



Alpha-1 Foundation, Inc. and Subsidiary

Consolidated Financial Statements
and Supplemental Schedules
Years Ended June 30, 2023 and 2022

Alpha-1 Foundation, Inc. and Subsidiary

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Independent Auditor's Report

Board of Directors
Alpha-1 Foundation, Inc. and Subsidiary
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, 2023 and 2022, 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, 2023 and 2022, 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, which 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.



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, which 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.

Supplementary Information

Our audits of the consolidated financial statements included in the preceding section of this report were 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, P.C.

November 9, 2023

Consolidated Financial Statements

Alpha-1 Foundation, Inc. and Subsidiary
Consolidated Statements of Financial Position

<i>June 30,</i>	2023	2022
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,936,698	\$ 12,721,008
Investment securities	25,766,066	16,856,371
Contributions receivable, net	949,746	675,117
Other assets	86,986	167,500
Total Current Assets	28,739,496	30,419,996
Investment securities - non-current	8,889,050	5,039,394
Property and equipment, net	9,752	12,983
Other assets	25,000	25,000
Total Assets	\$ 37,663,298	\$ 35,497,373
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 877,846	\$ 1,021,750
Grants payable	718,486	887,727
Refundable advances	397,500	505,000
Deferred revenue	164,000	210,000
Total Current Liabilities	2,157,832	2,624,477
Commitments and Contingencies (Note 5 and 6)		
Net Assets, without donor restrictions	33,095,472	29,569,884
Net Assets, with donor restrictions	2,409,994	3,303,012
Total Net Assets	35,505,466	32,872,896
Total Liabilities and Net Assets	\$ 37,663,298	\$ 35,497,373

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

Alpha-1 Foundation, Inc. and Subsidiary

Consolidated Statements of Activities

<i>Years ended June 30,</i>	2023	2022
Changes in Net Assets Without Donor Restrictions		
Support and Revenue:		
Contributions, bequests and grant revenues	\$ 6,312,869	\$ 6,211,034
Fundraising revenues	155,204	49,150
Donated securities	36,252	-
Net realized and unrealized investment (losses) gains	1,630,763	(3,296,404)
Interest and dividends	690,915	465,634
Milestone payments under collaborative agreements	-	475,000
In-kind rental income	215,000	210,000
Other income	377,140	374,788
Net assets released from restrictions	2,749,089	2,447,606
Total Support and Revenue Without Donor Restrictions	12,167,232	6,936,808
Expenses		
Program services:		
Research and clinical studies	4,109,175	3,450,654
Patient education	2,226,810	1,197,628
Patient advocacy	747,329	429,678
The Alpha-1 Project	115,050	219,185
Total Program Services	7,198,364	5,297,145
Supporting Services		
General and administration	620,463	555,657
Fundraising	822,817	628,414
Total Supporting Services	1,443,280	1,184,071
Total Expenses	8,641,644	6,481,216
Increase in Net Assets Without Donor Restrictions	3,525,588	455,592
Changes in Net Assets With Donor Restrictions		
Contributions, bequests and grant revenues	1,856,071	2,629,096
Net assets released from restriction	(2,749,089)	(2,447,606)
(Decrease) Increase in Net Assets With Donor Restrictions	(893,018)	181,490
Increase in Net Assets	2,632,570	637,082
Net Assets, beginning of year	32,872,896	32,235,814
Net Assets, end of year	\$ 35,505,466	\$ 32,872,896

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

Alpha-1 Foundation, Inc. and Subsidiary
Consolidated Statement of Functional Expenses

