

Alcor Life Extension Foundation, Inc. and Subsidiaries

**Consolidated Financial Statements
and
Supplementary Information**

Year Ended December 31, 2001

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To the 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. (a non-profit corporation) and subsidiaries as of December 31, 2001, and the related consolidated statements of activities 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 these 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 U.S. 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 U.S. generally accepted accounting principles. The information included in the accompanying schedule of departmental assets, liabilities and net assets and the 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.

Fester & Chapman P.C.

April 19, 2002

Alcor Life Extension Foundation, Inc. and Subsidiaries

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

December 31, 2001

ASSETS

Current assets	
Cash and cash equivalents	\$ 517,455
Investments	860,057
Accounts receivable	108,992
Deposits	39,217
Employee receivables	<u>3,000</u>
Total current assets	1,528,721
Property and equipment	
Land	176,770
Building and improvements	804,601
Equipment	<u>534,736</u>
	1,516,107
Less accumulated depreciation	<u>423,292</u>
	1,092,815
Prepaid suspensions and standby	1,673,982
Employee receivables	<u>24,000</u>
Total assets	<u>\$ 4,319,518</u>

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable	\$ 10,211
Current portion of capital lease obligations	<u>11,362</u>
Total current liabilities	21,573
Security deposits	9,057
Capital lease obligations	40,961
Deferred suspension revenue	1,679,724
Deferred patient care reserve	<u>1,783,887</u>
Total liabilities	3,535,202
Net assets	
Unrestricted controlling interests	460,659
Temporarily restricted	<u>151,011</u>
	611,670
Minority interests	<u>172,646</u>
Total net assets	<u>784,316</u>
Total liabilities and net assets	<u>\$ 4,319,518</u>

The accompanying notes are an integral part of this statement.

Alcor Life Extension Foundation, Inc. and Subsidiaries

CONSOLIDATED STATEMENT OF ACTIVITIES

(See Accountants' Review Report)

Year Ended December 31, 2001

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and support:			
Membership dues	\$ 183,033		\$ 183,033
Rental income	118,148		118,148
Contributions	237,505	\$ 131,117	368,622
Suspension and standby	227,694		227,694
Interest	35,036		35,036
Loss on investments	(211,093)		(211,093)
Other	11,989		11,989
Net assets released from restrictions	<u>50,088</u>	<u>(50,088)</u>	
Total revenues	652,400	81,029	733,429
Expenses:			
Personnel services	274,695		274,695
Marketing	50,088		50,088
Depreciation and amortization	51,718		51,718
Magazine and publications	12,665		12,665
Emergency response	17,663		17,663
Insurance	26,903		26,903
Interest	14,846		14,846
Legal and professional	115,044		115,044
Medical supplies	67,788		67,788
Office expense	23,001		23,001
Other	35,748		35,748
Postage	9,523		9,523
Repairs and maintenance	35,642		35,642
Research	1,378		1,378
Suspension and standby	60,466		60,466
Telephone	21,550		21,550
Travel	35,872		35,872
Taxes and licenses	33,545		33,545
Utilities	<u>19,965</u>		<u>19,965</u>
Total expenses	<u>908,100</u>		<u>908,100</u>
(Decrease) increase in net assets before minority interest	(255,700)	81,029	(174,671)
Minority interest in income	(4,270)		(4,270)
Minority interest in increase in reported amounts resulting from acquisitions	<u>(34,254)</u>		<u>(34,254)</u>
(Decrease) increase in net assets	(294,224)	81,029	(213,195)
Net assets, beginning of year, before minority interest	<u>754,883</u>	<u>69,982</u>	<u>824,865</u>
Net assets, end of year, before minority interest	<u>\$ 460,659</u>	<u>\$ 151,011</u>	<u>\$ 611,670</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, 2001

Cash flows from operating activities	
Decrease in net assets	\$ (213,195)
Adjustment to reconcile change in net assets to net cash provided by operating activities	
Minority interest in income	4,270
Minority interest in increase in reported amounts resulting from acquisitions	34,254
Depreciation and amortization	51,718
Loss on investments	211,093
Decrease in accounts receivable	64,865
Increase in deposits	(2,505)
Increase in employee receivable	(27,000)
Increase in accounts payable	1,765
Decrease in security deposits	(232)
Decrease in deferred patient care reserve	<u>135,049</u>
Net cash provided by operating activities	260,082
Cash flows from investing activities	
Proceeds from sale of investments	40,823
Increase in prepaid suspensions/standby	(258,238)
Purchase of additional interest in Cryonics Property LLC	(134,000)
Proceeds from sale of United Kingdom building	24,156
Purchase of equipment and leasehold improvements	<u>(12,100)</u>
Net cash used in investing activities	(339,359)
Cash flows from financing activities	
Proceeds from deferred suspension revenue	258,238
Payments on capital leases	<u>(8,465)</u>
Net cash provided by financing activities	<u>249,773</u>
Net increase in cash and cash equivalents	170,496
Cash and cash equivalents, beginning of year	<u>346,959</u>
Cash and cash equivalents, end of year	<u>\$ 517,455</u>
<u>Supplemental Disclosures</u>	
Cash paid for interest during the year	\$ 14,846
Equipment acquired under capital lease	\$ 28,053
Prepaid/deferred suspensions increased through cash surrender value of member insurance policies	\$ 742,390

The accompanying notes are an integral part of this statement.

