

Alcor Life Extension Foundation, Inc. and Subsidiaries

**Consolidated Financial Statements
and
Supplementary Information**

Year Ended December 31, 2000

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Accountants' Review Report

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. and Subsidiaries as of December 31, 2000, 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 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.

February 21, 2001

Alcor Life Extension Foundation, Inc. and Subsidiaries

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

December 31, 2000

ASSETS

Current assets	
Cash and cash equivalents	\$ 155,772
Investments	1,295,316
Accounts receivable	173,857
Deposits	<u>36,712</u>
Total current assets	1,661,657
Property and equipment	
Land	150,000
Building and improvements	712,190
Equipment	<u>506,683</u>
	1,368,873
Less accumulated depreciation	<u>371,574</u>
	997,299
Prepaid suspensions and standby	673,354
Investment in building	<u>32,000</u>
Total assets	<u>\$ 3,364,310</u>

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable	\$ 8,446
Current portion of capital lease obligations	<u>8,673</u>
Total current liabilities	17,119
Security deposits	9,289
Capital lease obligations	24,062
Deferred suspension revenue	679,096
Deferred patient care reserve	<u>1,648,838</u>
Total liabilities	2,378,404
Net assets	
Unrestricted controlling interests	754,883
Temporarily restricted	69,982
Minority interests	<u>161,041</u>
Total net assets	<u>985,906</u>
Total liabilities and net assets	<u>\$ 3,364,310</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, 2000

	Unrestricted	Temporarily Restricted	Total
Revenue and support:			
Membership dues	\$ 229,171		\$ 229,171
Rental income	115,114		115,114
Contributions	147,750	\$ 69,982	217,732
Suspension and standby	212,076		212,076
Interest	31,626		31,626
Loss on investments	(200,480)		(200,480)
BioTransport, Inc. expense reimbursement	19,729		19,729
Other	42,734		42,734
Total revenues	<u>597,720</u>	<u>69,982</u>	<u>667,702</u>
Expenses:			
Salaries and related	186,526		186,526
Advertising	35,017		35,017
Depreciation and amortization	56,910		56,910
Magazine and publications	29,251		29,251
Emergency response	8,521		8,521
Insurance	15,682		15,682
Interest	3,213		3,213
Legal and professional	34,000		34,000
Medical supplies	21,077		21,077
Office expense	15,348		15,348
Other	38,079		38,079
Postage	11,900		11,900
Repairs and maintenance	26,403		26,403
Suspension and standby	67,348		67,348
Telephone	21,241		21,241
Travel	5,901		5,901
Conference	28,124		28,124
Taxes and licenses	31,262		31,262
Utilities	18,234		18,234
Total expenses	<u>654,037</u>		<u>654,037</u>
(Decrease) increase in net assets before minority interest	(56,317)	69,982	13,665
Minority interest in income	(5,072)		(5,072)
(Decrease) increase in net assets	(61,389)	69,982	8,593
Net assets, beginning of year	<u>816,272</u>		<u>816,272</u>
Net assets, end of year	<u>\$ 754,883</u>	<u>\$ 69,982</u>	<u>\$ 824,865</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, 2000

Cash flows from operating activities	
Increase in net assets	\$ 8,593
Adjustment to reconcile change in net assets to net cash provided by operating activities	
Minority interest in share of net income	5,072
Service provided capital contribution	10,000
Depreciation and amortization	56,910
Loss on investments	200,480
Increase in accounts receivable	(69,793)
Increase in deposits	(6,445)
Increase in accounts payable	<u>8,446</u>
Net cash provided by operating activities	213,263
Cash flows from investing activities	
Purchase of investments	(370,572)
Increase in prepaid suspensions and standby	(147,009)
Purchase of equipment and leasehold improvements	<u>(28,220)</u>
Net cash used in investing activities	(545,801)
Cash flows from financing activities	
Proceeds from deferred suspension revenue	145,209
Proceeds from deferred patient care reserve	217,041
Payments on capital leases	<u>(5,979)</u>
Net cash provided by financing activities	<u>356,271</u>
Net increase in cash and cash equivalents	23,733
Cash and cash equivalents, beginning of year	<u>132,039</u>
Cash and cash equivalents, end of year	<u>\$ 155,772</u>
<u>Supplemental Disclosures</u>	
Cash paid for interest during the year	\$ 3,213
Equipment acquired under capital lease	\$ 25,475

The accompanying notes are an integral part of this statement.

