

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

Audits of Combined Financial Statements

December 31, 2018 and 2017

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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, 2018 and 2017, 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.

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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, 2018 and 2017, 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 "LaPorte".

A Professional Accounting Corporation

Metairie, LA
March 20, 2019

THE BLOOD CENTER and THE BLOOD CENTER FOUNDATION
Combined Statements of Financial Position
For the Years Ended December 31, 2018 and 2017

	2018	2017
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 4,848,233	\$ 8,733,690
Investment in Certificates of Deposit	1,816,385	2,636,233
Trade Receivables, Less Allowance of \$50,000 in 2018 and \$50,000 in 2017	3,332,882	3,021,897
Accrued Interest Receivable	33,141	20,769
Other Receivables	169,208	107,718
Inventories	1,188,951	1,243,097
Prepaid Expenses and Deposits	448,229	254,059
Total Current Assets	11,837,029	16,017,463
Property, Plant, and Equipment, Net	12,504,569	12,752,671
Other Assets		
Investment in Marketable Securities, Designated by the Board	5,907,368	-
Other Investments, at Cost	364,731	195,304
BCx Surplus Notes	205,953	192,123
Total Other Assets	6,478,052	387,427
Total Assets	\$ 30,819,650	\$ 29,157,561
Liabilities and Net Assets		
Current Liabilities		
Current Portion of Long-Term Debt	\$ 169,612	\$ 169,612
Accounts Payable	1,268,445	718,504
Accrued Liabilities	752,316	566,674
Retainage Payable	-	415,414
Reserve for Blood Plan Claims	30,000	61,940
Total Current Liabilities	2,220,373	1,932,144
Long-Term Debt, Net of Current Portion and Debt Issuance Costs	1,881,444	2,045,395
Total Liabilities	4,101,817	3,977,539
Net Assets		
Without Donor Restrictions		
Undesignated	20,810,465	25,180,022
Designated by the Board for Operating Reserve	5,907,368	-
	26,717,833	25,180,022
With Donor Restrictions	-	-
Total Net Assets	26,717,833	25,180,022
Total Liabilities and Net Assets	\$ 30,819,650	\$ 29,157,561

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, 2018 and 2017

	2018	2017
Net Assets without Donor Restrictions		
Operating Revenues		
Blood and Components	\$ 20,827,558	\$ 20,171,224
Outside Testing	2,611,647	3,203,393
Reference Lab	2,651,382	2,522,074
Therapeutic Apheresis	577,788	433,164
Total Operating Revenues	26,668,375	26,329,855
Net Assets Released from Donor Restrictions	66,795	89,424
Total Operating Revenues, Gains, and Other Support	26,735,170	26,419,279
Operating Expenses		
Program Services Expense	20,412,366	21,608,330
General and Administrative Expenses	5,127,160	4,703,227
Total Operating Expenses	25,539,526	26,311,557
Results of Operations	1,195,644	107,722
Non-Operating Revenues (Expenses)		
Proceeds from Expropriation Litigation Settlement	-	6,500,000
Proceeds from Settlement of Other Litigation	504,000	-
Legal and Professional Expenses	(31,431)	(888,442)
Net Investment (Loss)/Return	(73,832)	-
Other Revenues	10	537
Other Expenses	(56,580)	(3,253)
Non-Operating Revenues (Expenses), Net	342,167	5,608,842
Change in Net Assets without Donor Restrictions	1,537,811	5,716,564
Net Assets with Donor Restrictions		
Grant Income	66,795	89,424
Net Assets Released from Donor Restrictions	(66,795)	(89,424)
Change in Net Assets with Donor Restrictions	-	-
Change in Net Assets	1,537,811	5,716,564
Net Assets, Beginning of Year	25,180,022	19,463,458
Net Assets, End of Year	\$ 26,717,833	\$ 25,180,022

