

**Northern California Community  
Blood Bank  
Financial Statements**

**June 30, 2012**

**Martin, Hutchison & Hohman**  
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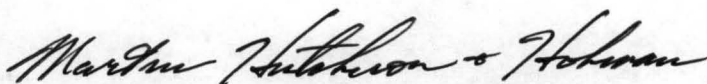
**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Northern California Community Blood Bank

We have audited the accompanying statement of financial position of Northern California Community Blood Bank as of June 30, 2012, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Martin, Hutchison & Hohman, CPAs  
November 2, 2012

**Northern California Community Blood Bank**  
A Non-Profit Corporation  
**Statement of Financial Position**  
June 30, 2012

**Assets**

Current Assets

Cash	\$ 1,366,351.69
Certificates of Deposit	703,507.77
Investments	5,552.40
Accounts Receivable	448,932.38
Inventories	340,577.35
Prepaid Expenses	<u>99,851.07</u>

Total Current Assets \$ 2,964,772.66

Land, Buildings, Improvements, and Equipment

Cost	3,482,997.50
Accumulated Depreciation	<u>(2,087,073.00)</u>
Net	1,395,924.50

Other Assets

Deposits	17,810.00
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Total Assets \$ 4,378,507.16

**Liabilities and Net Assets**

Current Liabilities

Accounts Payable	\$ 151,276.84
Accrued Payroll and Payroll Taxes	37,296.20
Accrued Employee Benefits and Withholdings	11,912.51
Accrued Paid Time Off	<u>120,462.80</u>
Total Current Liabilities	\$ 320,948.35

Net Assets

Unrestricted Net Assets	4,057,558.81
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Total Liabilities and Net Assets \$ 4,378,507.16

See Accompanying Notes

**Northern California Community Blood Bank**  
A Non-Profit Corporation  
**Statement of Activities**  
For the Year Ended June 30, 2012

**Revenue and Support**

Products and Services	\$ 5,316,026.43	
Donations	32,987.58	
Interest Income	10,429.62	
Rental Income	14,405.76	
Miscellaneous Income	<u>16,833.79</u>	
Total Revenue and Support		\$ 5,390,683.18

**Functional Expenses**

Direct Program Services	4,056,370.18	
General and Administrative	988,486.08	
Fund Raising	<u>-</u>	
Total Functional Expenses		5,044,856.26

Change in Net Assets from Operations	<u>345,826.92</u>
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**Other Changes**

Unrealized Gain on Investments	<u>3,732.40</u>
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Change in Net Assets	349,559.32
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Unrestricted Net Assets - Beginning of Year	3,707,999.49
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Unrestricted Net Assets - End of Year	<u>\$ 4,057,558.81</u>
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**Northern California Community Blood Bank**  
A Non-Profit Corporation  
**Statement of Functional Expenses**  
For the Year Ended June 30, 2012

	Direct Program Service	General and Management	Fund Raising	Total
<b>Expenses</b>				
Salaries and Wages	\$ 1,626,990.41	\$ 330,521.98	\$ -	\$ 1,957,512.39
Payroll Taxes	134,811.04	21,034.95	-	155,845.99
Payroll Benefits	235,240.80	51,510.07	-	286,750.87
Total Personnel Cost	<u>1,997,042.25</u>	<u>403,067.00</u>	<u>-</u>	<u>2,400,109.25</u>
Direct Cost of Products Provided	141,825.67	-	-	141,825.67
Advertising	4,942.58	-	-	4,942.58
Automobile	80,479.95	-	-	80,479.95
Bad Debts	-	5,839.55	-	5,839.55
Bank Charges	-	1,085.05	-	1,085.05
Charity Care	9,581.00	-	-	9,581.00
Computer Software/Hardware	32,222.70	111.44	-	32,334.14
Computer Access/Programming	37,358.05	396.89	-	37,754.94
Conference and Meetings	851.21	6,411.10	-	7,262.31
Depreciation	-	186,909.00	-	186,909.00
Donations	-	1,068.01	-	1,068.01
Dues and Memberships	1,104.00	38,495.25	-	39,599.25
Equipment Rental	-	6,466.44	-	6,466.44
Insurance	-	119,993.03	-	119,993.03
Janitorial	-	36,490.71	-	36,490.71
Laundry	11,342.32	-	-	11,342.32
Medical Cost	1,808.05	-	-	1,808.05
Postage	5,037.05	2,025.40	-	7,062.45
Printing	11,677.16	5,639.37	-	17,316.53
Professional Development	4,338.99	4,557.40	-	8,896.39
Professional Services	-	62,489.61	-	62,489.61
Record Storage	-	3,053.96	-	3,053.96
Repairs and Maintenance	128,977.50	15,209.45	-	144,186.95
Security	-	2,137.09	-	2,137.09
Subscriptions and Books	6,738.44	1,593.89	-	8,332.33
Supplies	750,433.81	2,060.07	-	752,493.88
Surveys	3,794.49	140.00	-	3,934.49
Taxes and Licenses	8,834.17	3,225.00	-	12,059.17
Telephone	8,644.88	7,669.74	-	16,314.62
Testing Cost	751,799.52	-	-	751,799.52
Travel	16,028.47	28,018.77	-	44,047.24
Utilities	-	39,049.12	-	39,049.12
Waste Disposal	41,507.92	5,283.74	-	46,791.66
Total Expenses	<u>\$ 4,056,370.18</u>	<u>\$ 988,486.08</u>	<u>\$ -</u>	<u>\$ 5,044,856.26</u>

