

ALCOR LIFE EXTENSION FOUNDATION
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1996

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YEAR ENDED DECEMBER 31, 1996

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Board of Directors
Alcor Life Extension Foundation
Scottsdale, Arizona

We have compiled the accompanying balance sheet of Alcor Life Extension Foundation, a non-profit organization, as of December 31, 1996, and the related statements of support and revenues, expenses and changes in fund balance, 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.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Martin Peterson, CPA, P.C.

April 28, 1997

ALCOR LIFE EXTENSION FOUNDATION
BALANCE SHEET
DECEMBER 31, 1996

ASSETS

	GENERAL FUND	PATIENT CARE FUND	CLINICAL RESEARCH FUND	ENDOWMENT FUND	LABORATORY RESEARCH FUND	TOTAL
Cash & cash equivalents	\$ 22,037	\$ —	\$ 8,086	\$ —	\$ 22,606	\$ 52,729
Investments	—	819,737	—	56,513	—	876,250
Trust accounts	—	—	206,098	—	—	206,098
Note receivable	—	498,610	—	—	—	498,610
Accounts receivable less allowance for doubtful receivables of \$3,000	85,239	—	4,425	—	—	89,664
Other assets-Net	2,000	—	—	—	23,334	25,334
Property & equipment at cost Less accumulated depreciation of \$154,362	4,982	162,349	28,541	—	25,248	221,120
Due (to) from other funds	<u>(201,486)</u>	<u>(52,893)</u>	<u>(90,034)</u>	<u>345,235</u>	<u>(822)</u>	<u>—</u>
 Total Assets	 <u>\$ (87,228)</u>	 <u>\$1,427,803</u>	 <u>\$ 157,116</u>	 <u>\$ 401,748</u>	 <u>\$ 70,366</u>	 <u>\$1,969,805</u>

LIABILITIES AND FUND BALANCES

Accounts payable & accrued expenses	\$ 885	\$ 5,659	\$ 5,468	\$ —	\$ —	\$ 12,012
Capital lease obligations	—	—	2,849	—	—	2,849
Deferred patient care reserve	—	<u>1,308,465</u>	<u>204,489</u>	—	—	<u>1,512,954</u>
 Total liabilities	 <u>885</u>	 <u>1,314,124</u>	 <u>212,806</u>	 <u>—</u>	 <u>—</u>	 <u>1,527,815</u>
 FUND BALANCES						
Unrestricted:						
Available for operations	(93,095)	—	—	—	—	(93,095)
Net investment in plant	4,982	—	—	—	—	4,982
Restricted:	—	<u>113,679</u>	<u>(55,690)</u>	<u>401,748</u>	<u>70,366</u>	<u>530,103</u>
 Total fund balances	 <u>(88,113)</u>	 <u>113,679</u>	 <u>(55,690)</u>	 <u>401,748</u>	 <u>70,366</u>	 <u>441,990</u>
 Total liabilities and fund balances	 <u>\$ (87,228)</u>	 <u>\$1,427,803</u>	 <u>\$ 157,116</u>	 <u>\$ 401,748</u>	 <u>\$ 70,366</u>	 <u>\$1,969,805</u>

ALCOR LIFE EXTENSION FOUNDATION
STATEMENT OF SUPPORT AND REVENUES, EXPENSES
AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 1996

SUPPORT AND REVENUES

	GENERAL FUND	PATIENT CARE FUND	CLINICAL RESEARCH FUND	ENDOWMENT FUND	LABORATORY RESEARCH FUND	TOTAL
Public donations	\$ 41,454	\$ —	\$ 2,500	\$ 2,566	\$ 34,598	\$ 81,118
Bequests	32,977	—	—	—	50,000	82,977
Suspension income	—	70,000	82,525	—	—	152,525
Membership fees	108,122	—	—	—	—	108,122
Investment income	772	65,659	66	2,354	2,402	71,253
Miscellaneous fund adjustments	<u>5,116</u>	<u>(1009)</u>	<u>(16,215)</u>	<u>(6,589)</u>	<u>—</u>	<u>(18,697)</u>
	<u>188,441</u>	<u>134,650</u>	<u>68,876</u>	<u>(1,669)</u>	<u>87,000</u>	<u>477,298</u>

