

# **Hoxworth Blood Center**

Auditors' Reports and Financial Statements

June 30, 2012, and 2011





# Dave Yost • Auditor of State

Board of Trustees  
Hoxworth Blood Center  
PO Box 210637  
Cincinnati, Ohio 45221

We have reviewed the *Independent Auditors' Report* of the Hoxworth Blood Center, Hamilton County, prepared by BKD, LLP, for the audit period July 1, 2011 through June 30, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Hoxworth Blood Center is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost  
Auditor of State

December 14, 2012

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**Hoxworth Blood Center**  
**June 30, 2012 and 2011**

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## Independent Auditors' Report

To Mr. David Yost, Auditor of State of Ohio;  
Board of Trustees of the University of  
Cincinnati and the Community Advisory  
Board of Hoxworth Blood Center:

We have audited the accompanying basic financial statements of Hoxworth Blood Center ("Hoxworth"), a department of the University of Cincinnati, as of and for the year ended of June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of Hoxworth's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Hoxworth as of and for the year ended June 30, 2011, were audited by other accountants whose report dated October 13, 2011, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 audit provides 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 Hoxworth as of June 30, 2012, and its changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1, the financial statements of Hoxworth are intended to present the financial position, changes in net assets and cash flows of only that portion of the financial reporting entity of the University of Cincinnati that is attributable to the transactions of Hoxworth. They do not purport to, and do not, present fairly the financial position of the University of Cincinnati as of June 30, 2012, its changes in net assets or its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2012, on our consideration of Hoxworth's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*BKD, LLP*

October 15, 2012



# **Hoxworth Blood Center**

## **Management's Discussion and Analysis**

### **June 30, 2012 and 2011**

#### ***Introduction***

Hoxworth Blood Center ("Hoxworth") is the community blood center for the Greater Cincinnati area. Serving a 17-county area in Ohio, Kentucky, and Indiana, Hoxworth collects, tests, processes, and distributes blood and blood components to 31 health care facilities. Our purpose is to enhance the well-being of patients in our service area by assuring a reliable and economical supply of the safest possible blood, by providing innovative hemotherapy services, and by promoting research and education programs in transfusion medicine. To help us meet this goal, Hoxworth is governed by the University of Cincinnati Board of Trustees. The University of Cincinnati is considered a component unit of the State of Ohio. Hoxworth also has its own community advisory board and a medical/technical advisory committee. Hoxworth is licensed and regulated by the U.S. Food and Drug Administration and accredited by the American Association of Blood Banks, the American Society for Histocompatibility and Immunogenetics, and the Foundation for the Accreditation of Cellular Therapy. Hoxworth is also a member of America's Blood Centers and Blood Centers of America.

We receive whole units of blood and apheresis products from individual donors. We then process and test the blood and distribute various blood products to hospitals and other users for patient care purposes. Fees are charged to cover the cost of acquiring, processing, testing, and distributing blood components and other blood services. These fees are recorded as revenue at the time such products and services are provided. In the past three years, blood units donated have totaled 94,094 in fiscal year 2010, 93,483 in fiscal year 2011, and 96,719 in fiscal year 2012.

#### ***Using the Financial Statements***

Hoxworth Blood Center's financial report includes three financial statements: the Statement of Net Assets; the Statement of Revenues, Expenses and Changes in Net Assets; and the Statement of Cash Flows. These financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB). These principles establish standards for external financial reporting for public colleges and universities. These apply to Hoxworth Blood Center because Hoxworth is governed by the University of Cincinnati Board of Trustees. The University of Cincinnati is considered a component unit of the State of Ohio.

Revenues and expenses are categorized as either operating or nonoperating. Certain sources of Hoxworth's revenues, including interest income, contributions, and the net increase in the fair value of investments, are considered nonoperating.

#### ***Financial Position***

Hoxworth's financial position remained strong at June 30, 2012, with total assets of \$37,586,279 and liabilities of \$4,203,393. Net assets, which represent the residual interest in Hoxworth's assets after liabilities are deducted, increased by \$1,052,347 to \$33,382,886.

**Hoxworth Blood Center**  
**Management's Discussion and Analysis**  
**June 30, 2012 and 2011**

**Statement of Revenues, Expenses, and Changes in Net Assets**

The statement of revenues, expenses, and changes in net assets presents Hoxworth's results of operations. A comparison for the years ended June 30 follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>OPERATING REVENUES:</b>			
Patient and community service	\$ 42,079,027	\$ 41,826,268	\$ 43,203,412
Other	527,964	346,157	501,200
	<hr/>	<hr/>	<hr/>
Total operating revenues	42,606,991	42,172,425	43,704,612
	<hr/>	<hr/>	<hr/>
<b>OPERATING EXPENSES:</b>			
Salaries and employee benefits	19,477,610	19,460,920	18,755,124
Routine supplies and facility maintenance	16,684,796	16,362,793	16,726,174
Blood component inventory support	835,026	1,383,436	1,541,718
General and administrative	3,429,049	2,996,575	3,339,320
Depreciation	1,342,084	1,181,264	1,056,705
	<hr/>	<hr/>	<hr/>
Total operating expenses	41,768,565	41,384,988	41,419,041
	<hr/>	<hr/>	<hr/>
<b>OPERATING INCOME</b>	<b>838,426</b>	<b>787,437</b>	<b>2,285,571</b>
	<hr/>	<hr/>	<hr/>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Net (decrease) increase in fair value			
of cash equivalents	(320,231)	337,674	30,663
Interest income	325,454	387,917	307,632
Other	208,698	302,593	121,908
	<hr/>	<hr/>	<hr/>
Total nonoperating revenues	213,921	1,028,184	460,203
	<hr/>	<hr/>	<hr/>
<b>INCREASE IN NET ASSETS</b>	<b>\$ 1,052,347</b>	<b>\$ 1,815,621</b>	<b>\$ 2,745,774</b>
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# **Hoxworth Blood Center**

