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LIFESHARE BLOOD CENTERS AND AFFILIATES

SHREVEPORT, LOUISIANA

JUNE 30, 2011 AND 2010

LIFESHARE BLOOD CENTERS AND AFFILIATES

SHREVEPORT, LOUISIANA

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AUDITED FINANCIAL STATEMENTS

HEARD, MCELROY, & VESTAL
LLC
CERTIFIED PUBLIC ACCOUNTANTS
333 TEXAS STREET, SUITE 1525
SHREVEPORT, LOUISIANA 71101
318-429-1525 PHONE 318-429-2070 FAX

October 25, 2011

The Board of Directors
LifeShare Blood Centers and Affiliates
Shreveport, Louisiana

Independent Auditor's Report

We have audited the accompanying consolidated statements of financial position of LifeShare Blood Centers and Affiliates (Louisiana not-for-profit corporations) as of June 30, 2011 and 2010, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of LifeShare Blood Centers and Affiliates as of June 30, 2011 and 2010, and the consolidated 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.

Our audits were conducted for the purpose of forming an opinion on the consolidated statements taken as a whole. The additional information shown on Pages 19-23 is presented for purposes of additional analysis and is not a required part of these consolidated financial statements. Such information, as of June 30, 2011 and 2010, has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2011, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 audits.

Heard, McElroy & Vestal, LLC

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SHREVEPORT • MONROE • DELHI
hmv@hmvcpa.com E-MAIL
www.hmvcpa.com WEB ADDRESS

LIFESHARE BLOOD CENTERS AND AFFILIATES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2011 AND 2010

ASSETS	2011	2010
Current assets:		
Cash and cash equivalents	8,133,526	5,688,019
Investments	9,214,296	10,549,588
Receivables	7,613,078	7,408,839
Inventory	2,054,953	2,330,963
Prepaid expenses	247,557	290,526
Total current assets	27,263,410	26,267,935
Limited-use cash and investments	1,150,718	964,030
Property and equipment, net	16,028,741	16,736,937
Other assets:		
Other assets	846,002	925,024
Goodwill	1,000,000	1,000,000
Certificates of deposit	125,000	125,000
Total other assets	1,971,002	2,050,024
Total assets	46,413,871	46,018,926

The accompanying notes are an integral part of these financial statements.

LIABILITIES AND NET ASSETS	2011	2010
Current liabilities:		
Accounts payable	3,729,125	2,447,579
Accrued expenses	1,805,021	1,868,535
Deferred revenue	-	703,915
Notes payable, current portion	133,333	1,788,888
Bonds payable, current portion	300,000	300,000
Total current liabilities	5,967,479	7,108,917
Long-term liabilities:		
Bonds payable, long-term portion	3,000,000	3,300,000
Notes payable, long-term portion	1,188,889	333,333
Interest rate swap agreements	122,763	209,982
Total liabilities	10,279,131	10,952,232
Net assets:		
Unrestricted	36,134,740	35,066,694
Temporarily restricted	-	-
Total net assets	36,134,740	35,066,694
Total liabilities and net assets	46,413,871	46,018,926

LIFESHARE BLOOD CENTERS AND AFFILIATES

CONSOLIDATED STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
Change in unrestricted net assets		
Operating revenue:		
Apheresis income	9,532,709	9,255,416
Blood service fees	33,389,719	30,813,705
Bulk derivatives	2,703,056	2,849,180
Components	1,445,521	1,530,767
Lab fees	3,787,062	3,834,640
Cord blood program	703,915	1,376,159
Total operating revenue	51,561,982	49,659,867
Operating expenses:		
Salaries	17,691,378	16,492,233
Apheresis supplies and testing	4,849,404	4,008,893
Leukoreduced supplies	264,567	387,595
Bags	2,133,887	1,991,174
Test kits	626,419	642,827
Outsource contract testing	8,186,512	8,174,653
Public relations, advertising and recruiting	990,592	1,288,185
Depreciation and amortization	1,922,083	1,680,196
Other operating	15,543,730	14,556,793
Total operating expenses	52,208,572	49,222,549
Other revenue (expense):		
Contributions	96,314	151,851
Interest income	179,645	216,716
Supply sales	94,209	49,963
Realized gain on sale of assets	10,810	37,606
Fund raising and public relations expenses	(138,131)	(180,136)
Interest expense	(194,705)	(198,481)
Rental income	3,600	3,600
Unrealized gain on investments	756,998	291,706
Unrealized gain (loss) on interest rate swaps	87,219	(1,551)
Miscellaneous income	777,262	707,881
Total other revenue	1,673,221	1,079,155
Net assets released from restrictions	41,415	83,033
Change in unrestricted net assets	1,068,046	1,599,506

The accompanying notes are an integral part of these financial statements.

LIFESHARE BLOOD CENTERS AND AFFILIATES

CONSOLIDATED STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
Change in temporarily restricted net assets:		
Contributions	41,415	83,033
Net assets released from restrictions	(41,415)	(83,033)
Change in temporarily restricted net assets	-	-
Change in net assets	1,068,046	1,599,506
Net assets at beginning of year	35,066,694	33,467,188
Net assets at end of year	36,134,740	35,066,694

The accompanying notes are an integral part of these financial statements.