EXPENSES

Salaries	73,748	18,875	17,512	—	24,578	134,713
Payroll taxes	5,032	1,392	1,355	—	1,891	9,670
Advertising/promotion	11,170	—	—	—	—	11,170
Allocations (10% rule)	19,741	—	—	—	(19,741)	—
Computer expense	4,639	—	2,159	—	1,887	8,685
Depreciation & amortization	1,915	11,030	1,710	—	3,203	17,858
Education/magazine	13,995	—	—	—	—	13,995
Emergency response	—	—	1,716	—	—	1,716
Insurance	18,255	—	142	—	—	18,397
Legal	2,487	1,444	—	—	500	4,431
Liquid nitrogen	—	27,274	—	—	—	27,274
Medical supplies	—	—	5,432	—	3,886	9,318
Office expense	10,925	592	362	—	492	12,371
Other	7,525	3,432	5,855	—	(26,785)	(9,973)
Postage	11,617	720	1,191	—	1,224	14,752
Professional fees	5,787	—	373	—	—	6,160
Repairs & Maintenance	15,721	2,734	4,007	—	175	22,637
Rent	11,834	1,802	3,994	—	3,307	20,937
Research	—	—	5,099	—	18,512	23,611
Suspension expense	—	—	6,562	—	—	6,562
Telephone	11,365	—	—	—	30	11,395
Travel	4,667	—	649	—	489	5,805
Taxes	2,133	—	765	—	535	3,433
Utilities	<u>6,968</u>	<u>633</u>	<u>2,760</u>	<u>—</u>	<u>2,451</u>	<u>12,812</u>
	<u>239,524</u>	<u>69,928</u>	<u>61,643</u>	<u>—</u>	<u>16,634</u>	<u>387,729</u>
Excess revenue (expenses)	(51,083)	64,722	7,233	(1669)	70,366	89,569
Unrealized gain on investments	—	55,932	—	3,791	—	59,723
Fund balance beginning	<u>(37,030)</u>	<u>(6,975)</u>	<u>(62,923)</u>	<u>399,626</u>	<u>—</u>	<u>292,698</u>
Fund balance ending	<u>\$ (88,113)</u>	<u>\$113,679</u>	<u>\$ (55,690)</u>	<u>\$ 401,748</u>	<u>70,366</u>	<u>\$ 441,990</u>

ALCOR LIFE EXTENSION FOUNDATION
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 1996

Cash flows provided by		
operating activities:		
Excess of revenue over earnings	\$ 149,292	
Miscellaneous	18,697	
Unrealized gains on investments	(59,723)	
Depreciation & amortization	<u>17,858</u>	\$ 126,124
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	147,709	
Investments	(184,057)	
Trust accounts	(9,954)	
Other assets	(19,666)	
Increase (decrease) in liabilities:		
Accounts payable	(58,671)	
Deferred patient care reserve	<u>8,345</u>	
Total adjustments		<u>(116,284)</u>
Net cash provided by operating activities		9,840
Cash flows provided by (used for) investing activities:		
Proceeds from note receivable	<u>8,390</u>	
Net cash provided by financing activities		8,390
Cash flows (used in) investing activities:		
Purchase of property and equipment	(24,157)	
Purchase of license agreement	<u>(25,000)</u>	
Net cash (used for) investing activities		<u>(49,157)</u>
Net decrease in cash and cash equivalents		(30,927)
Cash and cash equivalents beginning of year		<u>83,656</u>
Cash and cash equivalents end of year		<u>\$ 52,729</u>

ALCOR LIFE EXTENSION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1996

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

FUND ACCOUNTING: To ensure observance of limitations and restrictions placed on the use of resources, the accounts of the Foundation are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purposes. Accordingly, all financial transactions have been recorded and reported by fund group. Separate accounts are maintained for each fund. The assets, liabilities, and fund balances are reported in following self-balancing fund groups.

GENERAL: Revenues which are not restricted as to usage and expenses for the general operations of the Foundation are classified into the general fund. The Board of Directors has determined that 10% of certain general fund revenues should be set aside for research and accordingly, approximately \$19,741 has been transferred to the laboratory research fund.

