

# **Mississippi Valley Regional Blood Center**

Financial Report  
December 31, 2010

## Contents

---

<b>Independent Auditor's Report</b>	1
<b>Financial Statements</b>	
Statements of operations and changes in net assets	2
Balance sheets	3 – 4
Statements of cash flows	5 – 6
Notes to financial statements	7 – 15

---



## Independent Auditor's Report

To the Board of Directors  
Mississippi Valley Regional Blood Center  
Davenport, Iowa

We have audited the accompanying balance sheets of Mississippi Valley Regional Blood Center as of December 31, 2010 and 2009 and the related statements of operations and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Center'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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our 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 Mississippi Valley Regional Blood Center as of December 31, 2010 and 2009 and the results of its operations and 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.

*McGladrey & Pullen, LLP*

Davenport, Iowa  
April 5, 2011

**Mississippi Valley Regional Blood Center**

**Statements of Operations and Changes in Net Assets  
Years Ended December 31, 2010 and 2009**

	2010	2009
Unrestricted net assets:		
Operating revenue (Notes 3 and 7)	\$ 49,363,197	\$ 41,467,888
Operating expenses	47,624,422	39,654,989
<b>Operating income</b>	<b>1,738,775</b>	<b>1,812,899</b>
Nonoperating revenue and expense:		
Investment income	13,879	5,009
Contribution revenue	9,255	-
(Loss) from partnership	(10,606)	(57,879)
Interest (expense), including swap settlements	(196,354)	(283,086)
Change in fair value of interest rate swap agreements (Note 4)	7,456	173,245
<b>Increase in unrestricted net assets, before acquisition</b>	<b>1,562,405</b>	<b>1,650,188</b>
Contribution revenue upon acquisition (Note 2)	5,304,047	-
Acquisition related costs (Note 2)	(208,128)	-
<b>Increase in unrestricted net assets</b>	<b>6,658,324</b>	<b>1,650,188</b>
Increase (decrease) in temporarily restricted net assets	<b>(887)</b>	<b>5,000</b>
<b>Increase in net assets</b>	<b>6,657,437</b>	<b>1,655,188</b>
Net assets:		
Beginning of year	17,119,553	15,464,365
End of year	<b>\$ 23,776,990</b>	<b>\$ 17,119,553</b>

See Notes to Financial Statements.

**Mississippi Valley Regional Blood Center**

**Balance Sheets**

**December 31, 2010 and 2009**

<b>Assets (Note 4)</b>	<b>2010</b>	<b>2009</b>
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 2,894,581	\$ 1,923,830
Investments	259,215	250,803
Receivables, primarily trade, less allowance for doubtful accounts 2010 \$10,000; 2009 \$8,000 (Notes 3 and 7)	6,339,424	4,557,345
Inventories	2,877,710	2,248,438
Other, primarily prepaid expenses	774,051	478,230
<b>Total current assets</b>	<b>13,144,981</b>	<b>9,458,646</b>
<b>Property and Equipment:</b>		
Land and land improvements	2,338,252	1,793,250
Buildings and improvements	14,730,272	13,505,174
Scientific equipment	4,901,983	3,876,433
Office equipment	4,666,063	6,297,425
Vehicles	2,506,144	1,854,641
Construction in progress	848,625	4,754
	<b>29,991,339</b>	<b>27,331,677</b>
Less accumulated depreciation	<b>10,475,638</b>	<b>10,495,968</b>
	<b>19,515,701</b>	<b>16,835,709</b>
<b>Other Assets:</b>		
Board-designated cash	1,750,000	-
Bond issue costs, net of accumulated amortization 2010 \$97,868; 2009 \$81,139	111,672	120,323
Investment in partnership	245,530	208,496
Other assets	551,412	275,954
Long-term receivable (Note 7)	13,029	17,526
	<b>2,671,643</b>	<b>622,299</b>
	<b>\$ 35,332,325</b>	<b>\$ 26,916,654</b>

See Notes to Financial Statements.