## **Management's Discussion and Analysis**

### **June 30, 2012 and 2011**

#### ***Operating Revenues***

Operating revenues increased from \$42,172,425 for the year ended June 30, 2011, to \$42,606,991 for the year ended June 30, 2012. This increase of \$434,566 or 1% is primarily attributable to several factors. Blood and Blood Components revenue increased \$265,619 primarily due to an increase in red blood cell, platelet, and plasma usage. Also, plasma for fractionation increased \$181,721 due to Hoxworth collecting more units this year which allowed us to make more recovered fresh frozen plasma. The transfusable components demand for plasma was down which contributed to selling as salvage.

Operating revenues decreased from \$43,704,612 for the year ended June 30, 2010, to \$42,172,425 for the year ended June 30, 2011. This decrease of \$1,532,187 or 3.5% is primarily attributable to several factors. Blood and Blood Components revenue decreased \$1,411,898 primarily due to a decrease in red blood cell, platelet, and plasma usage. Transplantation Immunology revenue increased \$234,120 due to the increase in activity by Cincinnati Children's Hospital Medical Center ("Children's Hospital"), Christ Hospital, and the University Hospital transplant divisions. Apheresis Components and Therapeutics revenue increased \$122,770 due to an increase in demand for therapeutic apheresis products. Revenues for the Cellular Therapies division decreased by \$255,446 due to a decrease in demand by Children's Hospital and The Jewish Hospital. Compatibility & Reference revenue decreased \$233,883 due to a decrease in activity in the Transfusion Service at Children's Hospital.

#### ***Operating Expenses***

Operating expenses increased \$383,577 or 1%, from \$41,384,988 for the year ended June 30, 2011, to \$41,768,565 for the year ended June 30, 2012. Salaries and employee benefits increased \$16,690, or 0.1% due to the annual pay increase, fringe benefit rate increase, and a decrease in overall full time equivalents. Routine supplies and facilities maintenance increased \$322,003, or 2% due to an increase in blood bag and antisera & reagents expenses. Blood component inventory support decreased \$548,410, or 40% due to a decrease in the need for imported blood due to increased collections. General and administrative expenses increased \$432,474, or 14% due to an increase in our blood inventory expense resulting from a lower blood inventory balance at year-end, as well as an increase in advertising expense.

Operating expenses decreased \$34,053 or 0.1%, from \$41,419,041 for the year ended June 30, 2010, to \$41,384,988 for the year ended June 30, 2011. Salaries and employee benefits increased \$705,796, or 4% due to the annual pay increase and positions filled. Routine supplies and facilities maintenance decreased \$363,381, or 2% due to a decrease in blood bag, bacterial detection, and test kits expenses. Blood component inventory support decreased \$158,282, or 10% due to a decrease in the need for imported blood due to decreased demand. General and administrative expenses decreased \$342,745, or 10% due to a decrease in our blood inventory expense resulting from a higher year-end blood inventory balance at year-end, as well as reduced insurance premiums paid to the University due to actuarial determinations.

**Hoxworth Blood Center**  
**Management's Discussion and Analysis**  
**June 30, 2012 and 2011**

***Nonoperating Revenues and Expenses***

The fair value adjustment loss on our quasi-endowment fund in 2012 was \$320,231 compared to a fair value adjustment gain of \$337,674 in 2011. The decrease in the fair value adjustment relates to the assets being held in a pooled investment account managed by the University of Cincinnati, as disclosed in Note 1. Interest income decreased \$62,463 due to market performance fluctuations. Other nonoperating revenue decreased \$93,895.

In 2011, the fair value adjustment gain on our quasi-endowment fund in 2011 was \$337,674 compared to a fair value adjustment gain of \$30,663 in 2010. The increase in the fair value adjustment relates to the assets being held in a pooled investment account managed by the University of Cincinnati, as disclosed in Note 1. Interest income increased \$80,285 due to market performance fluctuations. Other nonoperating revenue increased \$180,685.

***Increase in Net Assets***

For the year ended June 30, 2012, our net assets increased \$1,052,347 compared with an increase in net assets of \$1,815,621 for the year ended June 30, 2011. Net assets increased \$2,745,774 for the year ended June 30, 2010.

