

**Suncoast Communities Blood Bank, Inc.
dba SunCoast Blood Bank**

**Financial Statements
September 30, 2016**

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CAVANAUGH & CO, LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Suncoast Communities Blood Bank, Inc. dba SunCoast Blood Bank ("the Blood Bank") (a nonprofit organization), which comprise the statement of financial position as of September 30, 2016, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Suncoast Communities Blood Bank, Inc. dba SunCoast Blood Bank as of September 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Suncoast Communities Blood Bank, Inc. dba SunCoast Blood Bank's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 15, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Sarasota, Florida
February 13, 2017

A handwritten signature in black ink that reads "Cavanaugh G. LLP". The signature is written in a cursive style with a large, looping initial "C".

**Suncoast Communities Blood Bank, Inc.
dba SunCoast Blood Bank**

**Statement of Financial Position
September 30, 2016**

	<u>ASSETS</u>			2015 (For Comparative Purposes Only)
	Unrestricted	2016 Temporarily Restricted	Total	
Current assets:				
Cash and cash equivalents	\$ 830,078	53,137	883,215	831,459
Investments, at fair value	2,097,371	-	2,097,371	1,831,719
Accounts receivable	1,599,130	-	1,599,130	1,277,807
Other receivables	32,217	-	32,217	17,350
Inventories	40,866	-	40,866	25,333
Deferred blood processing costs	590,136	-	590,136	731,791
Prepays and other	150,104	-	150,104	129,799
Total current assets	<u>5,339,902</u>	<u>53,137</u>	<u>5,393,039</u>	<u>4,845,258</u>
Property and equipment, net	3,605,327	-	3,605,327	3,112,026
Other assets:				
Deposits	41,481	-	41,481	41,523
Surplus note receivable	106,324	-	106,324	117,353
Investments in membership organizations	392,829	-	392,829	392,829
Pre-funded employee benefits	-	-	-	376,079
Total assets	<u>\$ 9,485,863</u>	<u>53,137</u>	<u>9,539,000</u>	<u>8,885,068</u>
 <u>LIABILITIES AND NET ASSETS</u>				
Current liabilities:				
Accounts payable	\$ 980,448	-	980,448	364,922
Accrued salaries and taxes	133,906	-	133,906	90,306
Deferred revenue	107,676	-	107,676	108,118
Accrued vacation and sick leave	297,065	-	297,065	274,015
Accrued retirement expense	12,458	-	12,458	12,790
Capital lease obligation, current portion	88,774	-	88,774	77,760
Total current liabilities	<u>1,620,327</u>	<u>-</u>	<u>1,620,327</u>	<u>927,911</u>
Long-term liabilities:				
Capital lease obligation, net of current portion	32,256	-	32,256	120,948
Employee benefits	-	-	-	179,000
Total long-term liabilities	<u>32,256</u>	<u>-</u>	<u>32,256</u>	<u>299,948</u>
Total liabilities	<u>1,652,583</u>	<u>-</u>	<u>1,652,583</u>	<u>1,227,859</u>
Net assets:				
Unrestricted	7,833,280	-	7,833,280	7,494,165
Temporarily restricted	-	53,137	53,137	163,044
Total net assets	<u>7,833,280</u>	<u>53,137</u>	<u>7,886,417</u>	<u>7,657,209</u>
Total liabilities and net assets	<u>\$ 9,485,863</u>	<u>53,137</u>	<u>9,539,000</u>	<u>8,885,068</u>

See accompanying notes to financial statements.