<b>Liabilities and Net Assets</b>	<b>2010</b>	<b>2009</b>
<b>Current Liabilities:</b>		
Current maturities of long-term debt and capital lease obligations (Note 4)	\$ 578,900	\$ 602,736
Accounts payable	2,536,506	1,084,661
Compensation and other (Note 6)	2,228,892	1,429,628
<b>Total current liabilities</b>	<b>5,344,298</b>	<b>3,117,025</b>
<b>Long-Term Liabilities:</b>		
Long-term debt and capital lease obligations, less current portion (Note 4)	5,901,415	6,362,998
Interest rate swap agreement (Note 4)	309,622	317,078
<b>Total liabilities</b>	<b>6,211,037</b>	<b>6,680,076</b>
	<b>11,555,335</b>	<b>9,797,101</b>
Commitments (Notes 6, 8 and 9)		
<b>Net Assets:</b>		
Unrestricted	22,022,377	17,114,053
Unrestricted, board designated	1,750,000	-
	<b>23,772,377</b>	<b>17,114,053</b>
Temporarily restricted	4,613	5,500
	<b>23,776,990</b>	<b>17,119,553</b>
	<b>\$ 35,332,325</b>	<b>\$ 26,916,654</b>

**Mississippi Valley Regional Blood Center**

**Statements of Cash Flows**  
**Years Ended December 31, 2010 and 2009**

	2010	2009
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ 6,657,437	\$ 1,655,188
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,141,649	1,770,081
Amortization	16,729	16,957
(Gain) on disposition of property and equipment	(64,222)	(31,526)
Unrealized loss on investments	6,952	3,291
Realized (gain) loss on investment	1,578	(4,895)
Loss from partnership	10,606	57,879
Change in fair value of interest rate swap agreement	(7,456)	(173,245)
Contribution revenue upon acquisition	(5,304,047)	-
Changes in assets and liabilities:		
(Increase) in receivables	(554,577)	(213,521)
(Increase) decrease in inventories	(149,737)	136,507
(Increase) decrease in other assets	(205,445)	197,382
Increase (decrease) in accounts payable	1,250,921	(661,429)
Increase in compensation and other	558,384	175,475
<b>Net cash provided by operating activities</b>	<b>4,358,772</b>	<b>2,928,144</b>
<b>Cash Flows from Investing Activities:</b>		
Cash received upon acquisition (Note 2)	1,857,643	-
Cash designated by Board for future purchase of property and equipment	(1,750,000)	-
Proceeds from sales of investments	345,000	2,197,483
Purchases of investments	(361,942)	(1,931,190)
Proceeds from disposition of property and equipment	123,793	12,500
Purchase of property and equipment	(2,873,815)	(867,398)
Investment in partnership	(47,640)	(273,906)
Other	4,497	5,693
<b>Net cash (used in) investing activities</b>	<b>(2,702,464)</b>	<b>(856,818)</b>
<b>Cash Flows from Financing Activities:</b>		
Principal payments on long-term debt and capital lease obligations	(677,479)	(626,268)
Net (payments) on notes payable	-	(206,550)
Other	(8,078)	(8,712)
<b>Net cash (used in) financing activities</b>	<b>(685,557)</b>	<b>(841,530)</b>

(Continued)

**Mississippi Valley Regional Blood Center**

**Statements of Cash Flows (Continued)  
Years Ended December 31, 2010 and 2009**

	<b>2010</b>	2009
<b>Net increase in cash and cash equivalents</b>	<b>\$ 970,751</b>	\$ 1,229,796
Cash and cash equivalents:		
Beginning	<b>1,923,830</b>	694,034
Ending	<b>\$ 2,894,581</b>	<b>\$ 1,923,830</b>
Supplemental Disclosures of Cash Flow Information, cash payments for:		
Interest on long-term debt and capital lease obligations	<b>\$ 41,839</b>	\$ 50,734
Interest rate swap settlements	<b>154,515</b>	232,352
Supplemental Disclosure of Noncash Operating and Investing Activities, transfer of equipment to investment in partnership	-	100,000
Supplemental Disclosure of Noncash Investing and Financing Activities, purchase of property and equipment through capital lease financing	-	121,200

See Note 2 for noncash disclosures relating to business acquisition.

See Notes to Financial Statements.

## Mississippi Valley Regional Blood Center

### Notes to Financial Statements

---

#### Note 1. Nature of Business and Significant Accounting Policies

##### Nature of business:

The Center provides for the recruitment, collection, processing and distribution of blood and blood components in eastern Iowa, western and central Illinois, southwestern Wisconsin and the St. Louis metropolitan area. In addition, the Center is significantly involved in resource sharing.

On June 30, 2010, the Center acquired all of the assets of Central Illinois Community Blood Center (CICBC). (See Note 2.)

Midwest Regional Blood Testing Services, LLC (LLC) was formed as a limited liability company in Iowa on July 15, 2010 to provide blood testing services to the Center and other blood centers. As of December 31, 2010, the Center is the sole member of the LLC. The LLC had no activity for the period ended December 31, 2010.