LIFESHARE BLOOD CENTERS AND AFFILIATES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
Cash flows from operating activities:		
Change in net assets	1,068,046	1,599,506
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,922,083	1,680,196
(Gain) on sale of assets	(10,810)	(37,606)
Unrealized (gain) on investments	(756,998)	(291,706)
Unrealized (gain) loss on interest rate swaps	(87,219)	1,551
(Increase) decrease in:		
Receivables	(204,239)	(1,231,176)
Inventory	276,010	(263,655)
Prepaid expenses	42,969	(90,773)
Other assets	60,670	(230,084)
Increase (decrease) in:		
Accounts payable	1,281,550	223,949
Accrued expenses	(63,514)	(3,754)
Deferred revenue	(703,915)	123,841
Total adjustments	1,756,587	(119,217)
Net cash provided by operating activities	2,824,633	1,480,289
Cash flows from investing activities:		
Proceeds from sale of assets	12,160	21,168
Redemption of investments	8,014,007	7,882,736
Increase in limited-use cash	(198,796)	(12,146)
Purchase of investments	(5,920,758)	(8,024,603)
Purchase of fixed assets and construction in progress	(1,162,895)	(1,678,522)
Purchase of goodwill	-	(1,000,000)
Investment in ITSY	(22,844)	(71,770)
Net cash provided (used) by investing activities	720,874	(2,883,137)
Cash flows from financing activities:		
Proceeds from issuance of debt	-	666,666
Payments of bonds payable	(300,000)	(300,000)
Payments of notes payable	(800,000)	(133,334)
Net cash provided (used) by financing activities	(1,100,000)	233,332
Net increase (decrease) in cash and cash equivalents	2,445,507	(1,169,516)
Cash and cash equivalents, beginning of year	5,688,019	6,857,535
Cash and cash equivalents, end of year	8,133,526	5,688,019
Supplementary cash flow information:		
Interest paid	201,869	196,806

The accompanying notes are an integral part of these financial statements.

1. Nature of Business

LifeShare Blood Centers (the Center) are engaged in procuring blood donations, processing those donations, and supplying the donated blood and related components to hospitals and other healthcare facilities. The Center has facilities located in Shreveport, Bossier City, Monroe, West Monroe, Ruston, Alexandria, Baton Rouge and Lake Charles, Louisiana; Beaumont and Texarkana, Texas; and El Dorado, Arkansas.

During the year ended June 30, 2000, the board of directors and members approved a plan of reorganization. Under this plan of reorganization, the Center transferred all of its real property to Blood Center Properties, Inc. ("Properties"). Properties then leased the transferred facilities to the Center. Also under this plan of reorganization, another entity, LifeShare Blood Centers Foundation ("Foundation"), was formed. The three entities are operated under common management. The boards of Properties and Foundation consist of five members who are also on the board of the Center.

The Center and its affiliates, Properties and Foundation, will be collectively referred to as the "Organization."

2. Summary of Significant Accounting Policies

Basis of Accounting

The Organization's financial statements are presented on the accrual basis of accounting in accordance with generally accepted accounting principles of the United States of America. Accordingly, they reflect revenues and related receivables when earned rather than when received and expenses and related payables when incurred rather than when paid.

The Organization maintains its accounts in accordance with the principles of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors.

Financial Statement Presentation

The Organization is required to report information regarding financial position and activities based on the absence or existence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets. Net assets that are not subject to donor-imposed stipulations. Some unrestricted net assets may be designated by the board for specific purposes.

Temporarily restricted net assets. Net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or by the passage of time. Changes in temporarily restricted net assets represent the Organization's recognition of the donation of donor-restricted assets and the release of the restriction once the asset has been used as directed.

Permanently restricted net assets. Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, donors permit all or part of the income earned on these assets to be used for general or specific purposes. There are no permanently restricted net assets.

2. Summary of Significant Accounting Policies (Continued)

Consolidation
The financial statements as of and for the years ended June 30, 2011 and 2010 include the accounts of LifeShare Blood Centers, Blood Center Properties, Inc. and LifeShare Blood Centers Foundation. All material intercompany transactions have been eliminated in the consolidated financial statements.

Income Taxes
LifeShare Blood Centers, Blood Center Properties, Inc. and LifeShare Blood Centers Foundation are all exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). Therefore, no provision for income taxes has been made in the financial statements, but each entity is required to file an annual information tax return. Each entity is also required to review various tax positions it has taken with respect to its exempt status and determine whether in fact it is a tax exempt entity. Each entity must also consider whether it has nexus in jurisdictions in which it has income and whether a tax return is required in those jurisdictions. In addition, as a tax exempt entity, each entity must assess whether it has any tax positions associated with unrelated business income subject to income tax. Each entity does not expect its positions to change significantly over the next twelve months. Any penalties related to late filing or other requirements would be recognized as penalties expense in each entity's accounting records.

All three entities file U.S. federal Form 990 for informational purposes and federal income tax returns for the tax years 2007 and beyond remain subject to examination by the Internal Revenue Service.

Accounts Receivable
Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Organization records an allowance for doubtful accounts based on historical experience and management's review and evaluation of existing receivables. Receivables are considered impaired if payments are not received in accordance with contractual terms.

Property and Equipment
The Organization capitalizes the cost of property and equipment in excess of $2,500. Improvements are capitalized when they extend an asset's useful life or increase its value. Otherwise, they are charged to operations. Donations of property and equipment are recorded at their fair value at the date of the donation.

Depreciation
The Organization uses the straight-line method of depreciation, with estimated useful lives of three to five years for automobiles and trucks, five to ten years for furniture, fixtures and equipment, thirty-five to forty years for buildings, and five to fifteen years for building improvements.

Investments
Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Gains or losses on the sale of securities are recognized on a specific-identification method.

Inventory
Inventory consists of supplies and blood and blood products. Only red blood cells, platelets, and plasma are valued as blood inventory since the Organization can identify and allocate costs associated with procuring and processing these components.