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, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Change in Net Assets	\$ 1,537,811	\$ 5,716,564
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	831,099	822,672
Unrealized Loss on Investments	92,632	-
Bad Debt Expense	-	34,565
Net Gain on Disposal of Property, Plant, and Equipment	-	(296)
Amortization of Bond Issuance Costs	5,659	5,880
Items Reclassified to Expense from Construction in Progress	3,000	3,277
(Increase) Decrease in Operating Assets:		
Investment in Certificates of Deposit	819,848	159,377
Trade Receivables	(310,985)	482,651
Accrued Interest Receivable	(12,372)	9,667
Other Receivables	(61,490)	(10,134)
Inventories	54,146	97,314
Prepaid Expenses and Deposits	(194,170)	161,458
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	549,941	(1,552,212)
Accrued Liabilities	185,642	(43,963)
Retainage Payable	(415,414)	-
Reserve for Blood Plan Claims	(31,940)	-
Net Cash Provided by Operating Activities	3,053,407	5,886,820
Cash Flows from Investing Activities		
Purchase of Property, Plant, and Equipment	(585,997)	(186,528)
Purchase of Marketable Securities	(6,000,000)	-
Increase in Other Investments, at Cost	(169,427)	-
Increase in BCx Surplus Notes	(13,830)	-
Proceeds from Disposition of Property, Plant, and Equipment	-	11,996
Net Cash Used in Investing Activities	(6,769,254)	(174,532)
Cash Flows from Financing Activities		
Repayment of Long-Term Debt	(169,610)	(169,610)
Net Cash Used in Financing Activities	(169,610)	(169,610)
Net (Decrease) Increase in Cash and Cash Equivalents	(3,885,457)	5,542,678
Cash and Cash Equivalents, Beginning of Year	8,733,690	3,191,012
Cash and Cash Equivalents, End of Year	\$ 4,848,233	\$ 8,733,690
Supplemental Disclosure of Cash Flow Information		
Cash Paid During the Year for Interest	\$ 74,402	\$ 79,335

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				Total	General and Administrative	Total
	Blood and Components	Outside Testing	Reference Lab	Therapeutic Apheresis			
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
Combined Statement of Functional Expenses
For the Year Ended December 31, 2017

	Program Services Expense				Total	General and Administrative	Total
	Blood and Components	Outside Testing	Reference Lab	Therapeutic Apheresis			
Salary and Wages	\$ 5,069,394	\$ 299,292	\$ 784,835	\$ 276,314	\$ 6,429,835	\$ 1,539,765	\$ 7,969,600
Payroll Taxes and Benefits	1,622,906	82,215	187,087	100,420	1,992,628	329,504	2,322,132
Supplies and Materials	4,897,285	2,168,342	554,678	87,919	7,708,224	155,406	7,863,630
Marketing Services	205,404	229	631	481	206,745	54,747	261,492
Professional Development	73,834	4,047	11,141	-	89,022	64,139	153,161
Contractual Services	1,459,944	119,561	6,695	30,692	1,616,892	2,463,785	4,080,677
Expenditures for Blood	2,698,819	-	43,493	-	2,742,312	259	2,742,571
Administrative Expenses	-	-	-	-	-	95,622	95,622
Total Expenses Before Depreciation	16,027,586	2,673,686	1,588,560	495,826	20,785,658	4,703,227	25,488,885
Depreciation	658,137	65,814	57,587	41,134	822,672	-	822,672
Total Expenses	\$ 16,685,723	\$ 2,739,500	\$ 1,646,147	\$ 536,960	\$ 21,608,330	\$ 4,703,227	\$ 26,311,557

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 Organizations”.

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 Organizations have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America 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 Organizations are required to report information regarding their financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. The Organizations have 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 are stated at their fair value in the combined statements of financial position. Net Investment return/(loss) is reported in the combined statements of activities and changes in net assets, and consist of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Fair Value Measurement

The Organizations follow 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 Organizations have 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 Organizations consider 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 Organizations capitalize 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 Organizations had unamortized debt issuance costs of \$66,039 and \$71,697 at December 31, 2018 and 2017, 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 and \$61,940 for the years ended December 31, 2018 and 2017, respectively.

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.

Revenue Recognition

Operating revenues are recognized when products are delivered, or services are completed and when the collection of the relevant receivable is probable.

THE BLOOD CENTER and THE BLOOD CENTER FOUNDATION

Notes to Combined Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Non-Operating Revenues and Expenses

The Center has incurred certain legal and professional services costs which pertain primarily to the expropriation of its former main campus by the State of Louisiana for the construction of the Medical Center of Louisiana, and legal costs associated with damage to the Center's office facilities incurred as a result of Hurricane Isaac.