##### Significant accounting policies:

Use of 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 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 those estimates.

Revenue recognition: The Center recognizes revenue upon shipment of its products.

Fair value of financial instruments: The carrying value of financial instruments classified as current assets and current liabilities approximates fair value due to the short-term nature of these items. The carrying value of long-term debt approximates fair value as the debt has a variable interest rate. The interest rate swap agreements are carried at fair value based on quotations from the counterparty to these swap agreements.

Cash and cash equivalents: Cash and cash equivalents include cash and temporary investments. The temporary investments have maturities of three months or less at date of acquisition.

Investments: Investments primarily consist of certificates of deposits, including accrued interest. Certificates of deposit are stated at cost which approximates fair value.

Derivative financial instruments: All derivative financial instruments are recognized as either assets or liabilities at their fair value in the balance sheets with the changes in the fair value reported in current period earnings. The Center's derivatives consist of interest rate swap agreements.

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 determines the allowance for doubtful accounts by regularly evaluating individual customer receivables and considering a customer's financial condition, credit history and current economic conditions. Trade receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received. The net provisions for bad debts were \$2,102 and \$3,249 for the years ended December 31, 2010 and 2009, respectively.

A trade receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 30 days.

Bond issue costs: Bond issue costs are being amortized by the straight-line method, which approximates the effective interest method, over the life of the bonds.

## Mississippi Valley Regional Blood Center

### Notes to Financial Statements

---

#### Note 1. Nature of Business and Significant Accounting Policies (Continued)

Inventories: Blood components, which approximate 40% and 39% of inventories as of December 31, 2010 and 2009, respectively, are carried at current customer pricing, which approximates cost. All other inventories are priced at the lower of cost or current value with cost being determined by the first-in, first-out method.

Property and equipment: Property and equipment is carried at cost or, if donated, at fair market value at date of donation. Depreciation is computed by the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	10 - 30
Scientific equipment	5 - 10
Office equipment	3 - 10
Vehicles	2 - 3

The depreciation expense on assets acquired under capital leases is included with depreciation expense on owned assets.

Gifts of long-lived assets, such as equipment, are recorded as nonoperating revenue in the year donated.

Investment in partnership: The Center has an investment in a partnership which is accounted for using the equity method of accounting whereby the Center's proportionate share of the net income or loss of the partnership is recognized as income or loss in the Center's statement of operation and added or subtracted from the investment account. Additional capital contributions paid to the partnership or distributions received from the partnership are added or subtracted from the investment account.

Income tax matters: The Center is exempt from federal income taxes on business related income under Section 501(c)(3) of the Internal Revenue Code. The Center is also exempt from state income taxes.

The Center files a Form 990 (Return of Organization Exempt from Income Tax) annually. When these returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the tax position taken or the amount of the position that would ultimately be sustained. Examples of tax positions common to nonprofit organizations include such matters as the following: the tax exempt status of each entity and various positions relative to potential sources of unrelated business taxable income (UBIT). UBIT is reported on Form 990-T, as appropriate. The benefit of tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes that it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any.

## Mississippi Valley Regional Blood Center

### Notes to Financial Statements

---

#### Note 1. Nature of Business and Significant Accounting Policies (Continued)

Tax positions are not offset or aggregated with other positions. Tax positions that meet the “more likely than not” recognition threshold are measured as the largest amount of tax benefit that is more than 50% likely to be realized on settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for uncertain tax benefits in the accompanying balance sheets along with any associated interest and penalties that would be payable to the taxing authorities upon examination. As of December 31, 2010 and 2009, there were no unrecognized tax benefits identified and recorded as a liability.

Forms 990 and 990-T filed by the Center are subject to examination by the Internal Revenue Service (IRS) up to three years from the extended due date of each return. Forms 990 and 990-T filed by the Center are no longer subject to examination for the fiscal years ended December 31, 2006 and prior.

Classification of net assets: The Center’s net assets, its revenue and expenses, and gains and losses must be classified based on the existence or absence of donor-imposed restrictions. Amounts for each of the three classes of net assets (permanently restricted, temporarily restricted and unrestricted) are required to be displayed in the balance sheets. The amounts of the change in each of the three classes of net assets must be displayed in the statements of operations and changes in net assets. The Center has no permanently restricted net assets. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions on the accompanying financial statements.

Donated services: The value of donated services is not reflected in the financial statements, as no objective basis is available to measure the value of these services. However, a significant number of volunteers have donated their time providing valuable services to the Center.

