Alpha-1 Foundation, Inc. and Subsidiary

Consolidated Financial Statements
and Supplementary Information
Years Ended June 30, 2024 and 2023

The report accompanying these financial statements was issued by
BDO USA, P.C., a Virginia professional corporation, and the U.S. member of BDO
International Limited, a UK company limited by guarantee.

Alpha-1 Foundation, Inc. and Subsidiary

Consolidated Financial Statements and Supplementary Information

Years Ended June 30, 2024 and 2023

Contents

Tel: 904-396-4015
Fax: 904-399-4012
www.bdo.com

1301 Riverplace Blvd, Suite 900
Jacksonville, FL 32207

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, 2024 and 2023, 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, 2024 and 2023, 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 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 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 available to be issued.

Auditor's Responsibilities for the Audit of the 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, 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.

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 accompanying statements on pages 24 through 27 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. Such information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with 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.

March 25, 2025

Consolidated Financial Statements

Alpha-1 Foundation, Inc. and Subsidiary

Consolidated Statements of Financial Position

June 30,		**2024**		2023
Assets				
Current Assets				
Cash and cash equivalents	**$**	**2,312,462**	$	1,936,698
Investments		**29,723,852**		25,766,066
Contributions receivable		**921,723**		949,746
Other assets		**195,920**		86,986
Total Current Assets		**33,153,957**		28,739,496
Investments - Non-Current		**11,275,694**		8,889,050
Property and Equipment, Net		**10,705**		9,752
Other Assets		**25,000**		25,000
Total Assets	**$**	**44,465,356**	$	37,663,298
Liabilities and Net Assets				
Current Liabilities				
Accounts payable and accrued expenses	**$**	**1,001,601**	$	877,846
Grants payable		**941,034**		718,486
Refundable advances		**412,500**		397,500
Deferred revenue		**227,333**		164,000
Total Current Liabilities		**2,582,468**		2,157,832
Commitments and Contingencies (Notes 5 and 6)				
Net Assets, without donor restrictions		**39,896,406**		33,095,472
Net Assets, with donor restrictions		**1,986,482**		2,409,994
Total Net Assets		**41,882,888**		35,505,466
Total Liabilities and Net Assets	**$**	**44,465,356**	$	37,663,298

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,		**2024**		2023
Changes in Net Assets Without Donor Restrictions				
Support and revenue without donor restrictions:				
Contributions, bequests, and grant revenues	**$**	**7,000,563**	$	6,312,869
Fundraising revenues		**334,116**		155,204
Donated investments		**354,410**		36,252
Investment return, net		**5,783,087**		1,630,763
Interest and dividends		**939,909**		690,915
In-kind rental income		**222,500**		215,000
Other income		**380,247**		377,140
Net assets released from restrictions		**2,073,110**		2,749,089
Total Support and Revenue Without Donor Restrictions		**17,087,942**		12,167,232
Expenses:				
Program services:				
Research and clinical studies		**5,589,726**		4,109,175
Patient education		**2,615,585**		2,226,810
Patient advocacy		**442,874**		747,329
The Alpha-1 Project		**14,753**		115,050
Total Program Services		**8,662,938**		7,198,364
Supporting services:				
General and administration		**632,669**		620,463
Fundraising		**991,401**		822,817
Total Supporting Services		**1,624,070**		1,443,280
Total Expenses		**10,287,008**		8,641,644
Change in Net Assets Without Donor Restrictions		**6,800,934**		3,525,588
Changes in Net Assets with Donor Restrictions				
Contributions, bequests, and grant revenues		**1,649,598**		1,856,071
Net assets released from restrictions		**(2,073,110)**		(2,749,089)
Change in Net Assets with Donor Restrictions		**(423,512)**		(893,018)
Change in Net Assets		**6,377,422**		2,632,570
Net Assets, beginning of year		**35,505,466**		32,872,896
Net Assets, end of year	**$**	**41,882,888**	$	35,505,466

