

AMERICA'S BLOOD CENTERS
FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2014 AND 2013

**AMERICA'S BLOOD CENTERS
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YEARS ENDED MARCH 31, 2014 AND 2013**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
America's Blood Centers
Washington, DC

We have audited the accompanying financial statements of America's Blood Centers, which comprise the statements of financial position as of March 31, 2014 and 2013, and the related statements of activities and changes in net assets, and cash flows for the years 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.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 America's Blood Centers as of March 31, 2014 and 2013 and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Board of Directors
America's Blood Centers

Other Matter

We also have audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated statements of financial position of America's Blood Centers and its subsidiary (The Foundation for America's Blood Center) as of March 31, 2014 and 2013, and the related consolidated statements of activities and changes in net assets, and consolidated statements of cash flows for the years then ended (none of which is presented herein), and we expressed an unmodified opinion on those financial statements. Such consolidated financial statements are the general-purpose financial statements of America's Blood Centers and its subsidiary (The Foundation for America's Blood Center), and the financial statements of parent company presented herein are not a valid substitute for those consolidated financial statements.



CliftonLarsonAllen LLP

Arlington, Virginia
July 24, 2014

**AMERICA'S BLOOD CENTERS
STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2014 AND 2013**

	2014	2013
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,630,216	\$ 1,829,752
Accounts Receivable	36,665	114,251
Due from GSABC	534	923
Due from FABC	37,768	17,952
Prepaid Expenses and Other Assets	55,707	101,731
Total Current Assets	1,760,890	2,064,609
PROPERTY AND EQUIPMENT		
	1,060,651	1,582,005
Less: Accumulated Depreciation	(514,402)	(1,214,629)
Total Property and Equipment	546,249	367,376
OTHER ASSETS		
Deferred Compensation	929,748	804,067
Total Assets	\$ 3,236,887	\$ 3,236,052
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 280,305	\$ 568,181
Deferred Revenue	61,084	98,993
Total Current Liabilities	341,389	667,174
LEASE DEPOSIT	11,806	-
DEFERRED LEASE INCENTIVE	29,750	-
DEFERRED COMPENSATION PAYABLE	929,748	804,067
Total Liabilities	1,312,693	1,471,241
NET ASSETS		
Unrestricted - Undesignated	1,178,206	1,006,063
Unrestricted - Board Designated - AIM	222,583	90,776
Unrestricted - Board Designated - CTA	68,629	96,194
Unrestricted - Board Designated - GSABC	374,254	510,953
Temporarily Restricted	80,522	60,825
Total Net Assets	1,924,194	1,764,811
Total Liabilities and Net Assets	\$ 3,236,887	\$ 3,236,052

See accompanying Notes to Financial Statements.

AMERICA'S BLOOD CENTERS
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED MARCH 31, 2014 AND 2013

	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE						
Membership Assessments	\$ 2,736,970	\$ -	\$ 2,736,970	\$ 2,755,421	\$ -	\$ 2,755,421
Contributions	-	277,900	277,900	-	157,310	157,310
AIM	403,155	-	403,155	513,675	-	513,675
Administrative Support Services	113,600	-	113,600	142,102	-	142,102
Meetings and Workshops	493,312	-	493,312	415,476	54,000	469,476
Newsletter Income	54,536	-	54,536	60,121	-	60,121
Other Project Income	1,008	-	1,008	159,023	-	159,023
Interest	730	-	730	1,037	-	1,037
Miscellaneous	23,660	-	23,660	850	-	850
Net Assets Released from Restrictions	251,815	(251,815)	-	160,315	(160,315)	-
Total Revenue	<u>4,078,786</u>	<u>26,085</u>	<u>4,104,871</u>	<u>4,208,020</u>	<u>50,995</u>	<u>4,259,015</u>
EXPENSES						
Program Services	545,946	-	545,946	705,287	-	705,287
Member Services	234,669	-	234,669	414,711	-	414,711
Government Affairs	94,920	-	94,920	234,187	-	234,187
Meetings and Workshops	373,513	-	373,513	393,137	-	393,137
Scientific, Medical, and Technical	788,469	-	788,469	805,954	-	805,954
Total Program Expenses	<u>2,037,517</u>	<u>-</u>	<u>2,037,517</u>	<u>2,553,276</u>	<u>-</u>	<u>2,553,276</u>
General and Administrative	1,901,583	-	1,901,583	1,978,957	-	1,978,957
Total Expenses	<u>3,939,100</u>	<u>-</u>	<u>3,939,100</u>	<u>4,532,233</u>	<u>-</u>	<u>4,532,233</u>
CHANGE IN NET ASSETS FROM OPERATIONS	139,686	26,085	165,771	(324,213)	50,995	(273,218)
REFUND OF UNUSED GRANT FUNDS	<u>-</u>	<u>(6,388)</u>	<u>(6,388)</u>	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN NET ASSETS	139,686	19,697	159,383	(324,213)	50,995	(273,218)
Net Assets - Beginning of Year	<u>1,703,986</u>	<u>60,825</u>	<u>1,764,811</u>	<u>2,028,199</u>	<u>9,830</u>	<u>2,038,029</u>
NET ASSETS - END OF YEAR	<u><u>\$ 1,843,672</u></u>	<u><u>\$ 80,522</u></u>	<u><u>\$ 1,924,194</u></u>	<u><u>\$ 1,703,986</u></u>	<u><u>\$ 60,825</u></u>	<u><u>\$ 1,764,811</u></u>

