

**THE BLOOD CENTER
and
THE BLOOD CENTER FOUNDATION**

Audits of Combined Financial Statements

December 31, 2019 and 2018



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Independent Auditor's Report

To the Boards of Directors of
The Blood Center and The Blood Center Foundation

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of The Blood Center (a Louisiana non-profit organization) (the Center) and The Blood Center Foundation (a Louisiana non-profit organization) (the Foundation) which comprise the combined statements of financial position as of December 31, 2019 and 2018, and the related combined statements of activities and changes in net assets, cash flows, and functional expenses for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of The Blood Center and The Blood Center Foundation as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

A handwritten signature in cursive script that reads "LaForte".

A Professional Accounting Corporation

Metairie, LA
March 19, 2020

THE BLOOD CENTER and THE BLOOD CENTER FOUNDATION
Combined Statements of Financial Position
For the Years Ended December 31, 2019 and 2018

	2019	2018
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 3,902,036	\$ 4,848,233
Investment in Certificates of Deposit	100,053	1,816,385
Trade Receivables, Less Allowance of \$50,000 in 2019 and in 2018	2,835,637	3,332,882
Current Portion of Note Receivable from Related Party	130,952	-
Accrued Interest Receivable	32,396	33,141
Other Receivables	212,137	169,208
Inventories	1,181,705	1,188,951
Prepaid Expenses and Deposits	614,384	448,229
Total Current Assets	9,009,300	11,837,029
Property, Plant, and Equipment, Net	12,974,516	12,504,569
Other Assets		
Note Receivable from Related Party	869,048	-
Investment in Marketable Securities, Designated by the Board	8,875,399	5,907,368
Other Investments, at Cost	364,731	364,731
BCx Surplus Notes	226,650	205,953
Total Other Assets	10,335,828	6,478,052
Total Assets	\$ 32,319,644	\$ 30,819,650
Liabilities and Net Assets		
Current Liabilities		
Current Portion of Long-Term Debt	\$ -	\$ 169,612
Accounts Payable	962,526	1,268,445
Accrued Liabilities	770,573	752,316
Reserve for Blood Plan Claims	30,000	30,000
Total Current Liabilities	1,763,099	2,220,373
Long-Term Debt, Net of Current Portion and Debt Issuance Costs	-	1,881,444
Total Liabilities	1,763,099	4,101,817
Net Assets		
Without Donor Restrictions		
Undesignated	21,681,146	20,810,465
Designated by the Board for Operating Reserve	8,875,399	5,907,368
	30,556,545	26,717,833
With Donor Restrictions	-	-
Total Net Assets	30,556,545	26,717,833
Total Liabilities and Net Assets	\$ 32,319,644	\$ 30,819,650

The accompanying notes are an integral part of these combined financial statements.

THE BLOOD CENTER and THE BLOOD CENTER FOUNDATION
Combined Statements of Activities and Changes in Net Assets
For the Years Ended December 31, 2019 and 2018

	2019	2018
Net Assets without Donor Restrictions		
Operating Revenues		
Blood and Components	\$ 21,351,768	\$ 20,827,558
Outside Testing	2,412,583	2,611,647
Reference Lab	3,090,126	2,651,382
Therapeutic Apheresis	548,873	577,788
Total Operating Revenues	27,403,350	26,668,375
Net Assets Released from Donor Restrictions	-	66,795
Total Operating Revenues, Gains, and Other Support	27,403,350	26,735,170
Operating Expenses		
Program Services Expense	21,547,928	20,412,366
General and Administrative Expenses	5,189,497	5,127,160
Total Operating Expenses	26,737,425	25,539,526
Results of Operations	665,925	1,195,644
Non-Operating Revenues (Expenses)		
Proceeds from Expropriation Litigation Settlement	2,344,256	-
Proceeds from Settlement of Other Litigation	-	504,000
Legal and Professional Expenses	(32,314)	(31,431)
Net Investment Return (Loss)	985,341	(73,832)
Other Revenues	80	10
Other Expenses	(124,576)	(56,580)
Non-Operating Revenues (Expenses), Net	3,172,787	342,167
Change in Net Assets without Donor Restrictions	3,838,712	1,537,811
Net Assets with Donor Restrictions		
Grant Income	-	66,795
Net Assets Released from Donor Restrictions	-	(66,795)
Change in Net Assets with Donor Restrictions	-	-
Change in Net Assets	3,838,712	1,537,811
Net Assets, Beginning of Year	26,717,833	25,180,022
Net Assets, End of Year	\$ 30,556,545	\$ 26,717,833

The accompanying notes are an integral part of these combined financial statements.

