

**Alcor Life Extension Foundation, Inc. and Subsidiaries**

**Consolidated Financial Statements**

**with**

**Accountants' Review Report**

**December 31, 1998**

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Accountants' Review Report

Board of Directors  
Alcor Life Extension Foundation, Inc.  
Scottsdale, Arizona

We have reviewed the accompanying consolidated statement of financial position of Alcor Life Extension Foundation, Inc. and Subsidiaries as of December 31, 1998 and the related consolidated statements of activities and changes in net assets and cash flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in the consolidated financial statements is the representation of the management of Alcor Life Extension Foundation, Inc. and Subsidiaries.

A review consists principally of inquiries of Company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

Our review was made for the purpose of expressing limited assurance that there are no material modifications that should be made to the financial statements in order for them to be in conformity with generally accepted accounting principles. The information included in the accompanying schedule of departmental revenues and expenses is presented only for supplementary analysis purposes. Such information has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and we are not aware of any material modifications that should be made thereto.

*Starkweather & Fester P.C.*

March 19, 1999

Alcor Life Extension Foundation, Inc. and Subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
(See Accountants' Review Report)

December 31, 1998

ASSETS

Current assets	
Cash and cash equivalents	\$ 105,790
Investments	965,740
Accounts receivable	70,748
Deposits	<u>23,217</u>
Total current assets	1,165,495
Property and equipment	
Land	150,000
Building and improvements	679,998
Equipment	392,297
Automobile	<u>4,500</u>
	1,226,795
Less accumulated depreciation	<u>282,885</u>
	943,910
Other assets	
Prepaid suspensions and standby	340,019
Investment in building	32,000
License, net of accumulated amortization of \$11,667	<u>13,333</u>
Total other assets	<u>385,352</u>
Total assets	<u><u>2,494,757</u></u>

LIABILITIES AND NET ASSETS

Current liabilities	
Current portion of long-term debt	\$ 3,080
Security deposits	13,652
Capital lease obligations	8,854
Deferred suspension revenue	347,559
Deferred patient care reserve	<u>1,361,797</u>
Total liabilities	1,734,942
Net assets	
Unrestricted	
Controlling interests	612,893
Minority interests	<u>140,770</u>
	753,663
Temporarily restricted	<u>6,152</u>
Total net assets	<u>759,815</u>
Total liabilities and net assets	<u><u>\$ 2,494,757</u></u>

The accompanying notes are an integral part of this statement.

Alcor Life Extension Foundation, Inc. and Subsidiaries

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
(See Accountants' Review Report)

Year Ended December 31, 1998

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and support:			
Membership dues	\$ 177,712		\$ 177,712
Rental income	105,135		105,135
Contributions	85,074	\$ 10,658	95,732
Suspension and standby	15,484		15,484
Interest	35,887	299	36,186
Gain on investments	69,159		69,159
Other	27,153		27,153
Net assets released from restrictions			
Satisfaction of donor requirements	4,805	(4,805)	
Total revenues	<u>520,409</u>	<u>6,152</u>	<u>526,561</u>
Expenses:			
Salaries and payroll taxes	138,623		138,623
Advertising	11,441		11,441
Depreciation and amortization	43,879		43,879
Magazine and publications	20,306		20,306
Emergency response	6,554		6,554
Insurance	21,745		21,745
Legal and professional	9,976		9,976
Medical supplies	35,379		35,379
Office expense	12,879		12,879
Other	15,778		15,778
Postage	15,149		15,149
Repairs and maintenance	21,957		21,957
Research projects	7,878		7,878
Suspension and standby	7,333		7,333
Telephone	16,863		16,863
Travel	5,730		5,730
Taxes and licenses	18,291		18,291
Utilities	17,145		17,145
Total expenses	<u>426,906</u>		<u>426,906</u>
Increase in net assets before minority interest	93,503	6,152	99,655
Minority interest in income	(11,989)		(11,989)
Increase in net assets	81,514	6,152	87,666
Net assets, beginning of year	<u>531,379</u>		<u>531,379</u>
Net assets, end of year	<u>\$ 612,893</u>	<u>\$ 6,152</u>	<u>\$ 619,045</u>

The accompanying notes are an integral part of this statement.

