

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

Audits of Combined Financial Statements

December 31, 2022 and 2021



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Independent Auditor's Report

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

Opinion

We have audited the accompanying combined financial statements of The Blood Center (a Louisiana non-profit organization) and The Blood Center Foundation (a Louisiana non-profit organization), which comprise the combined statements of financial position as of December 31, 2022 and 2021, 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.

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the combined financial position of The Blood Center and The Blood Center Foundation as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Blood Center and The Blood Center Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Blood Center's and The Blood Center Foundation's ability to continue as a going concern within one year after the date that the combined financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on these combined financial statements.

In performing an audit in accordance with generally accepted auditing standards we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in these combined financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Blood Center's and The Blood Center Foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Blood Center's and The Blood Center Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, on pages 4 through 11, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

A Professional Accounting Corporation

Metairie, LA
March 13, 2023

THE BLOOD CENTER and THE BLOOD CENTER FOUNDATION
Combined Statements of Financial Position
December 31, 2022 and 2021

	2022	2021
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 6,571,874	\$ 7,228,301
Certificates of Deposit	331,912	103,708
Trade Receivables, Net	3,021,580	2,708,284
Current Portion of Note Receivable from Related Party	142,857	142,857
Accrued Interest Receivable	22,143	16,260
Other Receivables	173,082	528,588
Inventories	1,118,092	1,030,635
Prepaid Expenses and Deposits	960,097	568,999
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Total Current Assets	12,341,637	12,327,632
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Property, Plant, and Equipment, Net	11,884,395	12,650,147
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Other Assets		
Note Receivable from Related Party	440,476	583,334
Investment in Marketable Securities, Designated by the Board	14,249,134	15,408,605
Other Investments, at Cost	405,563	354,908
BCx Surplus Notes	239,485	226,128
Right-of-Use Assets for Operating Leases	769,025	-
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Total Other Assets	16,103,683	16,572,975
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Total Assets	\$ 40,329,715	\$ 41,550,754
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The accompanying notes are an integral part of these combined financial statements.

THE BLOOD CENTER and THE BLOOD CENTER FOUNDATION
Combined Statements of Financial Position (Continued)
December 31, 2022 and 2021

	2022	2021
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	\$ 844,233	\$ 1,156,515
Accrued Liabilities	840,711	845,257
Reserve for Blood Plan Claims	30,000	30,000
Current Portion of Operating Lease Liability	225,883	-
Total Current Liabilities	1,940,827	2,031,772
Long-Term Liabilities		
Operating Lease Liability, Net of Current Portion	559,350	-
Total Long-Term Liabilities	559,350	-
Total Liabilities	2,500,177	2,031,772
Net Assets		
Without Donor Restrictions		
Undesignated	23,580,404	24,110,377
Designated by the Board for Operating Reserve	14,249,134	15,408,605
Total Net Assets	37,829,538	39,518,982
Total Liabilities and Net Assets	\$ 40,329,715	\$ 41,550,754

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, 2022 and 2021

	2022	2021
Net Assets Without Donor Restrictions		
Operating Revenues		
Blood and Components	\$ 18,145,007	\$ 18,832,343
Outside Testing	1,971,554	2,910,158
Reference Lab	4,595,237	4,848,355
Therapeutic Apheresis	314,945	437,748
Other Income	-	189,011
Property Insurance Recoveries	-	665,000
Total Operating Revenues	25,026,743	27,882,615
Operating Expenses		
Program Services	20,192,448	22,372,601
General and Administrative	4,374,265	4,335,587
Total Operating Expenses	24,566,713	26,708,188
Results of Operations	460,030	1,174,427
Non-Operating (Expenses) Revenues		
Net Investment Return	(2,153,585)	1,517,002
Other Revenues	4,111	1,098,236
Total Non-Operating (Expenses) Revenues	(2,149,474)	2,615,238
Changes in Net Assets Without Donor Restrictions	(1,689,444)	3,789,665
Changes in Net Assets	(1,689,444)	3,789,665
Net Assets, Beginning of Year	39,518,982	35,729,317
Net Assets, End of Year	\$ 37,829,538	\$ 39,518,982