See accompanying Notes to Financial Statements.

**AMERICA'S BLOOD CENTERS
STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 159,383	\$ (273,218)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization Expense	146,192	151,182
Loss on Disposal of Property and Equipment	4,125	-
Changes in Assets and Liabilities:		
Accounts Receivable	77,586	(18,785)
Due from GSABC	389	1,082
Due from FABC	(19,816)	6,896
Prepaid Expenses and Other Assets	46,024	(64,949)
Accounts Payable and Accrued Expenses	(287,876)	336,507
Due to FABC	-	(2,190)
Deferred Revenue	(37,909)	53,662
Long-Term Lease Payable	11,806	-
Deferred Lease Incentive	29,750	-
Net Cash Provided by Operating Activities	<u>129,654</u>	<u>190,187</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	<u>(329,190)</u>	<u>(108,302)</u>
Net Cash Used in Investing Activities	<u>(329,190)</u>	<u>(108,302)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(199,536)	81,885
Cash and Cash Equivalents - Beginning of Year	<u>1,829,752</u>	<u>1,747,867</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 1,630,216</u></u>	<u><u>\$ 1,829,752</u></u>
SUPPLEMENTAL INFORMATION		
Cash Paid for Taxes	<u><u>\$ 8,599</u></u>	<u><u>\$ 5,278</u></u>

See accompanying Notes to Financial Statements.

**AMERICA'S BLOOD CENTERS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014 AND 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

America's Blood Centers (ABC) is a not-for-profit membership organization that was incorporated in Arizona in 1962. ABC's primary goal is to provide a forum for blood center administrators, medical directors, and senior management to exchange information, discuss pertinent issues, and work together to improve the quality and efficiency of service to hospitals, patients, and blood donors. Its membership is composed entirely of non-profit blood banks located throughout the United States and Canada.

ABC controls The Foundation for America's Blood Centers (hereinafter referred to as "the Foundation or FABC") by a majority voting interest of the Foundation's Board of Directors, an economic interest, and inter-related management. In such circumstances, accounting principles generally accepted in the United States of America require that financial statements of the controlling organization be consolidated with the accounts of the controlled organization. The accompanying financial statements are for ABC alone, and do not include the accounts of the Foundation.

Cash and Cash Equivalents

For financial statement purposes, ABC considers all investments with an original maturity of 90 days or less to be cash equivalents.

Accounts Receivable

Accounts past due are individually analyzed for collectability. When all collection efforts have been exhausted, the account is written off against bad debt expense. Management estimates that all receivables are fully collectible. Therefore, no allowance for doubtful accounts has been recognized.

Property and Equipment

Property and equipment with a cost above \$2,500 is capitalized as property and equipment. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the respective assets, which range from three to five years. Leasehold improvements are amortized over the shorter of the lease term or useful life of the asset.

Net Assets

Resources are classified for accounting and reporting purposes into net asset groups established according to their nature and purpose and based on the existence or absence of donor-imposed restrictions. The net assets groups are as follows:

Unrestricted Net Assets

Undesignated: represents funds available at management's discretion to fund ABC's general operations.

Designated: represents funds designated by ABC's Board of Directors to be used for future uncertainties, contingencies and special projects.