Alcor Life Extension Foundation, Inc. and Subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS  
(See Accountants' Review Report)

Year Ended December 31, 1998

Cash flows from operating activities	
Increase in net assets	\$ 87,666
Adjustment to reconcile change in net assets to net cash provided by operating activities	
Minority interest share of net income	11,989
Depreciation and amortization	43,879
Gain on investments	(69,159)
Decrease in accounts receivable	23,753
Increase in deposits	(11,392)
Decrease in accounts payable	<u>(11,449)</u>
Net cash provided by operating activities	75,287
Cash flows from investing activities	
Purchase of investments	(76,883)
Increase in prepaid suspensions and standby	<u>(125,646)</u>
Net cash used in investing activities	(202,529)
Cash flows from financing activities	
Proceeds from deferred suspension revenue	134,349
Payments on capital leases	<u>(2,586)</u>
Net cash provided by financing activities	<u>131,763</u>
Net increase in cash and cash equivalents	4,521
Cash and cash equivalents, beginning of year	<u>101,269</u>
Cash and cash equivalents, end of year	<u>\$ 105,790</u>
Cash paid for interest during period	\$ 1,427

The accompanying notes are an integral part of this statement.

Alcor Life Extension Foundation, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1998

NOTE 1 - BACKGROUND AND SUMMARY OF ACCOUNTING POLICIES

Alcor Life Extension Foundation, Inc. (Alcor) is a California non-profit organization formed under Section 501(c)(3) of the Internal Revenue Code. Alcor conducts its primary operations in Scottsdale, Arizona. Alcor is funded primarily through contributions and membership dues from its members, and rental income.

Alcor's primary exempt purpose is research and education in the science of cryonic storage and cryonic suspension.

The significant accounting policies of Alcor follow:

Principles of Consolidation: The consolidated financial statements for the year ended December 31, 1998 include all accounts of Alcor Life Extension Foundation, Inc. and its subsidiaries, the wholly owned Alcor Patient Care Trust and the 57.57% owned Cryonics Properties, LLC. All significant intercompany transactions have been eliminated.

Basis of 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, Alcor is required to report information regarding its consolidated financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Alcor has no permanently restricted net assets at December 31, 1998.

Use of Estimates: In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents: For purposes of the statement of cash flows, Alcor considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Investments: Investments are recorded at market. Unrealized gains and losses are accounted for as investment income.

Alcor Life Extension Foundation, Inc.

NOTES TO CONSOLIDATE FINANCIAL STATEMENTS

December 31, 1998

NOTE 1 - BACKGROUND AND SUMMARY OF ACCOUNTING POLICIES - CONTINUED

Property and equipment: Property and equipment costing \$500 or more are recorded at cost, or at estimated fair value at the date of gift if donated.

Depreciation and amortization are computed using the straight-line method based on estimated economic lives of the assets as follows:

Building and improvements	39-40 years
Equipment	5-20 years
Automobile	5 years

Investment in building: Interests in buildings held for investment are recorded at cost.

Prepaid suspensions and standby/Deferred suspension revenue: Prepaid suspensions and standby services are recorded as deferred revenue. Alcor recognizes suspension and standby revenue as the services are performed.

Deferred patient care reserve: Upon suspension of a patient, a specified amount of the suspension revenue is deferred and invested into the Alcor Patient Care Trust to be used for patient re-animation, at which time Alcor would recognize the revenue.

Income taxes: Alcor is exempt from Federal income taxes as an organization other than a private foundation under Section 501(c)(3) of the Internal Revenue Code.

Restricted and Unrestricted Revenue: Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

NOTE 2 - CONCENTRATION OF CREDIT RISK

Alcor maintains cash balances and cash equivalents at financial institutions. At December 31, 1998, Alcor had no deposits at financial institutions in excess of federal insurance limits. Alcor has not experienced any losses in such accounts and believes it is not exposed to any significant risk on cash and cash equivalents.



