

Alcor Life Extension Foundation, Inc. and Subsidiaries

**Consolidated Financial Statements
and
Supplementary Information**

Year Ended December 31, 2005

DRAFT

CONTENTS

Accountants' Review Report..... 1

Financial Statements

 Consolidated Statement of Financial Position 2

 Consolidated Statement of Activities..... 3

 Consolidated Statement of Cash Flows 4

 Notes to Consolidated Financial Statements..... 5-9

Supplementary Information

 Schedule of Departmental Assets, Liabilities, and Net Assets 10

 Schedule of Departmental Revenues and Expenses 11

DRAFT

Alcor Life Extension Foundation, Inc. and Subsidiaries
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2005

ASSETS		
Current assets		
Cash and cash equivalents	\$	495,297
Investments		2,189,035
Accounts receivable		217,626
Deposits		16,425
Employee receivables		15,500
Other assets		97,904
Total current assets		<u>3,031,787</u>
Property and equipment		
Land		199,410
Building and improvements		1,098,929
Equipment		900,852
		<u>2,199,191</u>
Less accumulated depreciation		750,288
		<u>1,448,903</u>
Prepaid suspensions and standby		
		<u>3,031,188</u>
Total assets	\$	<u><u>7,511,878</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$	33,830
Current portion of capital lease obligations		30,832
Total current liabilities		<u>64,662</u>
Deferred suspensions and standby revenue		3,031,188
Deferred patient care reserve		2,915,000
Deferred income		122,872
Total liabilities		<u>6,133,722</u>
Net assets		
Unrestricted controlling interests		1,227,298
Minority interests		150,858
Total net assets		<u>1,378,156</u>
Total liabilities and net assets	\$	<u><u>7,511,878</u></u>

See accompanying notes and accountants' report.

Alcor Life Extension Foundation, Inc. and Subsidiaries
CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended December 31, 2005

Revenue and support:	
Membership dues	\$ 287,828
Rental income	95,882
Contributions	571,020
Suspensions and standby	94,198
Interest	39,851
Gain on investments	95,687
Other	26,134
Total revenue and support	1,210,600
Expenses:	
Leased employees	508,985
Accounting	40,478
Supplies	65,748
Telephone	33,097
Repairs and maintenance	24,827
Travel	9,626
Depreciation	94,208
Bad debts	13,213
Bank charge	26,803
Contract services	23,300
Training	11,575
Insurance	79,860
Office expense	67,523
Automobile	7,488
Lease expense	17,052
Utilities	24,807
Marketing	92,369
Royalty	26,000
Professional fees	137,345
Taxes, licenses and permits	44,517
Technical advancement	36,991
Suspension expense	184,516
Miscellaneous	12,270
Total expenses	1,582,598
Loss on employee theft	164,046
Decrease in net assets before minority interest	(536,044)
Minority interest in income	(9,180)
Decrease in net assets	(545,224)
Net assets, beginning of year, before minority interest	1,772,522
Net assets, end of year, before minority interest	\$ 1,227,298

See accompanying notes and accountants' report.

Alcor Life Extension Foundation, Inc. and Subsidiaries
CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended December 31, 2005

Cash flows from operating activities	
Decrease in net assets	\$ (545,224)
Adjustment to reconcile change in net assets to net cash used by operating activities	
Minority interest in income	9,180
Depreciation and amortization	94,208
Gain on investments	(95,687)
Increase in accounts receivable	(55,791)
Decrease in employee receivable	3,000
Increase in deposits	(16,425)
Increase in other assets	(27,957)
Decrease in accounts payable and accrued expenses	(227,672)
Increase in deferred income	29,495
Net cash used by operating activities	(832,873)
Cash flows from investing activities	
Purchase of buildings and improvements	(96,102)
Purchase of equipment	(52,514)
Proceeds from sale of investments	430,634
Decrease in prepaid suspensions/standby	11,658
Increase in deferred patient care reserve	497,993
Net cash provided by investing activities	791,669
Cash flows from financing activities	
Decrease in deferred suspensions revenue	(11,658)
Payments of capital leases	(7,001)
Net cash provided by financing activities	(18,659)
Net decrease in cash and cash equivalents	(59,863)
Cash and cash equivalents, beginning of year	555,160
Cash and cash equivalents, end of year	\$ 495,297
<u>Supplemental Disclosures</u>	
Cash paid for interest during the year	\$ -
Equipment purchased through capital leases	21,577

See accompanying notes and accountants' report.

