

Alcor Life Extension Foundation, Inc. and Subsidiaries

**Consolidated Financial Statements
and
Supplementary Information**

Year Ended December 31, 2002

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Accountants' Review Report

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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. (a non-profit corporation) and subsidiaries as of December 31, 2002, and the related consolidated statements of activities 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 these 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 U.S. 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 U.S. 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.



May 8, 2003

Alcor Life Extension Foundation, Inc. and Subsidiaries
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(See Accountants' Review Report)

December 31, 2002

ASSETS	
Current assets	
Cash and cash equivalents	\$ 1,286,965
Investments	835,014
Accounts receivable	157,655
Deposits	41,834
Employee receivables	<u>3,000</u>
Total current assets	2,324,468
Property and equipment	
Land	199,410
Building and improvements	872,520
Equipment	<u>626,501</u>
	1,698,431
Less accumulated depreciation	<u>479,615</u>
	1,218,816
Prepaid suspensions and standby	1,914,907
Employee receivables	<u>21,000</u>
Total assets	<u>\$ 5,479,191</u>
LIABILITIES AND NET ASSETS	
Current liabilities	
Accounts payable and accrued expenses	\$ 96,385
Current portion of capital lease obligations	<u>11,730</u>
Total current liabilities	108,115
Security deposits	7,390
Capital lease obligations, less current portion	29,104
Deferred suspension revenue	1,914,907
Deferred patient care reserve	<u>2,095,857</u>
Total liabilities	4,155,373
Net assets	
Unrestricted controlling interests	1,182,856
Minority interests	<u>140,962</u>
Total net assets	<u>1,323,818</u>
Total liabilities and net assets	<u>\$ 5,479,191</u>

The accompanying notes are an integral part of this statement.

Alcor Life Extension Foundation, Inc. and Subsidiaries

CONSOLIDATED STATEMENT OF ACTIVITIES

(See Accountants' Review Report)

Year Ended December 31, 2002

	Unrestricted	Temporarily Restricted	Total
Revenue and support:			
Membership dues	\$ 234,498		\$ 234,498
Rental income	105,138		105,138
Contributions	1,298,340	\$ 104,433	1,402,773
Suspension and standby	557,141		557,141
Interest	44,325		44,325
Loss on investments	(188,143)		(188,143)
Other	104,174		104,174
Net assets released from restrictions	255,444	(255,444)	
Total revenue and support	2,410,917	(151,011)	2,259,906
Expenses:			
Personnel services	364,146		364,146
Marketing	325,561		325,561
Depreciation and amortization	56,323		56,323
Educational literature	23,895		23,895
Insurance	23,815		23,815
Interest	8,357		8,357
Legal and professional	218,156		218,156
Medical supplies	92,789		92,789
Membership	17,741		17,741
Office expense	65,944		65,944
Other	20,678		20,678
Postage	4,647		4,647
Repairs and maintenance	36,902		36,902
Research	4,101		4,101
Suspension and standby	301,190		301,190
Telephone	40,575		40,575
Travel	33,943		33,943
Licenses	37,259		37,259
Utilities	21,366		21,366
Unrelated business income taxes	1,908		1,908
Total expenses	1,699,296		1,699,296
Increase (decrease) in net assets before minority interest	711,621	(151,011)	560,610
Minority interest in income	(5,945)		(5,945)
Minority interest in decrease in reported amounts resulting from acquisitions	16,521		16,521
Increase in net assets	722,197		571,186
Net assets, beginning of year, before minority interest	460,659	151,011	611,670
Net assets, end of year, before minority interest	\$ 1,182,856		\$ 1,182,856

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, 2002

Cash flows from operating activities	
Increase in net assets	\$ 571,186
Adjustment to reconcile change in net assets to net cash provided by operating activities	
Minority interest in income	5,945
Minority interest in decrease in reported amounts resulting from acquisitions	(16,521)
Depreciation and amortization	56,323
Loss on investments	188,143
Increase in accounts receivable	(48,663)
Decrease in employee receivable	3,000
Increase in deposits	(2,617)
Increase in accounts payable and accrued expenses	86,174
Decrease in security deposits	(1,667)
Increase in deferred patient care reserve	<u>311,970</u>
Net cash provided by operating activities	1,153,273
Cash flows from investing activities	
Purchase of investments	(163,100)
Increase in prepaid suspensions/standby	(643,505)
Purchase of additional interest in Cryonics Property, LLC	(111,667)
Purchase of equipment	<u>(91,765)</u>
Net cash used by investing activities	(1,010,037)
Cash flows from financing activities	
Proceeds from deferred suspension revenue	637,763
Payments on capital leases	<u>(11,489)</u>
Net cash provided by financing activities	<u>626,274</u>
Net increase in cash and cash equivalents	769,510
Cash and cash equivalents, beginning of year	<u>517,455</u>
Cash and cash equivalents, end of year	<u>\$ 1,286,965</u>
<u>Supplemental Disclosures</u>	
Cash paid for interest during the year	\$ 8,357
Prepaid/deferred suspensions increased through cash surrender value of member insurance policies	\$ 402,581

The accompanying notes are an integral part of this statement.

