

**ALCOR LIFE EXTENSION FOUNDATION, INC.
AND AFFILIATES**

CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2013

**ALCOR LIFE EXTENSION FOUNDATION, INC.
AND AFFILIATES**

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors of

ALCOR LIFE EXTENSION FOUNDATION, INC. AND AFFILIATES

We have reviewed the accompanying consolidated statement of financial position of ***Alcor Life Extension Foundation, Inc. and Affiliates*** (the "Foundation") as of December 31, 2013 and the related consolidated statements of changes in net assets and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the consolidated financial statements as a whole. Accordingly, we do not express such an opinion.

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 designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of the consolidated financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the consolidated financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

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

We previously reviewed ***Alcor Life Extension Foundation, Inc. and Affiliates'*** 2012 consolidated financial statements and in our report dated November 11, 2013, stated that based on our procedures, we were not aware of any material modifications that should be made to the 2012 consolidated financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. We were not aware of any material modifications that should be made to the summarized comparative information presented herein as of and for the year ended December 31, 2012, for it to be consistent with the reviewed consolidated financial statements from which it has been derived.

A handwritten signature in cursive script that reads "Mayer Hoffman McCann P.C.".

Phoenix, Arizona
March 19, 2015

**ALCOR LIFE EXTENSION FOUNDATION, INC.
AND AFFILIATES**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2013

(with comparative information at December 31, 2012)

	<u>ASSETS</u>	<u>2013</u>	<u>2012</u>
CURRENT ASSETS			
Cash and cash equivalents	\$	929,121	\$ 1,804,087
Restricted cash		542,943	372,939
Accounts receivable, net		234,198	140,679
Promises to give		-	139,089
Other current assets		201,994	198,923
TOTAL CURRENT ASSETS		<u>1,908,256</u>	<u>2,655,717</u>
PROPERTY AND EQUIPMENT, net		637,616	621,436
INVESTMENTS		13,565,386	10,811,657
BENEFICIAL INTEREST IN PERPETUAL TRUST		3,122,530	3,023,620
PREPAID CRYOPRESERVATION AND STANDBY		<u>5,442,236</u>	<u>4,522,107</u>
TOTAL ASSETS		<u>\$ 24,676,024</u>	<u>\$ 21,634,537</u>
 <u>LIABILITIES AND NET ASSETS</u> 			
CURRENT LIABILITIES			
Accounts payable	\$	28,771	\$ 52,937
Accrued expenses		46,414	56,638
TOTAL CURRENT LIABILITIES		<u>75,185</u>	<u>109,575</u>
DEFERRED CRYOPRESERVATION AND STANDBY REVENUE		5,442,236	4,522,107
DEFERRED COMPREHENSIVE MEMBER STANDBY REVENUE		327,087	321,150
DEFERRED REVENUE		32,664	22,110
DEFERRED PATIENT CARE RESERVE		<u>6,755,000</u>	<u>6,245,000</u>
TOTAL LIABILITIES		<u>12,632,172</u>	<u>11,219,942</u>
NET ASSETS			
Unrestricted			
Controlling interest		8,893,303	7,266,375
Noncontrolling interest		28,019	24,303
Total unrestricted		<u>8,921,322</u>	<u>7,290,678</u>
Temporarily restricted		-	100,297
Permanently restricted		<u>3,122,530</u>	<u>3,023,620</u>
TOTAL NET ASSETS		<u>12,043,852</u>	<u>10,414,595</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 24,676,024</u>	<u>\$ 21,634,537</u>

See Notes to Consolidated Financial Statements
See Independent Accountants' Review Report