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, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Changes in Net Assets	\$ (1,689,444)	\$ 3,789,665
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	1,152,723	1,104,137
Unrealized Loss (Gain) on Investments	2,420,126	(1,247,970)
Net Investment Income Reinvested in Marketable Securities	(260,655)	(226,519)
Property Insurance Recoveries	-	(151,323)
Property Impairment	-	659,682
(Increase) Decrease in Operating Assets		
Certificates of Deposit	11,796	(2,858)
Trade Receivables	(313,296)	620,848
Accrued Interest Receivable	(5,883)	(2,576)
Other Receivables	355,506	(257,620)
Inventories	(87,457)	197,224
Prepaid Expenses and Deposits	(391,098)	(110,024)
Right-of-Use Assets for Operating Leases	251,434	-
Increase (Decrease) in Operating Liabilities		
Accounts Payable	(312,282)	238,413
Accrued Liabilities	(4,546)	(276,226)
Operating Lease Liabilities	(235,226)	-
Net Cash Provided by Operating Activities	891,698	4,334,853
Cash Flows from Investing Activities		
Purchase of Property, Plant, and Equipment	(386,971)	(1,065,094)
Proceeds from Property Insurance Recoveries	-	151,323
Property Impairment Repairs	-	(659,682)
Purchase of Marketable Securities	(1,240,000)	(4,000,000)
Increase in Other Investments, at Cost	(50,655)	(29,000)
Increase in BCx Surplus Notes	(13,357)	-
Repayments on Notes Receivable from Related Parties	142,858	142,857
Net Cash Used in Investing Activities	(1,548,125)	(5,459,596)
Net Decrease in Cash and Cash Equivalents	(656,427)	(1,124,743)
Cash and Cash Equivalents, Beginning of Year	7,228,301	8,353,044
Cash and Cash Equivalents, End of Year	\$ 6,571,874	\$ 7,228,301
Supplemental Disclosure of Cash Flow Information		
Right-of-Use Assets Obtained in Exchange for New Operating Lease Obligations	\$ (1,020,459)	\$ -

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, 2022

	Program Services				Total	General and Administrative	Total
	Blood and Components	Outside Testing	Reference Lab	Therapeutic Apheresis			
Salary and Wages	\$5,670,577	\$438,749	\$503,466	\$243,031	\$6,855,823	\$1,597,964	\$ 8,453,787
Payroll Taxes and Benefits	1,459,882	79,878	82,434	54,274	\$1,676,468	399,491	2,075,959
Supplies and Materials	3,068,285	1,547,324	253,585	50,881	\$4,920,075	150,000	5,070,075
Marketing Services	671,562	294	184	478	\$672,518	-	672,518
Professional Development	153,059	10,800	-	-	\$163,859	-	163,859
Contractual Services	1,686,680	119,134	26,734	8,072	\$1,840,620	2,180,628	4,021,248
Outsourced Testing	1,851,841	-	-	-	\$1,851,841	-	1,851,841
Expenditures for Blood	1,014,920	-	43,601	-	\$1,058,521	-	1,058,521
Administrative Expenses	-	-	-	-	\$0	46,182	46,182
Total Expenses Before Depreciation	15,576,806	2,196,179	910,004	356,736	19,039,725	4,374,265	23,413,990
Depreciation	922,028	92,278	80,743	57,674	1,152,723	-	1,152,723
Total Expenses Before General and Administrative Allocation	16,498,834	2,288,457	990,747	414,410	20,192,448	4,374,265	24,566,713
Total Expenses	\$ 16,498,834	\$ 2,288,457	\$ 990,747	\$ 414,410	\$ 20,192,448	\$ 4,374,265	\$ 24,566,713