PATIENT CARE: Upon deanimation, a pre-established amount, received generally from insurance proceeds, is estimated for the long-term care of patients, placed in the patient care fund and classified as Deferred Patient Care Reserve. Such amounts are invested in fixed income and equity securities, the income of which is restricted in use to the costs of patient care and for any ultimate costs of recovery.

CLINICAL RESEARCH: The portion of the proceeds received upon deanimation which is not designated for long-term patient care is placed in the research fund and used for the initial costs of suspension. Any excess over such costs is transferred to the general fund and is available for the operations of the Foundation. Research grants restricted to specific long term research involving cryonic suspension of humans and animals are also placed in the clinical research fund. Prepaid suspension fees are placed in a trust account.

LABORATORY RESEARCH: Biological research involving the development of improved cryobiological protocols and techniques to be used in clinical research.

ENDOWMENT: The Foundation received a bequest from a member which was, per the last will and testament, unrestricted as to usage. However, the Board of Directors restricted usage of the bequest to investments in securities and for short-term loans to the general fund for operating purposes. Income earned by endowment investments is unrestricted and, accordingly, is classified as general fund income.

ALCOR LIFE EXTENSION FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 1996

PROPERTY AND EQUIPMENT

Property and equipment are carried at cost. Depreciation of property and equipment is provided using the straight-line method for financial reporting purposes at rates based on the following estimated useful lives:

	<u>Years</u>
Medical equipment	20
Office equipment	5
Leasehold improvements	40

Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

INCOME TAXES

The Foundation is a non-profit organization exempt from income taxes under Internal Revenue Code Section 501(c)3. Accordingly, no income taxes are provided in the accompanying financial statements.

2. INVESTMENTS

Investments in mutual funds and stocks are stated at fair market value with fund balances adjusted for the unrealized gains and losses. The investment in the Limited Liability Company is stated at tax basis and the U.K. Building is at cost.

Investment in mutual funds and stocks	\$674,513
Investment in Limited Liability Company	169,737
Investment in U.K. building	<u>32,000</u>
	<u>\$876,250</u>

3. NOTE RECEIVABLE

The note receivable of \$498,610 consists of a loan made in December, 1995 to Cryonics Property, L.L.C. in which Alcor has a 65% ownership. The note is payable at \$4,892.66 per month including principle and interest at 10% beginning in January, 1996 and matures on January 1, 2016. The note is secured by an office building, in which Alcor rents its facility.

ALCOR LIFE EXTENSION FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 1996

4. PROPERTY AND EQUIPMENT

Medical equipment	\$301,367
Office equipment	66,381
Leasehold improvements	<u>8,224</u>
	375,972
Less accum. depreciation & amortization	<u>154,852</u>
	<u>\$221,120</u>

5. AMORTIZATION

The Foundation purchased a license from Cryopreservation Technologies to use a new perfusate solution for laboratory research. The cost of the license was \$25,000 and is classified under other assets. It is amortized over 5 years. The amortization expense for 1996 was \$1,666.

6. LEASE COMMITMENT

The Foundation operates from a leased facility under a three year operating lease commencing September 1, 1994. The agreement calls for an annual base rent of \$20,808. A rent deposit of \$2,000 is classified under other assets in the general fund.

Net future minimum rental payments required under the operating lease for the facilities as of December 31, 1996 which expires in 1997 is \$13,680.

7. RELATED PARTY TRANSACTIONS

The Foundation rents its facility from Cryonics Property, L.L.C., an entity in which Alcor has a 65% ownership. It also holds the mortgage of \$498,610 on the building owned by Cryonics Property, L.L.C.

ALCOR LIFE EXTENSION FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 1996

8. MISCELLANEOUS FUND ADJUSTMENTS

Miscellaneous fund adjustments consists of the following items.

Due to other funds from closed out Building Fund	\$ (19,053)
Asset transferred from Clinical Research Fund to Laboratory Research Fund	(18,040)
Literature sales	8,984
Archival storage	750
Standby deposits forfeited	1,983
Miscellaneous income-net	<u>6,679</u>
	<u>\$ (18,697)</u>