

**Suncoast Communities Blood Bank, Inc.**

**Financial Statements  
September 30, 2009 and 2008**

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**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Suncoast Communities Blood Bank, Inc.

We have audited the accompanying statements of financial position of Suncoast Communities Blood Bank, Inc. ("the Organization") as of September 30, 2009 and 2008, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years 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 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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 Suncoast Communities Blood Bank, Inc. as of September 30, 2009 and 2008, 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.

Sarasota, Florida  
April 22, 2010

*Cavanaugh & Co. LLP*

Suncoast Communities Blood Bank, Inc.

Statements of Financial Position  
September 30, 2009 and 2008

ASSETS

	2009		2008	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
<b>Current assets:</b>				
Cash and cash equivalents	\$ 830,313	44,076	1,456,883	78,576
Certificates of deposit	945,813	-	-	-
Investments, at fair value	1,702,326	-	1,559,391	-
Accounts receivable	917,777	-	839,075	-
Other receivables	104,748	-	98,006	-
Inventories	46,904	-	25,069	-
Deferred blood processing costs	348,248	-	384,616	-
Prepays and other	138,927	-	230,923	-
Total current assets	5,035,056	44,076	4,593,963	78,576
Property and equipment, net of accumulated depreciation of \$2,847,632 and \$2,508,399	2,763,023	-	2,633,406	-
Other assets:				
Deposits	24,820	-	25,003	-
Pre-funded employee benefits	555,678	-	365,300	-
Total assets	\$8,378,577	44,076	7,617,672	78,576

LIABILITIES AND NET ASSETS

<b>Current liabilities:</b>				
Accounts payable	\$ 251,350	-	202,943	-
Accrued salaries and taxes	150,829	-	181,817	-
Deferred revenue	58,459	-	85,632	-
Accrued vacation and sick leave	307,198	-	244,765	-
Accrued retirement expense	131,798	-	87,772	-
Capital lease, current portion	26,551	-	29,505	-
Total current liabilities	926,185	-	832,434	-
Long-term liabilities:				
Capital lease, non-current	5,532	-	30,078	-
Employee benefits	206,000	-	146,000	-
Total liabilities	1,137,717	-	1,008,512	-
<b>Net assets:</b>				
Unrestricted	7,240,860	-	6,609,160	-
Temporarily restricted	-	44,076	-	78,576
Total net assets	7,240,860	44,076	6,609,160	78,576
Total liabilities and net assets	\$8,378,577	44,076	7,617,672	78,576

See accompanying notes to financial statements.

**Suncoast Communities Blood Bank, Inc.**

**Statements of Activities and Changes in Net Assets**  
Years Ended September 30, 2009 and 2008

	2009		2008	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
<b>Revenues, gains and support:</b>				
Processing and service fees	\$5,591,760	-	4,882,199	-
Laboratory test fees	2,107,991	-	1,974,839	-
Plasma sales	550,311	-	513,465	-
Export fees	2,182,336	-	1,867,599	-
Contributions	33,536	22,758	96,646	25,570
In-kind contributions	70,000	21,294	142,945	-
Other income	53,067	-	29,770	-
Investment income (loss):				
Interest and dividends	72,324	-	98,448	-
Realized and unrealized gain (loss)	4,266	-	(267,966)	-
Grants	-	88,000	-	75,500
Net assets released from restrictions:				
Satisfaction of program restrictions	166,552	(166,552)	109,754	(109,754)
	<u>10,832,143</u>	<u>(34,500)</u>	<u>9,447,699</u>	<u>(8,684)</u>
Total revenues, gains and support				
	10,832,143	(34,500)	9,447,699	(8,684)
<b>Expenses:</b>				
Program services	9,367,147	-	8,090,016	-
Management and administrative	752,985	-	583,604	-
Fund development	80,312	-	114,742	-
Total expenses	<u>10,200,443</u>	<u>-</u>	<u>8,788,362</u>	<u>-</u>
Change in net assets	631,700	(34,500)	659,337	(8,684)
Net assets at beginning of year	<u>6,609,160</u>	<u>78,576</u>	<u>5,949,823</u>	<u>87,260</u>
Net assets at end of year	<u>\$7,240,860</u>	<u>44,076</u>	<u>6,609,160</u>	<u>78,576</u>

See accompanying notes to financial statements.



Suncoast Communities Blood Bank, Inc.