2. Summary of Significant Accounting Policies (Continued)

Goodwill
Goodwill resulted during the fiscal year ended June 30, 2010 from the acquisition of the Organization's Texarkana, Texas location for an amount in excess of the fair value of the net assets acquired. In accordance with FASB Accounting Standards Codification Topic 350, *Intangibles-Goodwill and Other*, goodwill is being evaluated annually for impairment. Management has determined that nothing has occurred as of June 30, 2011 to impair the value of this asset.

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

Shipping and Handling Costs
Freight billed to customers is considered operating revenue. Other freight and courier costs are included in other operating expenses.

Cash Equivalents
For purposes of the statement of cash flows, the Organization considers all highly liquid investments purchased with maturities of three months or less to be cash equivalents.

Reclassifications
Certain amounts previously reported in the Organization's financial statements have been reclassified to conform to current classifications, with no effect on previously reported net assets or changes in net assets.

3. Related Parties

LifeShare Blood Centers is one of six members in I.T. Synergistics, L.L.C. This limited liability company was formed in 2005 to pursue ventures associated with the development, use, maintenance, support, marketing, sale and other activities related to enterprise software systems. All six members are tax exempt under Section 501(c)(3) of the Internal Revenue Code and, therefore, will operate in a manner consistent with maintaining each member's tax-exempt status. The company's profit, losses, and distributions are allocated in proportion to the value of the capital account balances of the members. LifeShare's investment in I.T. Synergistics is accounted for using the equity method.

During 2009, the six members purchased the software source code for a total of $612,000 cash, forgiveness of $600,000 of debt, and the assignment of a $500,000 life insurance policy. LifeShare's portion of the cash payment was a capital contribution of $102,000. LifeShare paid $32,640 and $50,320 during the fiscal years ending June 30, 2011 and 2010, respectively. LifeShare is obligated to pay the remaining $19,040 in monthly installments of $2,720.

At June 30, 2011 and 2010, LifeShare's investment in I.T. Synergistics was $262,157 and $239,313, respectively, and included in other assets (refer to Note 10). In 2011 and 2010, LifeShare's portion of the (loss) per the K-1 from I.T. Synergistics was ($9,796) and ($58,417), respectively.

4. Investments

Investments at June 30, 2011 and 2010 consisted of the following:

	2011		2010	
	Market Value	Cost	Market Value	Cost
U.S. Treasury bills	1,499,393	1,499,393	3,495,726	3,495,726
Common stocks	1,432,518	1,210,723	1,326,041	1,448,242
Fixed Securities	1,981,962	1,912,701	1,748,165	1,661,362
Certificates of Deposit	2,658,067	2,658,067	2,655,366	2,655,366
Mutual Funds	1,642,356	1,621,613	1,324,290	1,734,091
	9,214,296	8,902,497	10,549,588	10,994,787

Net unrealized gains (losses) were $756,998 and $291,706 for the years ended June 30, 2011 and 2010, respectively. Dividend and interest income from investments for the years ended June 30, 2011 and 2010, was $179,645 and $216,716, respectively. Realized gains (losses) were ($4,506) and $37,606 for the years ended June 30, 2011 and 2010, respectively.

5. Fair Value of Financial Instruments

The Organization adopted FASB Accounting Standards Codification Topic 820, *Fair Value Measurements* (Topic 820). Topic 820 requires disclosures that stratify balance sheet amounts measured at fair value based on the inputs used to derive fair value measurements. These strata included:

- Level 1 valuations, where the valuation is based on quoted market prices for identical assets or liabilities traded in active markets (which include exchanges and over-the-counter markets with sufficient volume),

- Level 2 valuations, where the valuation is based on quoted market prices for similar instruments traded in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market, and

- Level 3 valuations, where the valuation is generated from model-based techniques that use significant assumptions not observable in the market, but observable based on Foundation-specific data. These unobservable assumptions reflect the Foundation's own estimates for assumptions that market participants would use in pricing the asset or liability. Valuation techniques typically include option pricing models, discounted cash flow models and similar techniques, but may also include the use of market prices of assets or liabilities that are not directly comparable to the subject asset or liability.

Fair values of assets and (liabilities) measured on a recurring basis at June 30, 2011 and 2010 are as follows:

5. **Fair Value of Financial Instruments** (Continued)

	Assets and (Liabilities) at Fair Value as of June 30, 2011			
	Level 1	Level 2	Level 3	Fair Value
Money Markets	-	759,943	-	759,943
Treasury Bills	1,499,393	-	-	1,499,393
Certificates of Deposit	3,450,828	-	-	3,450,828
Mutual Funds:				
Foreign Blended	563,386	-	-	563,386
Total Mutual Funds	563,386	-	-	563,386
Exchange Traded Funds	1,078,970	-	-	1,078,970
Fixed Income:				
Government Obligations	-	467,105	-	467,105
Corporate Bonds	-	957,280	-	957,280
Mortgage Backed Securities	-	557,577	-	557,577
Total Fixed Income	-	1,981,962	-	1,981,962
Common Stock:				
Domestic	1,412,651	-	-	1,412,651
Foreign	19,867	-	-	19,867
Total Common Stock	1,432,518	-	-	1,432,518
Interest Rate Swap Agreements	-	(122,763)	-	(122,763)
Total	8,025,095	2,619,142	-	10,644,237

	LifeShare Blood Centers	Blood Center Properties, Inc.	LifeShare Blood Centers Foundation	Total
Money Markets (included in cash and cash equivalents)	365,917	-	394,026	759,943
Investments	4,393,416	-	4,820,880	9,214,296
Certificates of Deposit (included in limited use-cash and investments)	-	667,761	-	667,761
Certificates of Deposit	125,000	-	-	125,000
Interest rate swap agreements	-	(122,763)	-	(122,763)
Total	4,884,333	544,998	5,214,906	10,644,237