<i>Year ended June 30, 2023</i>	Research and Clinical Studies	Patient Education	Patient Advocacy	The Alpha-1 Project	Total Program Services	General and Administration	Fundraising	Total
Awards and grants	\$ 2,448,284	\$ 35,400	\$ -	\$ 100,000	\$ 2,583,684	\$ -	\$ -	\$ 2,583,684
Salaries	522,846	528,684	133,177	-	1,184,707	89,992	322,601	1,597,300
Payroll taxes	36,322	36,124	8,498	-	80,944	8,020	22,612	111,576
Medical insurance	47,898	58,724	9,170	-	115,792	1,358	18,520	135,670
401K	7,134	9,075	1,830	-	18,039	2,582	5,783	26,404
Other benefits	29,797	34,024	6,177	-	69,998	-	9,662	79,660
Contract services	214,664	479,251	153,490	-	847,405	211,697	33,848	1,092,950
Professional fees	218,203	1,365	653	4,744	224,965	119,749	3,294	348,008
Supplies	24,940	47,928	7,914	-	80,782	32,166	46,871	159,819
Telephone	4,837	9,380	1,830	-	16,047	824	4,989	21,860
Online services	16,228	25,715	5,482	2,895	50,320	1,690	6,839	58,849
Postage and shipping	4,849	102,521	779	-	108,149	3,653	10,603	122,405
Occupancy	3,717	3,759	947	-	8,423	640	2,293	11,356
In-kind rental expense	70,376	71,162	17,926	-	159,464	12,113	43,423	215,000
Equipment rental	2,210	2,235	563	-	5,008	380	1,364	6,752
Equipment repair and maintenance	6,866	6,943	1,749	-	15,558	1,182	4,237	20,977
Printing and publications	9,811	136,927	-	-	146,738	11,415	29,489	187,642
Travel	116,876	57,362	77,768	-	252,006	27,493	11,553	291,052
Conferences and meetings	297,443	524,148	301,085	-	1,122,676	44,752	60,183	1,227,611
Dues and subscriptions	11,351	41,398	14,592	-	67,341	21,733	50,421	139,495
Licenses, fees and taxes	-	-	-	2,103	2,103	23,557	34,000	59,660
Utilities	2,804	2,835	714	-	6,353	486	1,730	8,569
Insurance	9,700	9,809	2,471	5,308	27,288	4,634	5,985	37,907
Special events expense	-	-	-	-	-	-	91,272	91,272
Total Expenses Before Depreciation and Amortization	4,107,156	2,224,769	746,815	115,050	7,193,790	620,116	821,572	8,635,478
Depreciation and Amortization	2,019	2,041	514	-	4,574	347	1,245	6,166
Total Expenses	\$ 4,109,175	\$ 2,226,810	\$ 747,329	\$ 115,050	\$ 7,198,364	\$ 620,463	\$ 822,817	\$ 8,641,644

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

Alpha-1 Foundation, Inc. and Subsidiary
Consolidated Statement of Functional Expenses

<i>Year ended June 30, 2022</i>	Research and Clinical Studies	Patient Education	Patient Advocacy	The Alpha-1 Project	Total Program Services	General and Administration	Fundraising	Total
Awards and grants	\$ 2,504,968	\$ 78,500	\$ -	\$ 200,000	\$ 2,783,468	\$ -	\$ -	\$ 2,783,468
Salaries	413,561	471,016	126,278	-	1,010,855	83,978	275,061	1,369,894
Payroll taxes	31,577	34,512	9,527	-	75,616	6,772	21,096	103,484
Medical insurance	34,512	64,791	12,913	-	112,216	1,521	20,166	133,903
Simple IRA	4,609	7,582	1,319	-	13,510	1,833	3,446	18,789
Other benefits	14,928	21,623	6,903	-	43,454	5,431	17,557	66,442
Contract services	150,275	46,048	223,372	-	419,695	186,321	7,282	613,298
Professional fees	88,233	1,503	-	10,575	100,311	89,207	-	189,518
Supplies	36,474	20,781	40	-	57,295	17,033	32,640	106,968
Telephone	4,403	10,274	1,906	-	16,583	894	5,238	22,715
Online services	11,442	27,988	5,745	2,634	47,809	1,792	7,300	56,901
Postage and shipping	3,374	76,495	-	157	80,026	240	11,393	91,659
Occupancy	2,863	3,261	875	-	6,999	581	1,903	9,483
In-kind rent expense	63,397	72,205	19,357	-	154,959	12,874	42,167	210,000
Equipment rental	1,908	2,173	582	-	4,663	387	1,269	6,319
Equipment repair and maintenance	6,649	7,573	2,030	-	16,252	1,350	4,422	22,024
Printing and publications	9,196	125,103	-	-	134,299	10,285	40,116	184,700
Travel	4,556	11,826	1,481	-	17,863	16,189	2,050	36,102
Conferences and meetings	23,307	76,767	2,752	-	102,826	46,273	3,993	153,092
Dues and subscriptions	27,983	23,439	10,800	-	62,222	19,136	44,787	126,145
Licenses, fees and taxes	-	-	-	600	600	39,448	34,077	74,125
Utilities	2,349	2,675	717	-	5,741	477	1,562	7,780
Insurance	7,444	8,479	2,273	5,219	23,415	13,097	4,942	41,454
Bad debt expense	-	-	-	-	-	-	44,187	44,187
Total Expenses before Depreciation and Amortization	3,448,008	1,194,614	428,870	219,185	5,290,677	555,119	626,654	6,472,450
Depreciation and Amortization	2,646	3,014	808	-	6,468	538	1,760	8,766
Total Expenses	\$ 3,450,654	\$ 1,197,628	\$ 429,678	\$ 219,185	\$ 5,297,145	\$ 555,657	\$ 628,414	\$ 6,481,216

