

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

CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2007

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

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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 at December 31, 2007, and the related consolidated statements of changes in net assets and cash flows, and the accompanying supplemental information for the year then ended, in accordance with *Statements on Standards for Accounting and Review Services* issued by the American Institute of Certified Public Accountants. All information included in these consolidated financial statements is the representation of the management of Alcor Life Extension Foundation, Inc. and Affiliates.

A review consists principally of inquiries of Company personnel and analytical procedures applied to financial data. A review is substantially less in scope than an audit in accordance with U.S. generally accepted auditing standards, the objective of which is the expression of an opinion regarding the consolidated 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 consolidated financial statements in order for them to be in conformity with U.S. generally accepted accounting principles.

Phoenix, Arizona
December 10, 2009

Mayer Hoffman McCann P.C.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2007

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	\$ 339,052
Restricted cash	373,904
Accounts receivable	65,296
Investments	2,069,738
Other assets	<u>145,554</u>
TOTAL CURRENT ASSETS	2,993,544
PROPERTY AND EQUIPMENT, net	719,805
PREPAID CRYOPRESERVATION AND STANDBY	<u>2,694,744</u>
TOTAL ASSETS	<u>\$ 6,408,093</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable	\$ 122,787
Accrued expenses	<u>24,201</u>
TOTAL CURRENT LIABILITIES	146,988
DEFERRED CRYOPRESERVATION AND STANDBY REVENUE	2,694,744
DEFERRED COMPREHENSIVE MEMBER STANDBY REVENUE	373,904
DEFERRED PATIENT CARE RESERVE	<u>3,070,000</u>
TOTAL LIABILITIES	6,285,636
MINORITY INTEREST IN CONSOLIDATED AFFILIATE	19,140
UNRESTRICTED NET ASSETS	<u>103,317</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,408,093</u>

See Notes to Consolidated Financial Statements
See Accountants' Review Report

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

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

Year Ended December 31, 2007

REVENUE AND SUPPORT

Membership dues	\$ 276,060
Bequests	230,327
Contributions	234,497
Interest	206,794
Realized and unrealized losses on investments	(3,189)
Cryopreservation and standby	88,415
Rental income	17,390
Other	<u>47,453</u>
TOTAL REVENUE AND SUPPORT	<u>1,097,747</u>

EXPENSES

Payroll	499,963
Cryopreservation expense	188,092
Research and development	160,114
Professional fees	101,460
Depreciation and amortization	99,479
Insurance	94,026
Marketing	82,362
Utilities	68,779
Taxes, licenses, and permits	65,007
Repairs and maintenance	45,432
Supplies	39,654
Contract services	27,909
Bank charges	20,055
Travel	19,578
Royalty	15,000
Lease expense	9,055
Bad debts	7,199
Office expense	6,709
Automobile	630
Miscellaneous	<u>1,155</u>
TOTAL EXPENSES	<u>1,551,658</u>

CHANGE IN NET ASSETS BEFORE MINORITY INTEREST (453,911)

MINORITY INTEREST IN CHANGE IN NET ASSETS OF
CONSOLIDATED AFFILIATE (7,249)

CHANGE IN NET ASSETS (461,160)

NET ASSETS, BEGINNING OF YEAR 564,477

NET ASSETS, END OF YEAR \$ 103,317

See Notes to Consolidated Financial Statements
See Accountants' Review Report

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended December 31, 2007

CASH FLOWS FROM BY OPERATING ACTIVITIES	
Change in net assets	\$ (461,160)
Adjustments to reconcile the change in net assets to net cash used in operating activities	
Change in net assets applicable to minority interest	7,249
Forgiveness of employee loan	3,000
Depreciation and amortization	99,479
Realized and unrealized losses on investments	3,189
Changes in operating assets and liabilities:	
Decrease (increase) in:	
Accounts receivable	32,309
Other assets	2,589
Prepaid cryopreservation and standby	(66,827)
Increase (decrease) in:	
Accounts payable	(57,066)
Accrued expenses	3,413
Deferred patient care reserve	130,000
Net cash used in operating activities	<u>(303,825)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Changes in restricted cash	(267,389)
Purchase of property and equipment	(24,644)
Purchase of investments	(210,828)
Proceeds from sale of investments	370,602
Net cash used in investing activities	<u>(132,259)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Deferred cryopreservation	<u>219,798</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(216,286)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>555,338</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 339,052</u>