**ALCOR LIFE EXTENSION FOUNDATION, INC.
AND AFFILIATES**

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

Year Ended December 31, 2013

(with comparative totals for the year ended December 31, 2012)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2013	2012
REVENUE AND SUPPORT					
Membership dues	\$ 482,682	\$ -	\$ -	\$ 482,682	\$ 488,692
Bequests	83,011	-	-	83,011	107,318
Contributions	224,802	-	-	224,802	385,788
Interest and distribution income	196,320	-	-	196,320	142,160
Realized and unrealized gains on investments	1,566,771	-	-	1,566,771	848,385
Cryopreservation and standby	556,050	-	-	556,050	329,144
Rental income	39,365	-	-	39,365	43,705
Change in value of beneficial interest in perpetual trust	-	-	98,910	98,910	171,107
Other	10,499	-	-	10,499	93,894
Total revenue and support before net assets released from restrictions	3,159,500	-	98,910	3,258,410	2,610,193
Net assets released from restrictions	100,297	(100,297)	-	-	-
TOTAL REVENUE AND SUPPORT	3,259,797	(100,297)	98,910	3,258,410	2,610,193
EXPENSES					
Payroll and benefits	608,921	-	-	608,921	676,607
Professional fees	132,470	-	-	132,470	159,932
Marketing	11,641	-	-	11,641	3,719
Depreciation	89,603	-	-	89,603	81,862
Bad debts	23,010	-	-	23,010	61,662
Office supplies	58,213	-	-	58,213	59,213
Cryopreservation	258,567	-	-	258,567	56,865
Liquid nitrogen	34,042	-	-	34,042	54,879
Utilities	56,366	-	-	56,366	50,861
Insurance	47,819	-	-	47,819	46,985
Taxes, licenses, and permits	36,770	-	-	36,770	31,656
Readiness	21,685	-	-	21,685	30,747
Royalty	19,105	-	-	19,105	23,008
Contract services	16,158	-	-	16,158	21,959
Repairs and maintenance	32,254	-	-	32,254	19,315
Bank charges	18,182	-	-	18,182	17,839
Travel	6,483	-	-	6,483	16,426
Research and development	51,035	-	-	51,035	11,547
Management fee	7,200	-	-	7,200	7,454
Lease expense	13,435	-	-	13,435	5,871
Public education	84,103	-	-	84,103	109,212
Miscellaneous	2,091	-	-	2,091	2,281
TOTAL EXPENSES	1,629,153	-	-	1,629,153	1,549,900
LOSS ON PATIENT CARE RESERVE	-	-	-	-	190,000
CHANGE IN NET ASSETS	1,630,644	(100,297)	98,910	1,629,257	870,293
NET ASSETS, BEGINNING OF YEAR	7,290,678	100,297	3,023,620	10,414,595	9,544,302
NET ASSETS, END OF YEAR	\$ 8,921,322	\$ -	\$ 3,122,530	\$ 12,043,852	\$ 10,414,595
CHANGE IN NET ASSETS ATTRIBUTABLE TO NONCONTROLLING INTEREST	\$ 3,716	\$ -	\$ -	\$ 3,716	\$ 3,325
CHANGE IN NET ASSETS ATTRIBUTABLE TO CONTROLLING INTEREST	1,626,928	(100,297)	98,910	1,625,541	866,968
CHANGE IN NET ASSETS	\$ 1,630,644	\$ (100,297)	\$ 98,910	\$ 1,629,257	\$ 870,293

See Notes to Consolidated Financial Statements
See Independent Accountants' Review Report

**ALCOR LIFE EXTENSION FOUNDATION, INC.
AND AFFILIATES**

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended December 31, 2013
(with comparative totals for the year ended December 31, 2012)

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets attributable to controlling interest	\$ 1,625,541	\$ 866,968
Adjustments to reconcile the change in net assets attributable to controlling interest to net cash provided by (used in) operating activities		
Change in value of a beneficial interest in perpetual trust	(98,910)	(171,107)
Change in net assets attributable to noncontrolling interest	3,716	3,325
Provision for bad debts	23,010	61,662
Depreciation	89,603	81,862
Realized and unrealized gains on investments	(1,566,771)	(848,385)
Gain on sale of equipment	(3,000)	-
Loss on patient care reserve	-	190,000
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Accounts receivable	(116,529)	143,111
Promises to give	139,089	(73,902)
Other current assets	(3,071)	(68,265)
Prepaid cryopreservation and standby	(920,129)	62,740
Increase (decrease) in:		
Accounts payable	(24,166)	(72,338)
Accrued expenses	(10,224)	5,129
Deferred revenue	10,554	(2,090)
Deferred patient care reserve	510,000	160,000
Net cash provided by (used in) operating activities	(341,287)	338,710
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in restricted cash	(170,004)	62,246
Purchase of property and equipment	(105,783)	(18,622)
Proceeds from sale of equipment	3,000	-
Purchases of investments	(1,265,642)	(635,310)
Proceeds from sale of investments	78,684	355,000
Net cash used in investing activities	(1,459,745)	(236,686)
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in deferred cryopreservation and comprehensive member revenues	926,066	(46,327)
Net cash provided by (used in) financing activities	926,066	(46,327)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(874,966)	55,697
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,804,087	1,748,390
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 929,121	\$ 1,804,087

See Notes to Consolidated Financial Statements
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**ALCOR LIFE EXTENSION FOUNDATION, INC.
AND AFFILIATES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2013
(with comparative totals for the year ended December 31, 2012)

(1) Company operations and summary of significant accounting policies

Nature of operations – *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 cryopreservation. Members guarantee a certain level of funding which will be paid to Alcor upon the legal death of the member to support Comprehensive Member Standby (CMS), cryopreservation, long-term care, and, if it becomes possible, resuscitation of the member.