***Statement of Net Assets***

The statement of net assets represents the financial position of Hoxworth Blood Center at the end of the fiscal year. Net assets represent the difference between total assets and total liabilities. Net assets are one indicator of the overall financial condition of Hoxworth, while the change in net assets is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values. One exception is capital assets, which are stated at historical cost less an allowance for depreciation. A summarized comparison of Hoxworth's assets, liabilities, and net assets at June 30 follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Current assets	\$ 25,236,913	\$ 23,551,647	\$ 22,859,085
Noncurrent assets - net	<u>12,349,366</u>	<u>12,617,876</u>	<u>12,240,467</u>
Total assets	37,586,279	36,169,523	35,099,552
Current and total liabilities	<u>4,203,393</u>	<u>3,838,984</u>	<u>4,584,634</u>
Net assets	<u>\$ 33,382,886</u>	<u>\$ 32,330,539</u>	<u>\$ 30,514,918</u>

# **Hoxworth Blood Center**

## **Management's Discussion and Analysis**

### **June 30, 2012 and 2011**

#### **Assets**

Total assets of the organization increased \$1,416,756 to \$37,586,279 as of June 30, 2012, from \$36,169,523 as of June 30, 2011. Current assets increased \$1,685,266, from \$23,551,647 as of June 30, 2011, to \$25,236,913 as of June 30, 2012. Cash and cash equivalents increased \$1,231,297, from \$16,356,825 as of June 30, 2011, to \$17,588,122 as of June 30, 2012. The increase in cash is explained in our discussion of cash flows below. Net accounts receivable increased \$376,556, due to timing of payments.

In 2011, total assets of the organization increased \$1,069,971 to \$36,169,523 from \$35,099,552 as of June 30, 2010. Current assets increased \$692,562, from \$22,859,085 as of June 30, 2010, to \$23,551,647 as of June 30, 2011. Cash and cash equivalents increased \$449,208, from \$15,907,617 as of June 30, 2010, to \$16,356,825 as of June 30, 2011. The increase in cash is explained in our discussion of cash flows below. Net accounts receivable increased \$76,748, due to timing of payments.

#### **Capital Assets**

Capital assets, net, decreased \$377,500, from \$12,617,876 as of June 30, 2011, to \$12,240,376 as of June 30, 2012. This decrease is the result of capital purchases being less than depreciation expense during the year and a loss on disposal. Capital purchases in 2012 were \$968,484 and the loss on disposal was \$3,900. Significant capital purchases made during fiscal year 2012 include automated blood collection scales, the DRM Touch system for donor recruitment, a hematology analyzer, and a low speed centrifuge.

Capital assets, net, increased \$377,409, from \$12,240,467 as of June 30, 2010, to \$12,617,876 as of June 30, 2011. This increase is the result of capital purchases exceeding depreciation expense during the year. Capital purchases in 2011 were \$1,558,673. Significant capital purchases made during fiscal year 2011 include a new floor at the Hoxworth Center building, a genetic analyzer, a hematology analyzer, and a robotic system for transplantation testing.

#### **Liabilities**

Total liabilities increased \$364,409, to \$4,203,393 as of June 30, 2012 due to the timing of payments to vendors, establishment of a self-insurance liability and a decrease in deferred revenue. Total liabilities decreased \$745,650, to \$3,838,984 as of June 30, 2011 due to the timing of payments to vendors and a decrease in deferred revenue. As of June 30, 2010, total liabilities were \$4,584,634.

**Hoxworth Blood Center**  
**Management's Discussion and Analysis**  
**June 30, 2012 and 2011**

**Net Assets**

Net assets represent the residual interest in Hoxworth's assets after liabilities are deducted. Hoxworth's net assets are summarized below:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Invested in capital assets	\$ 12,240,376	\$ 12,617,876	\$ 12,240,467
Restricted-expendable	22,651	5,868	5,868
Unrestricted	<u>21,119,859</u>	<u>19,706,795</u>	<u>18,268,583</u>
 Total net assets	 <u>\$ 33,382,886</u>	 <u>\$ 32,330,539</u>	 <u>\$ 30,514,918</u>

Net assets invested in capital assets, net of related debt, decreased \$377,500, from \$12,617,876 as of June 30, 2011, to \$12,240,376 as of June 30, 2012. This decrease is due to depreciation expense exceeding capital purchases, as well as fixed asset purchases of \$968,484. Net assets restricted-expendable was \$5,868 as of June 30, 2011 and \$22,651 at June 30, 2012. Net assets unrestricted increased \$1,413,064 from \$19,706,795 as of June 30, 2011, to \$21,119,859 as of June 30, 2012.

In 2011, net assets invested in capital assets, net of related debt, increased \$377,409, from \$12,240,467 as of June 30, 2010, to \$12,617,876 as of June 30, 2011. This increase is due to capital purchases exceeding depreciation expense, as well as fixed asset purchases of \$1,558,673. Net assets restricted-expendable remained the same at \$5,868 as of June 30, 2010 and June 30, 2011. Net assets unrestricted increased \$1,438,212 from \$18,268,583 as of June 30, 2010, to \$19,706,795 as of June 30, 2011.