AMERICA'S BLOOD CENTERS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014 AND 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets (Continued)

Temporarily Restricted Net Assets - represents resources received for member association programs (i.e., advertising campaigns, public awareness and marketing initiatives, awards, and scholarships) that are restricted as to their use. ABC classifies all such resources received as temporarily restricted and reports amounts released from restrictions when expenditures are incurred.

Revenue Recognition

ABC recognizes newsletter subscription revenue on a monthly basis over the term of the subscription. Membership assessments are allocated to revenue on a quarterly basis during the year.

Advertising Costs

All advertising costs are expensed as incurred.

Allocation of Expenses

ABC allocates salaries and benefits, travel, consulting fees, and certain other costs to each department based on actual resources used in each program area. Occupancy expense, depreciation and amortization, and other fixed expenses are considered to be supporting costs of the various programs of ABC and are classified as General and Administrative expenses.

Basis of Accounting

ABC prepares its financial statements on the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses when obligations are incurred.

Income Tax Status

ABC is exempt from the payment of federal income taxes on its exempt purpose activities under Section 501(c)(6) of the Internal Revenue Code. However, ABC is subject to income tax on unrelated business income activity. ABC had advertising revenue subject to unrelated business income tax for the year ended March 31, 2014 and 2013.

ABC has adopted a policy that clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements. The policy prescribes a recognition threshold and measurement principles for the financial statement recognition and measurement of tax positions taken or expected to be taken on a tax return that are not certain to be realized. The implementation of this policy had no impact on the ABC's financial statements as of and for the years ended March 31, 2014 and 2013.

ABC's tax returns are subject to review and examination by federal, state and local authorities. As of March 31, 2014, the tax returns for the years 2011, 2012 and 2013 are open to examination by federal, local and state authorities.

AMERICA'S BLOOD CENTERS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014 AND 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity of with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Fair Value Measurements

Statement of Financial Accounting Standards, *Fair Value Measurements*, defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. ABC accounts for a significant portion of its financial instruments at fair value or considers fair value in its measurement. ABC accounts for certain financial assets and liabilities at fair value under various accounting literature, including, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. ABC also accounts for certain assets at fair value under applicable industry guidance.

Fair Value Hierarchy

In accordance with *Fair Value Measurements*, ABC has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the Statements of Financial Position are categorized based on the inputs to the valuation techniques as follows:

Level 1

Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that ABC has the ability to access.

Level 2

Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs include among others, quoted prices for similar assets or liabilities in active market or non-active market.

Level 3

Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

AMERICA'S BLOOD CENTERS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014 AND 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

In preparing these financial statements, ABC has evaluated events and transactions for potential recognition or disclosure through July 24, 2014, the date the financial statements were available for issuance.

NOTE 2 CONCENTRATION OF CREDIT RISK

Financial instruments that subject ABC to a concentration of credit risk consist of cash and cash equivalents deposited with financial institutions which may, at times, exceed federally insured limits.

NOTE 3 AFFILIATED ORGANIZATIONS

ABC shares personnel, office space, and partially subsidizes operating expenses of affiliated organization – The Foundation for America's Blood Centers (the Foundation).

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified as an organization that is not a private foundation. ABC has a written service agreement with the Foundation whereby it reimburses ABC for certain expenses plus assessed overhead. Expenses paid by ABC on behalf of the Foundation for the years ended March 31, 2014 and 2013 were \$194,908 and \$234,770, respectively. The Foundation reimbursed ABC for the years ended March 31, 2014 and 2013 in the amount of \$150,892 and \$241,666, respectively.

ABC has a receivable balance due from the Foundation of \$37,768 and \$17,952, as of March 31, 2014 and 2013, respectively.

For the years ended March 31, 2014 and 2013, the Foundation made grants to ABC in the amount of \$277,900 and \$157,310, respectively, which are initially recognized as temporarily restricted contributions and released from restrictions when expenditures occur.

AMERICA'S BLOOD CENTERS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014 AND 2013

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment consist of the following at March 31:

	2014	2013
Furniture	\$ 23,053	\$ 43,419
Leasehold Improvements	119,918	28,602
Office Equipment	917,680	1,509,984
	<u>1,060,651</u>	<u>1,582,005</u>
Less Accumulated Depreciation and Amortization	<u>(514,402)</u>	<u>(1,214,629)</u>
Total Property and Equipment	<u>\$ 546,249</u>	<u>\$ 367,376</u>

NOTE 5 DEFERRED COMPENSATION PLAN

ABC maintains a deferred compensation plan for certain highly compensated employees. To fund this obligation, ABC has purchased various investments that provide for the deferred compensation. ABC accrues as additional compensation investment earnings.