5. **Fair Value of Financial Instruments** (Continued)

	Assets and (Liabilities) at Fair Value as of June 30, 2010			
	Level 1	**Level 2**	**Level 3**	**Fair Value**
Money Markets	-	1,179,710	-	1,179,710
Treasury Bills	3,495,726	-	-	3,495,726
Certificates of Deposit	3,441,691	-	-	3,441,691
Mutual Funds:				
Foreign Blended	374,109	-	-	374,109
Total Mutual Funds	374,109	-	-	374,109
Exchange Traded Funds	950,181	-	-	950,181
Fixed Income:				
Government Obligations	-	566,945	-	566,945
Corporate Bonds	-	579,072	-	579,072
Mortgage Backed Securities	-	602,148	-	602,148
Total Fixed Income	-	1,748,165	-	1,748,165
Common Stock:				
Domestic	1,296,558	-	-	1,296,558
Foreign	29,483	-	-	29,483
Total Common Stock	1,326,041	-	-	1,326,041
Interest Rate Swap Agreements	-	(209,982)	-	(209,982)
Total	9,587,748	2,717,893	-	12,305,641

	LifeShare Blood Centers	**Blood Center Properties, Inc.**	**LifeShare Blood Centers Foundation**	**Total**
Money Markets (included in cash and cash equivalents)	975,074	-	204,636	1,179,710
Investments	6,335,503	-	4,214,085	10,549,588
Certificates of Deposit (included in limited use-cash and investments)	-	661,325	-	661,325
Certificates of Deposit	125,000	-	-	125,000
Interest rate swap agreements	-	(209,982)	-	(209,982)
Total	7,435,577	451,343	4,418,721	12,305,641

6. **Receivables**

At June 30, 2011 and 2010, receivables consisted of the following:

	2011	2010
Due for blood processing	6,857,495	6,681,007
Accrued interest income	22,645	34,761
*Due from customers related to Bio-Care joint venture	596,088	506,285
Other and insurance claims	231,747	333,152
	7,707,975	7,555,205
Allowance for doubtful accounts	(94,897)	(146,366)
	7,613,078	7,408,839

* A related party. The Center receives 40% of the net margin from Bio-Care from the sale of plasma derivatives.

7. **Inventory**

At June 30, 2011 and 2010, inventories consisted of the following:

	2011	2010
Supplies	1,326,119	1,551,808
Blood and blood products	728,834	779,155
	2,054,953	2,330,963

8. **Limited-Use Cash and Investments**

These cash balances and certificates of deposit are deposited in the bond escrow fund and the excess cash contribution fund, based on the amounts required to be deposited as described in Note 12. The use of these funds is dedicated to the purposes specified in the related bond agreement (repayment of the principal) and is, therefore, limited as to use.

9. **Property and Equipment**

At June 30, 2011 and 2010, property and equipment consisted of the following:

	2011	2010
Land	4,144,895	4,144,895
Buildings and improvements	13,857,525	13,608,164
Vehicles	6,726,851	6,442,740
Equipment	5,901,540	5,558,342
Furniture and fixtures	1,414,645	1,402,816
Projects in progress*	508,131	367,977
	32,553,587	31,524,934
Less-accumulated depreciation	(16,524,846)	(14,787,997)
	16,028,741	16,736,937

* The estimated cost to complete projects in process is $1,743,168.

Depreciation expense was $1,871,091 and $1,625,908 for the years ended June 30, 2011 and 2010, respectively.

10. Other Assets

At June 30, 2011 and 2010, other assets consisted of the following:

	2011	2010
Capital contribution and allocated profits with Community Blood Centers' Exchange (A)	458,520	547,737
Bond issue costs, net (B)	81,359	89,427
Loan issue costs, net (B)	-	3,094
Letter of credit fees, net (B)	26,906	29,273
Deposits	17,060	16,180
Investment in IT Synergistics (Note 3)	262,157	239,313
	846,002	925,024

A. During 1993, the Board of Trustees approved a capital contribution of $103,097 to the Community Blood Centers' Exchange ("Exchange") to form a captive professional liability insurance company to be owned and operated by blood center members. Subsequent to the initial contribution, the Organization received cumulative profit allocations. These profit allocations, plus interest, will be paid to the Organization by the Exchange as its board of directors and the Indiana Department of Insurance direct.

B. As of June 30, 2011 and 2010, other assets consisted of bond issue costs of $81,359 and $89,427, respectively, which are net of accumulated amortization of $88,082 and $80,014, respectively, loan issue costs of $-0- and $3,094, respectively, which are net of accumulated amortization of $16,876 and $13,782, respectively, and letter of credit fees of $26,907 and $29,273, respectively, which are net of accumulated amortization of $7,057 and $7,677, respectively, and various deposits made in the ordinary course of business.

11. Certificates of Deposit

As of June 30, 2011 and 2010, $125,000 of certificates of deposit was held by the Louisiana State Treasurer as part of the Louisiana Patient's Compensation Fund for self-insurance.

12. Bonds and Notes Payable

Bonds Payable – In July 2000, Properties entered into an agreement with the Louisiana Public Facilities Authority, a Louisiana public trust, to issue $6,000,000 in variable-rate industrial development bonds. As security for the bonds, Properties entered into a reimbursement agreement dated as of July 1, 2000 with JP Morgan Chase Bank (the "Bank"), pursuant to which the Bank has issued in favor of the trustee an irrevocable letter of credit in a maximum amount equal to the principal of the bonds outstanding, and, initially, up to 45 days interest thereon, under which the Bank is obligated to pay to the trustee, upon presentation of the required documentation, the amount necessary to pay the principal of and interest on and purchase price of the bonds then due and payable. The proceeds of these bonds were then lent to Properties. Under the terms of the agreement, which is dated July 27, 2000, interest is payable monthly on a variable basis, which adjusts weekly. Subsequently, Properties locked in the interest rate at 4.24% for $4,000,000 of the bonds, with the remainder under variable rates. Beginning July 2001, Properties is required to make monthly deposits of $25,000 into a payment escrow account to fund the scheduled redemption of the bonds. The bonds require annual principal payments of $300,000 beginning June 30, 2002.