**Hoxworth Blood Center**  
**Management's Discussion and Analysis**  
**June 30, 2012 and 2011**

**Statement of Cash Flows**

The statement of cash flows provides additional information about Hoxworth's financial results by reporting the major sources and uses of cash. A comparative summary of the statement of cash flows for the years ended June 30 follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Cash received from operations	\$ 42,227,115	\$ 42,093,975	\$ 43,359,487
Cash expended for operations	<u>39,920,908</u>	<u>41,075,379</u>	<u>39,522,716</u>
Net cash provided by operating activities	2,306,207	1,018,596	3,836,771
Net cash provided by non-capital financing activities	28,106	79,563	717,878
Net cash used for capital and related financing activities	(1,108,239)	(1,374,542)	(997,906)
Cash provided by investing activities	<u>5,223</u>	<u>725,591</u>	<u>338,295</u>
Net increase in cash and cash equivalents	<u>\$ 1,231,297</u>	<u>\$ 449,208</u>	<u>\$ 3,895,038</u>

**Cash Flows**

For the year ended June 30, 2012, cash and cash equivalents increased \$1,231,297. Cash provided by operations was \$2,306,207 and consisted primarily of cash received from customers offset by cash paid to suppliers and employees. Cash received through contributions, a decrease in unearned revenue and recognition of a self-insurance asset and liability was \$28,106. Cash used for capital and financing activities was \$1,108,239 and consisted of cash paid for capital purchases. A fair value adjustment loss of \$320,231 and cash received from interest on investments of \$325,454 provided a net investment gain of \$5,223.

For the year ended June 30, 2011, cash and cash equivalents increased \$449,208. Cash provided by operations was \$1,018,596 and consisted primarily of cash received from customers offset by cash paid to suppliers and employees. Cash received through contributions and a decrease in unearned revenue was \$79,563. Cash used for capital and financing activities was \$1,374,542 and consisted of cash paid for capital purchases. A fair value adjustment gain of \$337,674 and cash received from interest on investments of \$387,917 provided a net investment gain of \$725,591.

**Hoxworth Blood Center**  
**Management's Discussion and Analysis**  
**June 30, 2012 and 2011**

***Economic Factors Affecting the Future***

Hoxworth Blood Center is reliant on blood donors from the community to continue to donate blood. Hoxworth would be adversely affected if we were to see a decrease in our donor base. This would result in Hoxworth having to share resources with other blood centers to meet the local demand in this community. The financial impact of this could be significant.



**Hoxworth Blood Center**  
**Statements of Net Assets**  
**Years Ended June 30, 2012 and 2011**

	<b>2012</b>	<b>2011</b>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 17,588,122	\$ 16,356,825
Accounts receivable — net of allowance for doubtful accounts of approximately \$44,500 at June 30, 2012 and 2011	6,395,367	6,018,811
Inventories	1,110,731	1,009,700
Prepaid expenses and other assets	142,693	166,311
Total current assets	25,236,913	23,551,647
<b>CAPITAL ASSETS:</b>		
Land	816,197	816,197
Building	15,068,383	15,068,383
Furniture and equipment	14,012,760	13,232,628
Leashold improvements	1,002,806	984,567
Total capital assets	30,900,146	30,101,775
Less accumulated depreciation	18,659,770	17,483,899
Capital assets — net	12,240,376	12,617,876
NONCURRENT ASSET - Receivable from self-insurance trust	108,990	-
<b>TOTAL ASSETS</b>	<b>37,586,279</b>	<b>36,169,523</b>
<b>CURRENT LIABILITIES:</b>		
Accounts payable	2,087,665	1,699,054
Accrued salaries and benefits	1,840,967	1,789,767
Self-insurance liability	92,364	-
Unearned revenue	182,397	350,163
<b>TOTAL CURRENT LIABILITIES</b>	<b>4,203,393</b>	<b>3,838,984</b>
<b>NET ASSETS:</b>		
Invested in capital assets	12,240,376	12,617,876
Restricted — expendable	22,651	5,868
Unrestricted	21,119,859	19,706,795
<b>TOTAL NET ASSETS</b>	<b>\$ 33,382,886</b>	<b>\$ 32,330,539</b>

**Hoxworth Blood Center**  
**Statements of Revenues, Expenses, and Changes in Net Assets**  
**Years Ended June 30, 2012 and 2011**

	<b>2012</b>	<b>2011</b>
<b>OPERATING REVENUES:</b>		
Patient and community service	\$ 42,079,027	\$ 41,826,268
Other	527,964	346,157
Total operating revenues	42,606,991	42,172,425
<b>OPERATING EXPENSES:</b>		
Salaries and employee benefits	19,477,610	19,460,920
Routine supplies and facility maintenance	16,684,796	16,362,793
Blood component inventory support	835,026	1,383,436
General and administrative	3,429,049	2,996,575
Depreciation	1,342,084	1,181,264
Total operating expenses	41,768,565	41,384,988
<b>OPERATING INCOME</b>	838,426	787,437
<b>NONOPERATING REVENUES:</b>		
Net (decrease) increase in the fair value of cash equivalents	(320,231)	337,674
Interest income	325,454	387,917
Other	208,698	302,593
Total nonoperating revenues, net	213,921	1,028,184
<b>INCREASE IN NET ASSETS</b>	1,052,347	1,815,621
<b>NET ASSETS:</b>		
Beginning of year	32,330,539	30,514,918
End of year	\$ 33,382,886	\$ 32,330,539