THE BLOOD CENTER and THE BLOOD CENTER FOUNDATION
Combined Statements of Cash Flows
For the Years Ended December 31, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Change in Net Assets	\$ 3,838,712	\$ 1,537,811
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	910,513	831,099
Unrealized (Gain) Loss on Investments	(840,973)	107,935
Amortization of Bond Issuance Costs	66,039	5,659
Net Investment Income Reinvested in Marketable Securities	(127,058)	(15,303)
Items Reclassified to Expense from Construction in Progress	-	3,000
(Increase) Decrease in Operating Assets		
Investment in Certificates of Deposit	1,716,332	819,848
Trade Receivables	497,245	(310,985)
Accrued Interest Receivable	745	(12,372)
Other Receivables	(42,929)	(61,490)
Inventories	7,246	54,146
Prepaid Expenses and Deposits	(166,155)	(194,170)
Increase (Decrease) in Operating Liabilities		
Accounts Payable	(305,919)	549,941
Accrued Liabilities	18,257	185,642
Retainage Payable	-	(415,414)
Reserve for Blood Plan Claims	-	(31,940)
Net Cash Provided by Operating Activities	5,572,055	3,053,407
Cash Flows from Investing Activities		
Purchase of Property, Plant, and Equipment	(1,380,460)	(585,997)
Purchase of Marketable Securities	(2,000,000)	(6,000,000)
Increase in Other Investments, at Cost	-	(169,427)
Increase in BCx Surplus Notes	(20,697)	(13,830)
Advances of Notes Receivable from Related Parties	(1,000,000)	-
Net Cash Used in Investing Activities	(4,401,157)	(6,769,254)
Cash Flows from Financing Activities		
Repayment of Long-Term Debt	(2,117,095)	(169,610)
Net Cash Used in Financing Activities	(2,117,095)	(169,610)
Net Decrease in Cash and Cash Equivalents	(946,197)	(3,885,457)
Cash and Cash Equivalents, Beginning of Year	4,848,233	8,733,690
Cash and Cash Equivalents, End of Year	\$ 3,902,036	\$ 4,848,233
Supplemental Disclosure of Cash Flow Information		
Cash Paid During the Year for Interest	\$ 62,304	\$ 74,402

The accompanying notes are an integral part of these combined financial statements.

THE BLOOD CENTER and THE BLOOD CENTER FOUNDATION
Combined Statement of Functional Expenses
For the Year Ended December 31, 2019

	Program Services Expense					Total	General and Administrative	Total
	Blood and Components	Outside Testing	Reference Lab	Therapeutic Apheresis	Total			
Salary and Wages	\$ 5,554,635	\$ 258,020	\$ 840,878	\$ 295,992	\$ 6,949,525	\$ 1,664,465	\$ 8,613,990	
Payroll Taxes and Benefits	1,738,512	84,342	159,181	119,351	2,101,386	494,948	2,596,334	
Supplies and Materials	5,368,604	1,986,947	470,198	108,506	7,934,255	195,260	8,129,515	
Marketing Services	275,718	623	1,634	263	278,238	67,749	345,987	
Professional Development	120,412	4,990	15,435	-	140,837	76,965	217,802	
Contractual Services	1,681,576	136,212	37,265	5,518	1,860,571	2,650,535	4,511,106	
Expenditures for Blood	1,317,002	-	55,601	-	1,372,603	-	1,372,603	
Administrative Expenses	-	-	-	-	-	39,575	39,575	
Total Expenses Before Depreciation	16,056,459	2,471,134	1,580,192	529,630	20,637,415	5,189,497	25,826,912	
Depreciation	728,410	72,841	63,736	45,526	910,513	-	910,513	
Total Expenses	\$ 16,784,869	\$ 2,543,975	\$ 1,643,928	\$ 575,156	\$ 21,547,928	\$ 5,189,497	\$ 26,737,425	

The accompanying notes are an integral part of these combined financial statements.