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, 2024

	Program Services					Supporting Services			
	Research and Clinical Studies	Patient Education	Patient Advocacy	The Alpha-1 Project	Total Program Services	General and Administration	Fundraising	Total Supporting Services	Total
Awards and grants	$ 3,150,157	$ 80,000	$ -	$ -	$ 3,230,157	$ -	$ -	$ -	$ 3,230,157
Salaries	669,273	632,642	143,024	-	1,444,939	35,982	344,939	380,921	1,825,860
Payroll taxes	47,430	44,163	9,247	-	100,840	2,539	24,195	26,734	127,574
Medical insurance	60,199	67,970	9,368	-	137,537	1,528	24,561	26,089	163,626
401K	18,258	13,103	4,040	-	35,401	1,416	9,802	11,218	46,619
Other benefits	30,149	44,414	2,224	-	76,787	1,109	4,348	5,457	82,244
Contract services	627,698	542,061	197,093	-	1,366,852	226,266	16,178	242,444	1,609,296
Professional fees	375,395	494	202	5,520	381,611	114,113	2,892	117,005	498,616
Supplies	32,902	42,879	191	-	75,972	35,732	57,818	93,550	169,522
Telephone	6,496	10,363	1,876	-	18,735	520	5,830	6,350	25,085
Online services	20,010	24,668	4,576	3,125	52,379	981	6,343	7,324	59,703
Postage and shipping	5,237	86,468	683	-	92,388	2,227	12,555	14,782	107,170
Occupancy	2,403	2,182	493	-	5,078	195	1,215	1,410	6,488
In-kind rental expense	82,389	74,826	16,916	-	174,131	6,705	41,664	48,369	222,500
Equipment rental	2,358	2,141	484	-	4,983	192	1,192	1,384	6,367
Equipment repair and maintenance	9,452	8,582	1,941	-	19,975	769	4,780	5,549	25,524
Printing and publications	4,698	127,663	-	-	132,361	1,669	51,765	53,434	185,795
Travel	113,314	118,240	25,321	-	256,875	49,682	26,190	75,872	332,747
Conferences and meetings	300,444	672,092	8,056	-	980,592	96,803	87,272	184,075	1,164,667
Dues and subscriptions	15,339	5,988	13,828	-	35,155	26,523	40,575	67,098	102,253
Licenses, fees, and taxes	-	-	-	800	800	23,743	39,913	63,656	64,456
Utilities	2,952	2,681	606	-	6,239	240	1,493	1,733	7,972
Insurance	11,218	10,189	2,303	5,308	29,018	3,576	5,673	9,249	38,267
Special events expense	-	-	-	-	-	-	179,219	179,219	179,219
Total Expenses, before depreciation and amortization	5,587,771	2,613,809	442,472	14,753	8,658,805	632,510	990,412	1,622,922	10,281,727
Depreciation and amortization	1,955	1,776	402	-	4,133	159	989	1,148	5,281
Total Expenses	$ 5,589,726	$ 2,615,585	$ 442,874	$ 14,753	$ 8,662,938	$ 632,669	$ 991,401	$ 1,624,070	$ 10,287,008

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, 2023

	Program Services					Supporting Services			
	Research and Clinical Studies	Patient Education	Patient Advocacy	The Alpha-1 Project	Total Program Services	General and Administration	Fundraising	Total Supporting Services	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	412,593	1,597,300
Payroll taxes	36,322	36,124	8,498	-	80,944	8,020	22,612	30,632	111,576
Medical insurance	47,898	58,724	9,170	-	115,792	1,358	18,520	19,878	135,670
401K	7,134	9,075	1,830	-	18,039	2,582	5,783	8,365	26,404
Other benefits	29,797	34,024	6,177	-	69,998	-	9,662	9,662	79,660
Contract services	214,664	479,251	153,490	-	847,405	211,697	33,848	245,545	1,092,950
Professional fees	218,203	1,365	653	4,744	224,965	119,749	3,294	123,043	348,008
Supplies	24,940	47,928	7,914	-	80,782	32,166	46,871	79,037	159,819
Telephone	4,837	9,380	1,830	-	16,047	824	4,989	5,813	21,860
Online services	16,228	25,715	5,482	2,895	50,320	1,690	6,839	8,529	58,849
Postage and shipping	4,849	102,521	779	-	108,149	3,653	10,603	14,256	122,405
Occupancy	3,717	3,759	947	-	8,423	640	2,293	2,933	11,356
In-kind rental expense	70,376	71,162	17,926	-	159,464	12,113	43,423	55,536	215,000
Equipment rental	2,210	2,235	563	-	5,008	380	1,364	1,744	6,752
Equipment repair and maintenance	6,866	6,943	1,749	-	15,558	1,182	4,237	5,419	20,977
Printing and publications	9,811	136,927	-	-	146,738	11,415	29,489	40,904	187,642
Travel	116,876	57,362	77,768	-	252,006	27,493	11,553	39,046	291,052
Conferences and meetings	297,443	524,148	301,085	-	1,122,676	44,752	60,183	104,935	1,227,611
Dues and subscriptions	11,351	41,398	14,592	-	67,341	21,733	50,421	72,154	139,495
Licenses, fees, and taxes	-	-	-	2,103	2,103	23,557	34,000	57,557	59,660
Utilities	2,804	2,835	714	-	6,353	486	1,730	2,216	8,569
Insurance	9,700	9,809	2,471	5,308	27,288	4,634	5,985	10,619	37,907
Special events expense	-	-	-	-	-	-	91,272	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	1,441,688	8,635,478
Depreciation and amortization	2,019	2,041	514	-	4,574	347	1,245	1,592	6,166
Total Expenses	$ 4,109,175	$ 2,226,810	$ 747,329	$ 115,050	$ 7,198,364	$ 620,463	$ 822,817	$ 1,443,280	$ 8,641,644