Alcor Life Extension Foundation, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2000

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, 2000 include all accounts of Alcor Life Extension Foundation, Inc. and its subsidiaries, the wholly owned Alcor Patient Care Trust and the 56.52% 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 \$69,982 in temporary net assets and has no permanently restricted net assets at December 31, 2000.

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. and Subsidiaries

NOTES TO CONSOLIDATE FINANCIAL STATEMENTS

December 31, 2000

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.

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

Alcor Life Extension Foundation, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2000

NOTE 2 - CONCENTRATION OF CREDIT RISK

Alcor maintains cash balances and cash equivalents at financial institutions. At December 31, 2000, 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.

NOTE 3 - INVESTMENTS

Investments consist of shares in mutual funds, and are stated at market value at December 31, 2000. Interest income and loss on investments for the year ended December 31, 2000 were \$31,626 and \$200,480, 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, 2000, 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 \$67,220. The following is a summary of those investments.

	<u>Total Invested</u>	<u>Amount insured by FDIC</u>
Certificates of deposit	\$ 587,986	\$ 520,766
Insured deposit accounts	<u>85,368</u>	<u>85,368</u>
Total	<u>\$ 673,354</u>	<u>\$ 606,134</u>

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.

Alcor Life Extension Foundation, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2000

NOTE 6 - CAPITAL LEASES

The cost of equipment acquired under capital leases was \$46,417 as of December 31, 2000. Amortization of assets held under capital leases is included with depreciation and amortization expense. Accumulated amortization was \$16,219 at December 31, 2000.

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, 2000.

Year ending December 31,	
2001	\$ 14,636
2002	11,978
2003	10,250
2004	9,208
2005	<u>992</u>
	47,117
Less amount representing interest	<u>14,382</u>
Present value of future minimum lease payments	<u>\$ 32,735</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, 2000, are as follows:

Research and education	\$308,561
General and administrative	<u>345,476</u>
	<u>\$654,037</u>

NOTE 8 - EMPLOYEE LEASING

On May 6, 2000 Alcor entered into a one-year agreement with Action Employment Resources, Inc. (AER) to provide professional employment services. Under the terms of this agreement, AER assumed payroll administration and human resource responsibilities for Alcor, and as a result, Alcor's staff work as employees of AER.

Alcor Life Extension Foundation, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2000

NOTE 9 – RELATED PARTY TRANSACTIONS

Several members of Alcor's board of directors and management own shares in BioTransport, Inc. BioTransport, Inc. uses Alcor's personnel, facilities, equipment and supplies in its operations. BioTransport, Inc. reimburses Alcor for Alcor's actual cost in this regard. Alcor also receives overhead fees calculated at 50 percent of actual costs of services and materials utilized by BioTransport, Inc. BioTransport, Inc.'s reimbursements to Alcor for the year ended December 31, 2000, were \$19,729.