Statements of Cash Flows  
Years Ended September 30, 2009 and 2008

	2009		2008		Total
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	
<b>Cash flows from operating activities:</b>					
Change in net assets	\$ 631,700	(34,500)	659,337	(8,684)	650,653
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:					
Depreciation	339,233	-	257,185	-	257,185
Realized and unrealized (gain) losses on investments	(4,266)	-	287,966	-	287,966
(Increase) decrease in:					
Accounts receivable	(78,702)	-	(100,918)	-	(100,918)
Other receivables	(6,742)	-	(18,539)	-	(18,539)
Inventories	(21,835)	-	6,315	-	6,315
Deferred blood processing costs	36,368	-	(88,582)	-	(88,582)
Prepays and other	91,996	-	(138,816)	-	(138,816)
Deposits	183	-	45	-	45
Pre-funded employee benefits	(190,378)	-	(84,002)	-	(94,002)
Increase (decrease) in:					
Accounts payable	48,407	-	25,110	-	25,110
Accrued salaries and taxes	(30,988)	-	71,483	-	71,483
Deferred revenue	(27,173)	-	85,632	-	85,632
Accrued vacation and sick leave	62,433	-	35,375	-	35,375
Accrued retirement expense	44,026	-	29,114	-	29,114
Employee benefits	60,000	-	-	-	-
Total adjustments	322,562	-	337,368	-	337,368
Net cash provided (used) by operating activities	954,262	(34,500)	996,705	(8,684)	988,021
<b>Cash flows from investing activities:</b>					
Proceeds from sale of investments	-	-	98,725	-	98,725
Purchase of certificates of deposit	(945,813)	-	-	-	-
Purchase of investments	(138,669)	-	(141,214)	-	(141,214)
Purchase of property and equipment	(468,850)	-	(243,221)	-	(243,221)
Net cash used by investing activities	(1,553,332)	-	(285,710)	-	(285,710)
<b>Cash flows from financing activities:</b>					
Repayment of capital lease	(27,500)	-	(27,500)	-	(27,500)
Net cash used by financing activities	(27,500)	-	(27,500)	-	(27,500)
Net increase (decrease) in cash and cash equivalents	(626,570)	(34,500)	683,495	(8,684)	674,811
Cash and cash equivalents at beginning of year	1,456,883	78,576	773,388	87,260	860,648
Cash and cash equivalents at end of year	\$ 830,313	44,076	1,456,883	78,576	1,535,459
<b>Supplemental cash flow information:</b>					
Interest paid	\$ 5,809	-	5,809	-	5,809
Income taxes paid	\$ 4,107	-	4,107	-	4,107

See accompanying notes to financial statements.

**Suncoast Communities Blood Bank, Inc.**

**Notes to Financial Statements**  
September 30, 2009 and 2008

**Note 1 – Organization and Summary of Significant Accounting Policies:**

Organization

Suncoast Communities Blood Bank, Inc. ("the Blood Bank"), a Florida not-for-profit organization, receives blood from individual donors, processes the blood and then distributes the blood and blood components to hospitals and other medical facilities. The Blood Bank provides blood products required by five area hospitals, plus Sarasota Physicians Dialysis Center (SPDC) and Bayflite. The Blood Bank also provides transfusion services for Sarasota Memorial Hospital, HealthSouth and SPDC. In addition to collecting, storing, testing and matching blood products, the Blood Bank provides a range of medically-ordered therapeutic blood procedures to outpatients and inpatients throughout the region.

Basis of Accounting

The Blood Bank's financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards *Financial Statements of Not-for-Profit Organizations (FASB Accounting Standards Codification (ASC) 958, Not-for-Profit Entities*. Under ASC 958, the Blood Bank is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. A description of the three net asset categories follows:

Unrestricted – Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted – Net assets whose use by the Blood Bank is subject to donor-imposed restrictions that can be fulfilled by actions of the Blood Bank pursuant to those restrictions or that expire by the passage of time.

Permanently Restricted – Net assets restricted by donor to be maintained permanently by the Blood Bank. No permanently restricted assets were held at September 30, 2009 and 2008.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Blood Bank considers all cash in banks, sweep accounts, and petty cash to be cash and cash equivalents. Cash and cash equivalents excludes cash held in brokerage accounts.