During 2018, the Center received \$504,000 in settlement of its claims pertaining to the damage to the Center's office facilities. These proceeds are shown as a line item on the statement of activities and changes in net assets under non-operating revenues and expenses.

During 2017, the Center received \$6,500,000 from the State of Louisiana in settlement of its claims pertaining to the expropriation. These proceeds are shown as a line item on the statement of activities and changes in net assets under non-operating revenues and expenses.

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 Organizations report 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.

THE BLOOD CENTER and THE BLOOD CENTER FOUNDATION

Notes to Combined Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Advertising

The Center expenses advertising costs as incurred. Advertising expense was \$157,379 and \$113,076 for the years ended December 31, 2018 and 2017, 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.

Newly Adopted Accounting Standard

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-For-Profit Entities*, which amends the existing requirements for the financial statements and notes of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organizations implemented ASU 2016-14 and adjusted the presentation in these consolidated financial statements accordingly. The ASU has been applied retrospectively to all periods presented. The application of this ASU did not have any impact on previously reported changes in net assets without donor restrictions or changes in net assets with donor restrictions.

Recent Accounting Pronouncements Not Yet Adopted

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which amends the existing accounting standards for revenue recognition. ASU 2014-09 is based on principles that govern the recognition of revenue at an amount an entity expects to be entitled when products are transferred to customers. ASU 2014-09 will be effective for nonpublic organizations for annual reporting periods beginning after December 15, 2018, though early adoption is permitted. At present, management expects to adopt the new revenue guidance using the cumulative effect transition method and does not anticipate a material impact to net assets at the beginning of the year. The new standard also requires additional disclosures.

In January 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, 2019. 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 2. Summary of Significant Accounting Policies (Continued)

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying combined financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

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, 2018	
Cash and Cash Equivalents	\$ 4,848,233
Investment in Marketable Securities	5,907,368
Investment in Certificates of Deposit	1,816,385
Trade Receivables, Net	3,332,882
Accrued Interest Receivable	33,141
Other Receivables	169,208
Inventories	1,188,951
Prepaid Expenses and Deposits	448,229
	<hr/>
Total Available Financial Assets	17,744,397
Less: Those Unavailable for General Expenditures Within One Year	
Amount Pledged as Disclosed in Note 5	(100,000)
	<hr/>
Financial Assets Available to Meet Cash Needs for	
General Expenditures within One Year	<u>\$ 17,644,397</u>

As part of its liquidity management plan, the Organizations invest cash in excess of daily requirements in short-term investments, CDs, and money market funds.

THE BLOOD CENTER and THE BLOOD CENTER FOUNDATION

Notes to Combined Financial Statements

Note 4. Investment in Marketable Securities

The governing board has designated the Organizations' investment in marketable securities, for an operating reserve. 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	3,811,072	3,839,952	28,880
Total	\$ 5,998,169	\$ 5,907,368	\$ (90,801)

The Organizations had no investment in marketable securities at December 31, 2017.

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, 2018 and 2017, investment in certificates of deposit totaled \$1,816,385 and \$2,636,233, respectively. One certificate of deposit in the amount of \$100,000 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:

	2018	2017
Depreciable Assets		
Buildings	\$ 12,596,003	\$ 12,568,718
Equipment, Furniture, and Fixtures	7,845,904	7,573,393
Automobiles and Trucks	408,120	408,120
Bloodmobiles	1,455,920	1,425,339
Leasehold Improvements	604,167	521,862
Total Depreciable Assets	22,910,114	22,497,432
Less: Accumulated Depreciation	(12,526,699)	(11,695,600)
Net Depreciable Assets	10,383,415	10,801,832
Non-Depreciable Assets		
Land	1,947,839	1,947,839
Construction in Progress	173,315	3,000
Total Non-Depreciable Assets	2,121,154	1,950,839
Total	\$ 12,504,569	\$ 12,752,671

Depreciation expense amounted to \$831,099 and \$822,672 for the years ended December 31, 2018 and 2017, respectively.