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, 2021

	Program Services				Total	General and Administrative	Total
	Blood and Components	Outside Testing	Reference Lab	Therapeutic Apheresis			
Salary and Wages	\$ 5,641,279	\$ 500,119	\$ 481,409	\$ 261,028	\$ 6,883,835	\$ 1,601,721	\$ 8,485,556
Payroll Taxes and Benefits	1,637,202	97,776	107,976	53,478	1,896,432	400,430	2,296,862
Supplies and Materials	3,209,134	2,095,656	280,908	97,224	5,682,922	151,168	5,834,090
Marketing Services	755,043	685	480	663	756,871	28,172	785,043
Professional Development	132,979	1,907	-	423	135,309	-	135,309
Contractual Services	1,861,755	856,936	23,850	15,156	2,757,697	2,136,338	4,894,035
Outsourced Testing	2,200,220	-	-	-	2,200,220	-	2,200,220
Expenditures for Blood	935,591	8,290	11,297	-	955,178	-	955,178
Administrative Expenses	-	-	-	-	-	17,758	17,758
Total Expenses Before Depreciation	16,373,203	3,561,369	905,920	427,972	21,268,464	4,335,587	25,604,051
Depreciation	883,309	88,331	77,290	55,207	1,104,137	-	1,104,137
Total Expenses	\$ 17,256,512	\$ 3,649,700	\$ 983,210	\$ 483,179	\$ 22,372,601	\$ 4,335,587	\$ 26,708,188

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. Intercompany balances and transactions are 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).

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.

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 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 820 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, 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 estimates 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. The Organization's allowance for doubtful receivables was \$50,000 as of December 31, 2022 and 2021. The opening balance of trade receivables was \$3,329,132 as of January 1, 2021.

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.

Other Receivables

Other receivables are carried at the value the organization expects to receive from unrelated third parties for transactions outside the normal course of business and primarily includes expected insurance proceeds.

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 net realizable value.

Prepaid Expenses and Deposits

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

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

The Organization capitalizes all acquisitions of property, plant, and equipment in excess of \$1,500. Property, plant, and equipment are recorded at cost or, if donated, at estimated fair value at the date of the donation.

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

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, 2022 and 2021.

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. The Organization's 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 Organization is utilizing the portfolio approach practical expedient in Accounting Standards Update (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 and changes in net assets. 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 BLOOD CENTER and THE BLOOD CENTER FOUNDATION

Notes to Combined Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Revenues (Continued)

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 2022 or 2021.

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 from Federal Contracts and Grants

Some of the Organization's revenue is derived from cost-reimbursable federal contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contracts or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the combined statements of financial position.

The Organization reports the proceeds received from federal grants and contracts as a component of operating revenue in the combined statements of activities and changes in net assets if the incurred qualifying expenses directly correlate with the Organization's mission. Proceeds received from federal grants and contracts to reimburse non-operating expenses are reported as part of non-operating revenue in the combined statements of activities and changes in net assets.

During the year ended December 31, 2022, the organization received Federal Emergency Management Agency (FEMA) funds in the amount of \$33,368.

As further described in Note 10 in the notes to combined financial statements, during the year ending December 31, 2021, the Organization received grants from FEMA for expenses incurred relating to damages sustained from Hurricane Katrina on August 29, 2005 in the amount of \$1,053,631.

Note 2. Summary of Significant Accounting Policies (Continued)

Leases

In February 2016, the FASB issued ASC Topic 842, *Leases*, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their balance sheets as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements.

Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, *Leases*) and operating leases, with classification affecting the pattern of expense recognition in the income statement. The Organization adopted Topic 842 on January 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, the Organization has applied Topic 842 to reporting periods beginning on January 1, 2022, while prior periods continue to be reported and disclosed in accordance with the Organization's historical accounting treatment under ASC Topic 840, *Leases*.