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,		**2024**		2023
Cash Flows from Operating Activities				
Change in net assets	**$**	**6,377,422**	$	2,632,570
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation and amortization		**5,281**		6,166
Investment return, net		**(5,783,087)**		(1,630,763)
Donated investments		**(354,410)**		(36,252)
Changes in operating assets and liabilities:				
Contributions receivable		**28,023**		(274,629)
Other assets		**(108,934)**		80,514
Accounts payable and accrued expenses		**123,755**		(143,904)
Grants payable		**222,548**		(169,241)
Refundable advances		**15,000**		(107,500)
Deferred revenue		**63,333**		(46,000)
Net Cash Provided by Operating Activities		**588,931**		310,961
Cash Flows from Investing Activities				
Purchases of investment securities		**(17,442,618)**		(29,982,600)
Redemptions of investment securities		**17,235,685**		18,890,264
Purchases of property and equipment		**(6,234)**		(2,935)
Net Cash Used in Investing Activities		**(213,167)**		(11,095,271)
Net Increase (Decrease) in Cash and Cash Equivalents		**375,764**		(10,784,310)
Cash and Cash Equivalents, beginning of year		**1,936,698**		12,721,008
Cash and Cash Equivalents, ending of year	**$**	**2,312,462**	$	1,936,698

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 website 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 is 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 without donor restrictions 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 with donor restrictions are 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 Equivalents

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

Investments

Investments 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, unless restricted by donors, in the accompanying consolidated statements of activities. Realized and unrealized gains and losses are shown net of investment expenses of approximately $149,000 and $113,000 for the years ended June 30, 2024 and 2023, 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, 2024 and 2023.

Management periodically performs a review of its contributions 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, 2024 and 2023.

Property and Equipment, Net

Property and equipment are recorded at cost or, if donated, at estimated fair market value at the date of donation. The Foundation's current policy is to capitalize all purchased or donated assets valued in excess of $1,000 with estimated useful lives of greater than one year. 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.

Performance Obligations and Significant Judgments

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 the Foundation evaluates the market and estimates a price that a customer would be willing to pay for the goods or services the Foundation provides.

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 results in contract assets or liabilities reported in the consolidated statements of financial position as accounts receivable 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, investments, other assets, or an unconditional promise to give is received. Donated investments and other non-financial assets are recorded at fair value on the date donated. 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, 2024 and 2023, the Foundation recorded $412,500 and $397,500, respectively, in refundable advances related to contributions that were conditional upon the future occurrence of certain meetings. During the years ended June 30, 2024 and 2023, the prior-year refundable advance of $397,500 and $505,000, respectively, 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, 2024 and 2023 totaled approximately $334,000 and $155,000, 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 has adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 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 2021. However, the Foundation is still open to examination by taxing authorities from fiscal year 2021 forward. For the years ended June 30, 2024 and 2023, there was no interest or penalties recorded or included in the consolidated statements of activities.