The significant accounting policies of Alcor are as follows:

Principles of consolidation – The consolidated financial statements include all accounts of Alcor Life Extension Foundation, Inc. and its affiliates, Alcor Endowment Trust Supporting Organization (“Endowment Trust”), the Alcor Patient Care Trust (the “Trust”) and Cryonics Property, LLC (the “LLC”). The Trust had an ownership interest of 84.0580% in the LLC at December 31, 2013 and 2012. Alcor is the beneficiary of the Trust. The Trust and its affiliate, the LLC, are consolidated with Alcor as Alcor has control of the Trust. Alcor’s Board of Directors appoints the Trust’s board members. All significant intercompany transactions have been eliminated in consolidation.

Alcor’s operations include performing research and development for the cryopreservation or biostasis process, maintaining current patients in biostasis, placing members into biostasis, eventually restoring all patients to health if it becomes possible, and providing public education.

The Endowment Trust, which was formed in 2013, holds and utilizes significant resources that must be used exclusively for the purposes of Alcor. Accordingly, Alcor has an economic interest in the Endowment Trust. Additionally, Alcor has control over the Endowment Trust through a shared board of directors.

The Trust is an irrevocable trust that maintains amounts funded for patients in biostasis. The Trust pays Alcor for itemized expenses related to patient care. The Trust also owns the LLC.

The LLC owns the Alcor building and leases space to other tenants in addition to Alcor.

Basis of presentation – The consolidated financial statements are presented in accordance with FASB ASC 958-205, *Not-for-Profit Entities – Presentation of Financial Statements*. Under FASB ASC 958-205, Alcor is required to report information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Prior year summarized information – The consolidated 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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Alcor’s consolidated financial statements for the year ended December 31, 2012, from which the summarized information was derived.

**ALCOR LIFE EXTENSION FOUNDATION, INC.
AND AFFILIATES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2013
(with comparative totals for the year ended December 31, 2012)

(1) Company operations and summary of significant accounting policies (continued)

Management's 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 the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents – Cash includes cash and, at times, cash equivalents, which consist of highly liquid financial investments purchased with an original maturity of three months or less. Accounts at each institution are insured in limited amounts by the Federal Deposit Insurance Corporation (FDIC).

Restricted cash – Restricted cash is specifically reserved to provide standby services for Alcor's members. At December 31, 2013 and 2012, funds collected that had not been spent for their intended purpose are reported as restricted cash in the accompanying consolidated statement of financial position.

Investments – Alcor accounts for its investments in accordance with FASB ASC 958-320, Not-for-Profit Entities – Investments – Debt and Equity Securities and FASB ASC 958-325, Not-for-Profit Entities – Investments – Other. Under FASB ASC 958-320, Alcor is required to report investments in equity securities that have readily determinable fair values, and all investments in debt securities, including negotiable certificates of deposit, at fair value. The fair value of securities with readily determinable fair values is based upon quoted market prices or publicly available net asset values. Negotiable certificates of deposit, U.S. Treasury securities and U.S. Federal Agency securities are valued using proprietary valuation models incorporating live data from active market makers and inter-dealer brokers as reported on electronic communication networks. The valuation models incorporate benchmark yields, reported trades, broker/dealer quotes, bids, offers, and other data. Under FASB ASC 958-325, certificates of deposit investments that are not debt securities are stated at amortized cost.

In 2013, Alcor purchased an investment of preferred stock in a privately held company for which Alcor board members are officers. Under FASB ASC 958-325, Alcor accounts for the investment in this privately held company using the cost method. The total cost of the investment in these stocks is \$190,000 as of December 31, 2013.

Investments are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in risks in the near term could materially affect account balances and the amounts reported in the accompanying consolidated financial statements.

Accounts receivable – Accounts receivable consists primarily of amounts due for membership dues, CMS dues, and cryopreservations performed. Accounts receivable are stated at the amount management expects to collect. Management provides for uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual balances. Accounts receivable are considered impaired if full payments are not received in accordance with the contractual terms. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. At December 31, 2013 and 2012 accounts receivable are net of an allowance for doubtful accounts of \$72,971 and \$74,290, respectively.