The Organization elected the "package of practical expedients" under the transition guidance within Topic 842, in which the Organization does not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases. At adoption of ASC 842 on January 1, 2022, the Organization measured the ROU asset and lease liability using the remaining portion of the lease term.

The Organization determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract, and (ii) the Organization obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Organization also considers whether its service arrangements include the right to control the use of an asset.

The Organization made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or January 1, 2022, for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives.

THE BLOOD CENTER and THE BLOOD CENTER FOUNDATION

Notes to Combined Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Leases (Continued)

To determine the present value of lease payments, the Organization made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

Adoption of Topic 842 resulted in the recording of additional ROU assets and lease liabilities related to the Organization's operating leases of \$983,433 at January 1, 2022. The adoption of the new lease standard did not materially impact combined statements of activities and changes in net assets or combined statements of cash flows and did not result in a cumulative-effect adjustment to the opening balance of net assets.

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 BLOOD CENTER and THE BLOOD CENTER FOUNDATION

Notes to Combined Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Net Assets (Continued)

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.

The Organization did not have net assets with donor restrictions in 2022 or 2021.

Advertising

The Center expenses advertising costs as incurred. Advertising expenses were \$180,597 and \$201,884 for the years ended December 31, 2022 and 2021, 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.

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.

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, 2022

Cash and Cash Equivalents	\$ 6,571,874
Investment in Marketable Securities	14,249,134
Certificates of Deposit	331,912
Trade Receivables, Net	3,021,580
Current Portion of Note Receivable from Related Party	142,857
Accrued Interest Receivable	22,143
Other Receivables	<u>173,082</u>
 Total Financial Assets Available	 24,512,582

Less: Those Unavailable for General Expenditures Within One Year	
Amount Pledged as Disclosed in Note 5	<u>(91,912)</u>

**Financial Assets Available to Meet Cash Needs for
General Expenditures within One Year**

\$ 24,420,670

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, 2022 was as follows:

December 31, 2022	Cost	Market	Excess of Market Over Cost
Money Market Funds	\$ 89,228	\$ 89,228	\$ -
Equity Mutual Funds	8,469,501	9,197,466	727,965
U.S. Treasury Obligations	<u>5,146,000</u>	<u>4,962,440</u>	<u>(183,560)</u>
 Total	 <u>\$ 13,704,729</u>	 <u>\$ 14,249,134</u>	 <u>\$ 544,405</u>

THE BLOOD CENTER and THE BLOOD CENTER FOUNDATION

Notes to Combined Financial Statements

Note 4. Investment in Marketable Securities (Continued)

The governing board has designated the Organization's investment in marketable securities for an operating reserve. Investment in marketable securities at December 31, 2021 was as follows:

December 31, 2021	Cost	Market	Excess of Market Over Cost
Money Market Funds	\$ 128,752	\$ 128,752	\$ -
Equity Mutual Funds	7,728,021	10,565,067	2,837,046
U.S. Treasury Obligations	4,576,000	4,714,786	138,786
Total	\$ 12,432,773	\$ 15,408,605	\$ 2,975,832

The classification of investments by level within the valuation hierarchy as of December 31, 2022 and 2021 was as follows:

December 31, 2022	Level 1	Level 2	Level 3	Total
Money Market Funds	\$ 89,228	\$ -	\$ -	\$ 89,228
Equity Mutual Funds	9,197,466	-	-	9,197,466
U.S. Treasury Obligations	4,962,440	-	-	4,962,440
Total	\$ 14,249,134	\$ -	\$ -	\$ 14,249,134

December 31, 2021	Level 1	Level 2	Level 3	Total
Money Market Funds	\$ 128,752	\$ -	\$ -	\$ 128,752
Equity Mutual Funds	10,565,067	-	-	10,565,067
U.S. Treasury Obligations	4,714,786	-	-	4,714,786
Total	\$ 15,408,605	\$ -	\$ -	\$ 15,408,605

Note 5. Certificates of Deposit

At December 31, 2021, investments in certificates consisted of one certificate of deposit in the total amount of \$103,708. At December 31, 2022, investments consisted of three additional certificates of deposit in the amount of \$239,400, for a total amount of \$331,912. As of December 31, 2022 and 2021, one certificate of deposit is pledged in connection with the Center's participation in the Louisiana Patient's Compensation Fund (LPCF) in the amount of \$100,000 and \$103,708, respectively. See Note 12 for further information on the Center's participation in the LPCF.

