 and $200,000, respectively, in refundable advances related to contributions that were conditional upon the future occurrence of certain meetings.

Due to the restrictions in place from COVID-19 (see Note 7) the Celebration of Life Event was held virtually during the year ended June 30, 2021. Gross revenue from the special event totaled approximately $53,000. The Celebration of Life Event was not held during the year ended June 30, 2020.

Income Taxes

Alpha-1 Foundation is exempt from Federal income taxes under Section 501 (c)(3) of the Internal Revenue Code and from state income taxes under similar provisions of the Florida Statutes. Accordingly, the consolidated financial statements do not include an income tax provision, except for certain taxable transactions related to TAP.

Alpha-1 Foundation has adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards 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 2018. However, the Foundation is still open to examination by taxing authorities from fiscal year 2018 forward. For the years ended June 30, 2021 and 2020, there was no interest or penalties recorded or included in the consolidated statements of activities.

For the year ended June 30, 2021, Alpha-1 Foundation reported taxable income of $65,788 from its publication activities and related tax expense of $13,815 is recorded in administration and general supporting services. For the year ended June 30, 2020, Alpha-1 Foundation reported taxable income of $74,156 from its publication activities and related tax expense of $15,363 is recorded in administration and general supporting services. TAP is a for-profit entity that pays federal income tax. For the years ended June 30, 2021 and 2020, TAP recorded net operating income (losses) of $1,427 and ($615,559), respectively. The net operating losses 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 of time spent on the program or supporting activity.

Volunteer Services

Alpha-1 Foundation utilizes the services of volunteers in its 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 consolidated 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, 2021, and 2020, the Foundation had cash and cash equivalent in excess of federally insured limits of $8,114,083 and $2,210,771, respectively. The Foundation places its cash and cash equivalents with high-quality financial institutions and has not experienced any losses on such accounts.

The Foundation invests in a variety of publicly traded investment vehicles, including common stocks, government and money market funds totaling $24,850,886 and $22,174,398 as of June 30, 2021 and 2020, 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** Includes assets and liabilities with pricing inputs, other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date.

- **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.

The Foundation periodically reviews its investment 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 Foundation’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. There were no impairments noted as of June 30, 2021 and 2020.

The Foundation's investment securities are valued using only Level 1 and Level 2 inputs at June 30, 2021 and 2020 (see Note 1).

Adopted Accounting Pronouncements

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities* (Topic 958), *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU will assist in the determination of the nature of transactions of grants made which will then govern the expense recognition methodology and timing of the transactions. This ASU is effective for all contributions made by the Organization in periods beginning after December 15, 2019. The adoption of this update did not have a material effect on the Organization's consolidated financial statements.

Accounting Pronouncements to be Adopted

Leases

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases* (*Topic 842*). This guidance amends the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheet. It also makes targeted changes to lessor accounting, including a change to the treatment of initial direct leasing costs, which no longer considers fixed internal leasing salaries as capitalizable costs. In June 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, which deferred the effective date of Topic 842 to annual reporting periods beginning after December 15, 2021, and interim reporting periods within annual reporting periods beginning after December 15, 2022. The Foundation is evaluating the impact on its consolidated financial statements of adopting this guidance.

Contributed Nonfinancial Assets

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which amends guidance for not-for-profit entities that receive contributed nonfinancial assets. The update requires not-for-profits to present contributed nonfinancial assets as a separate line item in the statement of activities, and to disclose information regarding each type of contributed nonfinancial asset. The update is to be applied on a retrospective basis and is effective for annual reporting periods beginning after June 15, 2021, and for interim reporting periods beginning after June 15, 2022. The Foundation is currently evaluating the effect the update will have on its consolidated financial statements.

Reclassifications

Certain items in the prior year consolidated financial statements have been reclassified to conform with the current year presentation.

Subsequent Events

The Foundation has evaluated events and transactions occurring subsequent to June 30, 2021 and through November 1, 2021, which is the date the consolidated financial statements were available to be issued. No material events have come to the attention of management that require recognition or disclosure in the consolidated financial statements.

1. Investment Securities

At June 30, 2021 and 2020, investment securities consisted primarily of corporate equity and debt securities and money market securities. For the years ended June 30, 2021 and 2020, net investment gains amounted to $4,797,289 and $1,367,325, respectively.