THE BLOOD CENTER and THE BLOOD CENTER FOUNDATION
Combined Statement of Functional Expenses
For the Year Ended December 31, 2018

	Program Services Expense					General and Administrative	Total
	Blood and Components	Outside Testing	Reference Lab	Therapeutic Apheresis	Total		
Salary and Wages	\$ 5,091,106	\$ 274,058	\$ 796,548	\$ 315,089	\$ 6,476,801	\$ 1,653,173	\$ 8,129,974
Payroll Taxes and Benefits	1,623,759	78,945	154,336	110,222	1,967,262	492,566	2,459,828
Supplies and Materials	5,144,555	2,090,835	535,124	114,205	7,884,719	138,659	8,023,378
Marketing Services	265,444	364	653	175	266,636	52,419	319,055
Professional Development	103,314	8,375	2,692	-	114,381	92,170	206,551
Contractual Services	1,464,288	115,245	38,787	15,522	1,633,842	2,642,639	4,276,481
Expenditures for Blood	1,233,382	-	4,244	-	1,237,626	-	1,237,626
Administrative Expenses	-	-	-	-	-	55,534	55,534
Total Expenses Before Depreciation	14,925,848	2,567,822	1,532,384	555,213	19,581,267	5,127,160	24,708,427
Depreciation	664,879	66,488	58,177	41,555	831,099	-	831,099
Total Expenses	\$ 15,590,727	\$ 2,634,310	\$ 1,590,561	\$ 596,768	\$ 20,412,366	\$ 5,127,160	\$ 25,539,526

The accompanying notes are an integral part of these combined financial statements.

THE BLOOD CENTER and THE BLOOD CENTER FOUNDATION

Notes to Combined Financial Statements

Note 1. Nature of Activities

The Blood Center (the Center) is a Louisiana non-profit organization established to operate blood bank facilities and serve as a liaison between blood donors and hospitals and other health care organizations. In addition, the Center provides testing, reference laboratory, and therapeutic apheresis services for hospitals and other health care organizations. The hospitals and other health care organizations for which the Center serves are located primarily in Louisiana and Mississippi. The Center is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code.

The Blood Center Foundation (the Foundation) is a Louisiana non-profit organization established to provide financial support to organizations dedicated to the procurement and provision of blood components and provide technical support to the blood banking profession in the community they serve. The Foundation is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code.

The Blood Center and The Blood Center Foundation are collectively referred to as the Organization.

Note 2. Summary of Significant Accounting Policies

Principles of Combination

The accompanying combined financial statements include the accounts of the Center and the Foundation. All significant intercompany balances and transactions have been eliminated in combination.

Basis of Accounting

The combined financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and, therefore, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) Topic, *Financial Statements of Not-for-Profit Organizations*. In accordance with this guidance, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. The Organization has no net assets with donor restrictions.

THE BLOOD CENTER and THE BLOOD CENTER FOUNDATION

Notes to Combined Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of the combined financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts recorded in the combined financial statements. Actual results may differ from these estimates due to information that becomes available subsequent to the issuance of the combined financial statements or for other reasons.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid debt instruments with original maturities of three months or less.

Investments

Investments in marketable equity securities with readily determinable fair values and all investments in debt securities are reported at fair values in the combined statements of financial position. Unrealized gains and losses are included in the combined statements of activities and changes in net assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Fair Value Measurement

The Organization follows the provisions of the *Fair Value Measurement* Topic of the FASB ASC. Accordingly, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The *Fair Value Measurement* Topic establishes a fair value hierarchy for inputs used in measuring fair market value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those which market participants would use in pricing the investment based on the best information available in the circumstances.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

- Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical investments that the Organization has the ability to access at the measurement date.
- Level 2 Inputs other than quoted prices, which are observable for the investment either directly or indirectly; including inputs in markets that are not considered to be active.
- Level 3 Inputs that are unobservable and includes situations where there is little, if any, market activity for the investment.

THE BLOOD CENTER and THE BLOOD CENTER FOUNDATION

Notes to Combined Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Fair Value Measurement (Continued)

Inputs are used in applying the various valuation techniques and refer to the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The Organization considers observable data to be market data which is readily available and reliable and provided by independent sources. The categorization of a financial instrument within the fair value hierarchy is therefore based upon the pricing transparency of the instrument and does not necessarily correspond to the Organization's perceived risk of that instrument. Investments whose values are based on quoted market prices in active markets are classified as Level 1 and generally include active listed equities and certain fixed income investments.

Trade Receivables

Trade receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Trade receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received.