Alcor Life Extension Foundation, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2001

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, 2001 include all accounts of Alcor Life Extension Foundation, Inc. and its subsidiaries, the wholly-owned Alcor Patient Care Trust (the Trust) and the 65.22% owned Cryonics Property, 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, 2001.

Use of Estimates: In preparing financial statements in conformity with U.S. 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. For purposes of the statement of cash flows, certain investment accounts of the prior year have been reclassified to cash and cash equivalents.

Alcor Life Extension Foundation, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2001

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

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.

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.

Advertising: Advertising costs are expensed as incurred.

Income taxes: Alcor and the Alcor Patient Care Trust are exempt from federal income taxes as an organization other than a private foundation under Section 501(c)(3) of the Internal Revenue Code.

Cryonics Property, LLC will file its income tax return on the accrual basis as a partnership for federal and state income tax purposes. As such, Cryonics Property, LLC will not pay income taxes, as any income or loss will be included in the tax returns of the individual members. Accordingly, no provision is made for income taxes in the financial statements.

Alcor Life Extension Foundation, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2001

NOTE 2 - CONCENTRATION OF CREDIT RISK

Alcor maintains cash balances and cash equivalents at several financial institutions. Checking and savings balances are insured by the Federal Deposit Insurance Corporation up to \$100,000. At December 31, 2001, Alcor had bank deposits of \$36,139 in excess of its insured level. Alcor has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk concerning cash and cash equivalents.

NOTE 3 - INVESTMENTS

Investments consist of corporate and government bonds, shares of stocks and mutual funds. These investments are stated at market value at December 31, 2001. Interest income and loss on investments for the year ended December 31, 2001 were \$35,036 and \$211,093, 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, 2001, 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. Alcor had certificates of deposit in excess of federally insured limits of approximately \$18,335. As of January 1, 2001, Alcor instituted a new policy requiring new members to name Alcor as beneficiary of any life insurance policy the member uses to fund their suspension. Policies can be returned to members at any time. The following is a summary of those investments and life insurance policies.

	Total Invested	Amount insured by FDIC
Certificates of deposit	\$ 304,772	\$ 286,437
Insured deposit accounts	<u>626,820</u>	<u>626,820</u>
Total member investments	\$ 931,592	<u>\$ 913,257</u>
Cash surrender value of member life insurance policies	<u>742,390</u>	
Total prepaid suspensions and standby	<u>\$ 1,673,982</u>	

Alcor Life Extension Foundation, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2001

NOTE 5 - 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 6 - CAPITAL LEASES

The cost of equipment acquired under capital leases was \$74,470 as of December 31, 2001. Amortization of assets held under capital leases is included with depreciation and amortization expense. Accumulated amortization was \$26,438 at December 31, 2001.

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, 2001.

Year ending December 31,	
2002	\$ 19,752
2003	18,192
2004	17,054
2005	10,904
2006	<u>7,283</u>
	73,185
Less amount representing interest	<u>20,862</u>
Present value of future minimum lease payments	<u>\$ 52,323</u>

NOTE 7 - 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, 2001, are as follows:

Research and education	\$461,892
General and administrative	<u>443,729</u>
	<u>\$905,621</u>

Alcor Life Extension Foundation, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2001

NOTE 8 - EMPLOYEE LEASING

On May 6, 2001 Alcor renewed its one-year agreement with Action Employment Resources, Inc. (AER) to provide professional employment services. Under the terms of this agreement, AER assumes payroll administration and human resource responsibilities for Alcor, and as a result, Alcor's staff work as employees of AER.

NOTE 9 - RELATED PARTY TRANSACTIONS

Two member's of Alcor's board of directors are also on the board of directors of BioTransport, Inc. BioTransport, Inc. used Alcor's personnel, facilities, and equipment in its operations. In exchange for these services and expenses, BioTransport, Inc. transferred \$49,177 in medical supplies to Alcor.

NOTE 10 - ACQUISITIONS

Alcor Patient Care Trust increased its ownership in its subsidiary, Cryonics Property, LLC, from 56.52% to 65.22%. The Trust acquired three partners' ownership interests in January, July and August, 2001, for a total purchase price of \$134,000. These acquisitions were accounted for as a purchase, whereby the underlying assets acquired and liabilities assumed are recorded at their fair market values.