Note 7. Other Investments

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

Entity	Investment Description	2018	2017
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	-
	Total	\$ 364,731	\$ 195,304

THE BLOOD CENTER and THE BLOOD CENTER FOUNDATION

Notes to Combined Financial Statements

Note 8. Long-Term Debt

During 2016, the Center refinanced the outstanding balance of its long-term debt with a financial institution. Under the terms of the note agreement with the financial institution, quarterly principal payments of \$42,403 are required, plus accrued interest at a rate of 3.25%, through September 1, 2021. The remaining outstanding balance is payable in full on September 1, 2021. The debt is secured by the Center's land and buildings located at its Canal Street location.

As part of the debt agreement, the Center is subject to a number of covenants and restrictions associated with its operations. The significant covenants and restrictions include the following:

- The Blood Center will maintain a Fixed Charge Coverage ratio of not less than 1.00 to 1.00.
- The Blood Center shall maintain not less than 30 days of unencumbered liquid assets.

At December 31, 2018, the Center was in compliance with the above covenants and restrictions.

Interest expense, net of interest earned on the temporary investment of debt proceeds, amounted to \$39,569 and \$39,132 for the years ended December 31, 2018 and 2017, respectively.

Future principal payments of long-term debt are as follows:

Years Ending	Amount
2019	\$ 169,612
2020	169,612
2021	<u>1,777,868</u>
Total	<u>\$ 2,117,092</u>

Presentation within the combined states of financial position is as follows:

	2018	2017
Current Portion of Long-Term Debt	<u>\$ 169,612</u>	<u>\$ 169,612</u>
Long-Term Debt, Less Current Portion	\$ 1,947,483	\$ 2,117,092
Debt Issuance Costs	<u>(66,039)</u>	<u>(71,697)</u>
Long-Term Debt, Net	<u>\$ 1,881,444</u>	<u>\$ 2,045,395</u>

THE BLOOD CENTER and THE BLOOD CENTER FOUNDATION

Notes to Combined Financial Statements

Note 9. 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 Organizations believe 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.

Note 10. 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 2023. Rent expense for the years ended December 31, 2018 and 2017 totaled \$402,378 and \$452,816, 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>
2019	\$ 191,129
2020	98,645
2021	63,020
2022	48,620
2023	13,283
Total	\$ 414,697

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.

THE BLOOD CENTER and THE BLOOD CENTER FOUNDATION

Notes to Combined Financial Statements

Note 10. Commitments (Continued)

Other Commitments and Contingencies (Continued)

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 2018 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, 2018 and 2017. This amount is included in accrued liabilities on the combined statements of financial position.

Note 11. Concentrations of Credit Risk

Bank Deposits

The Organizations maintain its cash accounts in two commercial banks. The amount on deposit at December 31, 2018 and 2017, exceeded the insurance limits of the Federal Deposit Insurance Corporation by approximately \$4,720,000 and \$8,494,000 respectively. The Organizations have not experienced any losses in such accounts and believe they are not exposed to any significant credit risk to cash.

Investments

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

Significant Customers

For both of the years ended December 31, 2018 and 2017, one customer made up approximately 13% and 12% of the Center's revenues, respectively, and approximately 9% and 8% of the Center's net receivable balance as of December 31, 2018 and 2017, respectively.

Note 12. 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, 2018 and 2017 was \$94,028 and \$90,730, respectively.

THE BLOOD CENTER and THE BLOOD CENTER FOUNDATION

Notes to Combined Financial Statements

Note 13. Functional Allocation of Expenses

The 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.

Note 14. Subsequent Events

Management has evaluated subsequent events through March 20, 2019, the date that the combined financial statements were available to be issued, and determined that no events occurred that require disclosure. No subsequent 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, 2018