**Suncoast Communities Blood Bank, Inc.
dba SunCoast Blood Bank**

**Statement of Activities and Changes in Net Assets
Year Ended September 30, 2016**

	2016			2015
	Unrestricted	Temporarily Restricted	Total	(For Comparative Purposes Only)
Revenues, gains and support:				
Processing and service fees	\$ 8,258,390	-	8,258,390	8,098,868
Laboratory test fees	2,322,403	-	2,322,403	2,102,696
Plasma sales	802,017	-	802,017	786,000
Export fees	988,707	-	988,707	1,292,394
Contributions	43,579	16,976	60,555	143,331
In-kind contributions	190,769	-	190,769	288,877
Other income	16,865	-	16,865	27,149
Investment income:				
Interest and dividends	99,301	-	99,301	77,073
Realized and unrealized gain (loss)	189,152	-	189,152	(181,536)
Grants	-	20,000	20,000	178,000
Special event income	102,803	-	102,803	74,968
Special event expenses	(31,063)	-	(31,063)	(30,552)
Net assets released from restrictions:				
Satisfaction of program restrictions	146,883	(146,883)	-	-
Total revenues, gains and support	<u>13,129,806</u>	<u>(109,907)</u>	<u>13,019,899</u>	<u>12,857,268</u>
Expenses:				
Program services	11,708,822	-	11,708,822	12,030,095
Management and administrative	947,082	-	947,082	914,130
Fund development	134,787	-	134,787	162,199
Total expenses	<u>12,790,691</u>	<u>-</u>	<u>12,790,691</u>	<u>13,106,424</u>
Change in net assets	339,115	(109,907)	229,208	(249,156)
Net assets at beginning of year	<u>7,494,165</u>	<u>163,044</u>	<u>7,657,209</u>	<u>7,906,365</u>
Net assets at end of year	<u>\$ 7,833,280</u>	<u>53,137</u>	<u>7,886,417</u>	<u>7,657,209</u>

See accompanying notes to financial statements.

**Suncoast Communities Blood Bank, Inc.
dba SunCoast Blood Bank**

**Statement of Functional Expenses
Year Ended September 30, 2016**

	2016			Total	2015 (For Comparative Purposes Only)
	Program Services	Management and Administrative	Fund Development		
Personnel expenses:					
Salaries	\$ 4,391,629	498,869	93,265	4,983,763	5,298,670
Employee benefits	848,281	115,299	12,456	976,036	975,806
Payroll taxes	335,101	29,224	6,466	370,791	407,437
Total personnel expenses	5,575,011	643,392	112,187	6,330,590	6,681,913
General expenses:					
Blood processing	2,300,960	-	-	2,300,960	2,380,540
Blood testing	1,533,126	-	-	1,533,126	1,545,227
Depreciation	444,138	30,121	-	474,259	429,508
Donor awards and recognition	233,093	-	-	233,093	206,154
Rent	247,873	-	-	247,873	243,556
Travel	71,565	24,368	667	96,600	141,858
Utilities	120,064	3,240	-	123,304	130,968
Advertising	323,107	-	-	323,107	457,655
Insurance	114,908	20,358	-	135,266	101,743
Building and grounds	62,244	9,479	-	71,723	88,000
Dues and subscriptions	52,375	8,584	1,128	62,087	67,212
Printing and postage	15,911	4,130	6,320	26,361	31,169
Equipment	53,529	10,540	21	64,090	61,897
Fleet maintenance	51,031	145	-	51,176	48,693
Supplies	34,646	6,997	5,858	47,501	49,048
Employee relations	15,226	14,708	75	30,009	31,699
Shipping	70,731	-	-	70,731	66,427
Interest	-	32,734	-	32,734	13,852
Miscellaneous	-	21,307	-	21,307	10,267
Professional fees	307,638	83,610	5,820	397,068	286,501
Computer software support	80,111	20,850	2,711	103,672	19,214
Taxes - real estate	1,535	12,519	-	14,054	13,323
Total general expenses	6,133,811	303,690	22,600	6,460,101	6,424,511
Total expenses	\$ 11,708,822	947,082	134,787	12,790,691	13,106,424

See accompanying notes to financial statements.