Pending accounting guidance: In August 2010 ASU 2010-24, *Presentation of Insurance Claims and Related Insurance Recoveries*, was issued. ASU 2010-24 is effective for fiscal years beginning after December 15, 2010. ASU 2010-24 addresses the diversity in the accounting for medical malpractice and similar liabilities and their related anticipated insurance recoveries by entities that mostly have netted insurance recoveries against the accrued liability, although some have presented the anticipated insurance recovery and the liability on a gross basis. The ASU clarifies that an entity should not net insurance recoveries against a related claim liability; the amount of the claim liability should be determined without consideration of insurance recoveries. Management is evaluating the impact this ASU may have on the Center’s financial statements.

Subsequent events: The Center has evaluated subsequent events through April 5, 2011, the date on which the financial statements were issued.

Reclassifications: Certain items on the balance sheet as of December 31, 2009 have been reclassified to be consistent with classifications adopted as of December 31, 2010. The reclassifications had no effect on net assets of the Center.

## Mississippi Valley Regional Blood Center

### Notes to Financial Statements

---

#### Note 2. Business Acquisition

On June 30, 2010 all of the assets and liabilities of Central Illinois Community Blood Center (CICBC) were purchased by the Center to assure the efficient collection, testing and distribution of the Center's area blood resources well into the future. The acquisition has been accounted for as an acquisition in accordance with FASB guidance on not-for-profit mergers and acquisitions (ASC 958).

In accordance with the terms of the business acquisition agreement, the Board of Directors of the Center consists of twenty-three directors, comprised of the existing eighteen directors of the Center and five directors from CICBC.

The excess of the fair value over the carrying value of assets acquired and liabilities assumed was recorded as contribution revenue. The estimated fair values of the assets acquired and liabilities assumed at the date of the acquisition are as follows:

Cash	\$ 1,857,643
Accounts receivables	1,227,502
Inventories	479,535
Prepaid expenses	67,896
Investments	297,938
Property and equipment	<u>2,007,397</u>
<b>Total assets acquired</b>	<u>5,937,911</u>
Accounts payable and accrued expenses	(441,804)
Capital lease obligation	<u>(192,060)</u>
<b>Total liabilities assumed</b>	<u>(633,864)</u>
<b>Contribution upon acquisition</b>	<u><u>\$ 5,304,047</u></u>

The Center incurred acquisition costs totaling \$208,128 consisting primarily of attorney fees, consulting fees and travel expenses, which have been expensed on the statements of operations.

As part of the acquisition, the Center's board has designated \$1,750,000 to be used for the construction of a new facility in Springfield, Illinois or renovation of the existing Springfield facility.

#### Note 3. Major Customers

Revenue from major customers and related trade receivables for the years ended and as of December 31, 2010 and 2009 are as follows:

	2010		2009	
	Revenue	Trade Receivable Balance	Revenue	Trade Receivable Balance
Customer A	\$ 5,357,755	\$ 661,686	\$ 5,090,877	\$ 662,931
Customer B	4,971,120	368,059	4,729,612	373,158

## Mississippi Valley Regional Blood Center

### Notes to Financial Statements

---

#### Note 4. Notes Payable, Long-Term Debt, Capital Lease Obligations and Interest Rate Swap Agreements

The Center has a \$2,000,000 line of credit which expires July 2011. Outstanding borrowings under this agreement bear interest at a variable interest rate, which is 4.75% as of December 31, 2010 and are secured by the assets of the Center. There were no borrowings under this agreement as of December 31, 2010 and 2009.

The Center has a \$300,000 line of credit which expires August 2011. Outstanding borrowings under this agreement bear interest at a variable interest rate, which is 5% as of December 31, 2010 and are secured by the assets of the Center. There were no borrowings under this agreement as of December 31, 2010 and 2009.

The Center's long-term debt as of December 31, 2010 and 2009 is as follows:

	2010	2009
Revenue bonds, Series 2003 (A)	\$ 6,250,000	\$ 6,750,000
Capital lease obligations for various vehicles and equipment with monthly charges ranging from \$314 to \$1,820, paid in full during 2010	-	130,262
Capital lease obligation with monthly charge of \$5,283 through August 2013, collateralized by equipment with a net book value of \$153,050	162,834	-
Capital lease obligation with monthly charge of \$1,930 through March 2014, collateralized by equipment with a net book value of \$63,830	67,481	85,472
	<u>6,480,315</u>	<u>6,965,734</u>
Less current maturities	578,900	602,736
	<u>\$ 5,901,415</u>	<u>\$ 6,362,998</u>

- (A) In February 2003, \$10,000,000 of Series 2003 variable rate demand purchase revenue bonds (2003 bonds) were issued by the Iowa Finance Authority on behalf of the Center for the construction of a new facility in Davenport, Iowa. The bonds mature in semiannual amounts of \$250,000 through February 2023 and bear interest at a variable rate (0.34% at December 31, 2010). The bonds are secured by all real estate of the Center, and require the Center to maintain certain financial ratios, including minimum levels of debt service coverage and a leverage covenant.