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

Alpha-1 Foundation, Inc. and Subsidiary

Consolidated Statement of Cash Flows

<i>Years ended June 30,</i>	2023	2022
Cash Flows from Operating Activities		
Increase in Net Assets	\$ 2,632,570	\$ 637,082
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	6,166	8,766
Realized and unrealized (gains) losses on investments, net	(1,630,763)	3,296,404
Donated securities	(36,252)	-
Changes in operating assets and liabilities:		
Changes in contributions receivable	(274,629)	305,838
Changes in other assets	80,514	(145,638)
Changes in accounts payable and accrued expenses	(143,904)	66,449
Changes in grants payable	(169,241)	(150,828)
Changes in refundable advances	(107,500)	375,000
Changes in deferred revenue	(46,000)	(76,000)
Net Cash Provided by Operating Activities	310,961	4,317,073
Cash Flows from Investing Activities		
Purchase of investment securities	(29,982,600)	(7,457,361)
Redemptions of investment securities	18,890,264	7,116,078
Additions of property and equipment	(2,935)	-
Net Cash (Used In) Investing Activities	(11,095,271)	(341,283)
Net (Decrease) Increase in Cash and Cash Equivalents	(10,784,310)	3,975,790
Cash and Cash Equivalents, beginning of year	12,721,008	8,745,218
Cash and Cash Equivalents, ending of year	\$ 1,936,698	\$ 12,721,008

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

Alpha-1 Foundation, Inc. and Subsidiary

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, 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 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.
- ***Net Assets 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. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions.

Cash and Cash Equivalents

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

Alpha-1 Foundation, Inc. and Subsidiary

Summary of Significant Accounting Policies

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 \$113,000 and \$146,000 for the years ended June 30, 2023 and 2022, 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, 2023 and 2022.

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. There was no allowance for uncollectible receivables as of June 30, 2023 and 2022.

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 are calculated 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 the control of the promised good or service is transferred to the customer (publication of ad in the publication) 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

Alpha-1 Foundation, Inc. and Subsidiary

Summary of Significant Accounting Policies

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, 2023 and 2022, the Foundation recorded \$397,500 and \$505,000, respectively, in refundable advances related to contributions that were conditional upon the future occurrence of certain meetings. During the year ended June 30, 2023, the prior year refundable advance of \$505,000 was recognized as contributions, bequests, and grant revenues on the accompanying consolidated statements of activities.

Gross revenue from the Celebration of Life Event for the years ended June 30, 2023 and 2022 totaled approximately \$155,000 and \$49,000, respectively.

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 and also for unrelated business income.

Alpha-1 Foundation, Inc. and Subsidiary

Summary of Significant Accounting Policies

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 2020. However, the Foundation is still open to examination by taxing authorities from fiscal year 2020 forward. For the years ended June 30, 2023 and 2022, there was no interest or penalties recorded or included in the consolidated statements of activities.

For the year ended June 30, 2023, Alpha-1 Foundation reported taxable income of \$86,623 from its publication activities and related tax expense of \$25,000 is recorded in administration and general supporting services. For the year ended June 30, 2022, Alpha-1 Foundation reported taxable income of \$137,860 from its publication activities and related tax expense of \$29,020 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, 2023 and 2022, TAP recorded net operating (loss) income of (\$81,931) and \$226,954, respectively. TAP has net operating losses carried forward in the amount of \$5,677,989 which expire in 2029 and deferred taxes are not material to the consolidated financial statements.

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.

