

**Northern California Community Blood Bank
Financial Statements**

June 30, 2016

Martin, Hutchison, & Hohman
CERTIFIED PUBLIC ACCOUNTANTS
2601 Harrison Ave, Eureka CA 95501

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Northern California Community Blood Bank

We have audited the accompanying financial statements of Northern California Community Blood Bank (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, statement of functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 financial statements based on our audit. We conducted our audit 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Northern California Community Blood Bank as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Northern California Community Blood Bank
A Non-Profit Corporation
Statement of Financial Position
June 30, 2016

Assets

Current Assets

Cash	\$ 1,719,028.55
Investments	350,350.00
Accounts Receivable	539,209.71
Inventories	262,188.21
Prepaid Expenses	<u>106,617.27</u>

Total Current Assets \$ 2,977,393.74

Land, Buildings, Improvements, and Equipment

Cost	3,597,648.44
Accumulated Depreciation	<u>(2,383,490.04)</u>
Net	1,214,158.40

Other Assets

Deposits	2,570.00
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Total Assets \$ 4,194,122.14

Liabilities and Net Assets

Current Liabilities

Accounts Payable	\$ 69,353.85
Accrued Payroll and Payroll Taxes	66,273.25
Accrued Employee Benefits and Withholdings	14,858.62
Accrued Paid Time Off	<u>135,116.46</u>

Total Current Liabilities \$ 285,602.18

Net Assets

Unrestricted Net Assets	3,908,519.96
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Total Liabilities and Net Assets \$ 4,194,122.14

See Accompanying Notes to the Financial Statements

Northern California Community Blood Bank
A Non-Profit Corporation
Statement of Activities
For the Year Ended June 30, 2016

Revenue and Support

Products and Services	\$	5,058,814.93	
Donations		450.00	
Interest & Dividend Income		12,639.97	
Miscellaneous Income		48,997.39	
Total Revenue and Support		5,120,902.29	\$

Functional Expenses

Direct Program Services		4,356,411.09	
General and Administrative		969,003.17	
Fund Raising		-	
Total Functional Expenses		5,325,414.26	

Change in Net Assets from Operations		(204,511.97)	
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Other Changes

Net Gain on Sales of Assets		2,800.60	
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Change in Net Assets		(201,711.37)	
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Unrestricted Net Assets - Beginning of Year		4,110,231.33	
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Unrestricted Net Assets - End of Year	\$	3,908,519.96	
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Northern California Community Blood Bank
A Non-Profit Corporation
Statement of Functional Expenses
For the Year Ended June 30, 2016

Expenses	Direct Program Service	General and Management	Fund Raising	Total
Salaries and Wages	\$ 1,851,696.04	\$ 364,299.64	\$ -	\$ 2,215,995.68
Payroll Taxes	147,967.19	23,443.02	-	171,410.21
Payroll Benefits	345,146.18	106,478.20	-	451,624.38
Total Personnel Cost	<u>2,344,809.41</u>	<u>494,220.86</u>	-	<u>2,839,030.27</u>
Direct Cost of Products Provided	182,255.72	-	-	182,255.72
Advertising	22,856.98	550.00	-	23,406.98
Automobile	77,936.50	-	-	77,936.50
Bad Debts	-	(5,909.60)	-	(5,909.60)
Bank Charges	-	1,354.44	-	1,354.44
Computer Software/Hardware	75,568.83	-	-	75,568.83
Computer Access/Programming	48,676.32	527.88	-	49,204.20
Conference and Meetings	1,100.54	13,004.11	-	14,104.65
Depreciation	-	143,744.04	-	143,744.04
Donations	-	1,500.00	-	1,500.00
Dues and Memberships	871.90	44,234.76	-	45,106.66
Equipment Rental	-	4,157.93	-	4,157.93
Expendable Equipment	723.42	2,912.95	-	3,636.37
Insurance	-	34,780.53	-	34,780.53
Janitorial	185.69	43,248.12	-	43,433.81
Laundry	10,334.37	-	-	10,334.37
Medical Cost	2,779.64	566.91	-	3,346.55
Postage	6,694.17	973.26	-	7,667.43
Printing	16,800.47	4,844.92	-	21,645.39
Professional Development	2,590.00	1,355.00	-	3,945.00
Professional Services	-	69,773.85	-	69,773.85
Record Storage	-	3,889.46	-	3,889.46
Repairs and Maintenance	131,277.51	14,769.38	-	146,046.89
Security	-	3,845.70	-	3,845.70
Subscriptions and Books	6,030.00	592.69	-	6,622.69
Supplies	746,171.16	4,645.78	-	750,816.94
Surveys	3,606.25	-	-	3,606.25
Taxes and Licenses	8,700.15	3,893.00	-	12,593.15
Telephone	13,877.50	8,378.25	-	22,255.75
Testing Cost	624,284.28	-	-	624,284.28
Travel	14,100.20	20,874.23	-	34,974.43
Utilities	-	46,695.34	-	46,695.34
Waste Disposal	14,180.08	5,579.38	-	19,759.46
Total Expenses	<u>\$ 4,356,411.09</u>	<u>\$ 969,003.17</u>	\$ -	<u>\$ 5,325,414.26</u>