The bonds are secured by a letter of credit with Wells Fargo equal to the principal amount of the bonds of \$6,250,000 as of December 31, 2010 and an amount not to exceed \$123,288, which shall be available to pay up to 45 days' accrued interest on the bonds. The letter of credit is secured by the revenues of the Center. The Center has an irrevocable transferrable letter of credit to allow for a situation where the remarketing agent is unable to remarket the bonds and the bonds are put back to the issuer. As of December 31, 2010, none of the bonds had been put back to the issuer and the letter of credit had not been drawn upon.

The letter of credit, which expires February 6, 2012 and is renewed automatically each calendar year on February 6, requires the Center to comply with certain restrictive covenants, including minimum insurance coverage and maintenance of certain leverage and debt service ratios.

## Mississippi Valley Regional Blood Center

### Notes to Financial Statements

#### Note 4. Notes Payable, Long-Term Debt, Capital Lease Obligations and Interest Rate Swap Agreements (Continued)

The following is a schedule by years of the future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of December 31, 2010:

Year ending December 31:	
2011	\$ 86,555
2012	86,555
2013	65,422
2014	5,790
	<u>244,322</u>
Less amounts representing interest	14,007
<b>Total</b>	<u><u>\$ 230,315</u></u>

Future annual maturities required on the long-term debt and capital lease obligations as of December 31, 2010 are due as follows:

Year ending December 31:	
2011	\$ 578,900
2012	581,885
2013	563,805
2014	505,725
2015	500,000
Thereafter	3,750,000
<b>Total</b>	<u><u>\$ 6,480,315</u></u>

The Center has entered into declining balance interest rate swap agreements with its bank to reduce the impact of changes in interest rates on its floating-rate long-term debt without exchanging the underlying principal amounts. As of December 31, 2010, the Center had one outstanding interest rate swap agreement having a total notional principal amount of \$3,125,000. These agreements effectively change the Center's interest rate exposure risk on the floating rate bonds to a fixed rate for a specified period of time as described below:

Notional Amount	Termination Date	To Fixed Rate	From Floating Rate	Fair Value (Liability) of Swaps	
				2010	2009
\$ 3,125,000	January 1, 2021	4.20%	0.34%	\$ (309,622)	\$ (290,831)
-	March 1, 2010	3.40%	0.34%	-	(26,247)
				<u><u>\$ (309,622)</u></u>	<u><u>\$ (317,078)</u></u>

The floating rate received is based on the Securities Industry and Financial Markets Association Municipal Swap Index. Changes in this index would affect the floating rate information. The Center is also exposed to a risk that the counterparty cannot meet their obligations under the interest rate swap agreements. However, the Center does not anticipate nonperformance by the counterparty.

## Mississippi Valley Regional Blood Center

### Notes to Financial Statements

---

#### **Note 4. Notes Payable, Long-Term Debt, Capital Lease Obligations and Interest Rate Swap Agreements (Continued)**

As discussed above, the Center has entered into interest rate swap agreements to hedge the Center's exposure to interest rate risk related to their variable rate bonds. The Center's specific goal is to lower (where possible) the cost of its borrowed funds over borrowing term. Although the Center believes its interest rate swap agreements are economic hedges, none have been designated as a hedge for accounting purposes and they are recorded on the balance sheet at their fair market value, with changes in fair value recognized in current period change in unrestricted net assets. The following amounts have been included in the statements of operations for the years ended December 31, 2010 and 2009.