**Suncoast Communities Blood Bank, Inc.**

**Notes to Financial Statements - Continued**

September 30, 2009 and 2008

**Note 1 – Organization and Summary of Significant Accounting Policies - Continued:**

Accounts Receivable

Accounts receivable are stated at billed amounts. No allowance for doubtful account was deemed necessary by management as of September 30, 2009 and 2008. Balances that are still outstanding after management has made collection efforts are written off through a charge to bad debt expense and a credit to the applicable accounts receivable. There was no bad debt expense for the years ended September 30, 2009 and 2008. No interest is charged on receivables.

Property and Equipment

Property and equipment are recorded at cost. The Blood Bank capitalizes any depreciable asset greater than \$10,000. Depreciation and amortization are provided for using straight-line and accelerated methods over the estimated useful lives of the assets ranging from three (3) to thirty-nine (39) years.

Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market and consist primarily of Rhogam, albumin and donor recognition gifts.

Deferred Blood Processing Costs

Deferred blood processing costs represent the costs of supplies and labor, and those indirect costs related to the collection, processing and delivery of whole blood and blood components not yet used by the hospitals. Donated blood and its products are passed on to the recipient at no cost. However, the Blood Bank does charge a fee to recover its cost of collecting, processing and distributing the blood products. Deferred blood processing costs are valued at the fee charged to the local contract hospitals to recover these costs.

Estimates

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

Investments

Management determines the appropriate classification of investment securities at the time of purchase and re-evaluates such classification as of each balance sheet date. All securities are classified as available-for-sale and are recorded at fair value. Interest, dividends, and realized and unrealized gains and losses on securities are included in the statement of activities.

**Suncoast Communities Blood Bank, Inc.**

**Notes to Financial Statements - Continued**  
September 30, 2009 and 2008

**Note 1 – Organization and Summary of Significant Accounting Policies - Continued:**

Revenue Recognition

Fees and sales revenues are recorded as the services are rendered or the products are sold. Provisions for any losses are made in the period when such losses are determined. Other income is recorded when the transaction occurs.

Deferred Revenue

Revenue from both advertising and blood processing services received prior to the fiscal year to which they relate are deferred and recognized in the period to which the revenue is earned.

Expense Allocation

Certain expenses are allocated among program and support services based on related salary expenses, square footage used and other methods determined by management.

Income Taxes

The Blood Bank is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Blood Bank's tax-exempt purpose is subject to taxation as unrelated business income. The Blood Bank received taxable revenues from advertising sales during the years ended September 30, 2009 and 2008. Income taxes incurred on these revenues were \$4,091 and \$53 for years ended September 30, 2009 and 2008.

In December 2008, the Financial Accounting Standards Board issued FASB Staff Position (FSP) FIN 48-3, "Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises." FSP FIN 48-3 permits an entity within its scope to defer the effective date of FASB Interpretation 48, *Accounting for Uncertainty in Income Taxes (FASB Accounting Standards Codification (ASC) 740, Income Taxes)*, to its annual financial statements for fiscal years beginning after December 15, 2008. The Blood Bank has elected to defer the application of the uncertain tax position provisions of ASC 740 for the year ending September 30, 2009. The Blood Bank evaluates its uncertain tax positions using the provisions of ASC 450, *Contingencies*. Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

**Suncoast Communities Blood Bank, Inc.**

**Notes to Financial Statements - Continued**  
September 30, 2009 and 2008

**Note 2 – Retirement Plan:**

In January 1998, the Blood Bank established a 401(k) plan. Employees are eligible for this plan when they are at least eighteen years old and have completed one year of service with the Blood Bank. The Blood Bank will match 50% of the first 6% of pay. Additional employer contributions are allowed. For the years ended September 30, 2009 and 2008, employee retirement expense totaled \$245,618 and \$165,778, respectively.

In March 2004, the Blood Bank established a Section 457 deferred compensation plan. Employees are eligible for this plan when they are at least eighteen years old and have completed one year of service with the Blood Bank. There plan contains no provisions for an employer match and all contributions to the plan are elective deferrals by the employee.

In October 2004, the Blood Bank established a 403(b) plan. Employees are eligible for this plan when they are at least eighteen years old and have completed one year of service with the Blood Bank. The 403(b) plan contains no provisions for an employer match and all contributions to the plan are elective deferrals by the employee.