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:

	2022	2021
Depreciable Assets		
Buildings	\$ 13,018,508	\$ 13,013,561
Equipment, Furniture, and Fixtures	8,311,828	8,120,922
Automobiles and Trucks	806,944	747,435
Bloodmobiles	2,375,617	2,281,188
Leasehold Improvements	518,821	485,641
Total Depreciable Assets	25,031,718	24,648,747
Less: Accumulated Depreciation	(15,099,162)	(13,946,439)
Net Depreciable Assets	9,932,556	10,702,308
Non-Depreciable Assets		
Land	1,947,839	1,947,839
Construction in Progress	4,000	-
Total Non-Depreciable Assets	1,951,839	1,947,839
Total	\$ 11,884,395	\$ 12,650,147

Depreciation expenses amounted to \$1,152,723 and \$1,104,137 for the years ended December 31, 2022 and 2021, respectively.

In August 2021, Hurricane Ida made landfall on the coast of Louisiana and the Governor of Louisiana declared a state of emergency for all affected areas. The Organization sustained damages to some of its buildings and equipment. The Organization carried flood and property insurance with deductibles not to exceed \$1,500 and filed an insurance claim with its insurer for damages to buildings and equipment in the amount of approximately \$330,000 and damages to Bloodmobiles of \$335,000. Costs for repairs in that same amount have been incurred during 2021 and were included in operating expenses in the combined statements of activities and changes in net assets for the year ended December 31, 2021.

In 2021 total insurance proceeds of approximately \$665,000 were recognized in the combined statements of activities and changes in net assets. Approximately \$513,000 of this amount was included in other receivables in the combined statements of financial position as of December 31, 2021. The full amount of the insurance claim was collected through 2022.

THE BLOOD CENTER and THE BLOOD CENTER FOUNDATION

Notes to Combined Financial Statements

Note 7. Note Receivable from Related-Party

On August 5, 2019, the Organization loaned \$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. Pursuant to the loan agreement, equal monthly payments of principal and applicable interest are due for 73 successive months, with the remaining unpaid balance of principal and unpaid interest due and receivable in full on February 1, 2027. The remaining total balance is \$583,333 and \$726,191 as of December 31, 2022 and 2021, respectively.

Note 8. Other Investments

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

Entity	Investment Description	2022	2021
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
National Blood Testing Cooperative	Equity Membership	185,082	169,427
National Blood Collaborative	Capitalization Fee	99,000	64,000
Total		\$ 405,563	\$ 354,908

Note 9. Leases

The Organization leases real estate and equipment under operating lease agreements that have initial terms ranging from 1 to 5 years. Some leases include one or more options to renew, generally at the Organization's sole discretion, with renewal terms that can extend the lease term up to 5 years. In addition, certain leases contain termination options, where the rights to terminate are held by either the Organization, the lessor, or both parties. These options to extend or terminate a lease are included in the lease terms when it is reasonably certain that the Organization will exercise that option. The Organization's operating leases generally do not contain any material restrictive covenants or residual value guarantees.

