

**ALPHA-1 ANTITRYPSIN  
DEFICIENCY ASSOCIATION**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT**

For The Year Ended June 30, 2009

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**ALPHA-1 ANTITRYPSIN DEFICIENCY ASSOCIATION**  
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**Tautges Redpath, Ltd.**

Certified Public Accountants and Consultants

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Alpha-1 Antitrypsin Deficiency Association  
Miami, Florida

We have audited the accompanying statement of financial position of Alpha-1 Antitrypsin Deficiency Association (a not-for-profit corporation) as of June 30, 2009 and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of Alpha-1 Antitrypsin Deficiency Association's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Alpha-1 Antitrypsin Deficiency Association's 2008 financial statements and, in our report dated October 6, 2008 we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Alpha-1 Antitrypsin Deficiency Association, as of June 30, 2009, and the changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*HLB Tautges Redpath, Ltd.*

HLB TAUTGES REDPATH, LTD.  
White Bear Lake, Minnesota

September 18, 2009

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## **FINANCIAL STATEMENTS**

**ALPHA-1 ANTITRYPSIN DEFICIENCY ASSOCIATION**

## STATEMENT OF FINANCIAL POSITION

June 30, 2009

With Comparative Amounts For June 30, 2008

**Statement 1**

	<u>2009</u>	<u>2008</u>
Assets:		
Cash and cash equivalents	\$795,468	\$441,040
Accounts and contributions receivable	113,240	143,361
Prepaid expenses	3,667	3,667
Security deposits	6,800	6,800
Subtotal	<u>919,175</u>	<u>594,868</u>
Fixed assets:		
Furniture and fixtures	26,559	26,559
Less - accumulated depreciation	<u>(14,443)</u>	<u>(10,164)</u>
Net fixed assets	<u>12,116</u>	<u>16,395</u>
Total assets	<u><u>\$931,291</u></u>	<u><u>\$611,263</u></u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$57,216	\$28,257
Accrued expenses	14,438	28,554
Accrued vacation	14,421	13,589
Deferred revenue	15,000	-
Total liabilities	<u>101,075</u>	<u>70,400</u>
Net assets:		
Unrestricted	470,565	333,278
Temporarily restricted	<u>359,651</u>	<u>207,585</u>
Total net assets	<u>830,216</u>	<u>540,863</u>
Total liabilities and net assets	<u><u>\$931,291</u></u>	<u><u>\$611,263</u></u>

The accompanying notes are an integral part of these financial statements.

**ALPHA-1 ANTITRYPSIN DEFICIENCY ASSOCIATION**

## STATEMENT OF ACTIVITIES

Statement 2

For The Year Ended June 30, 2009

With Comparative Totals For The Year Ended June 30, 2008

	Unrestricted	Temporarily Restricted	Totals	
			2009	2008
Revenue and gains:				
Support:				
Contributions and memorials	\$794,222	\$279,796	\$1,074,018	\$852,439
Genetic counseling	-	80,000	80,000	145,000
Special event revenue	4,454	-	4,454	5,064
Website sponsorships	-	-	-	20,000
Membership dues	23,005	-	23,005	22,350
Conference revenue	47,723	-	47,723	43,216
Revenues - research	3,600	-	3,600	-
Newsletter advertising	22,500	-	22,500	21,000
Investment income	10,167	-	10,167	11,290
Total revenue and gains	<u>905,671</u>	<u>359,796</u>	<u>1,265,467</u>	<u>1,120,359</u>
Net assets released from restrictions	<u>207,730</u>	<u>(207,730)</u>	<u>0</u>	<u>0</u>
Expenses and losses:				
Functional expenses:				
Program services	864,173	-	864,173	772,864
Management and general	78,618	-	78,618	98,383
Fundraising	33,323	-	33,323	49,040
Total expenses and losses	<u>976,114</u>	<u>0</u>	<u>976,114</u>	<u>920,287</u>
Increase in net assets	137,287	152,066	289,353	200,072
Net assets - beginning of year	<u>333,278</u>	<u>207,585</u>	<u>540,863</u>	<u>340,791</u>
Net assets - end of year	<u><u>\$470,565</u></u>	<u><u>\$359,651</u></u>	<u><u>\$830,216</u></u>	<u><u>\$540,863</u></u>

The accompanying notes are an integral part of these financial statements.