See Notes to Consolidated Financial Statements
See Accountants' Review Report

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2007

(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 for the year ended December 31, 2007 include all accounts of Alcor Life Extension Foundation, Inc. and its affiliates, the Alcor Patient Care Trust (the “Trust”) and the 75.3623% owned Cryonics Property, LLC (the “LLC”). 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.

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

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 to other tenants in addition to Alcor.

Basis of presentation – The consolidated financial statement presentation follows 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, 2007.

Management’s use of estimates – The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles 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 consists of \$373,904 specifically reserved to provide standby services for its members. At December 31, 2007, these funds had not been spent for the intended purpose, and, accordingly, these amounts are reported as restricted cash in the accompanying consolidated statement of financial position.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2007

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

Investments – Alcor accounts for its investments in accordance with SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Under SFAS No. 124, Alcor reports all investments in equity securities that have readily determinable fair values, and all investments in debt securities at fair value. The fair values of investments are based on quoted market prices.

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 would materially affect account balances and the amounts reported in the accompanying consolidated financial statements.

Accounts receivable – Accounts receivable consists primarily of amounts due from membership dues and cryopreservation 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. Accounts receivable are considered by management to be fully collectible and, accordingly, an allowance for uncollectible accounts is not considered necessary.

Also included in accounts receivable are forgivable amounts due from employees that were previously advanced, interest free, for the purchase of a home. The balance at December 31, 2007 was \$9,500. Approximately \$3,000 is forgiven annually.

Property and equipment – Property and equipment is recorded at cost. 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:

Building and leasehold improvements	3 - 39 years
Machinery and office equipment	3 - 20 years
Medical equipment	3 - 20 years
Vehicles	5 years

Impairment of long-lived assets – Alcor accounts for long-lived assets in accordance with the provisions of SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. SFAS No. 144 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 cost or fair value less costs to sell. No impairment charges were recorded for 2007.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2007

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

Prepaid cryopreservation and standby/deferred cryopreservation and standby revenue – Prepaid cryopreservation and standby services are recorded as deferred revenue. 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. Cryopreservation revenues and expenses are recognized upon the cryopreservation of a patient. At the time of providing these services, Alcor utilizes the assets held in prepaid cryopreservation and standby to fund the services.

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.

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 reports contributions in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. 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 nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily or permanently restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of changes in net assets as 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 \$82,362 for the year ended December 31, 2007.

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.

Limited liability corporation – Based on the type of organization of Cryonics Property, LLC 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.

Income tax status – Alcor 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 and the Alcor Patient Care Trust are also exempt from state income tax. In addition, Alcor and the Alcor Patient Care Trust qualify for the charitable contribution deduction under Section 170 of the Code and has been classified as an organization that is not a private foundation. Income determined to be unrelated business taxable income (UBTI) would be taxable.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2007

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

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.

(2) Investments

At December 31, 2007, Alcor's investments consisted of the following:

Stocks	\$ 1,432,122
Fixed income	184,780
U.S. Treasury securities	163,447
Cash equivalents	122,819
Managed futures	122,543
Bonds	44,027
Total investments	<u>\$ 2,069,738</u>

(3) Property and equipment

Property and equipment consists of the following at December 31:

Cost or donated value:

Land, buildings, and leasehold improvements	\$ 729,612
Machinery and office equipment	283,981
Medical equipment	651,075
Vehicles	42,972
Total cost or donated value	<u>1,707,640</u>
Accumulated depreciation	<u>(987,835)</u>
Net property and equipment	<u>\$ 719,805</u>

Depreciation expense charged to operations was \$99,479 for 2007.