NOTE 6 FAIR VALUE MEASUREMENTS

ABC uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how ABC measures fair value refer to Note 1 – Summary of Significant Accounting Policies.

The following table presents ABC's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of March 31:

	2014			
	Level 1	Level 2	Level 3	Total
Assets				
Investments Under Deferred Compensation Plan				
Equities	\$ 486,223	\$ -	\$ -	\$ 486,223
Government Bonds	42,552	-	-	42,552
Corporate Bonds	-	164,275	-	164,275
Mutual Funds	236,698	-	-	236,698
Total Assets	<u>\$ 765,473</u>	<u>\$ 164,275</u>	<u>\$ -</u>	<u>\$ 929,748</u>
Liabilities				
Deferred Compensation Plan	<u>\$ 765,473</u>	<u>\$ 164,275</u>	<u>\$ -</u>	<u>\$ 929,748</u>
	2013			
	Level 1	Level 2	Level 3	Total
Assets				
Investments Under Deferred Compensation Plan				
Equities	\$ 490,535	\$ -	\$ -	\$ 490,535
Government Bonds	37,856	-	-	37,856
Corporate Bonds	-	142,219	-	142,219
Mutual Funds	133,457	-	-	133,457
Total Assets	<u>\$ 661,848</u>	<u>\$ 142,219</u>	<u>\$ -</u>	<u>\$ 804,067</u>
Liabilities				
Deferred Compensation Plan	<u>\$ 661,848</u>	<u>\$ 142,219</u>	<u>\$ -</u>	<u>\$ 804,067</u>

**AMERICA'S BLOOD CENTERS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014 AND 2013**

NOTE 7 TEMPORARILY RESTRICTED NET ASSETS

ABC'S temporarily restricted net assets consist of the following at March 31:

	2014	2013
HL7	\$ -	\$ 6,388
cGMP	5,000	-
Text-to-Donate Blood	2,300	2,300
Member Initiatives Programs	73,222	52,137
	<u>\$ 80,522</u>	<u>\$ 60,825</u>

NOTE 8 COMMITMENTS

Leases

ABC is obligated under an operating lease for office space through May 31, 2017. It is management's intent to renew the lease for a period up to 10 years. The lease contains provisions for a base rate to remain the same throughout the life of the lease and to share certain operating expenses at prorated 18.3%. Rent expense for the years ended March 31, 2014 and 2013 was \$180,388 and \$165,465, respectively.

The following are the future minimum lease commitments under the lease as of March 31:

Years Ending March 31,	
2015	\$ 166,935
2016	166,935
2017	166,935
2018	<u>27,823</u>
	<u>\$ 528,628</u>

Hotel Contracts

ABC has committed to hotel space for future meetings and workshops. These contracts specify that, if canceled, ABC may be subject to cancellation penalties totaling approximately \$280,000 as of March 31, 2014. Management believes the risk of loss due to cancellation is minimal.

Employment Contract

On September 7, 2013, ABC signed an agreement of employment with its CEO for a term of thirty-six (36) months, which includes a severance clause.

AMERICA'S BLOOD CENTERS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014 AND 2013

NOTE 9 OFFICE SUBLEASE

ABC entered into a sublease agreement effective January 1, 2014 and expiring May 31, 2017 with a tenant for office space in the Headquarters building. Future minimum sublease payments under the sublease as of March 31:

Years Ending March 31,	
2015	\$ 71,637
2016	74,863
2017	78,234
2018	<u>13,472</u>
	<u>\$ 238,206</u>

NOTE 10 PENSION PLAN

ABC maintains a defined contribution 401(k) pension plan for its employees with one year of service. Employer contributions to the plan are at the discretion of the Board of Directors. Pension expense for the years ended March 31, 2014 and 2013 was \$130,660 and \$171,404, respectively.

NOTE 11 AIM PROJECT

ABC has a licensing agreement with NHS Blood and Transplant ("NHS"), a UK company, to have a non-transferable, royalty-free license to use, copy, and modify software (AIM I) and share its usage and related data with certain participants in North America and Europe. NHS retains the ownership of the AIM I software at all times. Activity for this project is reported as part of Blood Counts LLC, a wholly owned subsidiary of ABC.