Alcor Life Extension Foundation, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1998

NOTE 3 - INVESTMENTS

Investments consist of shares in mutual funds, and are stated at market value at December 31, 1998. Interest and investment income for the year ended December 31, 1998 was \$36,186 and \$69,159, respectively.

NOTE 4 - PREPAID SUSPENSIONS AND STANDBY

Alcor must maintain prepaid suspensions and standby services in separate accounts for each member, per the suspension contracts. Alcor's bylaws require that the accounts be invested conservatively in depositories insured against loss by an agency of the Federal Government. At December 31, 1998, Alcor had invested the monies received for prepaid suspensions and standby services in certificates of deposit at financial institutions insured by the Federal Deposit Insurance Corporation up to \$100,000 per account, and in securities not insured by an agency of the Federal Government. The following is a summary of those investments.

	<u>Total invested</u>	<u>Amount insured bv FDIC</u>
Certificates of deposit	\$ 326,000	\$ 326,000
Securities	<u>14,019</u>	<u>          </u>
Total	<u>\$ 340,019</u>	<u>\$ 326,000</u>

NOTE 5 - LICENSE

Alcor purchased a license from Cryopreservation Technologies to use a new perfusate solution for laboratory research. The cost of the license was \$25,000 and is being amortized over 5 years. Amortization expense is included with depreciation and amortization expense.

NOTE 6 - CAPITAL LEASES

The cost of equipment acquired under capital leases was \$15,874 as of December 31, 1998. Amortization of assets held under capital leases is included with depreciation and amortization expense. Accumulated amortization was \$4,615 at December 31, 1998.

Alcor Life Extension Foundation, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1998

NOTE 6 - CAPITAL LEASES - CONTINUED

The following is a schedule of future minimum lease payments under capital leases, with the present value of net minimum lease payments as of December 31, 1998.

<u>Year ending December 31,</u>	
1999	\$ 4,259
2000	4,259
2001	4,181
2002	<u>1,672</u>
	14,371
Less amount representing interest	<u>2,437</u>
Present value of future minimum lease payments	<u>\$ 11,934</u>

NOTE 7 - DEFERRED PATIENT CARE RESERVE

Alcor has a financial obligation to fund the maintenance and re-animation of members who have undergone cryonic suspension. The actual amount of future expenses required to meet this obligation is unknown due to the uncertainty of how long Alcor must maintain its members in cryonic suspension and the uncertain costs of re-animation, if re-animation becomes scientifically and legally possible in the future.

NOTE 8 - FUNCTIONAL EXPENSES

Alcor conducts research and education in the field of cryonic suspension and storage. Expenses related to providing these services for the year ended December 31, 1998, are as follows:

Research and education	\$ 203,063
General and administrative	<u>223,843</u>
	<u>\$ 426,906</u>