A trade receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 30 days. Interest of 1.5% is charged on trade receivables that are outstanding for more than 30 days and is recognized as it is charged.

Inventories

Blood and blood components inventory are reported on the average selling price per unit sold, less expected cost of delivery. The cost of bags for blood collection, reagents for blood testing, and other inventory is determined based on the lower of cost (first-in, first-out method) or market.

Prepaid Expenses and Deposits

Prepaid expenses consist of premiums for insurance coverage that have been capitalized and charged to expenses over the periods for which coverage is applicable; equipment maintenance contracts that have been paid in advance; and other miscellaneous deposits.

Property, Plant, and Equipment

The Organization capitalizes all acquisitions of property, plant, and equipment in excess of \$500. Property, plant, and equipment are recorded at cost or, if donated, at estimated fair value at the date of the donation.

THE BLOOD CENTER and THE BLOOD CENTER FOUNDATION

Notes to Combined Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Property, Plant, and Equipment (Continued)

Depreciation is provided on the straight-line method using the following estimated useful lives:

Furniture and Fixtures	3 - 10 Years
Automobiles, Trucks, Equipment, Leasehold Improvements, and Bloodmobiles	3 - 10 Years
Buildings	25 Years

Debt Issuance Costs

Costs incurred in connection with the issuance of long-term debt are deferred and amortized over the maturity period of the related debt. The Organization had unamortized debt issuance costs of \$-0- and \$66,039 at December 31, 2019 and 2018, respectively.

In accordance with Accounting Standards Update (ASU) 2015-03, *Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*, unamortized debt issuance costs are presented in the combined statements of financial position as a direct deduction from the carrying amount of the debt liability.

Reserve for Blood Plan Claims

The reserve for Blood Plan Claims represents the estimated liability associated with the Center's Blood Assurance and Blood Replacement Plans. For the Blood Assurance Plan, donors can elect to provide unlimited blood coverage for a designated beneficiary. This coverage is valid for one year from the date of the donor's blood donation. The Center will reimburse a qualified beneficiary for the cost of blood utilized for hospital stays during the year, less any amount covered by insurance. For the Blood Replacement Plan, the Center provides payment to a qualified beneficiary based on the amount of blood and blood components donated in the name of that beneficiary. The estimated liability associated with Blood Plan Claims was \$30,000 for both years ended December 31, 2019 and 2018.

Revenues

The Organization recognizes revenue in accordance with ASC Topic 606, *Revenue from Contracts with Customers*. Operating revenues are reported at the amount that reflects the consideration the Organization expects to be entitled for providing goods and services to third parties. All of our performance obligations are satisfied at a point in time. Generally, the Organization bills third parties after services are performed or title to goods has transferred, which is typically at the customer's place of business.

THE BLOOD CENTER and THE BLOOD CENTER FOUNDATION

Notes to Combined Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Revenues (Continued)

The Organization is utilizing the portfolio approach practical expedient in ASU 2014-09 for contracts related to operating revenue. The Organization accounts for the contracts within each portfolio as a collective group, rather than individual contracts. Each portfolio consists of homogeneous contracts pertaining to a particular revenue stream, which are based on the type of service provided and generally consistent with classifications shown within operating revenues on the combined statements of activities. Based on historical collection trends and other analyses, the Organization has concluded that revenue for a given portfolio would not be materially different from accounting for revenue on a contract-by-contract basis.

The Organization recognizes revenue based on established rates, subject to certain discounts and implicit price concessions in accordance with its policy. Price concessions represent differences between amounts billed and the estimated consideration the Organization expects to receive from third parties, which are determined based on historical collection experience, current market conditions, and other factors. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to operating revenue in the period of the change. Adjustments arising from a change in the transaction price were not significant in 2019 or 2018.

Non-Operating Revenues (Expenses)

Included in Non-Operating Revenues (Expenses) within the combined statements of activities and changes in net assets are proceeds received by the Blood Center pertaining to its claims against the State of Louisiana and Louisiana State University (LSU) for the expropriation of the Center's former main campus by the State of Louisiana for the construction of the Medical Center of Louisiana, and claims filed by the Center pertaining to damage to the Center's office facilities incurred as a result of Hurricane Isaac.

During 2019, the Center received \$2,344,256 in settlement of its claims against the State of Louisiana and LSU pertaining to the expropriation of the Center's former main campus. During 2018, the Center received \$504,000 in settlement of its claims pertaining to the damage to the Center's office facilities.