Suncoast Communities Blood Bank, Inc. dba Suncoast Blood Bank

Statement of Cash Flows
Year Ended September 30, 2016

	<u>2016</u>	<u>2015</u> (For Comparative Purposes Only)
Cash flows from operating activities:		
Change in net assets	\$ 229,208	(249,156)
Adjustments to reconcile change in net assets to change in net cash flows from operating activities:		
Depreciation	474,256	429,508
Donation of equipment	-	(55,000)
Realized and unrealized (gain) loss on investments	(189,152)	181,536
(Increase) decrease in:		
Accounts receivable	(321,323)	19,448
Other receivables	(14,867)	(1,906)
Inventories	(15,533)	6,515
Deferred blood processing costs	141,655	80,450
Prepays and other	(20,305)	6,795
Deposits	42	27
Surplus note receivable	11,029	(25,859)
Investments in membership organizations	-	(719)
Pre-funded employee benefits	376,079	221,681
Increase (decrease) in:		
Accounts payable	615,526	(27,716)
Accrued salaries and taxes	43,600	(187,127)
Deferred revenue	(442)	(14,204)
Accrued vacation and sick leave	23,050	(46,160)
Accrued retirement expense	(332)	-
Employee benefits	(179,000)	-
Total adjustments	<u>944,283</u>	<u>587,269</u>
Net cash flows from operating activities	<u>1,173,491</u>	<u>338,113</u>
Cash flows from investing activities:		
Proceeds from sale of investments	-	1,991,257
Purchase of investments	(76,500)	(2,079,960)
Purchase of property and equipment	(967,557)	(348,948)
Proceeds from sale of equipment	-	1,000
Net cash flows from investing activities	<u>(1,044,057)</u>	<u>(436,651)</u>
Cash flows from financing activities:		
Payments on capital lease obligation	(77,678)	(53,048)
Net cash flows from financing activities:	<u>(77,678)</u>	<u>(53,048)</u>
Net increase (decrease) in cash and cash equivalents	51,756	(151,586)
Cash and cash equivalents, beginning	<u>831,459</u>	<u>983,045</u>
Cash and cash equivalents, ending	<u>\$ 883,215</u>	<u>831,459</u>
Supplemental Disclosure of Non-cash Investing and Financing Activities:		
Equipment purchased under capital lease	<u>\$ -</u>	<u>251,756</u>
Donation of equipment	<u>\$ -</u>	<u>55,000</u>

See accompanying notes to financial statements.

**Suncoast Communities Blood Bank, Inc.
dba SunCoast Blood Bank**

**Notes to Financial Statements
September 30, 2016**

Note 1 – Organization and Summary of Significant Accounting Policies:

Organization

Suncoast Communities Blood Bank, Inc., dba SunCoast Blood Bank (“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 and blood components contracted by nine area hospitals and Bayflite 2. The Blood Bank also provides transfusion services for Sarasota Memorial Hospital, DeSoto Memorial Hospital, Complex Care and HealthSouth. 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*. Accordingly, 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, 2016.

Cash and Cash Equivalents

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

Suncoast Communities Blood Bank, Inc.
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Notes to Financial Statements
September 30, 2016

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

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 recorded at fair value. Interest, dividends, and realized and unrealized gains and losses on securities are included in the statement of activities.

Accounts Receivable

Accounts receivable are stated at billed amounts. No allowance for doubtful account was deemed necessary by management as of September 30, 2016. 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 year ended September 30, 2016. The Blood Bank charges 1.5% interest on balances that are over 20 days past due. Total interest charges for the year ended September 30, 2016 were \$4,276.

Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market and consist primarily of Rhogam, albumin, donor service supplies, 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 local contract hospitals. Donated blood and its products are passed on to the recipient at no cost. However, the Blood Bank does charge a fee to the local contract hospital to recover its cost of collecting, processing and distributing the blood products.

Property and Equipment

It is the Blood Bank's policy to capitalize property and equipment over \$2,500. Lesser amounts are expensed. Purchased property and equipment are carried at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Blood Bank reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Blood Bank reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated used the straight-line method over estimated useful lives ranging from three to thirty-nine years.

**Suncoast Communities Blood Bank, Inc.
dba SunCoast Blood Bank**

**Notes to Financial Statements
September 30, 2016**

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

Investments in Membership Organizations

Investments in membership organizations are accounted for using the cost or equity method depending on the amount of control exercised. Investments with less than twenty percent control are accounted for on the cost method at original cost. Investments with more than twenty percent control but less than a majority interest are accounted for on the equity method. Under this method the investment is accounted for at original cost adjusted for the Blood Bank's share of income and distributions.

Deferred Revenue

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

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.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and change in net assets released from restrictions.

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.

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.

Suncoast Communities Blood Bank, Inc.
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Notes to Financial Statements
September 30, 2016

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

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.

Management has evaluated the effect of an accounting standard relating to accounting for uncertainty in income taxes. Management has determined that the Blood Bank had no uncertain income tax positions that could have a significant effect on the financial statements for the year ended September 30, 2016. The Blood Bank's federal income tax returns are subject to examination by the Internal Revenue Service, generally for three years after the federal income tax returns were filed.

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.

Summarized Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Blood Bank's financial statements for the year ended September 30, 2015, from which the summarized information was derived.