See Accompanying Notes to the Financial Statements

Northern California Community Blood Bank
A Non-Profit Corporation
Statement of Cash Flows
For the Year Ended June 30, 2016

Financial Resources Provided by Operations

Net Change to Unrestricted Net Assets	\$	(201,711.37)
Non-cash Revenue and Expense Adjustments		
Depreciation		143,744.04
Net Gain on Sale of Assets		(2,800.60)
Change in Accounts Receivable		(12,880.13)
Change in Inventory		898.94
Change in Prepaid Expenses		1,179.46
Change in Accounts Payable		(118,048.09)
Change in Accrued Liabilities		<u>(8,082.36)</u>
Financial Resources Provided by Operations	\$	(197,700.11)

Financial Resources Used by Investing Activities

Purchase of Fixed Assets & Equipment		(51,142.94)
Sale of Investments		<u>16,100.00</u>
Financial Resources Used by Investing Activities		(35,042.94)

Net Increase (Decrease) in Cash		<u>(232,743.05)</u>
Cash at Beginning of Year		1,951,771.60
Cash at End of Year	\$	<u><u>1,719,028.55</u></u>
 Interest Paid for Year	 \$	 <u><u>-</u></u>

See Accompanying Notes to the Financial Statements

Northern California Community Blood Bank
A Non-Profit Corporation
Notes to Financial Statements
June 30, 2016

1. Organization & Nature of Activities-

The Northern California Community Blood Bank (The Blood Bank) is a not-for-profit corporation organized under Internal Revenue Code Section 501(c)(3) and governed by volunteers.

The organization's mission is to provide a safe and adequate supply of blood and other blood services to patients, physicians and hospitals.

The Blood Bank operates a blood collection facility in Eureka, California. In addition to this facility, The Blood Bank operates three blood mobiles for community collection.

2. Summary of Significant Accounting Policies-

Basis of Presentation

The Blood Bank uses the accrual basis of accounting.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Blood Bank considers all highly liquid investments with an initial maturity of one year or less to be cash equivalents. Investments in savings bonds and stock securities are not considered cash equivalents as these funds are not readily available for operation use.

Accounts Receivable

Accounts receivable are stated at unpaid balances less an allowance for doubtful accounts. Based on experience in previous years, management has determined that the allowance for doubtful accounts should be zero. Any debts or bad check realized above this level are immediately recognized as an expense.

Inventories

Inventories and cost of supplies are stated at cost on a first-in, first-out basis and verified by physical count at the end of each fiscal year. Blood and Blood Product inventories are computed using the retail method. Cost of goods manufactured is calculated using all costs, including overhead.

Northern California Community Blood Bank
A Non-Profit Corporation
Notes to Financial Statements
June 30, 2016

2. Summary of Significant Accounting Policies, Continued-

Land, Buildings and Equipment

Acquisitions of goods or services which benefit more than one year are capitalized and amortized over their estimated useful lives by the straight-line method. Assets over \$2,500.00 are capitalized.

Accrued Paid Time Off

The Blood Bank maintains a Paid Time Off (PTO) program which combines vacation, holiday and sick benefits into a single PTO bank. All regular and part time employees are eligible and accruals are based on lengths of service.

Certain employees are also eligible for disability leave. Compensated absences for disability pay have not been accrued since they cannot be reasonably estimated. The organization's policy is to recognize these costs when actually paid.

Retirement

The Blood Bank maintains a 403(b) tax deferred annuity plan with Lincoln National Life Insurance Company. The program requires contributions by both the employer and the employee if election to be covered is made. Employer contributions are based on the length of service and amount of employee elective contributions ranging from 1% to 6% of the employees annual salary. All contributions are 100% vested.

Contributed Services

Non-professional contributed services and blood donations have not been recorded in these financial statements.

Restricted and Unrestricted Net Assets

The Blood Bank reports its financial statements in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for Profit Organizations." Under SFAS No. 117, the Agency is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted net assets are the part of net assets of the Organization that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Temporarily restricted net assets are those whose use by the Organization has been limited by donors to a specific time period or purpose.