The bond issue is enhanced by a letter of credit from JP Morgan Chase in the amount of $3,340,685 which matures April 15, 2012. Blood Center Properties, Inc. and LifeShare Blood Centers guarantee the letter of credit. The letter of credit is secured by mortgages on Properties' real estate and fixtures in Shreveport and Lake Charles, Louisiana. Additionally, the letter of credit is secured by a security interest in all of the Organization's equipment.

12. Bonds and Notes Payable (Continued)

The amounts due under this bond payable as of June 30, 2011 and 2010, are as follows:

	2011	2010
Balance of bonds payable	3,300,000	3,600,000
Less-current maturities	300,000	300,000
Long-term portion	3,000,000	3,300,000

Following is a schedule of the bond sinking fund requirements for the next five fiscal years ending June 30:

2012	300,000
2013	300,000
2014	300,000
2015	300,000
2016	300,000
Thereafter	1,800,000
	3,300,000

The original agreement required that beginning October 31, 2001, and annually thereafter, Properties will make additional principal payments equal to 25% of net free cash flow. Net free cash flow is calculated on a combined basis for LifeShare Blood Centers, Blood Center Properties, Inc., and LifeShare Blood Centers Foundation (until April 2004, when Foundation was released from the computation) and is defined as: change in unrestricted net assets for the preceding fiscal year plus amortization and depreciation expense, less amortization of capital leases, principal reductions on term loans and bonds, and capital expenditures not financed externally. This requirement was waived for the payment due October 2001. In October 2002, JP Morgan Chase and Properties entered into an amendment of this agreement, which modified the provision herein to require the lesser of $200,000 or 25% of Net Free Cash Flow for the fiscal year most recently ended to be deposited into an interest-bearing account at JP Morgan Chase ("Chase") in the name of Properties or as a deposit into a payment escrow account. In accordance with this provision, Properties deposited $200,000 in November 2002, $200,000 in November 2003 and $152,388 in November 2004, into Chase interest-bearing accounts designated for this purpose. These deposits are reflected in the accompanying financial statements, included in the balance of limited-use cash, see Note 8. Based on the calculations for the years ended June 30, 2005 and 2006, there were no required deposits. The calculations for the years ended June 30, 2008 and 2007, required $200,000 to be deposited by the last business day in October, into the interest-bearing account at Chase or as a deposit into a payment escrow account. Based on the calculations for the year ended June 30, 2009, there were no required deposits. However, Chase waived the Payment Escrow Deposit provision effective June 30, 2007 until September 30, 2010. For the year ended June 30, 2011, a required deposit of $179,946 was made into an interest-bearing account at Chase.

For the years ended June 30, 2011 and 2010, the Center incurred interest associated with the bonds payable of $101,661 and $118,127, respectively.

Bond issuance costs of $169,441 are being amortized over the bond term of twenty-one years, see Note 10. The revenue bond indenture places limits on the incurrence of additional borrowings. The various bond agreements also require the Organization to meet certain covenants. As of June 30, 2011, the Organization is in compliance. Annual letter of credit fees of $33,964 (for the 2010-2011 year) and $36,950 (for the 2009-2010 year) associated with obtaining the letter of credit, are being amortized over one year; see Note 10.

12. Bonds and Notes Payable (Continued)

Notes Payable – Long-term debt is composed of the following:

	2011	2010
The Center's note payable to Blood Systems, Inc., dba United Blood Services dated May 14, 2010 in the original amount of $666,666, with fixed interest at 4% annum, payable in two annual installments of $333,333, plus accrued interest, beginning May 14, 2011 and ending May 14, 2012, unsecured.	-	666,666
Properties' note payable to J. P. Morgan Chase Bank dated May 15, 2011 in the original amount of $1,355,556, with interest at LIBOR plus 1.25%, adjusted daily (1.44% as of June 30, 2011), payable in fifty-nine (59) monthly installments of principal installments of $11,111 beginning June 15, 2011, plus accrued interest, with the balance of the note due on May 15, 2016, secured by the Alexandria Blood Center.	1,322,222	1,455,555
Subtotal	1,322,222	2,122,221
Less-current maturities	133,333	1,788,888
Long-term portion	1,188,889	333,333

Following is a schedule of the principal payments required under the notes payable for fiscal years ending June 30:

2012	133,333
2013	133,333
2014	133,333
2015	133,333
2016	655,557
	1,188,889

For the years ended June 30, 2011 and 2010, the Center incurred interest associated with the notes payable of $69,859 and $76,873, respectively.

Interest Rate Swap Agreements - The Organization has two interest rate swap agreements that were entered into as hedges of cash flow variability caused by changes in interest rates on variable rate bonds and notes payable. The differential interest required to be paid or that will be received under these agreements is accrued consistent with the terms of the agreement and is recognized in interest expense as accrued. Terms of the swap agreements require the differential interest to be paid or received monthly. Generally accepted accounting principles require derivative instruments, such as interest rate swap agreements, to be recognized at fair value as either assets or liabilities in the statement of financial position.