In-Kind Contributions

AlphaNet, Inc. ("AlphaNet"), a related organization, provides the use of its facilities for the Foundation's program operations and supporting services. The Foundation recognizes in-kind contribution revenue and a corresponding expense in an amount approximating the estimated fair value at the time of the donation. Fair value is estimated using the average price per square foot of rental listings in the Foundation's service area. (See Note 5)

Alpha-1 Foundation, Inc. and Subsidiary

Summary of Significant Accounting Policies

Collaborative Arrangements

TAP has entered into collaborative agreements with several pharmaceutical companies as part of a strategy to accelerate finding cures and treatments for the Alpha-1 disorder. From its inception in 2009, TAP has contributed approximately \$3,900,000 to fifteen different therapeutic and pharmaceutical companies as part of this strategy. Each contract has similar terms in which TAP will provide payments to assist in the research being conducted and maintains a position on the project's steering committee. If the research is successful, TAP would receive royalties and milestone payments based on the success. If the research is abandoned by the pharmaceutical company, TAP would have the rights to the licenses and research results. As of June 30, 2023, TAP has not received any rights to licenses or research as a result of the arrangements. Based on TAP's active participation and exposure to risks and rewards, TAP records these agreements under ASC 808, *Collaborative Arrangements*. From its inception through June 30, 2020, all of the contributions made by TAP have been expensed as "research and development". There have been no contributions made by TAP subsequently. There were no milestone payments received during the year ended June 30, 2023. During the year ended June 30, 2022, TAP received milestone payments from two pharmaceutical companies totaling \$475,000.

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, 2023, and 2022, the Foundation had cash and cash equivalent in excess of federally insured limits of \$1,208,503 and \$11,877,362, 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 \$34,655,116 and \$21,895,765 as of June 30, 2023 and 2022, 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

ASC Topic 820 *Fair Value Measurements* 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.

Alpha-1 Foundation, Inc. and Subsidiary

Summary of Significant Accounting Policies

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, 2023 and 2022.

The Foundation's investment securities are valued using Level 1 and Level 2 inputs at June 30, 2023 and 2022 (see Note 1).

Adopted Accounting Pronouncements

Lease Accounting

In February 2016, Financial Accounting Standards Board (FASB) the issued an Accounting Standard Update (ASU) 2016-02, Leases (Topic 842), which amends existing lease guidance. The update requires lessees to recognize a right-of-use asset and related lease liability for many operating leases now currently off-balance sheet under current U.S. GAAP. Also, the FASB has issued amendments to the update with practical expedients related to land easements, lessor accounting, and disclosures related to accounting changes and error corrections. The adoption did not have a material effect on the Foundation's consolidated financial statements as the Foundation does not have any significant lease contracts that are scoped in under ASC 842.

Alpha-1 Foundation, Inc. and Subsidiary

Summary of Significant Accounting Policies

Accounting Pronouncements to be Adopted

Financial Instruments - Credit Losses

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): *Measurement of Credit Losses on Financial Instruments*. The ASU changes the impairment model for most financial assets that are measured at amortized cost and certain other instruments from an incurred loss model to an expected loss model. Entities will be required to estimate credit losses over the entire contractual term of an instrument. The ASU includes financial assets recorded at amortized cost basis such as loan receivables, trade and certain other receivables as well as certain off-balance sheet credit exposures such as loan commitments and financial guarantees. The ASU does not apply to financial assets measured at fair value, and loans and receivables between entities under common control. The ASU is effective for fiscal years beginning after December 15, 2022. Early adoption may be selected for fiscal years beginning after December 15, 2018. An entity must apply the amendments in the ASU through a cumulative-effect adjustment to net assets as of the beginning of the first reporting period in which the guidance is effective except for certain exclusions. Management is currently evaluating the impact of this ASU on its consolidated financial statements.

Alpha-1 Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

1. Investment Securities

For the years ended June 30, 2023 and 2022, investment gains (losses) amounted to \$1,743,672 and \$(3,149,931), respectively.