Investment securities consist of the following at June 30:

	Level		2021		2020
Corporate equity securities	**Level 1**	**$**	**18,182,837**	$	14,714,280
Corporate debt securities	**Level 2**		**6,668,049**		7,460,118
Total investments			**24,850,886**		22,174,398
Current			**(18,418,361)**		(14,897,057)
Non-current		**$**	**6,432,525**	$	7,277,341

The Foundation accounts for its corporate debt securities categorized as Level 2 through the use of observable inputs other than quoted market prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

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

Year ended June 30,		Amount
2022	$	230,000
2023		600,000
2024		400,000
2025		1,050,000
2026		1,650,000
Thereafter		2,200,000
Total	$	6,130,000

2. Property and Equipment, Net

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

	Useful life		2021		2020
Furniture and equipment	5 years	**$**	**214,079**	$	202,208
Leasehold improvements	5 years		**200,825**		200,825
			414,904		403,033
Less: accumulated depreciation and amortization			**(393,155)**		**(378,688)**
Property and equipment, net		$	21,749	$	24,345

3. Net Assets with Donor Restrictions

Net assets with donor restrictions were available for the following purposes at:

June 30,		**2021**		2020
Research Network	**$**	**324,172**	$	133,288
Alpha-1 Website		**303,709**		324,535
Alpha-1 Global		**210,000**		100,105
Education Materials		**334,702**		366,722
John W. Walsh Research Funds		**1,252,000**		1,301,000
Other Services		**696,939**		368,990
Total net assets with donor restrictions	**$**	**3,121,522**	**$**	**2,594,640**

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by the donors during the year as follows:

June 30,		**2021**		2020
Research Network	**$**	**49,616**	$	188,157
Alpha-1 Website		**100,826**		25,734
Alpha-1 Global		**100,104**		135,578
Education Materials		**112,020**		34,220
John W. Walsh Research Funds		**178,265**		100,810
Other Services		**1,275,989**		1,634,773
Total restrictions released	**$**	**1,816,820**	**$**	**2,119,272**

4. Transactions with Related Parties

Management Agreement

On April 2016, the Foundation entered into a management 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 the Foundation. This agreement is valid for a 3-year period renewable automatically for additional one-year periods. The management fee is as a component of contract services in the consolidated statements of functional expense.

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, 2021 and 2020, was $94,680 and $124,819, 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 for a term of four years. For the years ended June 30, 2021 and 2020, AlphaNet did not require payments of the rental charges totaling $200,000 and $192,500, 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 statements of functional expenses and the corresponding in-kind revenue as a component of contributions, bequest, and grant revenues in the consolidated statements of activities.

Contributions

During the years ended June 30, 2021 and 2020, AlphaNet made contributions to Alpha-1 Foundation totaling $2,735,000 and $2,850,000, respectively.

During the years ended June 30, 2021 and 2020, 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. At June 30, 2021, the related parties' receivables and (payables) of $1,766 and ($41,757), respectively, were reported as a component of the corresponding contributions receivable and accounts payable in the consolidated statements of financial position. At June 30, 2020, the related parties' receivables and (payables) of $2,063 and ($130,660), respectively, were reported as a component of the corresponding contributions receivable and accounts payable in the consolidated statements of financial position.

5. 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. In accordance with ASU 2018-08, the Foundation examines grants paid in order to determine whether the transactions qualify as unconditional or conditional contributions made. For grants made to other organizations that are considered unconditional in nature, the Foundation records the grant expense when it notifies the grantee of the contribution. Grants made to other organizations that are conditional in nature are not recorded as expenses until the related conditions are satisfied. Payments made in advance to other organizations on conditional contributions for which conditions have not yet been satisfied are included in prepaid expenses in the accompanying consolidated statements of financial position. As the conditions are satisfied, expenses are recorded and the prepaid expenses are reduced. Reimbursement grants are accrued for as grant commitments as the organizations satisfy the conditions for payment.

Awards and grants expensed for the years ended June 30, 2021 and 2020 was approximately $2,915,000 and $3,950,000, respectively. As of June 30, 2021 and 2020, the Foundation accrued $1,038,555 and $1,487,252 as future grant commitments, respectively.

6. Financial Assets and Liquidity Resources

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, comprise the following at June 30:

	2021	2020
Cash and cash equivalents	$ 8,745,218	$ 2,899,950
Contributions receivable	980,955	2,079,860
Investment securities	18,418,361	14,897,057
	$ 28,144,534	$ 19,876,867

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.

7. COVID-19 and CARES Act

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in global exposure.

The COVID-19 outbreak did not have a material impact on the Foundation for the years ended June 30, 2021 or 2020. Management continues to actively monitor the impact of the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Foundation is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for future fiscal years.

On March 27, 2020, President Trump signed into law the "Coronavirus Aid, Relief, and Economic Security (CARES) Act." The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions and technical corrections to tax depreciation methods for qualified improvement property. It also appropriated funds for the SBA Paycheck Protection Program loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small businesses harmed by COVID-19. As of the date of this report, management has not applied for or received an assistance from the CARES Act. Management does not anticipate the Cares Act to have a significant impact on the consolidated financial statements.

On December 27, 2020, former President Trump signed the Consolidated Appropriations Act, 2021 (the Act), which includes $900 billion in stimulus relief as a result of the COVID-19 pandemic. There was no material impact to the Foundation as a result of the enactment of the Act.