Related to the bonds payable, the negative $20,782 value of the swap agreement at June 30, 2011, is reported as a liability in the statement of financial position. This reflects a $77,557 decrease in the liability (i.e., increase in value of the swap) since the prior fiscal year. The increase in value is reported in the statement of activities as a separate component of changes in net assets. Value has

12. Bonds and Notes Payable (Continued)

been measured based on estimates of the amount needed to settle the agreement as calculated by the counterparty to the swap agreement. Such calculations were based on changes in market conditions and/or assumptions underlying valuation models.

The notional principal amount of the swap agreement related to the bonds payable is $4,000,000 initially, but declines over the life of the bonds for the period September 21, 2001 through August 1, 2011. The notional amount is $2,050,000 at June 30, 2011. The agreement effectively fixes the Organization's interest rate exposure at 4.24%. Interest expense on the underlying bonds totaled $101,661 and $118,127 for the years ended June 30, 2011 and 2010. Included in these amounts is $85,346 and $92,760 of additional interest required to be paid under the swap agreement.

Related to the notes payable, the negative $101,981 value of the swap agreement at June 30, 2011, is reported as a liability in the statement of financial position. This reflects a $9,662 decrease in the liability (i.e., increase in value of the swap) since the prior fiscal year. The increase in value is reported in the statement of activities as a separate component of changes in net assets. Value has been measured based on estimates of the amount needed to settle the agreement as calculated by the counterparty to the swap agreement. Such calculations were based on changes in market conditions and/or assumptions underlying valuation models.

The notional principal amount of the swap agreement related to the note payable is $1,755,556 initially, but declines over the life of the note for the period March 26, 2008 through April 15, 2016. The notional amount is $1,322,222 at June 30, 2011. The agreement effectively fixes the Organization's interest rate exposure at 3.73%. Interest expense on the underlying note totaled $69,859 and $76,873 for the years ended June 30, 2011 and 2010. Included in these amounts is $48,862 and $53,530 of additional interest required to be paid under the swap agreement.

13. Cord Blood Program

In an agreement dated July 14, 2008, the State of Louisiana allocated $1,000,000 to LifeShare Blood Centers to develop and implement the Louisiana Public Umbilical Cord Blood Program throughout the State of Louisiana for use in the National Cord Blood Inventory or scientific research ("Cord Blood Program"). In accordance with this agreement, the Organization must staff nine positions, obtain a participation agreement with one hospital, purchase two vehicles, collect 250 cord blood units, and process and store 125 viable cord blood units. The $1,000,000 was received August 13, 2008 by the Organization and recorded as deferred revenue. Expenditures must occur between July 1, 2008 and December 31, 2009. In a letter dated April 13, 2010, the State of Louisiana indicated that all requirements of this agreement have been met and the file is considered complete.

In an agreement dated July 31, 2009, the State of Louisiana allocated $1,500,000 to LifeShare Blood Centers for the Cord Blood Program. In accordance with this agreement, the Organization must staff fourteen positions, obtain a participation agreement with one hospital, conduct two medical education seminars, collect 250 cord blood units, and process and store 125 viable cord blood units. The $1,500,000 was received December 24, 2009 by the Organization and recorded as deferred revenue. Expenditures must occur between July 1, 2009 and December 31, 2010.

Core Blood Program revenue of $703,915 and $1,376,159 was recognized for the fiscal years ended June 30, 2011 and 2010, respectively, and $-0- and $703,915 remained in deferred revenue as of June 30, 2011 and 2010, respectively.

Due to lack of additional public or private funding, the Cord Blood Program was terminated in February 2011.

14. **Purchased Blood**

At times, the Organization must purchase blood units to meet demand. The cost of these purchases is reflected in the financial statements as an offset to "Blood Service Fees" revenue. Total blood purchased was $412,045 and $212,901 for the years ended June 30, 2011 and 2010, respectively.

15. **Employees' Retirement Plan**

LifeShare Blood Centers amended its retirement plan to include a 401(k) option (the "Plan") as of January 1, 1997. It covers all employees of the Center who have one year of participation service and have reached the age of twenty-one. Under the terms of the Plan, the Center has elected to make contributions to the Plan based on employee compensation. Such contributions are six percent of eligible employee compensation as of June 30, 2011 and 2010. Employees may make additional contributions to the Plan. Other operating expenses for 2011 and 2010 include approximately $864,136 and $725,711, respectively, of contributions to the Plan.

16. **Leases**

The Center leases various office and lab equipment, storage space, and office space used in its operations. The lease payments for the next five years are presented below:

Year ending June 30,	
2012	256,541
2013	209,383
2014	180,395
2015	46,860
2016	-
	693,149

Operating expenses include rent expense for the years ended June 30, 2011 and 2010 of $579,596 and $481,403, respectively.

17. **Commitments and Contingencies**

The Center provides its employees health insurance coverage on a partially self-funded basis. The Center uses a third-party administrator and insurance company to administer its claims and to provide stop-loss coverage. The estimated liability for the unpaid claims incurred through June 30, 2011 of $348,415 is included in the Center's accrued expenses.

During 2009, the Center entered into an automation agreement with Fenwal, Inc. as a member center of Blood Centers of America, Inc. This agreement sets forth the terms and conditions relating to the placement of certain ALYX and AMICUS Component System Instruments as well as the purchase of certain quantities of kits designed to work with each of these instruments. The agreement shall terminate on December 31, 2011, with an option to renew for an additional twelve months during which time the alternate pricing and terms will be set for the next automation agreement.