(4) Prepaid cryopreservation and standby

Alcor must maintain funds for prepaid cryopreservation and standby services in separate accounts for each member, per the cryopreservation 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, 2007, Alcor had invested the monies received for prepaid cryopreservation 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 cryopreservation. Policies can be returned to members at any time. The following is a summary of those investments and life insurance policies.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2007

(4) Prepaid cryopreservation and standby (continued)

	Total Invested	Amount insured by FDIC
Certificates of deposit	\$ 1,210,268	\$ 1,161,915
Money market accounts	86,686	86,686
Total member investments	1,296,954	\$ 1,248,601
Cash surrender value of member life insurance policies	1,397,790	
Total prepaid cryopreservation and standby	\$ 2,694,744	

(5) 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.

(6) Deferred comprehensive member standby

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 CMS charges to Alcor to fund future standby expenses. CMS charges will be recognized as revenue as standby expenses are incurred.

(7) Functional expenses

Alcor conducts research and education in the field of cryopreservation and storage. Expenses related to providing these services for the year ended December 31, 2007, are as follows

Program	\$ 1,107,877
General and administrative	329,084
Fundraising	19,786
Cryonics Property, LLC, net	94,911
	\$ 1,551,658

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2007

(8) Operating leases

Alcor leases office equipment under operating leases. The lease agreements expire at various dates through February 2009. In the normal course of business, operating leases are generally renewed or replaced by other leases.

Future minimum lease payments at December 31, 2007 under noncancelable operating leases with terms of one year or more consist of the following:

<u>Year Ending December 31,</u>	
2008	\$ 7,662
2009	<u>1,145</u>
	<u>\$ 8,807</u>

Rent expense totaled approximately \$9,055 in 2007.

(9) Retirement plans

Alcor has a 401(k) defined contribution plan (the "Plan") covering all employees meeting certain eligibility requirements. Alcor makes contributions to the Plan equal to 50% of the first 6% of eligible employee deferrals. Alcor contributed \$6,774 to the Plan for 2007.

(10) 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.



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ACCOUNTANTS' REPORT ON SUPPLEMENTAL INFORMATION

Our report on our review of the basic consolidated financial statements of *Alcor Life Extension Foundation, Inc. and Affiliates*, for the year ended December 31, 2007, appears on page 1. The review was made for the purpose of expressing limited assurance that there are no material modifications that should be made to the consolidated financial statements in order for them to be in conformity with U.S. generally accepted accounting principles. The information included in the accompanying schedule of departmental assets, liabilities and net assets and schedule of departmental revenues and expenses that follows on pages 12 and 13 is presented for the purpose of additional analysis of the consolidated financial statements rather than to present the financial information and results of operations of the individual companies. 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.

Phoenix, Arizona
December 10, 2009

Mayer Hoffman McCann P.C.

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

SCHEDULE OF DEPARTMENTAL ASSETS, LIABILITIES AND NET ASSETS

December 31, 2007

	<u>ASSETS</u>			<u>Total</u>
	<u>General</u>	<u>Cryonics Property, LLC</u>	<u>Consolidating and Eliminating</u>	
CURRENT ASSETS				
Cash and cash equivalents	\$ 218,460	\$ 120,592	\$ -	\$ 339,052
Restricted cash	373,904	-	-	373,904
Accounts receivable	65,296	-	-	65,296
Investments	2,069,738	-	-	2,069,738
Other assets	<u>128,486</u>	<u>17,068</u>	<u>-</u>	<u>145,554</u>
TOTAL CURRENT ASSETS	<u>2,855,884</u>	<u>137,660</u>	<u>-</u>	<u>2,993,544</u>
PROPERTY AND EQUIPMENT, net	495,829	223,976	-	719,805
PREPAID CRYOPRESERVATION AND STANDBY	2,694,744	-	-	2,694,744
NOTE RECEIVABLE	<u>317,906</u>	<u>-</u>	<u>(317,906)</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 6,364,363</u>	<u>\$ 361,636</u>	<u>\$ (317,906)</u>	<u>\$ 6,408,093</u>
 <u>LIABILITIES AND NET ASSETS</u> 				
CURRENT LIABILITIES				
Accounts payable	\$ 87,390	\$ 35,397	\$ -	\$ 122,787
Accrued expenses	24,201	-	-	24,201
Current portion of note payable	<u>-</u>	<u>27,716</u>	<u>(27,716)</u>	<u>-</u>
TOTAL CURRENT LIABILITIES	111,591	63,113	(27,716)	146,988
NOTE PAYABLE	-	290,190	(290,190)	-
DEFERRED CRYOPRESERVATION AND STANDBY REVENUE	2,694,744	-	-	2,694,744
DEFERRED COMPREHENSIVE MEMBER STANDBY REVENUE	373,904	-	-	373,904
DEFERRED PATIENT CARE RESERVE	<u>3,070,000</u>	<u>-</u>	<u>-</u>	<u>3,070,000</u>
TOTAL LIABILITIES	6,250,239	353,303	(317,906)	6,285,636
MINORITY INTEREST IN CONSOLIDATED AFFILIATE	-	19,140	-	19,140
UNRESTRICTED NET ASSETS	<u>114,124</u>	<u>(10,807)</u>	<u>-</u>	<u>103,317</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,364,363</u>	<u>\$ 361,636</u>	<u>\$ (317,906)</u>	<u>\$ 6,408,093</u>