**Hoxworth Blood Center**  
**Statements of Cash Flows**  
**Years Ended June 30, 2012 and 2011**

	<b>2012</b>	<b>2011</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES —</b>		
Cash received from customers	\$ 41,699,151	\$ 41,747,818
Cash payments to suppliers for goods and services	(20,494,498)	(21,626,145)
Cash payments to employees for services	(19,426,410)	(19,449,234)
Other operating revenues	527,964	346,157
Net cash provided by operating activities	2,306,207	1,018,596
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES —</b>		
Contributions received and increase in unearned revenues and changes in self-insurance assets and liabilities	28,106	79,563
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING</b>		
ACTIVITIES — Acquisition and construction of capital assets	(1,108,239)	(1,374,542)
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES — Interest income and gain from investment in cash and cash equivalents</b>		
	5,223	725,591
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>		
	1,231,297	449,208
<b>CASH AND CASH EQUIVALENTS — Beginning of year</b>		
	16,356,825	15,907,617
<b>CASH AND CASH EQUIVALENTS — End of year</b>		
	\$ 17,588,122	\$ 16,356,825
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES —</b>		
Operating income	\$ 838,426	\$ 787,437
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,342,084	1,181,264
Changes in assets and liabilities:		
Accounts receivable	(376,556)	(76,748)
Inventories	(101,031)	(185,695)
Accrued salaries and benefits	51,200	11,686
Prepaid expenses and other assets	23,718	19,089
Accounts payable	528,366	(718,437)
Total adjustments	1,467,781	231,159
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
	\$ 2,306,207	\$ 1,018,596
<b>Supplemental Cash Flows Information</b>		
Accrued liabilities for property, plant and equipment	\$ 44,376	\$ 184,131

# Hoxworth Blood Center

## Notes to Financial Statements

### June 30, 2012 and 2011

#### **Note 1: Summary of Significant Accounting Policies**

##### ***Organization***

Hoxworth Blood Center (“Hoxworth”), a department of the University of Cincinnati (the “University”), which is a component unit of the State of Ohio, provides blood components, cellular and apheresis therapies, transplantation immunology, and compatibility and reference laboratory services to area hospitals, health care facilities, and patients.

Approximately 46% of Hoxworth’s labor force is covered under collective bargaining agreements that expire at various dates through January 2014.

##### ***Basis of Accounting and Presentation***

The financial statements of Hoxworth have been prepared on the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place. Nearly all of Hoxworth’s operating revenues and expenses include exchange transactions such as payments received for providing services and payments made for services or goods received. Investment income, interest income and gifts are included in nonoperating revenues and expenses. Hoxworth first applies unrestricted net assets when an expense or outlay is incurred for purposes for which both restricted and unrestricted net assets are available.

Hoxworth prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB). Hoxworth has the option to apply all Financial Accounting Standards Board (FASB) pronouncements that were issued after November 30, 1989, unless the FASB pronouncement conflicts with or contradicts a GASB pronouncement. Hoxworth has elected not to apply FASB pronouncements issued after the applicable date.

##### ***Estimates***

The preparation of the 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.

##### ***Cash and Cash Equivalents***

Hoxworth considers its unrestricted portion of the University’s pooled cash account to be cash and cash equivalents. The University’s pooled cash account includes investments in U.S. government agency issues; U.S. Treasury bonds, notes and bills; corporate notes and bonds; preferred and common stocks; and other marketable securities. In addition, Hoxworth maintains an unrestricted quasi-endowment fund consisting of cash and cash equivalents and marketable securities amounting to \$4,211,693 and \$4,432,328 at June 30, 2012 and 2011, respectively.

# **Hoxworth Blood Center**

## **Notes to Financial Statements**

### **June 30, 2012 and 2011**

#### ***Accounts Receivable***

Accounts receivable are stated at the amount billed to customers plus any accrued and unpaid interest. Hoxworth provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer.

#### ***Inventories***

Blood components inventory is stated at net realizable value, which is defined as sales price (net of an allowance for spoilage) less distribution costs. Such valuation treatment approximates the lower of cost or market. Blood bags, accessories, and other supplies are stated at cost, which is determined by the first-in, first-out method.

#### ***Capital Assets***

Capital assets are recorded at cost and depreciated on a straight-line basis over the estimated useful lives of the assets, ranging from 3 to 30 years for furniture and equipment and 25 to 39 years for buildings. Leasehold improvements are amortized on a straight-line basis over the estimated remaining period of occupancy. Maintenance, repairs, and minor renewals are charged to expense as incurred, while major renewals and betterments are capitalized. The cost and related accumulated depreciation for assets retired or otherwise disposed of are removed from the related accounts, and any resulting gains or losses are reflected in income.

#### ***Restricted Net Assets***

Restricted net assets consist of assets whose use is restricted by externally restricted donations for use in bone marrow registry testing and assets held for self-insurance arrangements.

#### ***Unrestricted Net Assets***

Unrestricted net assets consist of net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

#### ***Revenue Recognition***

Hoxworth has arrangements with organized groups and individuals under which it receives whole units of blood donated for processing and ultimate distribution in various forms to hospitals and other users for patient care purposes. Fees are charged to cover the cost of acquiring, processing, and distributing blood components and other blood services. These fees are recorded as revenue at the time such products and services are provided.

**Hoxworth Blood Center**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

***Contributed Service***

A substantial number of unpaid volunteers have made significant contributions of their time to develop and sustain Hoxworth's programs. The value of this contributed time is not reflected in these statements since it is not susceptible to objective measurement or valuation.

***Compensated Absences***

University policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs and no liability is accrued for such benefits employees have earned but not yet realized. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the statement of net assets date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

***Unearned Revenue***

Unearned revenue includes the amounts received from grant sponsors that have not yet been earned under the terms of the agreement. Hoxworth will recognize such amounts into revenue when these services are provided over the coming fiscal years.