**ALCOR LIFE EXTENSION FOUNDATION, INC.
AND AFFILIATES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2013
(with comparative totals for the year ended December 31, 2012)

(1) Company operations and summary of significant accounting policies (continued)

Promises to give – Unconditional promises to give that are to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are initially recorded at the fair value of their estimated future cash flows as of the date of the promise to give through the use of a present value discount technique. In periods subsequent to initial recognition, unconditional promises to give are reported at the amount management expects to collect and are discounted over the collection period using the same discount rate as determined at the time of initial recognition. The discount rate determined at the initial recognition of the unconditional promise to give is based upon management's assessment of many factors, including when the receivable is expected to be collected, the creditworthiness of the other parties, the organization's past collection experience and its policies concerning the enforcement of promises to give, expectations about possible variations in the amount or timing, or both, of the cash flows, and other factors concerning the receivable's collectibility. Amortization of the discounts, if any, is included in support from contributions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Promises to give are stated at the amount management expects to collect. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to promises to give. All promises to give are expected to be collected in full within one year, and accordingly an allowance for uncollectible pledges is not deemed necessary.

Property and equipment – Property and equipment is recorded at cost. Donated property and equipment is recorded at its fair value at the date of gift to Alcor. Additions and betterments in excess of \$1,000 are capitalized. Maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed. Depreciation is computed using the straight-line method over the following general range of estimated useful lives:

Buildings and leasehold improvements	5 - 39 years
Machinery and office equipment	5 - 20 years
Medical equipment	5 - 20 years
Vehicles	5 years

Impairment of long-lived assets – Alcor accounts for long-lived assets in accordance with the provisions of FASB ASC 360, *Property, Plant and Equipment*. FASB ASC 360 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. No impairment charges were recorded for the years ended 2013 and 2012.

Prepaid cryopreservation and standby – Prepaid cryopreservation and standby services are refundable until services are provided and are recorded as a liability. Cryopreservation revenues and expenses are recognized upon the cryopreservation of a patient. Standby revenues and expenses are recognized upon providing emergency staff and transportation services to patients prior to cryopreservation, including all rescue activities up through the time the patient is transferred to the Alcor facilities for cryopreservation. At the time of providing these services, Alcor utilizes the assets held in prepaid cryopreservation and standby to fund the services.

**ALCOR LIFE EXTENSION FOUNDATION, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2013
(with comparative totals for the year ended December 31, 2012)

(1) Company operations and summary of significant accounting policies (continued)

Alcor is required to report prepaid cryopreservation and standby funds invested in equity securities that have readily determinable fair values and all investments in debt securities, at fair value. The fair value is based on quoted market prices. The certificates of deposit are valued at estimated fair market value based on the certificates' stated interest rate and current market interest rate. The life insurance policies are valued at the cash surrender value as of year-end as reported by the policy provider.

Deferred patient care reserve – Upon cryopreservation of a patient, a specified amount of the cryopreservation revenue is deferred and invested into the Alcor Patient Care Trust to be used for patient maintenance and potential revival. Upon potential revival, Alcor would recognize as revenue amounts held in the patient care trust reserved for the potentially revived patient. Costs to maintain the patient until such time that potential revival may be possible are expensed as incurred.

In 2012, the Board determined that the deferred patient care reserve should be increased due to expected future increases in the cost of patient care, including projected increases in the cost of liquid nitrogen and overhead for the expanded patient care facility. In September 2012, in anticipation of these cost increases, the Board approved an increase to the required minimums attributed to the patient care trust under the cryopreservation agreement. The patient care trust fund minimums represent the estimated future costs to be incurred by Alcor to meet patient obligations under the cryopreservation agreement. Consequently, in 2012 Alcor recognized an increase in the deferred patient care reserve and a loss of \$190,000 for this change in estimate.

The estimate for the deferred patient care reserve is developed using actuarial methods based on assumptions and estimates, and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount deferred. The methods for making such estimates and for establishing the resulting liability are continually reviewed and adjustments are reflected in each period when necessary.

Membership dues – Alcor does not provide significant tangible benefits to members for their membership in Alcor over the membership period. Accordingly, membership dues are recorded in accordance with contributions as described below.

Contributions – Alcor accounts for contributions in accordance with FASB ASC 958-605, *Not-for-Profit Entities – Revenue Recognition*. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the existence and/or 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 consolidated statement of changes in net assets as net assets released from restrictions. Restricted support, where restrictions are met in the same period as the donation is made, is shown as additions to unrestricted support.

Bequests – Bequests are recognized as contribution revenue in the period Alcor receives notification the court has found the will of the donor's estate to be valid and all conditions have been substantially met.

Advertising – Advertising costs are expensed as incurred, and amounted to \$3,797 and \$437 for the years ended December 31, 2013 and 2012, respectively.

Functional expense allocation – Expenses are charged to program services and supporting service categories based on direct expenditures incurred. Any expenditures not directly chargeable to a functional expense category are allocated based upon personnel activity or other appropriate indicators.