Alcor Life Extension Foundation, Inc. and Subsidiaries

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

December 31, 2000

	General	Clinical Research	Laboratory Research	Endowment	Patient Care Trust	Cryonics Property, LLC	Eliminating	Total
ASSETS								
Cash and cash equivalents	\$ 101,209	\$ 11,136	\$ 3,966			\$ 39,461		\$ 155,772
Investments				\$ 156,822	\$ 1,109,088	29,406		1,295,316
Accounts receivable	92,325	81,532						173,857
Deposits						36,712		36,712
Due to/from other departments	(9,113)	(216,737)	(31,461)	264,864	(7,553)			
Total current assets	184,421	(124,069)	(27,495)	421,686	1,101,535	105,579		1,661,657
Property and equipment								
Land						150,000		150,000
Building and improvements	6,717				5,421	700,052		712,190
Equipment	104,216	42,458	30,742		329,267			506,683
	110,933	42,458	30,742		334,688	850,052		1,368,873
Less accumulated depreciation	68,536	17,410	17,184		142,895	125,549		371,574
	42,397	25,048	13,558		191,793	724,503		997,299
Mortgage note					454,194	(454,194)		
Prepaid suspensions and standby		673,354						673,354
Investment in building					237,558		\$(205,558)	32,000
Total assets	\$ 226,818	\$ 574,333	\$ (13,937)	\$ 421,686	\$ 1,985,080	\$ 375,888	\$(205,558)	\$ 3,364,310
LIABILITIES AND NET ASSETS								
Current liabilities								
Accounts payable	\$ 4,110	\$ 2,835	\$ 1,501					\$ 8,446
Current portion of long-term debt	7,707	966						8,673
Security deposits						\$ 9,289		9,289
Capital lease obligations	21,895	2,167						24,062
Deferred suspension revenue		679,096						679,096
Deferred patient care reserve					\$ 1,648,838			1,648,838
Total liabilities	33,712	685,064	1,501		1,648,838	9,289		2,378,404
Net assets								
Unrestricted controlling interests	123,124	(110,731)	\$ (15,438)	\$ 421,686	336,242	356,599	(356,599)	754,883
Temporarily restricted	69,982							69,982
Minority interests						10,000	151,041	161,041
Total net assets	193,106	(110,731)	(15,438)	421,686	336,242	366,599	(205,558)	985,906
Total liabilities and net assets	\$ 226,818	\$ 574,333	\$ (13,937)	\$ 421,686	\$ 1,985,080	\$ 375,888	\$(205,558)	\$ 3,364,310

Alcor Life Extension Foundation, Inc. and Subsidiaries

SCHEDULE OF DEPARTMENTAL REVENUES AND EXPENSES
(See Accountants' Review Report)

Year Ended December 31, 2000

	General	Clinical Research	Laboratory Research	Endowment	Patient Care Trust	Cryonics Property, LLC	Eliminating	Total
Revenue and support:								
Membership dues	\$ 229,171							\$ 229,171
Rental income						\$ 139,137	\$ (24,023)	115,114
Contributions	123,357	\$ 94,375						217,732
Suspensions and standby		212,076						212,076
Interest	1,341	1,800	\$ 244		\$ 74,353		(46,112)	31,626
Gain (loss) on investments	(15,455)	5,426			(183,858)		(6,593)	(200,480)
BioTransport, Inc. expense reimbursement	19,729							19,729
Other	35,772					6,962		42,734
Total revenues	393,915	313,677	244		(109,505)	146,099	(76,728)	667,702
Expenses:								
Salaries and related	70,288	52,512	27,589		26,137	10,000		186,526
Allocation	25,171		(25,171)					
Advertising	34,039				978			35,017
Depreciation and amortization	4,114	3,215	13,333		18,298	17,950		56,910
Magazine and publications	29,251							29,251
Emergency response		8,521						8,521
Insurance	9,207	2,263	1,891		1,391	930		15,682
Interest	3,213					46,112	(46,112)	3,213
Legal and professional	19,448	3,300	(1,918)		1,477	11,693		34,000
Medical supplies		2,907			18,170			21,077
Office expense	15,277	62			9			15,348
Other	21,276	13,951	997		245	1,610		38,079
Postage	11,849		51					11,900
Rent	11,342	5,179	5,179		2,323		(24,023)	
Repairs and maintenance	13,015	131			1,315	11,942		26,403
Suspension and standby		67,348						67,348
Telephone	18,520	2,721						21,241
Travel	5,292	609						5,901
Conference	28,124							28,124
Taxes and licenses	1,374	1,326				28,562		31,262
Utilities	6,615	2,585	2,588		811	5,635		18,234
Total expenses	327,415	166,630	24,539		71,154	134,434	(70,135)	654,037
Increase (decrease) in net assets before minority interest	66,500	147,047	(24,295)		(180,659)	11,665	(6,593)	13,665
Minority interest in income							(5,072)	(5,072)
Net assets, beginning of year	126,606	(257,778)	8,857	421,686	516,901	344,934	(344,934)	816,272
Minority capital contributions						10,000	(10,000)	
Net assets, end of year	\$ 193,106	\$ (110,731)	\$ (15,438)	\$ 421,686	\$ 336,242	\$ 366,599	\$ (366,599)	\$ 824,865