Permanently restricted net assets have been restricted by donors to be maintained by the Organization in perpetuity.

The Blood Bank has no temporarily restricted or permanently restricted net assets.

Northern California Community Blood Bank
A Non-Profit Corporation
Notes to Financial Statements
June 30, 2016

2. Summary of Significant Accounting Policies, Continued-

Free Blood Services

The Blood Bank has agreed to provide free blood services to hospitals. The amount is calculated using an agreed upon formula. The amounts must be used within 13 months of the fiscal year end. Note 6 details the current “Free Blood Services” usage.

Bad Debts

It is the Organization’s policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

Shipping and Handling Costs

Shipping costs are included, net of customer reimbursements, in the Direct Cost of Products Provided on the statement of functional expenses.

Related Party Transactions

The Blood Bank conducts business with members of the board of directors. The transactions consist of selling blood and blood products to board member organizations, purchasing supplies from board member businesses, and donating services and funds to board member organizations. Note 5 details the current periods transactions.

Income Taxes

The Blood Bank is a not-for-profit organization that is exempt from income tax under Internal Revenue Code 501(c)(3) and did not incur any unrelated business income, therefore, no provision for income taxes are required.

Subsequent Events

Management evaluated events and transactions that occurred after the balance sheet date for potential recognition and disclosure through November 10, 2016: the date on which the financial statements were available to be issued.

3. Investments-

Investments are carried at cost or donated value. The market values of those investments are as follows:

	Market Value
Savings Bonds	\$ 378
Other Investments	<u>535,000</u>
Total	\$ 535,378

Northern California Community Blood Bank
A Non-Profit Corporation
Notes to Financial Statements
June 30, 2016

3. Investments, Continued-

Unrealized Gains:

Other Investments has a Business Valuation of \$535,000 but is subject to a discount on an immediate buyout. Therefore, no additional market value is being recognized.

4. Land Buildings and Equipment-

	<u>Estimated Useful Life</u>	<u>Cost</u>
<u>Non-Depreciable:</u>		
Land		\$ 5,397
<u>Depreciable:</u>		
Land Improvements	7-20 years	23,052
2524 Buildings and Improvements	10-40 years	1,397,357
2520 Buildings and Improvements	10-40 years	195,873
Medical and Lab Equipment	5-20 years	1,156,178
Office Furniture and Equipment	5-15 years	56,647
Computers and Software	3-5 years	245,843
Blood Mobiles and Transportation Equipment	5-10 years	517,301
Less: Accumulated Depreciation		<u>(2,383,490)</u>
Total Land, Buildings and Equipment, net		\$ 1,214,158

5. Related Party Transactions

The Blood Bank donated funds and services, sold blood and blood products to and has accounts receivable balances from Mad River Community Hospital, of which a board member is Chief Operating Officer. The following summarize the transactions between the Blood Bank and Mad River Community Hospital for the year ending June 30, 2016:

Total Sales	\$166,987
Total Receivable at year-end	5,967

The Blood Bank also purchased supplies from Times Printing, of which a board member is majority owner, in the amount of \$6,575.

6. Free Blood Services

The "Free Blood Services" are determined and explained in the Blood Service Agreements with the Hospitals. The hospitals share of the charity care is determined by their percentage of local usage. We total all of the sales to St. Joseph, Redwood Memorial, Jerold Phelps, Mad River and Sutter Coast and each hospital's share of that total is their percentage of the total charity care.

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June 30, 2016

6. Free Blood Services, Continued-

The dollar amount of Free Blood Services is 50% of the Net Income from Operations above 5%. The Blood Bank includes in its measure of operations all revenues and expenses that are an integral part of its programs and supporting activities and excludes, donations for capital equipment, interest income, rental income, and miscellaneous income.

Accrual and balances at June 30, 2016 are:

<u>Accrued</u>	<u>Amount</u>	<u>Balance</u>
June 30, 2016	\$ -0-	\$-0-

7. Concentrations of Risk

The Blood Bank conducts business with thirteen organizations that comprise 95% of its annual blood products and services sold. The loss of any of these organizations' business would have a significant impact on the operations of the Blood Bank.

The Blood Bank has concentrated its credit risk by maintaining cash balances at banks in excess of the federally insured amount of \$250,000. Approximately 56% of all cash and certificates of deposits held in banks were uninsured as of June 30, 2016.

<u>Banking Institution</u>	<u>Total Balance</u>	<u>Uninsured Balance</u>
Umpqua Bank	281,252	31,252
Redwood Capital Bank	524,059	274,059
Coast Central Credit Union	<u>910,294</u>	<u>660,294</u>
Total	\$ 1,715,605	\$ 965,605