SUPPLEMENTARY INFORMATION

Alcor Life Extension Foundation, Inc. and Subsidiaries

SCHEDULE OF DEPARTMENTAL ASSETS, LIABILITIES AND NET ASSETS
(See Accountants' Review Report)

December 31, 2001

	General	Clinical Research	Laboratory Research	Endowment	Patient Care Trust	Cryonics Property, LLC	Consolidating and Eliminating	Total
ASSETS								
Cash and cash equivalents	\$ 197,364	\$ 12,545	\$ 1,575	\$ 40,441	\$ 227,379	\$ 38,151		\$ 517,455
Investments				44,846	784,872	30,339		860,057
Accounts receivable	96,139	12,853						108,992
Deposits						39,217		39,217
Employee receivables	3,000							3,000
Due to/from other departments	(27,010)	(268,567)	(40,822)	336,399				
Total current assets	269,493	(243,169)	(39,247)	421,686	1,012,251	107,707		1,528,721
Property and equipment								
Land						150,000	26,770	176,770
Building and improvements	6,717				5,421	712,152	80,311	804,601
Equipment	118,243	42,458	30,742		343,293			534,736
	124,960	42,458	30,742		348,714	862,152	107,081	1,516,107
Less accumulated depreciation	74,355	20,954	22,601		161,844	143,538		423,292
	50,605	21,504	8,141		186,870	718,614	107,081	1,092,815
Prepaid suspensions and standby		1,673,982						1,673,982
Employee receivables	24,000							24,000
Mortgage note					440,228	(440,228)		
Investment in Cryonics Property, LLC					345,725		\$ (345,725)	
Total assets	\$ 344,098	\$ 1,452,317	\$ (31,106)	\$ 421,686	\$ 1,985,074	\$ 386,093	\$ (238,644)	\$ 4,319,518
LIABILITIES AND NET ASSETS								
Current liabilities								
Accounts payable					\$ 10,211			\$ 10,211
Current portion of capital lease obligations	\$ 10,264	\$ 1,098						11,362
Total current liabilities	10,264	1,098			10,211			21,573
Security deposits						\$ 9,057		9,057
Capital lease obligations	25,622	1,472			13,867			40,961
Deferred suspension revenue		1,679,724						1,679,724
Deferred patient care reserve					1,783,887			1,783,887
Total liabilities	35,886	1,682,294			1,807,965	9,057		3,535,202
Net assets								
Unrestricted controlling interests	157,201	(229,977)	\$ (31,106)	\$ 421,686	177,109	377,036	\$ (411,290)	460,659
Temporarily restricted	151,011							151,011
	308,212	(229,977)	(31,106)	421,686	177,109	377,036	(411,290)	611,670
Minority interests							172,646	172,646
Total net assets	308,212	(229,977)	(31,106)	421,686	177,109	377,036	(238,644)	784,316
Total liabilities and net assets	\$ 344,098	\$ 1,452,317	\$ (31,106)	\$ 421,686	\$ 1,985,074	\$ 386,093	\$ (238,644)	\$ 4,319,518

Alcor Life Extension Foundation, Inc. and Subsidiaries

SCHEDULE OF DEPARTMENTAL REVENUES AND EXPENSES

(See Accountants' Review Report)

Year Ended December 31, 2001

	General	Clinical Research	Laboratory Research	Endowment	Patient Care Trust	Cryonics Property, LLC	Consolidating and Eliminating	Total
Revenue and support:								
Membership dues	\$ 183,033							\$ 183,033
Rental income						\$ 142,355	\$ (24,207)	118,148
Contributions	364,622	\$ 4,000						368,622
Suspensions and standby		227,694						227,694
Interest	1,599	2,644	\$ 90		\$ 75,496		(44,793)	35,036
Loss on investments	(50,410)				(154,516)		(6,167)	(211,093)
Other	9,326	550			394	1,719		11,989
Total revenues	508,170	234,888	90		(78,626)	144,074	(75,167)	733,429
Expenses:								
Personnel services	66,466	152,984	23,534		31,711			274,695
Allocation	25,630		(25,630)					
Marketing	50,088							50,088
Depreciation and amortization	5,818	3,545	5,417		18,949	17,989		51,718
Magazine and publications	12,508	157						12,665
Emergency response		17,663						17,663
Insurance	15,630	5,248	2,789		2,164	1,072		26,903
Interest	13,866	808			172	44,793	(44,793)	14,846
Legal and professional	86,160	13,676	1,758		2,405	11,045		115,044
Medical supplies		47,439			20,349			67,788
Office expense	12,269	10,732						23,001
Other	10,775	20,668			230	4,075		35,748
Postage	9,523							9,523
Rent	11,235	5,227	5,228		2,517		(24,207)	
Repairs and maintenance	16,127	108			1,142	18,265		35,642
Research		1,378						1,378
Suspension and standby		60,466						60,466
Telephone	14,953	6,597						21,550
Travel	33,976	1,896						35,872
Taxes and licenses	588	2,090				30,867		33,545
Utilities	7,452	3,452	2,662		868	5,531		19,965
Total expenses	393,064	354,134	15,758		80,507	133,637	(69,000)	908,100
Increase (decrease) in net assets before minority interest	\$ 115,106	\$ (119,246)	\$ (15,668)	\$	\$(159,133)	\$ 10,437	\$ (6,167)	\$ (174,671)