See Independent Accountants' Review Report

**ALCOR LIFE EXTENSION FOUNDATION, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2013
(with comparative totals for the year ended December 31, 2012)

(1) Company operations and summary of significant accounting policies (continued)

Limited liability company – Based on the type of organization of Cryonics Property, LLC (an indefinite life entity) and as otherwise provided in the operating agreement executed by the members of this company, no member is personally liable for any acts, debts or liabilities beyond the members' capital contributions.

Fair value measurements – FASB ASC 820, *Fair Value*, establishes a common definition for fair value to be applied to accounting principles generally accepted in the United States of America requiring use of fair value, establishes a framework for measuring fair value, and expands disclosures about such fair value measurements. FASB ASC 820 also establishes a hierarchy for ranking the quality and reliability of the information used to determine fair values by requiring that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1: Unadjusted quoted market prices in active markets for identical assets or liabilities.

Level 2: Unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.

Level 3: Unobservable inputs for the asset or liability.

Income tax status – Alcor, Alcor Endowment Trust Supporting Organization, and the Alcor Patient Care Trust qualify as tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code (the Code) and, accordingly, there is no provision for income taxes. Alcor, Alcor Endowment Trust Supporting Organization and the Alcor Patient Care Trust are also exempt from state income tax. In addition, Alcor, Alcor Endowment Trust Supporting Organization and the Alcor Patient Care Trust qualify for the charitable contribution deduction under Section 170 of the Code and have been classified as organizations that are not private foundations. Income determined to be unrelated business taxable income (UBTI) would be taxable.

Cryonics Property, LLC files 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 members.

Alcor, Alcor Endowment Trust Supporting Organization and the Alcor Patient Care Trust evaluate their uncertain tax positions, if any, on a continual basis through review of their policies and procedures, review of their regular tax filings, and discussions with outside experts.

Alcor's, Alcor Endowment Trust Supporting Organization's federal Return of Organization Exempt from Income Tax (Form 990) and the LLC's Form 1065 for 2013, 2012 and 2011 are subject to examination by the IRS, generally for three years after they were filed.

Subsequent events – Alcor has evaluated subsequent events through March 19, 2015, which is the date the consolidated financial statements were available to be issued.

**ALCOR LIFE EXTENSION FOUNDATION, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2013
(with comparative totals for the year ended December 31, 2012)

(2) Investments

Alcor's investments consist of the following:

	<u>2013</u>	<u>2012</u>
Negotiable certificates of deposit (fair value)	\$ 4,944,016	\$ 5,065,824
PIMCO enhanced short maturity exchange traded fund	2,487,406	-
Cash and cash equivalents	1,158,332	769,712
Index fund - DOW30	1,135,560	955,830
Index fund - S&P 500	1,128,160	1,065,782
Index fund - NASDAQ-100	1,124,484	1,057,285
Other exchange traded funds	585,275	-
Certificates of deposit (amortized cost)	540,000	35,553
Other common stock and equity mutual funds	252,021	766,934
Unregistered preferred stock	190,000	-
U.S. Federal agency securities	19,560	342,562
Money market funds	572	-
Common stock – technology	-	752,175
Total investments	<u>\$ 13,565,386</u>	<u>\$ 10,811,657</u>

(3) Property and equipment

Property and equipment consists of the following:

	<u>2013</u>	<u>2012</u>
Cost or donated value:		
Land, buildings, and leasehold improvements	\$ 834,636	\$ 804,291
Machinery and office equipment	177,586	310,055
Medical equipment	848,861	802,038
Vehicles	74,260	82,542
Assets not in service	43,509	42,600
Total cost or donated value	1,978,852	2,041,526
Accumulated depreciation	(1,341,236)	(1,420,090)
Net property and equipment	<u>\$ 637,616</u>	<u>\$ 621,436</u>

Depreciation expense charged to operations was \$89,603 and \$81,862 for the years ended December 31, 2013 and 2012, respectively. Assets not in service consists of medical equipment acquired to provide future cryopreservation services and therefore was not depreciated in 2013 or 2012. Alcor expects to place these assets into service and begin depreciating the medical equipment within two years.

(4) Beneficial interest in perpetual trust

Alcor is the primary beneficiary of an irrevocable trust that is held by a third party in perpetuity. Alcor records its interest in the trust assets at the fair value of the underlying assets of the trust. The beneficial interest in the trust is classified as permanently restricted. The unit of account for fair value measurement related to this beneficial interest is the beneficial interest itself, and not the underlying assets of the trust. There are no unadjusted quoted market prices in active markets for identical beneficial interests (Level 1 inputs) and no other observable inputs in active or inactive markets specific to beneficial interests (Level 2 inputs). Accordingly, the fair value of the beneficial interest is based upon unobservable inputs for the beneficial interest (Level 3 inputs). The fair value of Alcor's beneficial interest in the perpetual trust totaled \$3,122,530 and \$3,023,620 at December 31, 2013 and 2012, respectively.