**ALPHA-1 ANTITRYPSIN DEFICIENCY ASSOCIATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For The Year Ended June 30, 2009  
With Comparative Totals For The Year Ended June 30, 2008

	Support Groups	Program Services										Management and General	Fundraising	Totals			
		Publications	Education Days	National Conference	Genetic Counseling	Public Policy	Other Programs	Total	2009	2008							
Expenses:																	
Employee expenses:																	
Wages	\$45,934	\$15,056	\$45,116	\$43,363	\$14,972	14,502	\$20,739	\$199,682	\$19,291	\$10,901	\$229,874	\$216,542					
Payroll taxes	3,750	1,229	3,683	3,540	1,222	1,184	1,693	16,301	1,738	890	18,929	20,545					
Employee benefits	7,777	2,549	7,638	7,342	2,535	2,455	3,511	33,807	3,135	1,846	38,788	31,480					
Contractual services	7,149	2,343	10,521	6,749	86,805	36,709	3,228	153,504	3,073	1,697	158,274	121,480					
Awards and grants	18,159	-	-	15,940	-	-	12,319	46,418	-	-	46,418	29,090					
Conferences and meetings	6,910	-	50,954	119,649	25	-	2,122	179,660	5,829	48	185,537	163,583					
Printing and postage	2,741	17,068	16,737	17,477	2,592	-	3,723	60,338	9,725	5,276	75,339	87,161					
Office supplies and maintenance	761	-	2,577	19,929	-	85	-	23,352	13,329	-	36,681	32,855					
Office rent	9,856	3,231	9,681	9,305	3,213	3,112	4,450	42,848	3,056	2,339	48,243	54,245					
Support group expenses	1,445	-	-	-	-	-	-	1,445	-	-	1,445	884					
Travel	14,709	-	28,709	21,770	738	262	3,101	69,289	9,666	3,260	82,215	110,735					
Dues and subscriptions	-	-	-	-	-	-	1,860	1,860	2,637	-	4,497	3,121					
Telephone and on-line services	4,844	1,587	4,757	4,572	1,579	1,529	2,187	21,055	1,953	1,150	24,158	21,983					
Insurance	957	314	940	904	312	302	432	4,161	386	227	4,774	4,661					
Depreciation expense	858	281	843	810	280	238	420	3,730	346	204	4,280	4,232					
Miscellaneous	1,547	507	1,519	1,460	504	488	698	6,723	4,454	5,485	16,662	17,690					
Total expenses	\$127,397	\$44,165	\$183,675	\$272,810	\$114,777	\$60,866	\$60,483	\$864,173	\$78,618	\$33,323	\$976,114	\$920,287					

**ALPHA-1 ANTITRYPSIN DEFICIENCY ASSOCIATION****STATEMENT OF CASH FLOWS**

For The Year Ended June 30, 2009

With Comparative Amounts For The Year Ended June 30, 2008

**Statement 4**

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	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Increase in net assets	\$289,353	\$200,072
Adjustments:		
Depreciation	4,280	4,232
Noncash donation	-	(3,000)
Changes in assets and liabilities:		
Receivables	30,120	(44,069)
Prepaid expenses and other assets	-	(2,112)
Accounts payable	28,959	20,160
Accrued expenses	(13,284)	19,996
Deferred revenue	15,000	-
Net cash provided (used) by operating activities	<u>354,428</u>	<u>195,279</u>
Cash flows from investing activities:		
Purchase of furniture and fixtures	<u>-</u>	<u>(4,900)</u>
Net increase in cash and cash equivalents	354,428	190,379
Cash and cash equivalents - beginning of period	<u>441,040</u>	<u>250,661</u>
Cash and cash equivalents - end of period	<u><u>\$795,468</u></u>	<u><u>\$441,040</u></u>
Noncash investing and financing activities:		
During 2008, the Association received donated fixed assets valued at \$3,000.		

The accompanying notes are an integral part of these financial statements

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**Note 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. NATURE OF BUSINESS AND ORGANIZATION**

The Alpha-1 Antitrypsin Deficiency Association (the Association) is a not-for-profit corporation organized in 1991. Its mission is to identify those affected by Alpha-1 throughout the country and to improve the quality of their lives through support, education, advocacy, and to encourage participation in research. The Association is supported primarily through contributions and membership dues. Its programs include a national support network (75 support groups/patients hotline), a genetic counseling service, public education, advocacy and patient education programs.

**B. METHOD OF ACCOUNTING**

The records of the Association are maintained on the accrual method. Under this method, revenue is recognized as it is earned and expenses are recorded as they are incurred. Unconditional promises to give, pledges and contributions are recognized when received.

**C. FINANCIAL STATEMENT PRESENTATION**

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-For-Profit Organizations*. Under SFAS No. 117, the Association is required to report information regarding its financial position and activities according to three classes of net assets: a) unrestricted net assets; b) temporarily restricted net assets; and, c) permanently restricted net assets. Unrestricted net assets are not subject to donor imposed stipulations. Temporarily restricted net assets are subject to donor imposed stipulations that may or will be met, either by actions of the Association and/or passage of time. The Association does not have any permanently restricted net assets.

**D. CONTRIBUTIONS**

The Association accounts for contributions in accordance with the recommendations of the Financial Accounting Standards Board in SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence or nature of any donor restrictions.

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions that are met in the same reporting period are reported as unrestricted.

**ALPHA-1 ANTITRYPSIN DEFICIENCY ASSOCIATION**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009

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**E. MEMBERSHIP DUES**

Membership dues are recognized as revenue when received.