Alcor Life Extension Foundation, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2002

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, 2002 include all accounts of Alcor Life Extension Foundation, Inc. and its subsidiaries, the wholly-owned Alcor Patient Care Trust (the Trust) and the 72.46% owned Cryonics Property, 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 no permanently or temporarily restricted net assets at December 31, 2002.

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. For purposes of the statement of cash flows, certain investment accounts of the prior year have been reclassified to cash and cash equivalents.

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

Alcor Life Extension Foundation, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2002

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
Automobile	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.

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 and the Alcor Patient Care Trust are exempt from federal income taxes as an organization 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 will file 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, 2002

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 December 31, 2002, Alcor had bank deposits of \$55,389 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, 2002, Alcor's investments consisted of the following:

	<u>Market Value</u>
Insured deposit accounts	\$ 1,325
Certificate of deposit	30,691
U.S Treasury securities	100,805
Corporate bonds	190,417
Mutual funds	11,213
Stocks	375,452
Managed futures	<u>125,111</u>
Total investments	<u>\$ 835,014</u>

Interest income and loss on investments for the year ended December 31, 2002 were \$44,375 and \$188,143, respectively.

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.

Alcor Life Extension Foundation, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2002

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 agency of the federal government. At December 31, 2002, 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. Alcor had investments in excess of federally insured limits of approximately \$24,269. As of January 1, 2001, Alcor instituted a new 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	\$ 275,727	\$ 258,466
Insured deposit accounts	494,209	494,209
Total member investments	769,936	<u>\$ 752,675</u>
Cash surrender value of member life insurance policies	<u>1,144,971</u>	
Total prepaid suspensions and standby	<u>\$ 1,914,907</u>	

NOTE 6 - CAPITAL LEASES

The cost of equipment acquired under capital leases was \$58,596 as of December 31, 2002. Amortization of assets held under capital leases is included with depreciation and amortization expense. Accumulated amortization was \$24,019 at December 31, 2002. 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, 2002.

Year ending December 31,	
2003	\$ 18,066
2004	17,054
2005	10,904
2006	<u>7,283</u>
	53,307
Less amount representing interest	<u>12,473</u>
Present value of future minimum lease payments	<u>\$ 40,834</u>

Alcor Life Extension Foundation, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2002

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, 2002, are as follows:

Research and education	\$ 871,403
General and administrative	<u>827,893</u>
	<u>\$1,699,296</u>

NOTE 8 - EMPLOYEE LEASING

On May 6, 2002 Alcor renewed its one-year agreement with Action Employment Resources, Inc. (AER) to provide professional employment services. Under the terms of this agreement, AER assumes payroll administration and human resource responsibilities for Alcor, and as a result, Alcor's staff work as employees of AER.

NOTE 9 - 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 10 — ACQUISITIONS

Alcor Patient Care Trust increased its ownership in its subsidiary, Cryonics Property, LLC, from 65.22% to 72.46% during the year ended December 31, 2002. The Trust acquired two partners' ownership interests in June 2002, for a total purchase price of \$111,667. These acquisitions were accounted for as a purchase, whereby the underlying assets acquired and liabilities assumed are recorded at their fair market values, up to the amount of the purchase price.

Alcor Life Extension Foundation, Inc. and Subsidiaries
SCHEDULE OF DEPARTMENTAL ASSETS, LIABILITIES AND NET ASSETS
(See Accountants' Review Report)