Note 2 – Investments:

The components of investments at September 30, 2016, are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Accumulated Unrealized Gain</u>
Cash	\$ 79,969	79,969	-
Common stock	1,195,235	1,302,951	107,716
Fixed income	697,387	714,451	17,064
Total	<u>\$ 1,972,591</u>	<u>2,097,371</u>	<u>124,780</u>

Investment fees for the year ended September 30, 2016 were \$14,654.

**Suncoast Communities Blood Bank, Inc.
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**Notes to Financial Statements
September 30, 2016**

Note 3 – Property and Equipment:

Property and equipment consists of the following:

Land	\$ 793,648
Buildings and leasehold improvements	2,422,207
Laboratory equipment	2,762,697
Automotive equipment	1,289,704
Office furniture and equipment	232,084
Computer equipment and software	1,224,184
Construction in progress	<u>253,405</u>
Total property and equipment	8,977,929
Less: accumulated depreciation	<u>5,372,602</u>
Property and equipment, net	<u>\$ 3,605,327</u>

Note 4 – Uninsured Cash Balances:

The Blood Bank maintains its cash balances at a financial institution located in Sarasota, Florida. As of September 30, 2016, 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 as of September 30, 2016. Cash balances in excess of FDIC limits at September 30, 2016, were \$692,696.

Note 5 – Operating Leases:

The Blood Bank has entered into leases for three collection facilities, a laboratory facility, and a location that houses the supply chain warehouse and donor call center which expire between May 2017 and December 2018. Future minimum lease payments under these noncancellable leases as of September 30 are as follows:

2017	\$ 200,205
2018	141,292
2019	32,244

**Suncoast Communities Blood Bank, Inc.
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**Notes to Financial Statements
September 30, 2016**

Note 6 – Capital Lease Obligation:

The Blood Bank leases equipment with monthly payments of \$8,301 expiring 2018. The following represents minimum lease payments under the capital lease obligation, which existed at September 30, 2016:

2017	\$ 99,612
2018	<u>33,204</u>
Total minimum lease payments	132,816
Less interest	<u>(11,786)</u>
Total capital lease obligation	<u>121,030</u>
Current capital lease obligation	88,774
Long term lease obligation	<u>32,256</u>
Total lease obligation	<u>\$ 121,030</u>

Note 7 – 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 plan includes a match by the Blood Bank of 50% of the first 4% of pay. For the year ended September 30, 2016, employee retirement expense totaled \$61,635.

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. The 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. The 403(b) plan contains no provisions for an employer match and all contributions to the plan are elective deferrals by the employee.

Note 8 – Concentration:

A substantial amount of revenue is from charges to Sarasota Memorial Hospital. Revenues and related receivables from Sarasota Memorial Hospital expressed in total dollars and as a percent of total sales and receivables for the year ended September 30, 2016 are as follows:

	<u>Amount</u>	<u>% of Total</u>
Sales	\$ 6,047,935	46%
Accounts receivable	451,194	28%

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**Notes to Financial Statements
September 30, 2016**

Note 9 – Risk Retention Group:

Other assets for the year ended September 30, 2016, include a capital contribution of \$30,954 to secure the Blood Bank's participation in BCx, a risk retention group for liability insurance coverage.

BCx issues a surplus note which is rolled over annually and issued on March 15th with a maturity date of 5 years following the issue date. The note represents the amount allocated out of current year earnings to the Blood Bank's Subscriber Savings Account (SSA) and not distributed to the Blood Bank. This allocation is based upon the calculated member's underwriting profit over the past five years (contribution margin), compared to the total five year underwriting profit of BCx. The interest amount has been typically between 3% and 4.5% annually with the actual rate of interest paid determined by BCx's average investment yield during the calendar year. The amount to be repaid upon withdrawal is subject to the terms of the subscriber's agreement and subject to approval by the Indiana Department of Insurance (IDOI).

Note 10 – Employee Benefit Trust:

In 1991 the Blood Bank formed the Sarasota Community Blood Bank Employee Benefits Trust (Trust). The Trust was formed to control the rising cost of providing health care benefits for its employees and their dependents. Participant claims paid from the trust fund were limited annually based on plan design. Excess benefits up to specified limits were covered by insurance policies, the premiums for which are paid from the trust fund. The Blood Bank also contracted the services of a qualified third party insurance administrator to provide utilization review and claims administration services. Effective June 30, 2016 the Trust was terminated and employee health care benefits began to be provided by a traditional insurance plan. Assets and liabilities of the Trust have been liquidated and management does not believe there is any material contingent liability resulting from claims incurred but not reported as of September 30, 2016.