***Income Taxes***

As a department of the University, Hoxworth is tax-exempt under Section 115 of the Internal Revenue Code. Accordingly, no provision for income taxes is made in the accompanying financial statements.

**Hoxworth Blood Center**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

**Note 2: Concentrations and Credit Risk**

In the normal course of business, Hoxworth extends credit to various area hospitals. At June 30, 2012, five hospital groups accounted for approximately 26%, 25%, 17%, 10% and 10%, respectively, of accounts receivable. At June 30, 2011, four hospital groups accounted for approximately 23%, 23%, 19%, and 10%, respectively, of accounts receivable.

**Note 3: Inventories**

Inventories at June 30, 2012 and 2011, consist of the following:

	<u>2012</u>	<u>2011</u>
Blood components	\$ 565,001	\$ 644,945
Blood bags and accessories	495,045	330,152
Other supplies	<u>50,685</u>	<u>34,603</u>
Total	<u>\$ 1,110,731</u>	<u>\$ 1,009,700</u>

**Hoxworth Blood Center**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

**Note 4: Capital Assets**

Capital asset activity for the years ended June 30, 2012 and 2011, was as follows:

	<b>Balance July 1, 2011</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance June 30, 2012</b>
Land	\$ 816,197	\$ -	\$ -	\$ 816,197
Buildings	15,068,383	-	-	15,068,383
Furniture and equipment	13,232,628	950,245	170,113	14,012,760
Leasehold improvements	984,567	18,239	-	1,002,806
	<u>30,101,775</u>	<u>968,484</u>	<u>170,113</u>	<u>30,900,146</u>
Less accumulated depreciation:				
Buildings	6,818,751	431,775	-	7,250,526
Furniture and equipment	9,899,717	870,643	166,213	10,604,147
Leasehold improvements	765,431	39,666	-	805,097
	<u>17,483,899</u>	<u>1,342,084</u>	<u>166,213</u>	<u>18,659,770</u>
Capital assets — net	<u>\$ 12,617,876</u>	<u>\$ (373,600)</u>	<u>\$ 3,900</u>	<u>\$ 12,240,376</u>

	<b>Balance July 1, 2010</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance June 30, 2011</b>
Land	\$ 816,197	\$ -	\$ -	\$ 816,197
Buildings	14,945,149	123,234	-	15,068,383
Furniture and equipment	11,935,964	1,333,049	36,385	13,232,628
Leasehold improvements	934,915	102,390	52,738	984,567
	<u>28,632,225</u>	<u>1,558,673</u>	<u>89,123</u>	<u>30,101,775</u>
Less accumulated depreciation:				
Buildings	6,390,520	428,231	-	6,818,751
Furniture and equipment	9,216,319	719,783	36,385	9,899,717
Leasehold improvements	784,919	33,250	52,738	765,431
	<u>16,391,758</u>	<u>1,181,264</u>	<u>89,123</u>	<u>17,483,899</u>
Capital assets — net	<u>\$ 12,240,467</u>	<u>\$ 377,409</u>	<u>\$ -</u>	<u>\$ 12,617,876</u>



**Hoxworth Blood Center**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

**Note 5: Operating Leases**

Hoxworth is obligated under a number of operating leases, principally for neighborhood donor centers, expiring at various dates through 2021. Total operating lease expense under noncancelable leases was approximately \$516,000 and \$484,000 in 2012 and 2011, respectively.

At June 30, 2012, estimated future lease payments under noncancelable leases are as follows:

2013	\$ 500,000
2014	475,000
2015	314,000
2016	208,000
2017	140,000
Thereafter	<u>422,000</u>
 Total	 <u><u>\$ 2,059,000</u></u>

**Note 6: Related Party Transactions**

The relationship between Hoxworth and the University requires that common resources, such as facilities, computing services, insurance, and other administrative services, be shared at a cost to Hoxworth. In 2012 and 2011, costs for such resources, including indirect overhead charges from the University, were approximately \$1,425,000 and \$1,388,000, respectively.

Additionally, cash receipts of Hoxworth are deposited into the University's pooled cash account. Disbursements are made from this account as required. Hoxworth's share of the University's pooled cash account was \$13,375,729 and \$11,923,797 at June 30, 2012 and 2011, respectively, and is included in cash and cash equivalents in the accompanying statements of net assets. Interest of approximately \$1,034 in 2012 and \$1,350 in 2011 was earned by Hoxworth on the pooled cash account. In addition, the University maintains a quasi-endowment fund for Hoxworth. As disclosed in Note 1, this quasi-endowment fund consisted of cash, cash equivalents, and marketable securities amounting to \$4,211,693 and \$4,432,328 at June 30, 2012 and 2011, respectively. The fair value adjustment loss on this fund was approximately \$312,000 for the year ended June 30, 2012. The fair value adjustment gain on this fund was approximately \$338,000 for the year ended June 30, 2011. The fund also had interest income of \$319,000 and \$355,000 for the years ended June 30, 2012 and 2011, respectively.