**ALCOR LIFE EXTENSION FOUNDATION, INC.
AND AFFILIATES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2013
(with comparative totals for the year ended December 31, 2012)

(4) Beneficial interest in perpetual trust (continued)

The trust provides for an annual distribution of income and principal equal to the amount of 1% of the fair value of the trust as determined on the second calendar day of each calendar year. Distributions are recognized as investment income in the period of the distribution. Distribution income totaled \$30,242 and \$28,704 for the years ended December 31, 2013 and 2012, respectively.

The trust includes a provision that, upon the successful revival of the trustor from a cryopreserved state, the trustee shall distribute any part of the trust property not disposed by the provisions of the trust to the trustor. Resuscitation of members is not yet possible and, accordingly, Alcor has recognized its full interest in the perpetual trust as permanently restricted. If resuscitation becomes possible in the future, Alcor will reevaluate the accounting for this trust agreement under the provisions of FASB ASC 450, *Contingencies*.

(5) Prepaid cryopreservation and standby

Alcor must maintain funds for prepaid cryopreservation and standby services in separate accounts for each member, per the cryopreservation contracts. At December 31, 2012, all or a portion of the prepaid cryopreservation and standby funds were not invested in accounts holding assets insured by the FDIC. Subsequent to December 31, 2012, management moved the funds into FDIC insured assets. As of January 1, 2001, Alcor instituted a policy requiring new members to name Alcor as the beneficiary of any life insurance policy the member uses to fund their cryopreservation. Policies can be returned to members at any time.

The following is a summary of those investments and life insurance policies:

	2013	2012
Cash	\$ 2,161,738	\$ -
Money market funds	-	1,692,999
Total member investments	2,161,738	1,692,999
Cash surrender value of member life insurance policies	3,280,498	2,829,108
Total prepaid cryopreservation and standby	\$ 5,442,236	\$ 4,522,107

Alcor has a financial obligation to provide standby services to members residing in the continental U.S. and Canada. Standby services include emergency staff and transportation services to patients prior to cryopreservation, including all rescue activities necessary to bring the patient to the Alcor facilities for cryopreservation. Members pay cryopreservation and standby fees to Alcor to fund future standby expenses. Cryopreservation and standby fees will be recognized as revenue as standby expenses are incurred.

(6) Deferred patient care reserve

Alcor has a financial obligation to fund the maintenance and potential revival of members who have undergone cryopreservation. 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 cryopreservation and the uncertain costs of potential revival, if potential revival becomes scientifically and legally possible in the future. Therefore, these amounts are presently reflected as a deferred item. It is at least reasonably possible that this significant estimate will change in the near term.

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Year Ended December 31, 2013
(with comparative totals for the year ended December 31, 2012)

(7) Functional expenses

Alcor conducts research and education in the field of cryopreservation and storage. Expenses related to providing these services are as follows:

	2013	2012
Program	\$ 1,116,776	\$ 983,282
General and administrative	405,396	454,545
Fundraising	16,398	3,162
Cryonics Property, LLC, net of eliminations	90,583	108,911
Total	\$ 1,629,153	\$ 1,549,900

During the year ended December 31, 2013, Alcor purchased \$113,125 of services from a company for which Alcor board members are officers. No such services were purchased in 2012.

(8) Line of credit

In December 2007, Alcor entered into a \$100,000 revolving line of credit agreement which had an original expiration date in December 2012. The line of credit was subject to interest at the prime rate plus 2.75% with a minimum of 6.5%. There have since been four amendments to the line in 2009, 2010, 2012, and 2013, all changing the interest rate. The latest amendment changed the interest rate to prime plus 1.0% (4.25% at December 31, 2013) within a minimum of 3% to be paid monthly. The line of credit was amended again in November 2014 to remove the maturity date and change the terms of the line of credit such that is due upon 90 day notice from the lender. The line of credit is collateralized by future rights, title, interest and claims of Alcor, and substantially all property of Alcor. As of December 31, 2013 and 2012, no amounts were outstanding under this line of credit.

(9) Temporarily restricted net assets

Temporarily restricted net assets consist entirely of time restricted promises to give. The restriction is met when the promised items are received.

(10) Leases and commitments

There are no future minimum lease payments related to noncancelable operating leases with terms of one year or more at December 31, 2013. Rent expense totaled \$13,435 and \$5,871 for the years ended December 31, 2013 and 2012, respectively.