For the year ended June 30, 2024, Alpha-1 Foundation reported taxable income of $95,763 from its publication activities, and related tax expense of $20,400 is recorded in administration and general supporting services. 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. TAP is a for-profit entity that pays federal income tax. For the years ended June 30, 2024 and 2023, TAP recorded net operating losses of $(9,321) and $(81,931), respectively. TAP has net operating losses carried forward in the amount of $5,666,051 and $5,677,989 at June 30, 2024 and 2023, respectively. The components of TAP's deferred tax assets consisted of the following:

June 30,		**2024**		2023
Non-current net deferred tax assets:				
Federal net operating loss	**$**	**1,189,871**	$	1,192,378
State net operating loss		**311,633**		312,289
Total Deferred Tax Asset		**1,501,504**		1,504,667
Valuation allowance		**(1,501,504)**		(1,504,667)
Deferred Tax Assets, Net	**$**	**-**	$	-

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 Rental Income

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).

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 15 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, 2024, 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 years ended June 30, 2024 and 2023.

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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentrations 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, 2024 and 2023, the Foundation had cash balances on deposit in excess of federally insured limits of $1,545,752 and $1,208,503, respectively. The Foundation places its cash balances 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, and government securities. 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.

ASC Topic 820 establishes a fair value hierarchy that prioritizes the information used in measuring fair value as follows:

Level 1 – This level consists of inputs that include unadjusted quoted prices in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2 – This level consists of inputs that include 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 - This level consists of 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, 2024 and 2023.

The Foundation's investments are valued using Level 1, 2, and 3 inputs at June 30, 2024 and 2023 (see Note 1).

Adopted Accounting Pronouncements

Financial Instruments – Credit Losses

In June 2016, the FASB issued Accounting Standards Update (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. 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. The adoption did not have a material effect on the Foundation's consolidated financial statements as the Foundation does not have any significant financial instruments that are scoped in under ASC 326.

1. Investments

Investments measured at fair value by investment type on a recurring basis consist of the following:

June 30,					
			2024		2023
Corporate equity securities	Level 1	**$**	**27,806,549**	$	20,179,036
Corporate debt securities	Level 2		**8,198,668**		6,576,364
Government debt securities	Level 2		**3,775,229**		7,899,716
Warrants	Level 3		**1,219,100**		-
Total Investments		**$**	**40,999,546**	**$**	34,655,116

The Foundation's investments are included in the following captions on the consolidated statements of financial position:

June 30,		**2024**		2023
Investments	**$**	**29,723,852**	$	25,766,066
Investments – non-current		**11,275,694**		8,889,050
Total	**$**	**40,999,546**	**$**	34,655,116

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.

In connection with one of its collaborative arrangements, TAP received warrants at no cost, which give TAP the option to purchase 310,340 shares in a publicly traded research company. The warrants have a strike price of $0 and expire in 2028. As of June 30, 2024, these warrants are all outstanding and exercisable. Management has no intent to exercise these warrants during fiscal 2025 and therefore, they are classified as non-current in the accompanying consolidated statement of financial position. The warrants are valued at fair value using the Black-Sholes model at grant date and at the end of each reporting period. The fair value on grant date of $329,100 is included in donated investments and the change in fair value to June 30, 2024 of $890,000 is included in investment return, net, on the accompanying consolidated statement of activities.

The following table provides a summary of the significant unobservable inputs used to measure the fair value of these Level 3 investments as of June 30, 2024:

Investment Type		Fair Value as of June 30, 2024	Valuation Techniques/ Methodologies	Unobservable Inputs	
Warrants	$	1,219,100	Black-Scholes Model	Volatility[(1)]	187.48%
				Risk-Free Interest Rate	4.13%
				Estimated Time to Exit (in years)	4
Total Level 3 Investments	**$**	**1,219,100**			

(1) Represents the range of industry volatility used by market participants when pricing the investment.

The following table provides a summary of changes in the fair value of these Level 3 investments for the year ended June 30, 2024:

Fair Value, June 30, 2023	$	-
Donated investments		329,100
Net unrealized appreciation		890,000
Fair Value, June 30, 2024	$	1,219,100

For the years ended June 30, 2024 and 2023, investment return amounted to $5,042,370 and $1,743,672, respectively.