**Note 3 – Leases:**

**Capital:**

Effective January 7, 2005, the Blood Bank entered into a capital lease agreement for a bloodmobile. The effective annual interest rate on the capital lease was 6.50%, with monthly principal and interest payments of \$2,776, maturing January 2011. The bloodmobile held under this capital lease has a cost of \$165,000 and book value of \$92,813 and \$109,313, as of September 30, 2009 and 2008. Interest paid as of September 30, 2009 and 2008, was \$5,809 and \$5,809, respectively.

Future maturities of the capital lease payable as of September 30 are as follows:

2010	\$ 26,551
2011	5,532
Total	<u>32,083</u>
Less current portion	<u>26,551</u>
Non-current portion	<u>\$ 5,532</u>

**Operating:**

Effective April 17, 2006, the Blood Bank entered into a 60-month operating lease agreement for use of a copier. The Blood Bank has also entered into leases for a collection facility and a laboratory facility which expire December 31, 2011 and December 31, 2013, respectively. Future minimum lease payments under these noncancellable leases as of September 30 are as follows:

**Suncoast Communities Blood Bank, Inc.**

**Notes to Financial Statements - Continued**  
September 30, 2009 and 2008

**Note 3 – Leases – Continued:**

2010	\$207,529
2011	207,679
2012	145,573
2013	128,035
2014	<u>32,244</u>
Total	<u>\$721,060</u>

**Note 4 – Concentration:**

Billings to Sarasota Memorial Hospital represent \$6,315,080 (58%) and \$5,704,802 (59%) of total revenue and \$477,245 (52%) and \$483,852 (57%) of accounts receivable as of September 30, 2009 and 2008, respectively.

**Note 5 – Investments:**

During the year the Blood Bank adopted Statement of Financial Accounting Standards (SFAS) 157 *Fair Value Measurements*. SFAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements.

The Blood Bank uses the market approach to value the investments. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets.

As stated in SFAS 157, to increase consistency and comparability in fair value measurements and related disclosures, the fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within level 1 that are observable for the asset, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset. The fair values of the assets within the Blood Bank's investment portfolio are measured utilizing level 1 inputs.

The components of investments at September 30, 2009, are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Accumulated Unrealized Gain (Loss)</u>
Money Market Fund	\$ 253,587	253,589	2
Fixed Income Securities	770,558	809,202	38,644
Equity Securities	<u>779,420</u>	<u>639,535</u>	<u>(139,885)</u>
Total	<u>\$ 1,803,565</u>	<u>1,702,326</u>	<u>(101,239)</u>

**Suncoast Communities Blood Bank, Inc.**

**Notes to Financial Statements - Continued**  
September 30, 2009 and 2008

**Note 5 – Investments – Continued:**

The components of investments at September 30, 2008, are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Accumulated Unrealized Gain (Loss)</u>
Money Market Fund	\$ 181,933	181,933	-
Fixed Income Securities	718,833	675,859	(42,974)
Equity Securities	<u>775,271</u>	<u>701,599</u>	<u>(73,672)</u>
Total	<u>\$ 1,676,037</u>	<u>1,559,391</u>	<u>(116,646)</u>

The Blood Bank recognized unrealized gains/(losses) on investments of \$4,266 and \$(267,966) for the fiscal years ended September 30, 2009 and 2008, respectively. Interest and dividend income are shown net of investment fees of \$10,681 and \$12,375 for the years ended September 30, 2009 and 2008, respectively.

**Note 6 – Property and Equipment:**

Property and equipment consists of the following:

	<u>2009</u>	<u>2008</u>
Land	\$ 508,648	508,648
Buildings and leasehold improvement	2,198,611	1,955,475
Laboratory equipment	1,103,839	959,800
Automotive equipment	823,839	798,109
Office furniture and equipment	214,786	214,786
Computer equipment and software	760,932	693,406
Construction in progress	-	11,581
Total property and equipment	<u>5,610,655</u>	<u>5,141,805</u>
Less accumulated depreciation	<u>2,847,632</u>	<u>2,508,399</u>
Property and equipment, net	<u>\$ 2,763,023</u>	<u>2,633,406</u>

Depreciation expense for the years ended September 30, 2009 and 2008, was \$339,233 and \$257,185.

**Note 7 – Other Assets:**

Other assets for the years ended September 30, 2009 and 2008, include a capital contribution of \$24,065 and \$24,065, respectively, to secure the Blood Bank's participation in BCx, a risk retention group for liability insurance coverage. BCx has issued annual surplus notes, which represent a refund of premium which the Blood Bank has agreed to lend back to BCx. The surplus notes accrue interest based on the performance of the fund. At September 30, 2009 and 2008, the surplus notes carried a balance of \$92,545 and \$77,608, respectively.