On March 11, 2021, President Biden signed the American Rescue Plan Act (ARP Act), which includes $1.9 trillion in funding for critical resources to respond to the public health and economic crisis as a result of the COVID-19 pandemic. The Foundation is currently evaluating the impact of the Act.

Supplementary Information

Alpha-1 Foundation, Inc.

Statements of Financial Position

June 30,	**2021**	2020
Assets		
Current Assets		
Cash and cash equivalents	**$ 8,614,083**	$ 2,884,656
Investment securities	**18,369,431**	14,745,676
Contributions receivable, net	**982,721**	2,079,860
Other assets	**21,728**	35,014
Total current assets	**27,987,963**	19,745,206
Investment securities - non-current	**6,432,525**	7,277,341
Investment in TAP (Contributed Capital of $5,983,200, net $5,847,085 in losses as of June 30, 2021 and Contributed Capital of $5,823,200, net $5,848,512 in losses as of June 30, 2020)	**136,115**	(25,312)
Property and equipment, net	**21,749**	24,345
Other assets	**25,134**	25,134
Total assets	**$ 34,603,486**	$ 27,046,714
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	**1,951,672**	1,889,143
Refundable advances	**130,000**	200,000
Deferred revenue	**286,000**	84,000
Total current liabilities	**$ 2,367,672**	$ 2,173,143
Net assets – without donor restrictions	**29,114,292**	22,278,931
Net assets – with donor restrictions	**3,121,522**	2,594,640
Total net assets	**32,235,814**	24,873,571
Total liabilities and net assets	**$ 34,603,486**	$ 27,046,714

See independent auditor's report.

The Alpha-1 Foundation, Inc.

Statements of Activities

Years ended June 30,		**2021**		2020
Changes in Net Assets without donor restrictions:				
Support and Revenue				
Contributions, bequests and grant revenues	**$**	**5,585,961**	$	5,651,004
Fundraising revenues		**52,684**		150
Donated securities		**10,230**		32,116
Net realized and unrealized investment gains		**4,778,951**		1,216,148
Interest and dividends		**460,729**		504,313
Other income		**248,788**		316,781
Net assets released from restrictions		**1,816,820**		2,119,272
Total support and revenue		**12,954,163**		9,839,784
Expenses				
Program services				
Research and Clinical Studies		**3,713,401**		4,652,750
Patient Education		**1,075,527**		1,075,038
Patient Advocacy		**288,876**		300,401
Total program services		**5,077,804**		6,028,189
Supporting Services				
General and administration		**492,150**		750,737
Fundraising		**550,275**		631,984
Total supporting services		**1,042,425**		1,382,721
Total expenses		**6,120,229**		7,410,910
Change attributed to income (loss) from TAP		**1,427**		(615,559)
Increase in net assets without donor restrictions		**6,835,361**		1,813,315
Changes in Net Assets with Donor Restrictions				
Contributions, bequests and grant revenues		**2,343,702**		2,253,436
Net assets released from restriction		**(1,816,820)**		(2,119,272)
Increase in net assets with donor restrictions		**526,882**		134,164
Increase in Net Assets		**7,362,243**		1,947,479
Net Assets, beginning of year		**24,873,571**		22,926,092
Net Assets without donor restrictions, end of year	**$**	**32,235,814**	$	24,873,571

See independent auditor's report.

The Alpha-1 Project, Inc.

Balance Sheets

June 30,		**2021**		2020
Assets				
Cash and cash equivalents	**$**	**131,135**	$	15,294
Investment securities		**48,930**		151,381
Total assets	**$**	**180,065**	$	166,675
Liabilities and Stockholder's Equity (Deficit)				
Accounts payable and accrued expenses	**$**	**43,950**	$	191,987
Total current liabilities		**43,950**		191,987
Stockholder's equity (deficit)				
Common stock $1.00 par value				
1,000 authorized, issued and outstanding shares		**1,000**		1,000
Additional paid in capital		**5,982,200**		5,822,200
Accumulated deficit		**(5,847,085)**		(5,848,512)
Total stockholder's equity (deficit)	**$**	**136,115**	$	(25,312)
Total liabilities and stockholder's equity (deficit)	**$**	**180,065**	$	166,675

See independent auditor's report.

The Alpha-1 Project, Inc.

Statements of Operations

Years ended June 30,		**2021**		2020
Revenues	**$**	**18,360**	$	151,177
Expenses				
Salaries and benefits		**8,266**		421,847
Contract and professional fees		**103**		312,203
Travel, conferences and meetings		**-**		14,156
Office expenses		**8,564**		18,530
Total expenses		**16,933**		766,736
Net income (loss)		**1,427**		(615,559)
Capital contributions during the year		**160,000**		685,000
Stockholder's deficit, beginning of year		**(25,312)**		(94,753)
Stockholder's equity (deficit), end of year	**$**	**136,115**	$	(25,312)

See independent auditor's report.