The automation agreement states that all equipment currently leased will remain leased until the lease expires. At expiration, the instrument will either have to be purchased or be subject to placement agreement. If the instrument is purchased, a lower kit price, not subject to minimum quantities, will be assigned, but if the instrument is under placement, the instrument is owned by Fenwal, Inc. and the Center will commit to purchasing minimum quantities of kits for either a 36 or 60 month period. As of June 30, 2011, the kit prices ranged from $80 to $119 for the ALYX Instruments and $145 to $200 for the AMICUS Instruments.

17. Commitments and Contingencies (Continued)

The following represents the purchase commitments (in kits) for the years ending June 30:

	2012	2013	2014	2015	2016
ALYX Instruments	8,050	7,846	7,525	6,417	1,371
AMICUS Instruments	7,200	6,733	4,000	1,233	633

18. Concentrations

The Organization maintains its cash balances in financial institutions in the United States. The cash balances are insured by the Federal Deposit Insurance Corporation up to $250,000. At times, the Organization maintains deposits in excess of federally insured limits. Management monitors the soundness of these financial institutions and feels the Organization's risk is negligible, as the excess is invested in repurchase agreements that are secured by treasuries or agencies of the United States government.

During the years ending June 30, 2011 and 2010, the Center purchased products from three vendors comprising approximately 59% and 59% of total operating cost, respectively.

19. Advertising

Advertising costs are expensed as incurred. For the years ended June 30, 2011 and 2010, the Organization incurred $122,060 and $370,756, respectively. These costs include billboard advertisements, promotional items, direct mail, and other marketing expenses used to promote a positive image in the community and to recruit blood donors.

20. Subsequent Events

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transaction and events that affect the financial statements. Subsequent events have been evaluated through October 25, 2011, which is the date the financial statements were available to be issued.

OTHER FINANCIAL INFORMATION

LIFESHARE BLOOD CENTERS AND AFFILIATES

CONSOLIDATED SCHEDULES OF OTHER OPERATING EXPENSES

FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
Auto expense	926,630	750,889
Bad debts	-	75,717
Computer expense	555,423	541,843
Contract services	347,470	278,868
Donor refreshments	211,664	220,680
Donor expense	191,808	247,007
Dues and subscriptions	112,708	115,987
Employee benefits	336,371	381,160
Group and family benefit plan	15,073	26,462
Insurance	4,609,886	3,980,601
Operations	1,748,296	1,491,569
Professional fees	188,596	338,936
Miscellaneous	61,249	87,206
Miscellaneous taxes	26,798	30,049
Office supplies and postage	287,551	294,470
Payroll taxes	1,322,236	1,238,567
Printing	216,284	227,954
Rentals/leases	579,596	481,403
Repairs, maintenance and security service	1,455,270	1,518,541
Retirement plan contributions	864,136	725,711
Shipping	224,810	233,657
Supplies	63,147	49,258
Tax and freight	90,455	103,198
Telephone	360,868	345,747
Travel and education	398,149	464,061
Utilities	349,256	307,252
	15,543,730	14,556,793

LIFESHARE BLOOD CENTERS AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2011

	LifeShare Blood Centers	Blood Center Properties, Inc.	LifeShare Blood Centers Foundation	Consolidation and Elimination Entries	Consolidated
Assets					
Current assets					
Cash and cash equivalents	$ 4,975,066	$ 2,498,244	$ 660,216	$ -	$ 8,133,526
Investments	4,393,416	-	4,820,880	-	9,214,296
Receivables	8,448,938	3,184	20,324	(859,368)	7,613,078
Inventory	2,054,953	-	-	-	2,054,953
Prepaid expenses	247,557	-	-	-	247,557
Total current assets	20,119,930	2,501,428	5,501,420	(859,368)	27,263,410
Limited-use cash and investments	-	1,150,718	-	-	1,150,718
Property and equipment					
Land	154,000	3,990,895	-	-	4,144,895
Buildings and improvements	1,805,249	12,052,276	-	-	13,857,525
Vehicles	6,726,851	-	-	-	6,726,851
Equipment	5,511,815	389,725	-	-	5,901,540
Furniture and fixtures	1,243,713	170,932	-	-	1,414,645
Projects in process	157,618	350,513	-	-	508,131
	15,599,246	16,954,341	-	-	32,553,587
Less: accumulated depreciation	(11,408,815)	(5,116,031)	-	-	(16,524,846)
Net property and equipment	4,190,431	11,838,310	-	-	16,028,741
Other assets					
Other assets	737,737	108,265	-	-	846,002
Goodwill	1,000,000	-	-	-	1,000,000
Certificates of deposit	125,000	-	-	-	125,000
Total other assets	1,862,737	108,265	-	-	1,971,002
Total assets	$ 26,173,098	$ 15,598,721	$ 5,501,420	$ (859,368)	$ 46,413,871
Liabilities and Net Assets					
Current liabilities					
Accounts payable	$ 3,724,596	$ 4,529	$ -	$ -	$ 3,729,125
Accrued expenses	1,797,200	867,189	-	(859,368)	1,805,021
Deferred revenue	0	-	-	-	-
Notes payable, *current portion*	0	133,333	-	-	133,333
Bonds payable, *current portion*	-	300,000	-	-	300,000
Total current liabilities	5,521,796	1,305,051	-	(859,368)	5,967,479
Long-term liabilities					
Bonds payable, *long term portion*	-	3,000,000	-	-	3,000,000
Notes payable, *long term portion*	-	1,188,889	-	-	1,188,889
Interest rate swap agreements	-	122,763	-	-	122,763
Total liabilities	5,521,796	5,616,703	-	(859,368)	10,279,131
Net assets					
Unrestricted	20,651,302	9,982,018	5,501,420	-	36,134,740
Temporarily restricted	-	-	-	-	-
Total net assets	20,651,302	9,982,018	5,501,420	-	36,134,740
Total liabilities and net assets	$ 26,173,098	$ 15,598,721	$ 5,501,420	$ (859,368)	$ 46,413,871