Investment securities consist of the following at June 30:

<i>June 30,</i>	Level	2023	2022
Corporate equity securities	Level 1	\$ 20,179,036	\$ 16,256,982
Corporate debt securities	Level 2	6,576,364	5,638,783
Government debt securities	Level 2	7,899,716	-
Total Investments		34,655,116	21,895,765
Current		(25,766,066)	(16,856,371)
Non-current		\$ 8,889,050	\$ 5,039,394

The Foundation accounts for its corporate and government 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 and government debt securities at face value:

<i>Year ended June 30,</i>	Amount
2024	\$ 5,650,000
2025	1,950,000
2026	2,700,000
2027	1,950,000
2028	1,500,000
Thereafter	1,250,000
Total	\$ 15,000,000

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Alpha-1 Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

2. Property and Equipment, Net

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

<i>June 30,</i>	Useful life	2023	2022
Furniture and equipment	5 years	\$ 217,015	\$ 214,079
Leasehold improvements	5 years	200,825	200,825
		417,840	414,904
Less: Accumulated depreciation and amortization		(408,088)	(401,921)
Property and Equipment, net		\$ 9,752	\$ 12,983

3. Net Assets with Donor Restrictions

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

<i>June 30,</i>	2023	2022
John W. Walsh Research Funds	\$ 1,602,000	\$ 1,677,000
Other Services	385,227	560,924
Education Materials	243,083	288,576
Alpha-1 Biomarkers Consortium	149,921	185,025
Alpha-1 Website	29,763	262,520
Research Network	-	279,849
Alpha-1 Global	-	49,118
Total Net Assets with Donor Restrictions	\$ 2,409,994	\$ 3,303,012

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:

<i>June 30,</i>	2023	2022
Other Services	\$ 1,307,990	\$ 1,671,221
Research Network	489,849	244,323
Alpha-1 Website	347,756	121,189
Alpha-1 Global	319,118	160,882
Education Materials	150,494	126,126
John W. Walsh Research Funds	98,778	108,890
Alpha-1 Biomarkers Consortium	35,104	14,975
Total Restrictions Released	\$ 2,749,089	\$ 2,447,606

4. Defined Contribution Plan

In September 1998, the Foundation instituted a Simple IRA defined contribution plan pursuant to Section 408(p) of the Internal Revenue Code covering most of the Foundation's employees. In 2023, the Foundation converted the plan to a 401(k) plan. Under the 401(k) plan, employees may contribute a percentage of their salaries, subject to certain dollar limitations, and the Foundation

Alpha-1 Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

matches employee contributions up to a maximum of 4% of the employee's salary. The Foundation's contributions to the plans during the fiscal years ended June 30, 2023 and 2022 amounted to \$26,404 and to \$18,789, respectively.

5. Transactions with Related Parties

Management Agreement

On April 2016, the Foundation entered into a management agreement with AlphaNet 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 agreement was subsequently renewed on July 1, 2023 for a one-year period. 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, 2023 and 2022, was \$150,000 and \$94,680, 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, 2023 and 2022, AlphaNet did not require payments of the rental charges totaling \$215,000 and \$210,000, respectively, and treated the total amount as an in-kind contribution to the Foundation. Total charges related to this agreement are reflected as in-kind rental expense in the consolidated statements of functional expenses and the corresponding in-kind revenue as in-kind rental income in the consolidated statements of activities.

Contributions

During the years ended June 30, 2023 and 2022, AlphaNet made contributions to Alpha-1 Foundation totaling \$2,400,000 and \$2,750,000, respectively.

During the years ended June 30, 2023 and 2022, 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, 2023, the related parties' receivables and (payables) of \$0 and (\$6,454), respectively, were reported as a component of the corresponding contributions receivable and accounts payable in the consolidated statements of financial position. At June 30, 2022, the related parties' receivables and (payables) of \$0 and (\$19,690), respectively, were reported as a component of the corresponding contributions receivable and accounts payable in the consolidated statements of financial position.

Alpha-1 Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

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. In accordance with ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, 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, 2023 and 2022 was \$2,583,684 and \$2,783,468, respectively. As of June 30, 2023 and 2022, the Foundation accrued \$718,486 and \$887,727 as future grant commitments, respectively.

7. 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:

<i>June 30,</i>	2023	2022
Cash and cash equivalents	\$ 1,936,698	\$ 12,721,008
Investment securities	25,766,066	16,856,371
Contributions receivable	949,746	675,117
	\$ 28,652,510	\$ 30,252,496

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.

8. Subsequent Events

The Foundation has evaluated events and transactions occurring subsequent to June 30, 2023 and through November 9, 2023, 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.