See Accompanying Notes

**Northern California Community Blood Bank**  
A Non-Profit Corporation  
**Statement of Cash Flow**  
For the Year Ended June 30, 2012

**Financial Resources Provided by Operations**

Net Change to Unrestricted Net Assets	\$	349,559.32
Non-cash Revenue and Expense Adjustments		
Depreciation		186,909.00
Unrealized Gain on Investments		(3,732.40)
Change in Certificate of Deposits		(703,507.77)
Change in Accounts Receivable		108,705.33
Change in Inventory		(59,728.36)
Change in Prepaid Expenses		4,288.06
Change in Accounts Payable		42,012.98
Change in Accrued Liabilities		<u>(1,541.62)</u>
Financial Resources Provided by Operations	\$	(77,035.46)

**Financial Resources Used by Investing Activities**

Change in Deposits		(9,939.00)
Purchase of Medical and Lab Equipment		(131,545.16)
Purchase of Blood Mobile & Transport Equipment		<u>(19,636.05)</u>
Financial Resources Used by Investing Activities		(161,120.21)

<b>Net Increase (Decrease) in Cash</b>		<u>(238,155.67)</u>
<b>Cash at Beginning of Year</b>		1,604,507.36
<b>Cash at End of Year</b>		<u><u>\$ 1,366,351.69</u></u>
 <b>Interest Paid for Year</b>	 \$	 <u><u>-</u></u>

See Accompanying Notes

**Northern California Community Blood Bank**  
**A Non-Profit Corporation**  
**Notes to Financial Statements**  
June 30, 2012

**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.

Their office is located 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 prior years experience, 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 year. Blood and Blood Product inventories are computed using the retail method. Cost of goods manufactured is calculated using all costs, including overhead.

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.

**Northern California Community Blood Bank**  
**A Non-Profit Corporation**  
**Notes to Financial Statements**  
June 30, 2012

**2. Summary of Significant Accounting Policies, Continued-**

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 has not been accrued since it 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 have 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.

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.

Bad Debts

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

**Northern California Community Blood Bank**  
**A Non-Profit Corporation**  
**Notes to Financial Statements**  
June 30, 2012

**2. Summary of Significant Accounting Policies, Continued-**

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.

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 5, 2012: the date on which the financial statements were available to be issued.

**3. Investments-**

Fair Market Value of the investments, as of June 30, 2012, are:

Series E Savings Bonds	\$ 350
StanCorp Stock	<u>5,202</u>
Total	<u><u>\$ 5,552</u></u>

Unrealized Gains:

Unrealized gains of 3,732 have been recorded in the current year to adjust carrying value of the investments to fair market value.

**Northern California Community Blood Bank**  
**A Non-Profit Corporation**  
**Notes to Financial Statements**  
June 30, 2012

**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	16,051
2524 Buildings and Improvements	10-40 years	1,368,031
2520 Buildings and Improvements	10-40 years	194,791
Medical and Lab Equipment	5-20 years	980,251
Office Furniture and Equipment	5-15 years	75,142
Computers and Software	3-5 years	334,735
Blood Mobiles and Transportation Equipment	5-10 years	508,598
Less: Accumulated Depreciation		(2,087,073)
Total Land, Buildings and Equipment, net		\$ 1,395,925

**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, 2012:

Total Sales	\$176,807
Total Receivable at year-end	16,590
Total Monetary Donations	1,000
Total Free Blood Services owed	840

The Blood Bank also purchased supplies from Times Printing, of which a board member is majority owner, in the amount of \$5,317.

**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. Josephs, Redwood Memorial, Gerold Phelps, Mad River and Sutter Coast and each hospital's share of that total is their percentage of the total charity care.

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, 2012 are:

<u>Accrued</u>	<u>Amount</u>	<u>Balance</u>
June 30, 2012	\$ 9,581	\$ 9,581

**Northern California Community Blood Bank**  
**A Non-Profit Corporation**  
**Notes to Financial Statements**  
June 30, 2012

**7. Operating Lease**

As of June 30, 2012, the total remaining operating lease payments under a non-cancelable operating lease, which pertain to a copier, are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2013	\$ 6,475
2014	<u>3,238</u>
Total	<u>\$ 9,713</u>

**8. Concentrations of Risk**

The Blood Bank conducts business with three organizations that comprise 79% of its annual products and services sold. The loss of any of these organizations' business would have a significant impact on the operations of the Blood Bank.

Blood Source	Annual Sales	\$ 1,198,324	22%
St. Joseph	Annual Sales	1,328,892	25%
ARC San Jose/Pomona	Annual Sales	<u>1,737,949</u>	32%
Total		<u>\$ 4,265,165</u>	79%

The Blood Bank has concentrated its credit risk by maintaining cash balances at banks in excess of amounts federally insured. Approximately 41% of all cash and certificates of deposits were uninsured as of June 30, 2012.

<u>Banking Institution</u>	<u>Total Balance</u>	<u>Uninsured Balance</u>
Umpqua Bank	\$ 587,063	\$ 337,063
Redwood Capital Bank	464,294	214,294
Coast Central Credit Union	561,049	311,049
US Bank	<u>450,952</u>	<u>-</u>
Total	<u>\$ 2,063,358</u>	<u>\$ 862,406</u>