**F. CASH AND CASH EQUIVALENTS**

The Association classifies as cash equivalents certificates of deposit with original maturities of one year or less with no early redemption penalty. Cash balances are insured by the Federal Depository Insurance Company (FDIC) up to \$250,000. The Association's bank balance exceeds this insured limit at various times throughout the year. Certificates of deposit are recorded at contract value that approximates fair value.

**G. RECEIVABLES**

Accounts receivable are stated at net realizable values. Bad debts are provided on the reserve method based on historical experience and management's evaluation of outstanding receivables at the end of each year. When all collection efforts have been exhausted, the accounts are written off against the related allowance.

**H. PROMISE TO GIVE**

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

**I. FIXED ASSETS**

The Association's furniture and fixtures are comprised of computers, desks and other general office furniture and equipment. Fixed assets are recorded at cost except for donated fixed assets which are recorded at estimated fair value when received. All assets are depreciated on a straight-line basis over the assets' estimated useful lives that range from five to seven years. Normal repair and maintenance expenses are charged to current operations as incurred. The Association capitalizes fixed asset additions in excess of \$1,000.

**J. INVESTMENTS**

Investments are presented in accordance with Financial Accounting Standards Board's Statement of Financial Accounting Standards (SFAS) No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. The provisions of the standard require that investments in equity securities with readily determinable fair values and all investments in debt securities be measured at fair value in the statement of financial position. The unrealized gain or loss on investments is reflected in the statement of activities. The Association did not hold any investments at June 30, 2009.

**ALPHA-1 ANTITRYPSIN DEFICIENCY ASSOCIATION**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009

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**K. ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

**L. ALLOCATION OF FUNCTIONAL EXPENSES**

Functional expenses have been allocated between program services and supporting services based on an analysis of personnel time and space utilized for the related activities.

**M. CONTRIBUTED SERVICES**

The Association records contributed services in accordance with SFAS No. 116. In 2009 there were no contributed professional services that met the recognition criteria of SFAS No. 116.

**N. PRIOR YEAR INFORMATION**

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended June 30, 2008, from which the summarized information was derived.

**O. INCOME TAX STATUS**

The Association has been granted exemption from income taxes under Section 501(c)(3) of the Internal Revenue Code of 1986 and Section 290.05, subdivision 2, Minnesota Statutes. The Association has been classified as an organization that is not a private foundation.

In accordance with FSP FIN 48-3, the Association has elected to defer until next year the implementation of FASB Interpretation 48 (FIN 48), *Accounting for Uncertainty in Income Taxes as an Interpretation of FASB Statement No. 109*. Management believes the Association does not have any significant uncertain tax provisions and therefore does not expect FIN 48 to have a significant effect for the Association.

**ALPHA-1 ANTITRYPSIN DEFICIENCY ASSOCIATION**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009

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**Note 2    CONCENTRATION OF SUPPORT**

Recorded contribution revenue from five sources represented approximately 80% of the total revenue for the Association for the year ended June 30, 2009 as follows:

AlphaNet, Inc.	\$100,000
Baxter International Inc.	206,210
Centric Health	112,500
CSL Behring, LLC	252,875
Talecris Biotherapeutics	382,500
	<u>\$1,054,085</u>

**Note 3    TEMPORARILY RESTRICTED NET ASSET BALANCE**

Temporarily restricted net assets at June 30, 2009 are as follows:

Education Days	\$99,903
Genetic Counseling	80,000
Patient Support Network	57,500
Awareness and Outreach	37,500
Multi-media Outreach	50,000
Speakers Bureau	23,000
Other	11,748
	<u>\$359,651</u>

**Note 4    LEASES**

**A. OPERATING LEASE – OFFICE SPACE**

The Association entered into a lease agreement beginning in August 2007 to sublease office space in Miami, Florida. The lease is for monthly payments of \$3,514 starting in November of 2007 for four years. Payments will increase over time per the lease agreement. Under current agreements, the minimum future lease commitments for the Association for the years ending June 30 are as follows:

<u>For the Year</u> <u>Ending June 30,</u>	
2010	\$45,755
2011	48,048
2012	16,275

**ALPHA-1 ANTITRYPSIN DEFICIENCY ASSOCIATION**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009

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**B. OPERATING LEASE - COPIER**

During 2008, the Association entered into a lease for a copier with monthly payments of \$182 through May 2011.

Future minimum lease payments under this lease obligations are as follows as of June 30, 2009:

<u>For the Year</u> <u>Ending June 30,</u>	
2010	\$2,184
2011	<u>2,002</u>
	<u><u>\$4,186</u></u>

**C. RENT EXPENSE**

Gross rent expenses under all leases in 2009 were \$48,243.

**Note 5 RETIREMENT PLAN**

Effective February 7, 2008 the Association established a SIMPLE IRA that covers all full time salaried employees. The Association contributes 3% of eligible employee wages. Employees are allowed to contribute to the plan up to the Federal limits. Pension expense for the year ended June 30, 2009 was \$6,373.

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