Revenues and Significant Customers

Revenues are derived from service fees for providing blood and blood components and testing, reference and therapeutic apheresis services to blood centers, local hospitals, and laboratories, and from transactions with the Blood Centers of America, National Blood Exchange, and other independent regional blood centers.

THE BLOOD CENTER and THE BLOOD CENTER FOUNDATION

Notes to Combined Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated the balance of its investment in marketable securities as an operating reserve.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed or certain grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

The Organization reports contributions restricted by donors as increases in net assets without donor restrictions 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 net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Advertising

The Center expenses advertising costs as incurred. Advertising expense was \$172,348 and \$157,379 for the years ended December 31, 2019 and 2018, respectively.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the combined statements of activities and changes in net assets. The combined statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Note 2. Summary of Significant Accounting Policies (Continued)

Newly Adopted Accounting Standard

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, to supersede nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity is expected to be entitled for those goods or services. ASU 2014-09 defines a five-step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than required under existing U.S. GAAP, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each performance obligation. The Organization has undertaken a comprehensive analysis of the impact of the new standard based on a review of the contractual terms of its principal revenue streams with the primary focus being to understand whether the timing and amount of revenue recognized could differ under ASU 2014-09. Changes in accounting policies resulting from ASU 2014-09 have been applied using the modified retrospective method of application to contracts that were not complete as of the date of initial application. The implementation did not result in any adjustment to net assets.

As the majority of the Organization's revenue is derived from service fees for providing blood and blood components and testing, reference and therapeutic apheresis services to blood centers, local hospitals and laboratories, for which the point of recognition is dependent upon the contract terms, the transfer of risks and rewards and the transfer of control generally coincides with the fulfillment of performance obligations under the terms of the contract at a point in time. As such, the adoption of ASU 2014-09 had no material impact in respect of timing and amount of revenue recognized by the Organization. Under ASU 2014-09, the estimated uncollectable amounts due are generally considered implicit price concessions that are a direct reduction to net operating revenues, with a corresponding reduction in the amounts reported as provision for doubtful accounts.

Recent Accounting Pronouncements Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires that a lessee recognize the assets and liabilities that arise from leases classified as finance or operating. A lessee should recognize in the balance sheet a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. ASU 2016-02 is effective for financial statements issued for annual periods beginning after December 15, 2020. Management is currently evaluating the impact of adopting the new revenue standard on its financial statements.

THE BLOOD CENTER and THE BLOOD CENTER FOUNDATION

Notes to Combined Financial Statements

Note 3. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Financial Assets Available, at December 31, 2019	
Cash and Cash Equivalents	\$ 3,902,036
Investment in Marketable Securities	8,875,399
Investment in Certificates of Deposit	100,053
Trade Receivables, Net	2,835,637
Current Portion of Note Receivable from Related Party	130,952
Accrued Interest Receivable	32,396
Other Receivables	212,137
Inventories	<u>1,181,705</u>
Total Financial Available Assets	17,270,315
Less: Those Unavailable for General Expenditures Within One Year	
Amount Pledged as Disclosed in Note 5	<u>(100,053)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	<u>\$ 17,170,262</u>

As part of its liquidity management plan, the Organization invests cash in excess of daily requirements in short-term investments, certificates of deposit, and money market funds.

Note 4. Investment in Marketable Securities

The governing board has designated the Organization's investment in marketable securities for an operating reserve. Investment in marketable securities at December 31, 2019 follows:

December 31, 2019	Cost	Market	Excess of Market Over Cost (Cost Over Market)
Money Market Funds	\$ 217,314	\$ 217,314	\$ -
Equity Mutual Funds	4,724,666	5,400,380	675,714
US Treasury Obligations	3,200,381	3,257,705	57,324
Total	<u>\$ 8,142,361</u>	<u>\$ 8,875,399</u>	<u>\$ 733,038</u>

THE BLOOD CENTER and THE BLOOD CENTER FOUNDATION

Notes to Combined Financial Statements

Note 4. Investment in Marketable Securities (Continued)

Investment in marketable securities at December 31, 2018 follows:

December 31, 2018	Cost	Market	Excess of Market Over Cost (Cost Over Market)
Money Market Funds	\$ 216,955	\$ 216,955	\$ -
Equity Mutual Funds	1,970,142	1,850,461	(119,681)
US Treasury Obligations	3,828,206	3,839,952	11,746
Total	\$ 6,015,303	\$ 5,907,368	\$ (107,935)