# Hoxworth Blood Center

## Notes to Financial Statements

### June 30, 2012 and 2011

#### Note 7: Self-Insurance Funds

The University currently provides for medical professional and general liability insurance through a combination of an actuarially funded self-insurance program sponsored by the University and has purchased commercial insurance in excess of the self-insurance amount. The medical professional liability insurance program also includes several qualified not-for-profit departmental (physician) practice corporations. Medical professional self-insurance limits were \$4 million per occurrence for 2012. An additional \$15 million in commercial excess professional liability insurance was provided above the self-insured retention.

General liability coverage is also provided as part of a group insurance program of Ohio state universities known as the Inter-University Council of Ohio Insurance Consortium (IUC-IC). This program provided for \$1 million retention per occurrence with the first \$100,000 funded by UC, and the remaining \$900,000 funded by pool funds held through the IUC-IC. Excess commercial coverage for general liability was provided with total limits of \$50 million, of which \$45 million was shared with the other participating universities. In addition, educators' legal liability coverage was provided through the IUC-IC program with \$25 million in total limits, of which \$20 million was shared among the participating institutions. The IUC-IC self-insurance pools are funded by an agreed formula among the participating universities.

The University's self-insurance program is based on calculations by independent actuaries and funds are deposited directly into two irrevocable self-insurance trust funds, one for medical and professional liability and one for general liability. In the opinion of management, trust assets totaling approximately \$29,108,000 are adequate to cover estimated liabilities resulting from known claims and incidents and incurred-but-not-reported incidents as of June 30, 2012. Amounts paid by Hoxworth to the University for medical professional and general liability coverage, including its allocated share of commercial insurance premiums and trust fund contributions, are included in the overhead charges from the University discussed in Note 6.

Property insurance is also provided through the IUC-IC program, consisting of commercial property insurance with a \$350,000 retention, and a self-insurance pool to fund losses between \$100,000 and \$350,000.

The University is also self-insured for a portion of medical, dental, and pharmacy benefits provided to employees. The cost of such self-insured benefits provided during 2012 and 2011, respectively, was approximately \$80,821,000 and \$75,771,000. In addition, \$6,135,000 and \$4,150,000 was accrued for 2012 and 2011, respectively, for estimated claims incurred but not reported.

**Hoxworth Blood Center**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

**Note 8: Employee Retirement Plans and Other Postemployment Benefits**

***Retirement Plans and Other Post Employment Benefits***

Retirement benefits are available for substantially all employees under one of several contributory retirement plans. Prior to July 1, 1977, when the University became a state institution, employees were covered by either the City of Cincinnati Retirement System (CRS) or the Teachers' Insurance and Annuity Association — College Retirement Equities Fund (TIAA-CREF). Certified teachers appointed on or after July 1, 1977, are covered by the State Teachers Retirement System (STRS Ohio). Non-certified employees appointed on or after that date are covered by the Ohio Public Employees Retirement System (OPERS). Employees may opt out of STRS Ohio and OPERS and participate in the Alternative Retirement Plan (ARP) if they meet certain eligibility requirements.

STRS Ohio and OPERS are statewide systems that offer three separate plans: (1) a defined benefit plan, (2) a defined contribution plan, and (3) a combined plan. Each of the three options is discussed in greater detail in the following sections.

***Defined Benefit Plans***

The OPERS, STRS Ohio and CRS plans are cost-sharing, multiple-employer, defined-benefit, public-employee retirement systems. Each provides retirement, disability, and survivor benefits to plan members and beneficiaries. These plans also provide health care benefits to vested retirees. Benefits provided under the plans are established by state statute or the Cincinnati Municipal Code.

OPERS provides postemployment health care benefits to retirees with ten or more years of qualifying Ohio service credit under the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including postemployment health care coverage. The plan benefits include a medical plan, prescription drug program and Medicare Part B premium reimbursement. The Ohio Revised Code permits, but does not mandate, OPERS to provide Other Post Employment Benefits (OPEB) to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Pursuant to Chapter 3307 of the Ohio Revised Code, STRS Ohio has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of monthly premiums.

# Hoxworth Blood Center

## Notes to Financial Statements

### June 30, 2012 and 2011

All three plans issue separate, publicly available financial reports that include financial statements and required supplementary information. These reports may be obtained by contacting each organization as follows:

#### OPERS

277 East Town Street, Columbus, Ohio 43215-4642  
Telephone (800) 222-7377  
[www.opers.org](http://www.opers.org)

#### STRS Ohio

275 East Broad Street, Columbus, Ohio 43215-3771  
Telephone (888) 227-7877  
[www.strsoh.org](http://www.strsoh.org)

#### City of Cincinnati Retirement System

801 Plum Street, Cincinnati, Ohio 45202  
Telephone (513) 352-3227  
[www.cincinnati-oh.gov](http://www.cincinnati-oh.gov)

In addition to the pension benefits described above, the University provides postretirement health care and dental benefits (under its labor agreement with the American Association of University Professors) to all who are participants of TIAA-CREF when they retire. During 2012, 2011, and 2010, the net cost of these benefits recorded on a pay-as-you-go basis totaled approximately \$2,278,000, \$2,467,000, and \$2,922,000, respectively.