THE BLOOD CENTER and THE BLOOD CENTER FOUNDATION

Notes to Combined Financial Statements

Note 9. Leases (Continued)

Operating lease cost is recognized on a straight-line basis over the lease term. The components of lease expense are as follows for the year ended December 31, 2022:

Lease Cost:

Operating Lease Cost	\$ 263,502
Short-Term Lease Cost	85,163
	<hr/>
Total Lease Cost	<u>\$ 348,665</u>

Other Information:

Weighted-Average Remaining Lease Term (in Years):	
Operating Leases	4.24
Weighted-Average Discount Rate Applied (%):	
Operating Leases	1.41%

Total rent expense for operating leases was \$409,165 for the year ended December 31, 2021.

Future undiscounted cash flows for each of the next five years and thereafter and a reconciliation to the lease liabilities recognized on the combined statement of financial position are as follows as of December 31, 2022:

Year Ending December 31,	Amount
2023	\$ 235,250
2024	192,119
2025	133,622
2026	128,880
2027	108,480
Thereafter	10,780
Total lease payments	<hr/> 809,131
Less: Imputed Interest	23,898
Less: Lease Liabilities, Current Portion	225,883
	<hr/>
Total Present Value of Lease Liabilities	<u>\$ 559,350</u>

THE BLOOD CENTER and THE BLOOD CENTER FOUNDATION

Notes to Combined Financial Statements

Note 10. Revenue from Federal Grant

During 2009, the Center applied for and was awarded funding from FEMA for uninsured losses the Center sustained from Hurricane Katrina. During the year ended December 31, 2021, the Center has been approved and received FEMA funding proceeds of \$1,053,631, to reimburse qualifying expenses incurred during the period of the years from 2006 through 2009. These proceeds meet the definition of non-operating revenues and are accordingly included in other revenues within non-operating revenues (expenses) in the combined statement of activities and changes in net assets as of December 31, 2021.

Note 11. 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 combined financial statements.

Penalties and interest assessed by income taxing authorities, if any, would be included in non-operating expense. No such charges were incurred in the years ended December 31, 2022 and 2021, respectively.

Note 12. Commitments

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 donors and/or patients during 2022 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, 2022 and 2021. 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. Commitments (Continued)

Business Interruption Claims

As further described in Note 6 in the notes to combined financial statements, the Organization sustained damages during Hurricane Ida in August 2021 to some of its buildings and equipment. The Organization carries flood, property, and business interruption insurance subject to certain deductibles.

In addition to the claim for property damages, the organization filed an insurance claim with its insurance carrier for business interruption of approximately \$535,000.

The ultimate recovery under a business interruption policy is highly judgmental and typically subject to substantial negotiations between the insured and the insurance company. Accordingly, expected insurance settlements from business interruption claims are not recognized until realized, which is typically upon receipt.

Consequently, no amounts relating to the business interruption claim have been recognized for the years ended December 31, 2022 and 2021.

Note 13. Concentration of Risk

Bank Deposits

The Organization maintains its cash accounts in two commercial banks. The amount on deposit at December 31, 2022 and 2021, exceeded the insurance limits of the Federal Deposit Insurance Corporation by approximately \$5,870,000 and \$6,440,000, respectively. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk loss.

Investments

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

Significant Customers

For the year ended December 31, 2022, two customers made up approximately 21% of the Center's revenues, and approximately 17% of the Center's net receivable balance as of December 31, 2022.

For the year ended December 31, 2021, two customers made up approximately 22% of the Center's revenues, and approximately 17% of the Center's net receivable balance as of December 31, 2021.

THE BLOOD CENTER and THE BLOOD CENTER FOUNDATION

Notes to Combined Financial Statements

Note 14. 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, 2022 and 2021, was \$120,172 and \$115,668, respectively.

Note 15. 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 salaries and wages, payroll taxes and benefits, supplies and materials, professional development, contractual services, and depreciation.