See Accountants' Report on Supplemental Information

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

SCHEDULE OF DEPARTMENTAL REVENUES AND EXPENSES

Year Ended December 31, 2007

	<u>General</u>	<u>Cryonics Property, LLC</u>	<u>Consolidating and Eliminating</u>	<u>Total</u>
REVENUE AND SUPPORT				
Membership dues	\$ 276,060	\$ -	\$ -	\$ 276,060
Bequests	230,327	-	-	230,327
Contributions	234,497	-	-	234,497
Interest	204,217	2,577	-	206,794
Realized and unrealized gains on investments	(3,189)	-	-	(3,189)
Cryopreservation and standby	88,415	-	-	88,415
Rental income	-	162,825	(145,435)	17,390
Other	54,586	-	(7,133)	47,453
TOTAL REVENUES	<u>1,084,913</u>	<u>165,402</u>	<u>(152,568)</u>	<u>1,097,747</u>
EXPENSES				
Payroll	495,309	4,654	-	499,963
Cryopreservation expense	188,092	-	-	188,092
Research and development	160,114	-	-	160,114
Professional fees	100,710	750	-	101,460
Depreciation	99,479	-	-	99,479
Insurance	94,026	-	-	94,026
Marketing	81,362	1,000	-	82,362
Utilities	66,861	1,918	-	68,779
Taxes, licenses and permits	2,998	62,009	-	65,007
Repairs and maintenance	36,932	8,500	-	45,432
Supplies	39,654	-	-	39,654
Contract services	12,984	14,925	-	27,909
Bank charge	20,055	-	-	20,055
Travel	19,578	-	-	19,578
Royalty	15,000	-	-	15,000
Lease expense	9,055	-	-	9,055
Bad debts	7,199	-	-	7,199
Office expense	6,709	-	-	6,709
Automobile	630	-	-	630
Occupancy	111,500	33,935	(145,435)	-
Management fee	-	7,133	(7,133)	-
Miscellaneous	-	1,155	-	1,155
TOTAL EXPENSES	<u>1,568,247</u>	<u>135,979</u>	<u>(152,568)</u>	<u>1,551,658</u>
CHANGE IN NET ASSETS BEFORE MINORITY INTEREST	<u>(483,334)</u>	<u>29,423</u>	<u>-</u>	<u>(453,911)</u>
MINORITY INTEREST IN CHANGE IN NET ASSETS OF CONSOLIDATED AFFILIATE	<u>-</u>	<u>(7,249)</u>	<u>-</u>	<u>(7,249)</u>
CHANGE IN NET ASSETS	<u>(483,334)</u>	<u>22,174</u>	<u>-</u>	<u>(461,160)</u>
NET ASSETS (DEFICIT), BEGINNING OF YEAR	597,458	(32,981)	-	564,477
NET ASSETS (DEFICIT), END OF YEAR	<u>\$ 114,124</u>	<u>\$ (10,807)</u>	<u>\$ -</u>	<u>\$ 103,317</u>

See Accountants' Report on Supplemental Information