Cryonics Property, LLC is the lessor for office space under operating leases. The leases expire at various periods through August 2017. Rent income totaled \$39,365 and \$43,705 for the years ended December 31, 2013 and 2012, respectively.

Future minimum lease payments expected to be received as of December 31, 2013 are as follows:

<u>Years Ending December 31,</u>	
2014	\$ 50,400
2015	39,466
2016	17,590
2017	11,959
Total future minimum payments	\$ 119,415

**ALCOR LIFE EXTENSION FOUNDATION, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2013
(with comparative totals for the year ended December 31, 2012)

(10) Leases and commitments (continued)

Alcor has an agreement to pay royalty fees to a third party for the use of certain medical technologies. The fee is paid in annual installments due in September of each year, expiring in September 2015. The remaining commitments for this agreement as of December 31, 2013 are as follows:

<u>Years Ending December 31,</u>	
2014	\$ 19,104
2015	<u>19,677</u>
Total remaining commitments	<u>\$ 38,781</u>

(11) Retirement plan

Alcor has a 401(k) defined contribution plan (the "Plan") covering all employees meeting certain eligibility requirements. The Plan calls for contributions equal to 50% of the first 6% of eligible employee deferrals. Effective January 1, 2012, the Plan was amended to adopt a Safe Harbor non-elective contribution on behalf of each eligible employee in an amount equal to 3% of the eligible employee's compensation for the Plan year. Alcor contributed \$15,633 and \$15,851 to the Plan for the years ended December 31, 2013 and 2012, respectively.

(12) Contingencies

Alcor is subject to various claims, legal proceedings, and investigations covering a wide range of matters that may arise in the ordinary course of business. Management believes the resolution of claims and pending litigation will not have a material effect on Alcor's consolidated results of operations.

(13) Fair value measurements

The following table sets forth the level, within the fair value hierarchy of Alcor's assets and liabilities subject to recurring fair value measurement as of December 31, 2013:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
PIMCO enhanced short maturity ETF	\$ 2,487,406	\$ -	\$ -
Index fund-DOW30	1,135,560	-	-
Index fund-NASDAQ-100	1,124,484	-	-
Index fund-S&P 500	1,128,160	-	-
Other exchange traded funds	585,275	-	-
Other common stocks and equity mutual funds	252,021	-	-
Negotiable certificates of deposit	-	4,944,016	-
Money market funds	572	-	-
U.S. Federal agency securities	-	19,560	-
Beneficial interest in perpetual trust	-	-	3,122,530
Total	<u>\$ 6,713,478</u>	<u>\$ 4,963,576</u>	<u>\$ 3,122,530</u>

**ALCOR LIFE EXTENSION FOUNDATION, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2013
(with comparative totals for the year ended December 31, 2012)

(13) Fair value measurements (continued)

The following table sets forth the level, within the fair value hierarchy of Alcor's assets and liabilities subject to recurring fair value measurement as of December 31, 2012:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Index fund-DOW30	\$ 955,830	\$ -	\$ -
Index fund-NASDAQ-100	1,057,285	-	-
Index fund-S&P 500	1,065,782	-	-
Common stock - technology	752,175	-	-
Other common stocks and equity mutual funds	766,934	-	-
Negotiable certificates of deposit	-	5,065,824	-
Money market funds (prepaid)	1,692,999	-	-
U.S. Federal agency securities	-	342,562	-
Beneficial interest in perpetual trust	-	-	3,023,620
Total	<u>\$ 6,291,005</u>	<u>\$ 5,408,386</u>	<u>\$ 3,023,620</u>

Alcor had no other assets or liabilities subject to fair value measurements other than at initial recognition.

The table below presents the changes in fair value measurements that used level 3 inputs during the year ended December 31, 2013:

	<u>Beneficial interest in perpetual trust</u>
Balance at January 1, 2013	\$ 3,023,620
Change in value of beneficial interest in perpetual trust	98,910
Balance at December 31, 2013	<u>\$ 3,122,530</u>

The table below presents the changes in fair value measurements that used level 3 inputs during the year ended December 31, 2012:

	<u>Beneficial interest in perpetual trust</u>
Balance at January 1, 2012	\$ 2,852,513
Change in value of beneficial interest in perpetual trust	171,107
Balance at December 31, 2012	<u>\$ 3,023,620</u>

The fair value of the beneficial interest agreement is recorded at the fair value of the investment which is held by a third-party trustee and then adjusted for Alcor's interest in the assets. The fair value of the beneficial interest is estimated to approximate the fair value of the underlying assets of the trust itself. While the underlying assets of the trust are primarily observable, the value of beneficial interest itself is not observable in markets and, accordingly, this trust is classified within Level 3 of the valuation hierarchy.