Supplementary Information

Alpha-1 Foundation, Inc.
Statements of Financial Position

<i>June 30,</i>	2023	2022
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,708,503	\$ 12,377,362
Investment securities	25,712,479	16,836,191
Contributions receivable, net	949,746	675,117
Other assets	86,986	167,500
Total Current Assets	28,457,714	30,056,170
Investment securities - non-current	8,889,050	5,039,394
Investment in TAP (Contributed Capital of \$5,983,200, net, \$5,702,062 in accumulated deficit as of June 30, 2023 and Contributed Capital of \$5,983,200, net \$5,620,131 in accumulated deficit as of June 30, 2022)	281,138	363,069
Property and equipment, net	9,752	12,983
Other assets	25,000	25,000
Total Assets	37,662,654	35,496,616
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	1,595,688	1,908,720
Refundable advances	397,500	505,000
Deferred revenue	164,000	210,000
Total Current Liabilities	2,157,188	2,623,720
Net Assets, without donor restrictions	33,095,472	29,569,884
Net Assets, with donor restrictions	2,409,994	3,303,012
Total Net Assets	35,505,466	32,872,896
Total Liabilities and Net Assets	\$ 37,662,654	\$ 35,496,616

See independent auditor's report.

Alpha-1 Foundation, Inc.

Statements of Activities

<i>Years ended June 30,</i>	2023	2022
Changes in Net Assets without Donor Restrictions:		
Support and Revenue		
Contributions, bequests and grant revenues	\$ 6,312,869	\$ 6,211,034
Fundraising revenues	155,204	49,150
Net realized and unrealized investment (losses) gains	1,633,896	(3,267,543)
Interest and dividends	690,915	465,634
In-kind rental income	215,000	210,000
Other income	377,140	374,788
Net assets released from restrictions	2,749,089	2,447,606
Total Support and Revenue	12,134,113	6,490,669
Expenses		
Program services		
Research and Clinical Studies	4,109,175	3,450,654
Patient Education	2,226,810	1,197,628
Patient Advocacy	747,329	429,678
Total Program Services	7,083,314	5,077,960
Supporting Services		
General and administration	620,463	555,657
Fundraising	822,817	628,414
Total Supporting Services	1,443,280	1,184,071
Total Expenses	8,526,594	6,262,031
Change Attributed to Income from TAP	(81,931)	226,954
Increase in Net Assets without Donor Restrictions	3,525,588	455,592
Changes in Net Assets with Donor Restrictions		
Contributions, bequests and grant revenues	1,856,071	2,629,096
Net assets released from restriction	(2,749,089)	(2,447,606)
Increase in Net Assets with Donor Restrictions	(893,018)	181,490
Increase in Net Assets	2,632,570	637,082
Net Assets, beginning of year	32,872,896	32,235,814
Net Assets without Donor Restrictions, end of year	\$ 35,505,466	\$ 32,872,896

See independent auditor's report.

The Alpha-1 Project, Inc.
Statements of Financial Position

<i>June 30,</i>	2023	2022
Assets		
Cash and cash equivalents	\$ 228,195	\$ 343,644
Investment securities	53,587	20,180
Total Assets	281,782	363,824
Liabilities and Stockholder's Equity		
Accounts payable and accrued expenses	644	755
Total Current Liabilities	644	755
Stockholder's equity		
Common stock \$1.00 par value 1,000 authorized, issued and outstanding shares	1,000	1,000
Additional paid in capital	5,982,200	5,982,200
Accumulated deficit	(5,702,062)	(5,620,131)
Total Stockholder's Equity	281,138	363,069
Total Liabilities and Stockholder's Equity	\$ 281,782	\$ 363,824

See independent auditor's report.

The Alpha-1 Project, Inc.

Statements of Activities

<i>Years ended June 30,</i>	2023	2022
Revenues		
Donated securities	\$ 36,252	\$ -
Milestone payments under collaborative agreements	-	475,000
Net realized and unrealized investment losses	(3,133)	(28,863)
Total Revenues	33,119	446,137
Expenses		
Contract and professional fees	104,744	210,575
Office expenses	10,306	8,608
Total Expenses	115,050	219,183
Net Income	(81,931)	226,954
Stockholder's Equity (Deficit), beginning of year	363,069	136,115
Stockholder's Equity, end of year	\$ 281,138	\$ 363,069

See independent auditor's report.