The classification of Investments by level within the valuation hierarchy as of December 31, 2019 is as follows:

December 31, 2019	Level 1	Level 2	Level 3	Total
Money Market Funds	\$ 217,314	\$ -	\$ -	\$ 217,314
Equity Mutual Funds	5,400,380	-	-	5,400,380
US Treasury Obligations	3,257,705	-	-	3,257,705
Total	\$ 8,875,399	\$ -	\$ -	\$ 8,875,399

The classification of Investments by level within the valuation hierarchy as of December 31, 2018 is as follows:

December 31, 2018	Level 1	Level 2	Level 3	Total
Money Market Funds	\$ 216,955	\$ -	\$ -	\$ 216,955
Equity Mutual Funds	1,850,461	-	-	1,850,461
US Treasury Obligations	3,839,952	-	-	3,839,952
Total	\$ 5,907,368	\$ -	\$ -	\$ 5,907,368

Note 5. Investment in Certificates of Deposit

At December 31, 2019 and 2018, investment in certificates of deposit totaled \$100,053 and \$1,816,385, respectively. At both December 31, 2019 and 2018, one certificate of deposit in the amount of \$100,053 and \$100,000, respectively, is pledged in connection with the Center's participation in the Louisiana Patient's Compensation Fund.

THE BLOOD CENTER and THE BLOOD CENTER FOUNDATION

Notes to Combined Financial Statements

Note 6. Property, Plant, and Equipment

Property, plant, and equipment are recorded at cost and are comprised of the following:

	2019	2018
Depreciable Assets		
Buildings	\$ 13,013,561	\$ 12,596,003
Equipment, Furniture, and Fixtures	8,366,208	7,845,904
Automobiles and Trucks	801,490	408,120
Bloodmobiles	1,638,551	1,455,920
Leasehold Improvements	644,079	604,167
Total Depreciable Assets	24,463,889	22,910,114
Less: Accumulated Depreciation	(13,437,212)	(12,526,699)
Net Depreciable Assets	11,026,677	10,383,415
Non-Depreciable Assets		
Land	1,947,839	1,947,839
Construction in Progress	-	173,315
Total Non-Depreciable Assets	1,947,839	2,121,154
Total	\$ 12,974,516	\$ 12,504,569

Depreciation expense amounted to \$910,513 and \$831,099 for the years ended December 31, 2019 and 2018, respectively.

Note 7. Other Investments

Other Investments, which are carried at their cost basis, consisted of the following:

Entity	Investment Description	2019	2018
Blood Centers of America	Equity Membership	\$ 25,000	\$ 25,000
BCx	Capitalization Fee	91,481	91,481
Blood Group Alliance, Inc.	Capitalization Fee	5,000	5,000
ACTS	Equity Membership	73,823	73,823
National Blood Testing Cooperative	Equity Membership	169,427	169,427
	Total	\$ 364,731	\$ 364,731

THE BLOOD CENTER and THE BLOOD CENTER FOUNDATION

Notes to Combined Financial Statements

Note 8. Note Receivable from Related Party

On August 5, 2019, the Organization lent \$1,000,000 to the National Blood Testing Cooperative to fund the development, implementation, and operation of a donor testing laboratory that provides blood testing and other services to community blood centers that qualify as tax-exempt under section 501(c)(3) of the Internal Revenue Code. Interest is accrued at 5.5% per annum on unpaid principal. Commencing on February 1, 2020, equal monthly payments of principal and applicable interest are due for 84 successive months, with the remaining unpaid balance of principal and accrued and unpaid interest due and receivable in full on February 1, 2027.

Note 9. Long-Term Debt

During 2019, the Center paid in full the outstanding balance of its long-term debt.

The presentation within the combined statements of financial position is as follows:

	2019	2018
Current Portion of Long-Term Debt	\$ -	\$ 169,612
Long-Term Debt, Less Current Portion	\$ -	\$ 1,947,483
Debt Issuance Costs	-	(66,039)
Long-Term Debt, Net	\$ -	\$ 1,881,444

Note 10. Income Taxes

Accounting principles generally accepted in the United States of America provide accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. The Organization believes that they have appropriate support for any tax positions taken, and as such, do not have any uncertain tax positions that are material to the financial statements.

Penalties and interest assessed by income taxing authorities, if any, would be included in non-operating expense.