2. Property and Equipment, Net

Property and equipment, net, consist of the following:

June 30,		**2024**		2023	Useful Life (Years)
Furniture and equipment	**$**	**223,248**	$	217,015	5
Leasehold improvements		**200,825**		200,825	5
Total Property and Equipment		**424,073**		417,840	
Less: accumulated depreciation and amortization		**(413,368)**		(408,088)	
Property and Equipment, Net	**$**	**10,705**	$	9,752	

3. Net Assets with Donor Restrictions

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

June 30,		**2024**		2023
John W. Walsh Research Funds	**$**	**1,583,250**	$	1,602,000
Other services		**93,482**		385,227
Education materials		**309,750**		243,083
Alpha-1 Biomarkers Consortium		**-**		149,921
Alpha-1 website		**-**		29,763
Total Net Assets with Donor Restrictions	**$**	**1,986,482**	$	2,409,994

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,		**2024**		2023
Other services	**$**	**1,329,228**	$	1,307,990
Research network		**210,000**		489,849
Alpha-1 website		**144,764**		347,756
Alpha-1 Global		**-**		319,118
Education materials		**143,832**		150,494
John W. Walsh Research Funds		**95,365**		98,778
Alpha-1 Biomarkers Consortium		**149,921**		35,104
Total Restrictions Released	**$**	**2,073,110**	$	2,749,089

4. Defined Contribution Plan

In September 1998, the Foundation instituted a Simple Individual Retirement Account (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 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, 2024 and 2023 amounted to $46,619 and $26,404, respectively.

5. Transactions with Related Parties

Management Agreement

In 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 three-year period, renewable automatically for additional one-year periods. The agreement was subsequently renewed on July 1, 2024 for a one-year period. The management fee is a component of contract services in the consolidated statements of functional expenses.

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 and manages information technology and telecommunication system services on behalf of Alpha-1 Foundation. Service fee expense for the years ended June 30, 2024 and 2023, was $112,500 and $150,000, respectively, which is classified as a component of contract services in the consolidated statements of functional expenses.

Lease Agreement

The Foundation leases office space from AlphaNet. For the years ended June 30, 2024 and 2023, AlphaNet did not require payments of the rental charges totaling $222,500 and $215,000, 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, 2024 and 2023, AlphaNet made contributions to Alpha-1 Foundation totaling $2,000,000 and $2,400,000, respectively.

During the years ended June 30, 2024 and 2023, 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, 2024, the related parties' receivables and payables of $7,618 and $(17,914), respectively, were reported as a component of the corresponding contributions receivable and accounts payable in the consolidated statements of financial position. 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.

6. Grant Commitments

The Foundation provides resources to different institutions to conduct research related to Alpha-1. The projects include clinical research, screening, detection, and 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 other assets in the accompanying consolidated statements of financial position. As the conditions are satisfied, expenses are recorded and the other assets 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, 2024 and 2023 were $3,230,157 and $2,583,684, respectively. As of June 30, 2024 and 2023, the Foundation accrued $941,034 and $718,486 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:

June 30,	**2024**	2023
Cash and cash equivalents	**$ 2,312,462**	$ 1,936,698
Investment securities	**29,723,852**	25,766,066
Contributions receivable	**921,723**	949,746
Total Financial Assets	**32,958,037**	28,652,510
Less amounts not available for general expenditures:		
Net assets with donor restrictions	**(1,986,482)**	(2,409,994)
Financial Assets Available to Meet General Expenditures	**$ 30,971,555**	$ 26,242,516

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, 2024 and through March 25, 2025, 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

June 30,		**2024**		2023
Assets				
Current Assets				
Cash and cash equivalents	**$**	**2,045,753**	$	1,708,503
Investment securities		**29,717,469**		25,712,479
Contributions receivable, net		**921,723**		949,746
Other assets		**195,920**		86,986
Total Current Assets		**32,880,865**		28,457,714
Investment Securities - Non-Current		**10,056,594**		8,889,050
Investment in TAP, contributed capital of $5,983,200, net, $4,492,283 in accumulated deficit as of June 30, 2024 and contributed capital of $5,983,200, net, $5,702,062 in accumulated deficit as of June 30, 2023		**1,490,917**		281,138
Property and Equipment, Net		**10,705**		9,752
Other Assets		**25,000**		25,000
Total Assets	**$**	**44,464,081**	$	37,662,654
Liabilities and Net Assets				
Current Liabilities				
Accounts payable and accrued expenses	**$**	**1,941,360**	$	1,595,688
Refundable advances		**412,500**		397,500
Deferred revenue		**227,333**		164,000
Total Current Liabilities		**2,581,193**		2,157,188
Net Assets, without donor restrictions		**39,896,406**		33,095,472
Net Assets, with donor restrictions		**1,986,482**		2,409,994
Total Net Assets		**41,882,888**		35,505,466
Total Liabilities and Net Assets	**$**	**44,464,081**	$	37,662,654