Note 16. Subsequent Events

Management has evaluated subsequent events through March 13, 2023, 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, 2022

Schedule I

	The Blood Center	The Blood Center Foundation	Eliminations	Combined
Assets				
Current Assets				
Cash and Cash Equivalents	\$ 6,548,186	\$ 23,688	\$ -	\$ 6,571,874
Certificates of Deposit	331,912	-	-	331,912
Trade Receivables, Net	3,021,580	-	-	3,021,580
Current Portion of Note Receivable from Related Party	142,857	-	-	142,857
Accrued Interest Receivable	22,143	-	-	22,143
Other Receivables	173,082	-	-	173,082
Inventories	1,118,092	-	-	1,118,092
Prepaid Expenses and Deposits	960,097	-	-	960,097
Total Current Assets	12,317,949	23,688	-	12,341,637
Property, Plant, and Equipment, Net	11,884,395	-	-	11,884,395
Other Assets				
Note Receivable from Related Party	440,476	-	-	440,476
Investment in Marketable Securities, Designated by the Board	14,249,134	-	-	14,249,134
Other Investments, at Cost	405,563	-	-	405,563
BCx Surplus Notes	239,485	-	-	239,485
Right-of-Use Assets for Operating Leases	769,025	-	-	769,025
Total Other Assets	16,103,683	-	-	16,103,683
Total Assets	\$ 40,306,027	\$ 23,688	\$ -	\$ 40,329,715
Liabilities and Net Assets				
Current Liabilities				
Accounts Payable	\$ 844,233	\$ -	\$ -	\$ 844,233
Accrued Liabilities	840,711	-	-	840,711
Reserve for Blood Plan Claims	30,000	-	-	30,000
Current Portion of Operating Lease Liability	225,883	-	-	225,883
Total Current Liabilities	1,940,827	-	-	1,940,827
Long-Term Liabilities				
Operating Lease Liability, Net of Current Portion	559,350	-	-	559,350
Total Long-Term Liabilities	559,350	-	-	559,350
Total Liabilities	2,500,177	-	-	2,500,177
Net Assets				
Without Donor Restrictions				
Undesignated	23,556,716	23,688	-	23,580,404
Designated by the Board for Operating Reserve	14,249,134	-	-	14,249,134
Total Net Assets	37,805,850	23,688	-	37,829,538
Total Liabilities and Net Assets	\$ 40,306,027	\$ 23,688	\$ -	\$ 40,329,715

See independent auditor's report.

THE BLOOD CENTER and THE BLOOD CENTER FOUNDATION
Combining Statement of Activities and Changes in Net Assets
For the Years Ended December 31, 2022

Schedule II

	The Blood Center	The Blood Center Foundation	Eliminations	Combined
Net Assets Without Donor Restrictions				
Operating Revenues				
Blood and Components	\$ 18,145,007	\$ -	\$ -	\$ 18,145,007
Outside Testing	1,971,554	-	-	1,971,554
Reference Lab	4,595,237	-	-	4,595,237
Therapeutic Apheresis	314,945	-	-	314,945
Total Operating Revenues	25,026,743	-	-	25,026,743
Operating Expenses				
Program Service Expenses	20,192,448	-	-	20,192,448
General and Administrative Expenses	4,340,495	33,770	-	4,374,265
Total Operating Expenses	24,532,943	33,770	-	24,566,713
Results of Operations	493,800	(33,770)	-	460,030
Non-Operating Revenues (Expenses)				
Net Investment Return	(2,153,585)	-	-	(2,153,585)
Other Revenue	4,111	-	-	4,111
Total Non-Operating Revenues, Net	(2,149,474)	-	-	(2,149,474)
Changes in Net Assets Without Donor Restrictions	(1,655,674)	(33,770)	-	(1,689,444)
Changes in Net Assets	(1,655,674)	(33,770)	-	(1,689,444)
Net Assets, Beginning of Year	39,461,524	57,458	-	39,518,982
Net Assets, End of Year	\$ 37,805,850	\$ 23,688	\$ -	\$ 37,829,538

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, 2022

Agency Head

Billy Weales, Chief Executive Officer

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

See independent auditor's report.