### ***Defined Contribution Plans***

On June 23, 1998, pursuant to Ohio House Bill 586, the University created an Ohio Alternative Retirement Plan (ARP), which is designed to aid the University in recruiting and retaining employees by offering a portable retirement option. The ARP is a defined contribution plan that provides full and immediate vesting of all contributions made on behalf of the participant. Contributions are directed to one of eight investment management companies, which allow the participant to manage the investment of all retirement funds. New employees who qualify for the ARP have 120 days from the date of hire to elect the ARP option. Once this window has passed, the employee will not have the option to elect into the ARP. ARP does not provide disability benefits, annual cost-of-living adjustments, postretirement health care benefits or death benefits to plan members and beneficiaries. Benefits are entirely dependent on the sum of contributions and investment returns earned by each participant's choice of investment options.

At June 30, 2012, there were 1,996 members of the plan. During 2012, 2011, and 2010, the employer contributions were \$14,134,000, \$14,336,000, and \$14,221,000, respectively. The employer contribution rate for participants electing out of OPERS and STRS Ohio was 14% for 2012, 2011, and 2010.

**Hoxworth Blood Center**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

OPERS also offers a defined contribution plan, the Member-Directed Plan (MD). The MD plan does not provide disability benefits, annual cost-of-living adjustments, postretirement health care benefits or death benefits to plan members and beneficiaries. Benefits are entirely dependent on the sum of contributions and investment returns earned by each participant's choice of investment options.

STRS Ohio also offers a defined contribution plan in addition to its long established defined benefit plan. All employee contributions and employer contributions at a rate of 10.5% are placed in an investment account directed by the employee. Disability benefits are limited to the employee's account balance. Employees electing the defined contribution plan receive no postretirement health care benefits.

***Combined Plans***

OPERS offers a combined plan. This is a cost-sharing, multiple-employer defined benefit plan that has elements of both a defined benefit and defined contribution plan. In the combined plan, employee contributions are invested in self-directed investments, and the employer contribution is used to fund a reduced defined benefit. Employees electing the combined plan receive postretirement health care benefits. OPERS provides retirement, disability, survivor and postretirement health benefits to qualifying members of the combined plan.

STRS Ohio offers a combined plan with features of both a defined contribution plan and a defined benefit plan. In the combined plan, employee contributions are invested in self directed investments, and the employer contribution is used to fund a reduced defined benefit. Employees electing the combined plan receive postretirement health care benefits.

***Funding Policy***

The Ohio Revised Code provides OPERS and STRS Ohio statutory authority over employer and employee contributions. The Cincinnati Municipal Code provides CRS statutory authority. The required actuarially determined contribution rates (as a percentage of covered payroll) for the employee and the University are as follows for the year ending June 30, 2012:

	<u>OPERS</u> <u>(staff)</u>	<u>OPERS (Law</u> <u>Enforcement</u> <u>staff)</u>	<u>STRS Ohio</u>	<u>CRS</u>
<u>Employee:</u>				
All year	10%		10%	8.5%
7/11 – 12/11		11.60%		
1/12 – 6/12		12.10%		
<u>University:</u>				
All year	14%	18.10%	14%	17%

**Hoxworth Blood Center**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

The University's contributions, representing 100% of employer contributions for the year ended June 30, 2012, and for each of the two preceding years are as follows (in thousands):

<u>Fiscal Year</u>	<u>OPERS</u>	<u>STRS</u> <u>Ohio</u>	<u>CRS</u>
2010	\$20,543	\$17,334	\$118
2011	\$21,534	\$17,894	\$ 85
2012	\$21,405	\$17,843	\$ 61

Hoxworth's contributions to OPERS for the years ended June 30, 2012, 2011, and 2010, were \$1,772,078, \$1,782,287, and \$1,722,773, respectively. Hoxworth's contributions to STRS Ohio for the years ended June 30, 2012, 2011, and 2010, were \$166,868, \$188,276, and \$184,717, respectively.

OPERS Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. For the year ended December 31, 2011, OPERS allocated 4.0% of the employer contribution rate to fund the health care program for members in the Traditional Plan. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05%. The OPERS Board of Trustees is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Of the \$21,405,000 University employer contributions to OPERS for 2012, approximately \$6,115,000 was to fund OPEB.

For the fiscal year ended June 30, 2012, STRS Ohio allocated employer contributions equal to 1.0% covered payroll to a Health Care Stabilization Fund from which payments for health care benefits are paid. University employer contributions to STRS Ohio to fund OPEB for 2012 were approximately \$1,274,000.

## **Supplementary Information**

**Independent Auditors' Report on Internal Control Over Financial Reporting and  
on Compliance and Other Matters Based on an Audit of the Financial Statements  
Performed in Accordance With *Government Auditing Standards***

To Mr. David Yost, Auditor of State of Ohio;  
Board of Trustees of the University of  
Cincinnati and the Community Advisory  
Board of Hoxworth Blood Center:

We have audited the financial statements of Hoxworth Blood Center ("Hoxworth"), as of and for the year ended June 30, 2012, and have issued our report thereon dated October 15, 2012, wherein we noted Hoxworth is a department of the University of Cincinnati, which is a component unit of the State of Ohio. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

Management of the Hoxworth is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Hoxworth's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hoxworth's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Hoxworth's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Hoxworth's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.



## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hoxworth's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Trustees of the University of Cincinnati, the Community Advisory Board of Hoxworth Blood Center, management, and the Auditor of State of Ohio and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

October 15, 2012

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# Dave Yost • Auditor of State

**HOXWORTH BLOOD CENTER**

**HAMILTON COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 27, 2012**