Alcor Life Extension Foundation, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2005

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, 2005 include all accounts of Alcor Life Extension Foundation, Inc. and its subsidiaries, the wholly-owned Alcor Patient Care Trust (the Trust) and the 72.5% owned Cryonics Property, LLC. All significant inter-company 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 or temporarily restricted net assets at December 31, 2005.

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.

Accounts Receivable: Accounts receivable consists of amounts due from membership dues and suspensions performed. Alcor considers accounts receivable to be substantially collectible; accordingly, no allowance for doubtful amounts is required.

Alcor Life Extension Foundation, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2005

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	10-39 years
Equipment	3-20 years
Automobiles	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.

Advertising: Advertising costs are expensed as incurred, and amounted to \$92,369 in the year ended December 31, 2005.

Income taxes: Alcor and the Alcor Patient Care Trust are exempt from federal income taxes as organizations other than a private foundation under Section 501(c)(3) of the Internal Revenue Code. Income determined to be unrelated business taxable income (UBTI) is taxable, when present.

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 individual members.

Alcor Life Extension Foundation, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2005

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 each institution. At December 31, 2005, Alcor had bank deposits of \$135,583 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

At December 31, 2005, Alcor's investments consisted of the following:

	Market Value
Certificate of deposit	\$ 96,000
U.S Treasury securities	151,582
Corporate bonds	376,938
Mutual funds	142,488
Stocks	1,266,670
Managed futures	155,357
Total Investments	<u>\$ 2,189,035</u>

Interest and gain on investments for the year ended December 31, 2005 was \$135,538.

NOTE 4 - 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. Therefore, these amounts are presently reflected as a deferred item.

Alcor Life Extension Foundation, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2005

NOTE 5 - PREPAID SUSPENSIONS AND STANDBY

Alcor must maintain funds for 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, 2005, Alcor had invested the monies received for prepaid suspensions and standby services at financial institutions insured by the Federal Deposit Insurance Corporation up to \$100,000 per account. As of January 1, 2001, Alcor instituted a 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	\$ 1,127,491	\$ 1,075,115
Insured deposit accounts	80,640	80,640
Total member investments	1,208,131	<u>\$ 1,155,755</u>
Cash surrender value of member life insurance policies	<u>1,823,057</u>	
Total prepaid suspensions and standby	<u>\$ 3,031,188</u>	

NOTE 6 - 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, 2005, are as follows:

Program	\$ 1,306,190
General and administrative	251,843
Cryonics Property, LLC-net	<u>24,565</u>
	<u>\$ 1,582,598</u>

Alcor Life Extension Foundation, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2005

NOTE 7 - 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 resolutions of claims and pending litigation will not have a material effect on Alcor's results of operations.

NOTE 8 - LOSS FROM EMPLOYEE THEFT

During the year ended December 31, 2005, it came to the Alcor's attention that a former employee had written unauthorized checks and made unauthorized withdrawals totaling \$164,046. A report of the theft was filed with the appropriate law enforcement agency and the individual was convicted of the crime. Under the terms of the sentence, the individual is to repay the full balance at a rate of \$500 per month. As of December 31, 2005, no payments had been received.