Schedule I

	The Blood Center	The Blood Center Foundation	Eliminations	Combined
Assets				
Current Assets				
Cash and Cash Equivalents	\$ 4,821,810	\$ 26,423	\$ -	\$ 4,848,233
Investment in Certificates of Deposit	1,816,385	-	-	1,816,385
Trade Receivables, Less Allowance of \$50,000 in 2018 and \$50,000 in 2017	3,332,882	-	-	3,332,882
Accrued Interest Receivable	33,141	-	-	33,141
Other Receivables	169,208	-	-	169,208
Inventories	1,188,951	-	-	1,188,951
Prepaid Expenses and Deposits	448,229	-	-	448,229
Total Current Assets	11,810,606	26,423	-	11,837,029
Property, Plant, and Equipment, Net	12,504,569	-	-	12,504,569
Other Assets				
Investment in Marketable Securities	5,907,368	-	-	5,907,368
Other Investments, at Cost	364,731	-	-	364,731
BCx Surplus Notes	205,953	-	-	205,953
Total Other Assets	6,478,052	-	-	6,478,052
Total Assets	\$ 30,793,227	\$ 26,423	\$ -	\$ 30,819,650
Liabilities and Net Assets				
Current Liabilities				
Current Portion of Long-Term Debt	\$ 169,612	\$ -	\$ -	\$ 169,612
Accounts Payable	1,268,445	-	-	1,268,445
Accrued Liabilities	752,316	-	-	752,316
Retainage Payable	-	-	-	-
Reserve for Blood Plan Claims	30,000	-	-	30,000
Total Current Liabilities	2,220,373	-	-	2,220,373
Long-Term Debt, Net of Current Portion and Debt Issuance Costs	1,881,444	-	-	1,881,444
Total Liabilities	4,101,817	-	-	4,101,817
Net Assets				
Without Donor Restrictions				
Undesignated	20,784,042	26,423	-	20,810,465
Designated by the Board for Operating Reserve	5,907,368	-	-	5,907,368
	26,691,410	26,423	-	26,717,833
With Donor Restrictions	-	-	-	-
Total Net Assets	26,691,410	26,423	-	26,717,833
Total Liabilities and Net Assets	\$ 30,793,227	\$ 26,423	\$ -	\$ 30,819,650

See independent auditor's report.

THE BLOOD CENTER AND THE BLOOD CENTER FOUNDATION
Combining Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2018

Schedule II

	The Blood			
	The Blood Center	Center Foundation	Eliminations	Combined
Net Assets Without Donor Restrictions				
Operating Revenues				
Blood and Components	\$ 20,827,558	\$ -	\$ -	\$ 20,827,558
Outside Testing	2,611,647	-	-	2,611,647
Reference Lab	2,651,382	-	-	2,651,382
Therapeutic Apheresis	577,788	-	-	577,788
Total Operating Revenues	26,668,375	-	-	26,668,375
Net Assets Released from Restrictions	66,795	-	-	66,795
Total Operating Revenues, Gains, and Other Support	26,735,170	-	-	26,735,170
Operating Expenses				
Program Service Expenses	20,412,366	-	-	20,412,366
General and Administrative Expenses	5,126,835	325	-	5,127,160
Total Operating Expenses	25,539,201	325	-	25,539,526
Results of Operations	1,195,969	(325)	-	1,195,644
Non-Operating Revenues (Expenses)				
Proceeds from Settlement of Other Litigation	504,000	-	-	504,000
Legal and Professional Expenses	(31,431)	-	-	(31,431)
Net Investment Return	(73,832)	-	-	(73,832)
Other Revenues	10	-	-	10
Other Expenses	(56,580)	-	-	(56,580)
Total Non-Operating Revenues, Net	342,167	-	-	342,167
Change in Net Assets Without Donor Restrictions	1,538,136	(325)	-	1,537,811
Net Assets With Donor Restrictions				
Grant Income	66,795	-	-	66,795
Net Assets Released from Restrictions	(66,795)	-	-	(66,795)
Change in Net Assets With Donor Restrictions	-	-	-	-
Change in Net Assets	1,538,136	(325)	-	1,537,811
Net Assets, Beginning of Year	25,153,274	26,748	-	25,180,022
Net Assets, End of Year	\$ 26,691,410	\$ 26,423	\$ -	\$ 26,717,833

See independent auditor's report.

THE BLOOD CENTER and THE BLOOD CENTER FOUNDATION
Schedule of Compensation, Benefits, and Other Payments
To Agency Head
For the Year Ended December 31, 2018

Schedule III

Agency Head

William Weales, Chief Executive Officer

Purpose	Amount *
Salary	\$0
Benefits - Insurance	\$0
Benefits - Retirement	\$0
Benefits - Other	\$0
Car Allowance	\$0
Vehicle Provided by Government	\$0
Per Diem	\$0
Reimbursements	\$0
Travel	\$0
Registration Fees	\$0
Conference Travel	\$0
Continuing Professional Education Fees	\$0
Housing	\$0
Unvouchered Expenses	\$0
Special Meals	\$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, 2018. As such, all amounts presented on this schedule are reported as \$0.