Note 11 – Temporarily Restricted Net Assets:

Temporarily restricted net assets are available for the following programs or uses as of September 30, 2016:

Equipment	\$ 47,044
Volunteer recognition	<u>6,093</u>
Total	<u>\$ 53,137</u>

Suncoast Communities Blood Bank, Inc.
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Notes to Financial Statements
September 30, 2016

Note 12 – In-kind Contributions:

The Blood Bank 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 \$190,769 for the year ended September 30, 2016.

Note 13 – Investments in Membership Organizations:

During the year ended September 30, 2016, the Blood Bank entered into membership agreements with certain organizations to leverage the group purchasing buying power, strategically align for hospital contracting and sharing of best practices.

On June 24, 2014, the Blood Bank entered into a membership agreement with Blood Centers of America, Inc. (BCA). The Blood Bank's initial investment was \$350,000. The Blood Bank's investment represents approximately 3% of BCA's total membership and is therefore accounting for on the cost method.

On March 26, 2014, the Blood Bank entered into an agreement with Alliance for Community Transfusion Services, LLC (ACTS). The Blood Bank's initial investment was \$42,110. The Blood Bank's investment represents approximately 4% of ACTS' total membership and is therefore accounted for on the cost method.

The carrying value of each investment is as follows:

Blood Centers of America, Inc.	\$ 350,000
Alliance for Community Transfusion Services, Inc.	<u>42,829</u>
Total	<u>\$ 392,829</u>

Note 14 – Commitments and Contingencies:

The Blood Bank has signed blood use agreements with nine local hospitals that expire anywhere from December 2016 through February 2019.

The Blood Bank has an agreement through December 31, 2016, 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 April 2017 through December 2022. The contracts require minimum purchase quantities and the Blood Bank will be billed if usage is not met. For the year ended September 30, 2016, the usage requirements have been met.

Suncoast Communities Blood Bank, Inc.
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Notes to Financial Statements
September 30, 2016

Note 14 – Commitments and Contingencies – Continued:

The Blood Bank has several contracts for instrument maintenance and service and for software support. The contracts expire anywhere from November 2016 through April 2021. 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.

Note 15 – Fair Value of Financial Assets:

Certain assets of the Blood Bank are presented at fair value. The FASB Accounting Standards Codification provides enhanced guidance for using fair value to measure assets and liabilities and clarifies the principle that fair value should be based on the assumption market participants would use when pricing the assets or liabilities and establishes a hierarchy that prioritizes the information used to develop those assumptions.

The following table presents information about the Blood Bank's assets that are measured at fair value on a recurring basis as of September 30, 2016, and indicate the fair value hierarchy of the valuation techniques used to determine such fair value. The three levels for measuring fair value are based on the reliability of inputs and are as follows:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities, such as publicly traded equity securities

Level 2 – inputs other than quoted prices included in level 1 that are observable, either directly or indirectly. Such inputs may include quoted prices for similar assets, observable inputs other than quoted prices (interest rates, yield curves, etc.) or inputs derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – inputs are unobservable data points for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability (for example, hedge funds, private equity and other). The inputs reflect the organization's assumptions based on the best information available in the circumstance.

**Suncoast Communities Blood Bank, Inc.
dba SunCoast Blood Bank**

**Notes to Financial Statements
September 30, 2016**

Note 15 – Fair Value of Financial Assets – Continued:

Financial assets at fair value on a recurring basis at September 30, 2016:

Description	September 30, 2016	Financial Assets and Liabilities at Fair Value on a Recurring Basis at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Common stock	\$ 1,302,951	1,302,951	-	-
Fixed income	714,451	714,451	-	-
Money market	<u>79,969</u>	<u>79,969</u>	-	-
Total financial assets at fair value	<u>\$ 2,097,371</u>	<u>2,097,371</u>	<u>-</u>	<u>-</u>

Note 16 – Subsequent Events:

Subsequent events have been evaluated through February 13, 2017, which is the date the financial statements were available to be issued.