THE BLOOD CENTER and THE BLOOD CENTER FOUNDATION

Notes to Combined Financial Statements

Note 11. Commitments

Operating Leases - Lessee

The Center leases certain facilities and equipment used in its operations under operating leases renewable on a month-to-month basis, as well as operating leases expiring in various years through 2024. Rent expense for the years ended December 31, 2019 and 2018 totaled \$389,226 and 402,378, respectively.

Minimum future rental payments under non-cancelable operating leases with a lease term in excess of one year are as follows:

<u>Years Ending</u>	<u>Amount</u>
2020	\$ 202,061
2021	160,838
2022	154,838
2023	92,550
2024	<u>56,905</u>
Total	<u><u>\$ 667,192</u></u>

Other Commitments and Contingencies

The Center utilizes private commercial insurance through its affiliation with BCx, as well as participates in the Louisiana Patient's Compensation Fund, to cover risk of loss associated with medical professional liability claims filed against the Center. The Center's private commercial insurance provides coverage for claims, after the Center's deductible of \$25,000 per claim, of up to \$100,000 per claim. The Louisiana Patient's Compensation Fund provides up to \$500,000 in coverage per claim for claims in excess of the first \$100,000. The Center also has commercial insurance with coverage of up to \$5,000,000 per occurrence, with an aggregate limit of \$10,000,000.

Malpractice suits involving claims of varying amounts have been filed against the Center by various claimants. All significant claims filed to date relate to periods of time during which the Center's insurance coverage was in effect. The actions are in various stages of processing, and some may ultimately be tried before juries. Additional claims may be asserted arising from services provided to patients during 2019 and prior years. Although the Center is unable to determine the ultimate cost of the settlement of such claims, management, based on its evaluation of the probability of loss and on the advice of counsel, has accrued \$100,000 to cover the estimated deductible pertaining to certain cases outstanding as of December 31, 2019 and 2018. This amount is included in accrued liabilities on the combined statements of financial position.

THE BLOOD CENTER and THE BLOOD CENTER FOUNDATION

Notes to Combined Financial Statements

Note 12. Concentrations of Credit Risk

Bank Deposits

The Organization maintains its cash accounts in two commercial banks. The amount on deposit at December 31, 2019 and 2018, exceeded the insurance limits of the Federal Deposit Insurance Corporation by approximately \$3,820,000 and \$4,720,000 respectively. The Organization has not experienced any losses in such accounts and believe it is not exposed to any significant credit risk to cash.

Investments

Investments are subject to market risk which may result in losses.

Significant Customers

For the year ended December 31, 2019, two customers made up approximately 22% of the Center's revenues, and approximately 18% of the Center's net receivable balance as of December 31, 2019.

For the year ended December 31, 2018, one customer made up approximately 13% of the Center's revenues, and approximately 9% of the Center's net receivable balance as of December 31, 2018.

Note 13. Pension Plan

The Center sponsors a defined contribution retirement plan established under Section 403(b) of the Internal Revenue Code. The amount contributed by the Center for the years ended December 31, 2019 and 2018 was \$102,799 and \$94,028, respectively.

Note 14. Functional Allocation of Expenses

The combined financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, and amortization, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other.

THE BLOOD CENTER and THE BLOOD CENTER FOUNDATION

Notes to Combined Financial Statements

Note 15. Subsequent Events

Management has evaluated subsequent events through March 19, 2020, the date that the combined financial statements were available to be issued, and determined that the following matter requires disclosure:

In March 2020, the City of New Orleans and the State of Louisiana reported that there were confirmed cases of residents testing positive for the coronavirus. In addition, the World Health Organization has declared the coronavirus outbreak a pandemic. As a result of the outbreak of the coronavirus, the Center has experienced cancelations of scheduled blood drives, as well as a decrease in overall blood donations. As of the date of this report, the Organization is not able to determine the financial impact the coronavirus may have.

No further events occurring after this date have been evaluated for inclusion in these combined financial statements.