	2010	2009
Swap settlements, included in interest expense	\$ (154,515)	\$ (232,352)
Change in fair value of interest rate swaps	7,456	173,245
<b>Net (loss)</b>	<b>\$ (147,059)</b>	<b>\$ (59,107)</b>

#### **Note 5. Pension Plan**

The Center has a 401(k) plan covering substantially all employees. Employees are eligible to participate in the plan after completing one year of employment with a minimum of 1,000 hours of work and reaching the age of 21 years. Entry into the plan is allowed on the first day of the next calendar quarter after eligibility requirements are met. Each eligible employee is permitted to defer up to 85% of his or her annual compensation on a pre-income tax basis subject to the statutory dollar limit. For 2009, the Center contributed an amount equal to 7% of the annual compensation of eligible employees. For 2010, the Center matches 100% of the employees' contributions up to a maximum of 4% of an employee's annual salary. The Center also has the option to contribute a discretionary amount each year. These contributions amounted to \$596,974 and \$748,010 for the years ended December 31, 2010 and 2009, respectively.

The acquired entity (CICBC) maintained a retirement plan under Section 403(b) of the Internal Revenue Code that was transferred to the Center. The plan covers all former CICBC employees who attained minimum age and service requirements. The Center matches 100% of the employees' contributions up to a maximum of 6% of an employee's annual salary. The Center also has the option to contribute a discretionary amount each year of participants' annual compensation. Expenses under the plan were approximately \$78,772 for the six months ended December 31, 2010. Effective December 31, 2010, the Center froze the plan. Employees of the acquired entity may participate in the Center's 401(k) plan beginning January 1, 2011.

#### **Note 6. Medical Plan**

The Center maintains a self-insured medical plan administrated by a third-party. The Center's liability for claims under the Plan is limited to the lesser of actual claims paid or a \$50,000 individual stop/loss deductible for each participant, not to exceed approximately \$2,377,000 in the overall aggregate. The actual claims and administrative expenses paid relating to the medical plan for the years ended December 31, 2010 and 2009 totaled \$2,138,543 and \$1,861,485, respectively.

Employees of the acquired entity (CICBC) were commercially insured through December 31, 2010 and became covered through the Center's self-insured medical plan effective January 1, 2011.

## Mississippi Valley Regional Blood Center

### Notes to Financial Statements

---

#### Note 7. Blood Centers of America, Inc.

The Center is a founding co-owner of Blood Centers of America, Inc. (BCA), a voluntary alliance of blood centers. BCA is a for-profit cooperative corporation operating for the benefit of its members as patrons with programs such as group purchasing, resource sharing of blood products and sharing of operational data. Revenue related to BCA affiliated blood centers was approximately \$4,400,000 and \$5,200,000 for the years ended December 31, 2010 and 2009, respectively. Trade receivables as of December 31, 2010 and 2009 include approximately \$686,000 and \$586,000, respectively, due from BCA affiliated blood centers.

The Center also receives annual patronage dividends from BCA. The patronage dividend notes receivable from BCA as of December 31, 2010 and 2009 are long-term.

#### Note 8. Lease Commitments and Total Rental Expense

The Center has leased donor centers in Burlington, Dubuque, Muscatine, Iowa City, Cedar Rapids and Ottumwa, Iowa, in Canton, Galesburg, Edwardsville, Maryville and Macomb, Illinois and in Crestwood and Maryland Heights, Missouri, under agreements, which expire through March 2016. The total minimum rental commitment as of December 31, 2010 under these leases is approximately \$969,000 and is due as follows:

Year ending December 31:	
2011	\$ 484,000
2012	287,000
2013	111,000
2014	51,000
2015	29,000
Thereafter	7,000
	<u>\$ 969,000</u>

Rent expense under these leases and other operating leases, including property taxes, was \$834,888 and \$691,297 for the years ended December 31, 2010 and 2009, respectively.

#### Note 9. Contingencies

The Center is from time-to-time involved in litigation arising in the ordinary course of business. Losses from asserted and unasserted claims identified under the Center's incident reporting system are accrued based on estimates that include past experience as well as the nature of the claim and other relevant factors. The Center had not accrued for any losses as of December 31, 2010 and 2009. It is of the opinion of management that insurance coverage as of December 31, 2010 is adequate to provide for potential losses resulting from asserted and unasserted claims.

## Mississippi Valley Regional Blood Center

### Notes to Financial Statements

---

#### Note 10. Fair Value Measurements

The FASB guidance for fair value measurements defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. The FASB defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants and requires the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. In that regard, the guidance establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

- Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.
- Level 2: Significant other observable inputs other than level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

A description of the valuation methodologies used for liabilities measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below.

Interest rate swap agreement: The fair value of \$(309,622) and \$(317,078) as of December 31, 2010 and 2009, respectively, is estimated by a third party using inputs that are observable or that can be corroborated by observable market data, and therefore, are classified within level 2 of the valuation hierarchy.