December 31, 2002

	General	Clinical Research	Laboratory Research	Endowment	Patient Care Trust	State of the Art	Cryonics Property, LLC	Consolidating and Eliminating	Total
ASSETS									
Cash and cash equivalents	\$ 45,184	\$ 100,862	\$ 1,575	\$ 1,349	\$ 292,982	\$ 785,960	\$ 59,053		\$ 1,286,965
Investments		7,009		28,237	769,077		30,691		835,014
Accounts receivable	11,655	136,000			10,000				157,655
Deposits							41,834		41,834
Employee receivables	3,000								3,000
Due to/from other departments	(138,652)	(100,936)	(53,080)	389,716	(13,111)	(83,937)			
Total current assets	(78,813)	142,935	(51,505)	419,302	1,058,948	702,023	131,578		2,324,468
Property and equipment									
Land							150,000	\$ 49,410	199,410
Building and improvements	6,717				5,421		712,152	148,230	872,520
Equipment	118,243	42,458	30,742		343,293	91,765			626,501
	124,960	42,458	30,742		348,714	91,765	862,152	197,640	1,698,431
Less accumulated depreciation	85,766	22,590	25,101		183,196	1,164	161,798		479,615
	39,194	19,868	5,641		165,518	90,601	700,354	197,640	1,218,816
Prepaid suspensions and standby		1,914,907							1,914,907
Employee receivables	21,000								21,000
Mortgage note					424,847		(424,847)		
Investment in Cryonics Property, LLC					470,895			\$ (470,895)	
Total assets	\$ (18,619)	\$ 2,077,710	\$ (45,864)	\$ 419,302	\$ 2,120,208	\$ 792,624	\$ 407,085	\$ (273,255)	\$ 5,479,191
LIABILITIES AND NET ASSETS									
Current liabilities									
Accounts payable and accrued expenses	\$ 47,133	\$ 44,133			\$ 1,908		\$ 3,211		\$ 96,385
Current portion of capital lease obligations	8,078	1,248			2,404				11,730
Total current liabilities	55,211	45,381			4,312		3,211		108,115
Security deposits									
Capital lease obligations	19,496	224			9,384		7,390		7,390
Deferred suspension revenue		1,914,907							1,914,907
Deferred patient care reserve					2,095,857				2,095,857
Total liabilities	74,707	1,960,512			2,109,553		10,601		4,155,373
Net assets									
Unrestricted controlling interests	(93,326)	117,198	\$ (45,864)	\$ 419,302	10,655	\$ 792,624	396,484	\$ (414,217)	1,182,856
Minority interests								140,962	140,962
Total net assets	(93,326)	117,198	(45,864)	419,302	10,655	792,624	396,484	(273,255)	1,323,818
Total liabilities and net assets	\$ (18,619)	\$ 2,077,710	\$ (45,864)	\$ 419,302	\$ 2,120,208	\$ 792,624	\$ 407,085	\$ (273,255)	\$ 5,479,191

Alcor Life Extension Foundation, Inc. and Subsidiaries
SCHEDULE OF DEPARTMENTAL REVENUES AND EXPENSES
(See Accountants' Review Report)
Year Ended December 31, 2002

	General	Clinical Research	Laboratory Research	Endowment	Patient Care Trust	State of the Art	Cryonics Property, LLC	Consolidating and Eliminating	Total
Revenue and support:									
Membership dues	\$ 234,498								\$ 234,498
Rental income							\$ 149,697	\$ (44,559)	105,138
Contributions	121,884	\$ 413,389				\$ 867,500			1,402,773
Suspensions and standby		557,141							557,141
Interest	789	24			\$ 72,096	13,915	836	(43,335)	44,325
Loss on investments	(35,546)			\$ (2,384)	(136,710)			(13,503)	(188,143)
Other	104,149	25							104,174
Total revenues	425,774	970,579		(2,384)	(64,614)	881,415	150,533	(101,397)	2,259,906
Expenses:									
Personnel services	111,554	164,432	\$ 33,441		38,934	15,785			364,146
Allocation	27,712		(27,712)						
Marketing	325,561								325,561
Depreciation and amortization	11,343	1,636	2,500		21,420	1,164	18,260		56,323
Educational literature	22,225	1,670							23,895
Insurance	16,249	4,887	866		1,813				23,815
Interest	8,089	268					43,335	(43,335)	8,357
Legal and professional	108,484	36,606			760	53,837	18,469		218,156
Medical supplies	712	61,565			30,512				92,789
Membership	17,741								17,741
Office expense	46,074	7,926				11,944			65,944
Other	17,516	573			108	325	2,156		20,678
Postage	3,591	1,056							4,647
Rent	22,716	13,663	5,663		2,517			(44,559)	
Repairs and maintenance	17,790	2,922			3,295	4,105	8,790		36,902
Research		4,101							4,101
Suspension and standby		301,190							301,190
Telephone	34,796	5,779							40,575
Travel	23,672	8,640				1,631			33,943
Licenses	2,805	1,325					33,129		37,259
Utilities	8,682	5,165			573		6,946		21,366
Unrelated business income taxes					1,908				1,908
Total expenses	827,312	623,404	14,758		101,840	88,791	131,085	(87,894)	1,699,296
(Decrease) increase in net assets before minority interest	\$(401,538)	\$ 347,175	\$ (14,758)	\$ (2,384)	\$ (166,454)	\$ 792,624	\$ 19,448	\$ (13,503)	\$ 560,610