SUPPLEMENTARY INFORMATION

THE BLOOD CENTER AND THE BLOOD CENTER FOUNDATION
Combining Statement of Financial Position
December 31, 2019

Schedule I

	The Blood Center	The Blood Center Foundation	Eliminations	Combined
Assets				
Current Assets				
Cash and Cash Equivalents	\$ 3,876,203	\$ 25,833	\$ -	\$ 3,902,036
Investment in Certificates of Deposit	100,053	-	-	100,053
Trade Receivables, Less Allowance of \$50,000	2,835,637	-	-	2,835,637
Current Portion of Note Receivable from Related Party	130,952	-	-	130,952
Accrued Interest Receivable	32,396	-	-	32,396
Other Receivables	212,137	-	-	212,137
Inventories	1,181,705	-	-	1,181,705
Prepaid Expenses and Deposits	614,384	-	-	614,384
Total Current Assets	8,983,467	25,833	-	9,009,300
Property, Plant, and Equipment, Net	12,974,516	-	-	12,974,516
Other Assets				
Note Receivable from Related Party	869,048	-	-	869,048
Investment in Marketable Securities	8,875,399	-	-	8,875,399
Other Investments, at Cost	364,731	-	-	364,731
BCx Surplus Notes	226,650	-	-	226,650
Total Other Assets	10,335,828	-	-	10,335,828
Total Assets	\$ 32,293,811	\$ 25,833	\$ -	\$ 32,319,644
Liabilities and Net Assets				
Current Liabilities				
Accounts Payable	\$ 962,526	\$ -	\$ -	\$ 962,526
Accrued Liabilities	770,573	-	-	770,573
Reserve for Blood Plan Claims	30,000	-	-	30,000
Total Current Liabilities	1,763,099	-	-	1,763,099
Total Liabilities	1,763,099	-	-	1,763,099
Net Assets				
Without Donor Restrictions				
Undesignated	21,655,313	25,833	-	21,681,146
Designated by the Board for Operating Reserve	8,875,399	-	-	8,875,399
	30,530,712	25,833	-	30,556,545
With Donor Restrictions	-	-	-	-
Total Net Assets	30,530,712	25,833	-	30,556,545
Total Liabilities and Net Assets	\$ 32,293,811	\$ 25,833	\$ -	\$ 32,319,644

THE BLOOD CENTER AND THE BLOOD CENTER FOUNDATION
Combining Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2019

Schedule II

	The Blood Center	The Blood Center Foundation	Eliminations	Combined
Net Assets Without Donor Restrictions				
Operating Revenues				
Blood and Components	\$ 21,351,768	\$ -	\$ -	\$ 21,351,768
Outside Testing	2,412,583	-	-	2,412,583
Reference Lab	3,090,126	-	-	3,090,126
Therapeutic Apheresis	548,873	-	-	548,873
Total Operating Revenues	27,403,350	-	-	27,403,350
Net Assets Released from Restrictions	-	-	-	-
Total Operating Revenues, Gains, and Other Support	27,403,350	-	-	27,403,350
Operating Expenses				
Program Service Expenses	21,547,928	-	-	21,547,928
General and Administrative Expenses	5,188,907	590	-	5,189,497
Total Operating Expenses	26,736,835	590	-	26,737,425
Results of Operations	666,515	(590)	-	665,925
Non-Operating Revenues (Expenses)				
Proceeds from Expropriation Litigation Settlement	2,344,256	-	-	2,344,256
Legal and Professional Expenses	(32,314)	-	-	(32,314)
Net Investment Return	985,341	-	-	985,341
Other Revenues	80	-	-	80
Other Expenses	(124,576)	-	-	(124,576)
Total Non-Operating Revenues (Expenses), Net	3,172,787	-	-	3,172,787
Change in Net Assets Without Donor Restrictions	3,839,302	(590)	-	3,838,712
Net Assets With Donor Restrictions				
Net Assets Released from Restrictions	-	-	-	-
Change in Net Assets With Donor Restrictions	-	-	-	-
Change in Net Assets	3,839,302	(590)	-	3,838,712
Net Assets, Beginning of Year	26,691,410	26,423	-	26,717,833
Net Assets, End of Year	\$ 30,530,712	\$ 25,833	\$ -	\$ 30,556,545

THE BLOOD CENTER and THE BLOOD CENTER FOUNDATION
Schedule of Compensation, Benefits, and Other Payments
to Agency Head Using Public Funds
For the Year Ended December 31, 2019

Schedule III

Agency Head

William Weales, Chief Executive Officer

Purpose	Amount *
Salary	\$0
Other Benefits	\$0

* No amount of public funds was used to pay for the salary and benefits of the Agency Head during the year ended December 31, 2019. As such, all amounts presented on this schedule are reported as \$0.

See independent auditor's report.