See accompanying independent auditor's report.

Alpha-1 Foundation, Inc.

Statements of Activities

Year ended June 30,	**2024**	2023
Changes in Net Assets Without Donor Restrictions		
Support and revenue:		
Contributions, bequests, and grant revenues	**$ 7,000,563**	$ 6,312,869
Fundraising revenues	**334,116**	155,204
Donated securities	**25,310**	-
Investment return, net	**4,887,677**	1,633,896
Interest and dividends	**939,887**	690,915
In-kind rental income	**222,500**	215,000
Other income	**380,247**	377,140
Net assets released from restrictions	**2,073,110**	2,749,089
Total Support and Revenue	**15,863,410**	12,134,113
Expenses:		
Program services:		
Research and clinical studies	**5,589,726**	4,109,175
Patient education	**2,615,585**	2,226,810
Patient advocacy	**442,874**	747,329
Total Program Services	**8,648,185**	7,083,314
Supporting services:		
General and administration	**632,669**	620,463
Fundraising	**991,401**	822,817
Total Supporting Services	**1,624,070**	1,443,280
Total Expenses	**10,272,255**	8,526,594
Change Attributed to Income (Loss) from TAP	**1,209,779**	(81,931)
Change in Net Assets Without Donor Restrictions	**6,800,934**	3,525,588
Changes in Net Assets with Donor Restrictions		
Contributions, bequests, and grant revenues	**1,649,598**	1,856,071
Net assets released from restrictions	**(2,073,110)**	(2,749,089)
Change in Net Assets with Donor Restrictions	**(423,512)**	(893,018)
Change in Net Assets	**6,377,422**	2,632,570
Net Assets, beginning of year	**35,505,466**	32,872,896
Net Assets, end of year	**$ 41,882,888**	$ 35,505,466

See accompanying independent auditor's report.

The Alpha-1 Project, Inc.

Statements of Financial Position

June 30,		**2024**		2023
Assets				
Cash and cash equivalents	**$**	**266,709**	$	228,195
Investment securities		**6,383**		53,587
Total Current Assets		**273,092**		281,782
Investment securities – non-current		**1,219,100**		-
Total Assets	**$**	**1,492,192**	$	281,782
Liabilities and Stockholder's Equity				
Current Liabilities				
Accounts payable and accrued expenses	**$**	**1,275**	$	644
Total Current Liabilities		**1,275**		644
Stockholder's Equity (Deficit)				
Common stock, $1.00 par value; 1,000 authorized, issued, and outstanding shares		**1,000**		1,000
Additional paid-in capital		**5,982,200**		5,982,200
Accumulated deficit		**(4,492,283)**		(5,702,062)
Total Stockholder's Equity		**1,490,917**		281,138
Total Liabilities and Stockholder's Equity	**$**	**1,492,192**	$	281,782

See accompanying independent auditor's report.

The Alpha-1 Project, Inc.

Statements of Activities

Year ended June 30,		**2024**		2023
Revenues				
Donated securities	**$**	**329,100**	$	36,252
Net realized and unrealized investment gains (losses)		**895,410**		(3,133)
Interest and dividends		**22**		-
Total Revenues		**1,224,532**		33,119
Expenses				
Contract and professional fees		**5,520**		104,744
Office expenses		**9,233**		10,306
Total Expenses		**14,753**		115,050
Net Income (Loss)		**1,209,779**		(81,931)
Stockholder's Equity, beginning of year		**281,138**		363,069
Stockholder's Equity, end of year	**$**	**1,490,917**	$	281,138

See accompanying independent auditor's report.