Alcor Life Extension Foundation, Inc. and Subsidiaries

SCHEDULE OF DEPARTMENTAL ASSETS, LIABILITIES AND NET ASSETS

December 31, 1999

	General	Clinical Research	Laboratory Research	Endowment	Patient Care Trust	Cryonics Properties, LLC	Total
<b>ASSETS</b>							
Cash and cash equivalents	\$ 27,305	\$ 1,706	\$ 8,492			\$ 68,287	\$ 105,790
Investments				\$ 89,380	\$ 876,360		965,740
Accounts receivable	70,711	37					70,748
Deposits						23,217	23,217
Due to/ from other depts.	(82,108)	(217,456)	(13,326)	325,235	(12,345)		
Property and equipment							
Land						150,000	150,000
Building and improvements	2,594				5,307	672,097	679,998
Equipment	72,793	35,114	30,742		253,648		392,297
Automobile	4,500						4,500
	79,887	35,114	30,742		258,955	822,097	1,226,795
Less accum. depreciation	(59,784)	(10,689)	(12,184)		(110,251)	(89,977)	282,885
	20,103	24,425	18,558		148,704	732,120	943,910
Mortgage note					478,199	(478,199)	
Prepaid suspensions and standby		340,019					340,019
Investment in building					32,000		32,000
License, net of accumulated amortization of \$11,667			13,333				13,333
<b>Total assets</b>	<b>36,011</b>	<b>148,731</b>	<b>27,057</b>	<b>414,615</b>	<b>1,522,918</b>	<b>345,425</b>	<b>2,494,757</b>
<b>LIABILITIES AND NET ASSETS</b>							
Current portion of long-term debt	\$ 3,080						\$ 3,080
Security deposits						\$ 13,652	13,652
Capital lease obligations	8,854						8,854
Deferred suspension revenue		\$ 347,559					347,559
Deferred patient care reserve					\$1,361,797		1,361,797
<b>Total liabilities</b>	<b>11,934</b>	<b>347,559</b>			<b>1,361,797</b>	<b>13,652</b>	<b>1,734,942</b>
Net assets							
Unrestricted							
Controlling interests	17,925	(198,828)	\$ 27,057	\$ 414,615	161,121	191,003	612,893
Minority interests						140,770	140,770
	17,925	(198,828)	27,057	414,615	161,121	331,773	753,663
Temporarily restricted	6,152						6,152
<b>Total net assets</b>	<b>24,077</b>	<b>(198,828)</b>	<b>27,057</b>	<b>414,615</b>	<b>161,121</b>	<b>331,773</b>	<b>759,815</b>
<b>Total liabilities and net assets</b>	<b>\$ 36,011</b>	<b>\$ 148,731</b>	<b>\$ 27,057</b>	<b>\$ 414,615</b>	<b>\$1,522,918</b>	<b>\$ 345,425</b>	<b>\$2,494,757</b>

Alcor Life Extension Foundation, Inc. and Subsidiaries

SCHEDULE OF DEPARTMENTAL REVENUES AND EXPENSES

Year Ended December 31, 1998

	General	Clinical Research	Laboratory Research	Endowment	Patient Care Trust	Cryonics Properties, LLC	Total
<b>Revenues:</b>							
Membership dues	\$ 177,712						\$ 177,712
Rental income	(11,853)	\$ (4,796)	\$ (4,798)		\$ (2,132)	\$ 128,714	105,135
Contributions	88,370		4,805	\$ 2,557			95,732
Suspension and standby	2,000	12,484			1,000		15,484
Interest	1,116		481	4,187	78,789	(48,387)	36,186
Gain on investments				309	68,850		69,159
Other	<u>19,565</u>	<u>1,042</u>			<u>5,389</u>	<u>1,157</u>	<u>27,153</u>
Total revenues	276,910	8,730	488	7,053	151,896	81,484	526,561
<b>Expenses:</b>							
Salaries and payroll taxes	60,863	40,954	21,202		15,604		138,623
Allocations	20,329		(20,329)				
Advertising	11,025					416	11,441
Depreciation and amortization	4,229	3,272	5,000		12,812	18,566	43,879
Magazine and publications	19,925	381					20,306
Emergency response		6,554					6,554
Insurance	14,504	1,808	1,808		2,393	1,232	21,745
Legal and professional	2,314	243				7,419	9,976
Medical supplies		7,402			27,977		35,379
Office expense	12,836	40			3		12,879
Other	14,947	146		234	113	338	15,778
Postage	12,830	1,160	1,159				15,149
Repairs and maintenance	11,513	2,930	295		3,908	3,311	21,957
Research projects		3,093	4,785				7,878
Suspension and standby		7,333					7,333
Telephone	16,551	312					16,863
Travel	3,718	2,012					5,730
Taxes and licenses	1,350	270	90			16,581	18,291
Utilities	<u>5,517</u>	<u>2,706</u>	<u>2,706</u>		<u>855</u>	<u>5,361</u>	<u>17,145</u>
Total expenses	212,451	80,616	16,716	234	63,665	53,224	426,906
Minority interest						(11,989)	(11,989)
Increase (decrease) in net assets	<u>\$ 64,459</u>	<u>\$ (71,886)</u>	<u>\$ (16,228)</u>	<u>\$ 6,819</u>	<u>\$ 88,231</u>	<u>\$ 16,271</u>	<u>\$ 87,666</u>