**Suncoast Communities Blood Bank, Inc.**

**Notes to Financial Statements - Continued**

September 30, 2009 and 2008

**Note 8 – Employee Benefit Trust:**

Seeking to control the rising cost of providing health care benefits for its employees and their dependents, the Blood Bank formed, in 1991, the Sarasota Community Blood Bank Employee Benefits Trust (Trust). Participant claims paid from the trust fund are limited annually as to total per employee and a maximum aggregate. Excess benefits up to specified limits are covered by insurance policies, the premiums for which are paid from the trust fund. The Blood Bank has also contracted the services of a qualified third party insurance administrator to provide utilization review and claims administration services. Total claim liability, estimated by an actuarial study at September 30, 2009 and 2008, is \$206,000 and \$146,000, respectively. Trust funds exceeded estimated claims and service costs by \$349,678 and \$219,300 at September 30, 2009 and 2008, respectively.

**Note 9 – Uninsured Cash Balances:**

The Blood Bank maintains its cash balances at a financial institution located in Sarasota, Florida. As of September 30, 2009, certain accounts at financial institutions are subject to unlimited coverage by the Federal Deposit Insurance Corporation (FDIC). Certain other accounts at financial institutions are secured by the Federal Deposit Insurance Corporation up to \$250,000 and \$100,000 as of September 30, 2009 and September 30, 2008, respectively. Cash balances in excess of FDIC limits at September 30, 2009 and 2008, were \$1,552 and \$1,658,358, respectively.

**Note 10 – Commitments and Contingencies:**

The Blood Bank has signed blood use agreements with five local hospitals that expire anywhere from October 2009 through December 2013.

The Blood Bank has an agreement through December 31, 2011, with a company to sell recovered plasma. The plasma is sold on the international market.

The Blood Bank has several contracts for the purchase of disposable supplies. The contracts expire anywhere from December 2009 through March 2012. The contracts require minimum purchase quantities and the Blood Bank will be billed if usage is not met.

The Blood Bank has several contracts for instrument maintenance and service and for software support. The contracts expire anywhere from December 2009 through August 2010. The instruments and software are not operational without this on-going support.

The Blood Bank has a bonus program for employees. Employees are eligible for a bonus if production goals are met. Bonuses are based on collections and other criteria.

The Blood Bank has incentive contracts with certain employees.

**Suncoast Communities Blood Bank, Inc.**

**Notes to Financial Statements - Continued**

September 30, 2009 and 2008

**Note 11 – Temporarily Restricted Net Assets:**

The amount of temporarily restricted net assets available only for capital items for the years ended September 30, 2009 and 2008 is \$44,076 and \$78,576, respectively.

**Note 12 – Line of Credit:**

The Blood Bank has a line of credit with a financial institution. The line of credit allows the Blood Bank to borrow up to \$250,000 at a rate equal to the Northern Trust, NA prime rate. The line of credit matures January 2010 and is automatically renewed every year. The business assets of the Organization serve as collateral. For the years ended September 30, 2009 and 2008, no amounts were outstanding on the line of credit.

**Note 13 – In-kind Contributions:**

The Organization recognizes donated goods and services that create or enhance nonfinancial assets or that require specialized skills, and would typically need to be purchased if not provided by donations. Donations of donor recognition gifts and advertising campaigns are recorded as support at their estimated fair value at the date of donation. The fair values of these donated services and supplies have been reflected in these statements in the amount of \$91,294 and \$142,945 for the years ended September 30, 2009 and 2008, respectively.

**Note 14 – Subsequent Events:**

Subsequent events have been evaluated through April 22, 2010, which is the date the financial statements were available to be issued.

**Note 15 – Restatement of 2008:**

The Blood Bank discovered an error in recording a receipt as a donation during 2008. The receipt was, in fact, payment for a two-year contract effective June 2008 to provide advertising space. Revenue from this transaction is being recognized over the term of the contract. As of September 30, 2008, the amount of deferred revenue was \$57,334.

Also, the Blood Bank identified revenues from the sale of blood products recognized in the amount of \$28,298 that should have been deferred as of September 30, 2008.

As a result, the Blood Bank has restated its 2008 financial statements which increased liabilities and decreased net assets by \$85,632. The restatement also reduced the change in net assets by \$85,632.