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INDEPENDENT ACCOUNTANTS' REPORT ON SUPPLEMENTAL INFORMATION

Our report on our review of the basic consolidated financial statements of ***Alcor Life Extension Foundation, Inc. and Affiliates***, as and for the year ended December 31, 2013, appears on page 1. The review was made for the purpose of expressing that there are no material modifications that should be made to the consolidated financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. The information included in the accompanying schedule of departmental assets, liabilities and net assets and schedule of departmental revenues and expenses that follows on pages 16 and 17 is presented for the purpose of additional analysis of the consolidated financial statements. Such information has not been subjected to the inquiry and analytical procedures applied in the review of the consolidated financial statements, but was compiled from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplemental information.

A handwritten signature in black ink that reads "Mayer Hoffman McCann P.C." in a cursive, flowing script.

Phoenix, Arizona
March 19, 2015

**ALCOR LIFE EXTENSION FOUNDATION, INC.
AND AFFILIATES**

SUPPLEMENTAL INFORMATION

Year Ended December 31, 2013

SCHEDULE OF DEPARTMENTAL REVENUES AND EXPENSES

	<u>Alcor</u>	<u>Patient Care Trust</u>	<u>Cryonics Property, LLC</u>	<u>Endowment Trust</u>	<u>Consolidating and Eliminating</u>	<u>Total</u>
REVENUE AND SUPPORT						
Memberships dues	\$ 482,682	\$ -	\$ -	\$ -	\$ -	\$ 482,682
Bequests	83,011	-	-	-	-	83,011
Contributions	224,802	-	-	4,122,007	(4,122,007)	224,802
Interest and distribution income	55,118	137,597	398	16,219	(13,012)	196,320
Realized and unrealized gains	358,722	977,719	-	230,330	-	1,566,771
Cryopreservation and standby	552,050	4,000	-	-	-	556,050
Rental income	-	-	126,505	-	(87,140)	39,365
Change in value of beneficial interest in perpetual trust	49,455	49,455	-	-	-	98,910
Other	10,468	31	-	-	-	10,499
TOTAL REVENUE AND SUPPORT	<u>1,816,308</u>	<u>1,168,802</u>	<u>126,903</u>	<u>4,368,556</u>	<u>(4,222,159)</u>	<u>3,258,410</u>
EXPENSES						
Payroll and benefits	557,895	51,026	-	-	-	608,921
Professional fees	126,141	5,529	800	-	-	132,470
Marketing	11,641	-	-	-	-	11,641
Depreciation	31,387	32,774	25,442	-	-	89,603
Bad debts	23,010	-	-	-	-	23,010
Office supplies	46,996	7,154	4,063	-	-	58,213
Cryopreservation	258,109	458	-	-	-	258,567
Liquid nitrogen	-	34,042	-	-	-	34,042
Utilities	41,915	11,234	3,217	-	-	56,366
Insurance	43,360	4,459	-	-	-	47,819
Taxes, licenses and permits	(2,697)	8,200	31,267	-	-	36,770
Readiness	21,643	42	-	-	-	21,685
Royalty	19,105	-	-	-	-	19,105
Contract services	2,400	-	13,758	-	-	16,158
Repairs and maintenance	10,280	17,362	17,624	-	(13,012)	32,254
Bank charges	16,330	1,816	36	-	-	18,182
Travel	6,483	-	-	-	-	6,483
Research and development	51,035	-	-	-	-	51,035
Management fee	-	-	7,200	-	-	7,200
Lease expense	12,172	1,263	-	-	-	13,435
Public education	83,984	119	-	-	-	84,103
Miscellaneous	1,903	-	188	-	-	2,091
Grant expense	4,122,007	-	-	-	(4,122,007)	-
Occupancy	59,662	27,478	-	-	(87,140)	-
TOTAL EXPENSES	<u>5,544,761</u>	<u>202,956</u>	<u>103,595</u>	<u>-</u>	<u>(4,222,159)</u>	<u>1,629,153</u>
CHANGE IN NET ASSETS	(3,728,453)	965,846	23,308	4,368,556	-	1,629,257
NET ASSETS, BEGINNING OF YEAR	<u>7,116,210</u>	<u>3,218,379</u>	<u>80,006</u>	<u>-</u>	<u>-</u>	<u>10,414,595</u>
NET ASSETS, END OF YEAR	<u>\$ 3,387,757</u>	<u>\$ 4,184,225</u>	<u>\$ 103,314</u>	<u>\$ 4,368,556</u>	<u>\$ -</u>	<u>\$ 12,043,852</u>