DRAFT

SUPPLEMENTARY INFORMATION

DRAFT

Alcor Life Extension Foundation, Inc. and Subsidiaries
SCHEDULE OF DEPARTMENTAL ASSETS, LIABILITIES AND NET ASSETS

December 31, 2005

	General	Cryonics Property, LLC	Consolidating and Eliminating	Total
ASSETS				
Cash and cash equivalents	\$ 374,282	\$ 121,015		\$ 495,297
Investments	2,157,330	31,705		2,189,035
Accounts receivable	217,626			217,626
Deposits	16,425			16,425
Employee receivables	15,500			15,500
Other assets	97,904			97,904
Total current assets	<u>2,879,067</u>	<u>152,720</u>		<u>3,031,787</u>
Property and equipment				
Land		150,000	\$ 49,410	199,410
Building and improvements	237,831	712,152	148,946	1,098,929
Equipment	900,852			900,852
	<u>1,138,683</u>	<u>862,152</u>	<u>198,356</u>	<u>2,199,191</u>
Less accumulated depreciation	533,710	216,578		750,288
	<u>604,973</u>	<u>645,574</u>	<u>198,356</u>	<u>1,448,903</u>
Prepaid suspensions and standby	3,031,188			3,031,188
Mortgage note	368,425	(368,425)		
Investment in Cryonics Property, LLC	470,895		\$ (470,895)	
Total assets	<u>\$ 7,354,548</u>	<u>\$ 429,869</u>	<u>\$ (272,539)</u>	<u>\$ 7,511,878</u>
LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable and accrued expenses	\$ 21,894	\$ 11,936		\$ 33,830
Current portion of capital lease obligations	30,832			30,832
Total current liabilities	<u>52,726</u>	<u>11,936</u>		<u>64,662</u>
Deferred suspensions and standby revenue	3,031,188			3,031,188
Deferred patient care reserve	2,915,000			2,915,000
Deferred income	122,872			122,872
Total liabilities	<u>6,121,786</u>	<u>11,936</u>		<u>6,133,722</u>
Net assets				
Unrestricted controlling interests	1,232,762	417,933	\$ (423,397)	1,227,298
Minority interests			150,858	150,858
Total net assets	<u>1,232,762</u>	<u>417,933</u>	<u>(272,539)</u>	<u>1,378,156</u>
Total liabilities and net assets	<u>\$ 7,354,548</u>	<u>\$ 429,869</u>	<u>\$ (272,539)</u>	<u>\$ 7,511,878</u>

See accountants' report.

Alcor Life Extension Foundation, Inc. and Subsidiaries
SCHEDULE OF DEPARTMENTAL REVENUES AND EXPENSES

Year Ended December 31, 2005

	Program	General & Administrative	Cryonics Property, LLC	Consolidating and Eliminating	Total
Revenue and support:					
Membership dues	\$ 287,828				\$ 287,828
Rental income			\$ 158,227	\$ (62,345)	95,882
Contributions	571,020				571,020
Suspensions and standby	94,198				94,198
Interest	77,835			(37,984)	39,851
Gain on investments	95,687				95,687
Other	26,134				26,134
Total revenues	1,152,702		158,227	(100,329)	1,210,600
Expenses:					
Leased employees	407,188	101,797			508,985
Accounting	32,382	8,096			40,478
Supplies	65,748				65,748
Telephone	26,478	6,619			33,097
Occupancy	49,876	12,469		(62,345)	
Repairs and maintenance	10,007	2,502	12,318		24,827
Travel	7,701	1,925			9,626
Interest			37,984	(37,984)	
Depreciation	60,758	15,190	18,260		94,208
Bad debts	10,570	2,643			13,213
Bank charge	21,442	5,361			26,803
Contract services	18,640	4,660			23,300
Training	11,575				11,575
Insurance	62,263	15,566	2,031		79,860
Office expense	54,018	13,505			67,523
Automobile	5,990	1,498			7,488
Lease expense	13,642	3,410			17,052
Utilities	18,268	4,567	1,972		24,807
Marketing	73,895	18,474			92,369
Royalty	20,800	5,200			26,000
Professional fees	100,171	25,043	12,131		137,345
Taxes, licenses and permits	5,050	1,263	38,204		44,517
Technical advancement	36,991				36,991
Suspension expense	184,516				184,516
Miscellaneous	8,221	2,055	1,994		12,270
Total expenses	1,306,190	251,843	124,894	(100,329)	1,582,598
Loss on employee theft		164,046			164,046
Increase (decrease) in net assets before minority interest	\$ (153,488)	\$ (415,889)	\$ 33,333	\$	\$ (536,044)

See accountants' report.