LIFESHARE BLOOD CENTERS AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2010

	LifeShare Blood Centers	Blood Center Properties, Inc	LifeShare Blood Centers Foundation	Consolidation and Elimination Entries	Consolidated
Assets					
Current assets					
Cash and cash equivalents	$ 3,375,374	$ 1,856,559	$ 456,086	$ -	$ 5,688,019
Investments	6,335,503	-	4,214,085	-	10,549,588
Receivables	8,242,813	4,680	17,631	(856,285)	7,408,839
Inventory	2,330,963	-	-	-	2,330,963
Prepaid expenses	290,526	-	-	-	290,526
Total current assets	20,575,179	1,861,239	4,687,802	(856,285)	26,267,935
Limited-use cash and investments	-	964,030	-	-	964,030
Property and equipment					
Land	154,000	3,990,895	-	-	4,144,895
Buildings and improvements	1,785,699	11,822,465	-	-	13,608,164
Vehicles	6,442,740	-	-	-	6,442,740
Equipment	5,168,617	389,725	-	-	5,558,342
Furniture and fixtures	1,231,884	170,932	-	-	1,402,816
Projects in process	-	367,977	-	-	367,977
	14,782,940	16,741,994	-	-	31,524,934
Less: accumulated depreciation	(10,236,704)	(4,551,293)	-	-	(14,787,997)
Net property and equipment	4,546,236	12,190,701	-	-	16,736,937
Other assets					
Other assets	803,230	121,794	-	-	925,024
Goodwill	1,000,000	-	-	-	1,000,000
Certificates of deposit	125,000	-	-	-	125,000
Total other assets	1,928,230	121,794	-	-	2,050,024
Total assets	$ 27,049,645	$ 15,137,764	$ 4,687,802	$ (856,285)	$ 46,018,926
Liabilities and Net Assets					
Current liabilities					
Accounts payable	$ 2,445,637	$ 1,942	$ -	$ -	$ 2,447,579
Accrued expenses	1,859,364	865,456	-	(856,285)	1,868,535
Deferred revenue	703,915	-	-	-	703,915
Notes payable, *current portion*	333,333	1,455,555	-	-	1,788,888
Bonds payable, *current portion*	-	300,000	-	-	300,000
Total current liabilities	5,342,249	2,622,953	-	(856,285)	7,108,917
Long-term liabilities					
Bonds payable, *long term portion*	-	3,300,000	-	-	3,300,000
Notes payable, *long term portion*	333,333	-	-	-	333,333
Interest rate swap agreements	-	209,982	-	-	209,982
Total liabilities	5,675,582	6,132,935	-	(856,285)	10,952,232
Net assets					
Unrestricted	21,374,063	9,004,829	4,687,802	-	35,066,694
Temporarily restricted	-	-	-	-	-
Total net assets	21,374,063	9,004,829	4,687,802	-	35,066,694
Total liabilities and net assets	$ 27,049,645	$ 15,137,764	$ 4,687,802	$ (856,285)	$ 46,018,926

LIFESHARE BLOOD CENTERS AND AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

	LifeShare Blood Centers	Blood Center Properties, Inc.	LifeShare Blood Centers Foundation	Consolidation and Elimination Entries	Consolidated
Change in unrestricted net assets					
Operating revenue					
Apheresis income	$ 9,532,709	$ -	$ -	$ -	$ 9,532,709
Blood service fees	33,389,719	-	-	-	33,389,719
Bulk derivatives	2,703,056	-	-	-	2,703,056
Components	1,445,521	-	-	-	1,445,521
Lab fees	3,787,062	-	-	-	3,787,062
Cord blood program	703,915	-	-	-	703,915
Total operating revenues	51,561,982	-	-	-	51,561,982
Operating expenses					
Salaries	17,691,378	-	-	-	17,691,378
Apheresis supplies and testing	4,849,404	-	-	-	4,849,404
Leukoreduced supplies	264,567	-	-	-	264,567
Bags	2,133,887	-	-	-	2,133,887
Test kits	626,419	-	-	-	626,419
Outsource contract testing	8,186,512	-	-	-	8,186,512
Public relations, advertising, and recruiting	990,592	-	-	-	990,592
Depreciation and amortization	1,306,352	615,731	-	-	1,922,083
Rent	1,662,717	-	-	(1,662,717)	-
Other operating	15,483,790	29,106	30,834	-	15,543,730
Total Operating Expenses	53,195,618	644,837	30,834	(1,662,717)	52,208,572
Other revenue (expense)					
Contributions	82,638	-	13,676	-	96,314
Interest income	45,087	8,246	126,312	-	179,645
Supply sales	94,209	-	-	-	94,209
Realized gain (loss) on sale of assets	12,160	-	(1,350)	-	10,810
Fund raising and public relations expenses	(138,131)	-	-	-	(138,131)
Interest expense	(23,185)	(171,520)	-	-	(194,705)
Rental income	-	1,666,317	-	(1,662,717)	3,600
Unrealized gain (loss) on investments	51,545	-	705,453	-	756,998
Unrealized (loss) on interest rate swaps	-	87,219	-	-	87,219
Miscellaneous income	745,137	31,764	361	-	777,262
Hurricane (loss)	-	-	-	-	-
Total other revenue (expense)	869,460	1,622,026	844,452	(1,662,717)	1,673,221
Net assets released from restrictions	41,415	-	-	-	41,415
Change in unrestricted net assets	(722,761)	977,189	813,618	-	1,068,046
Change in temporarily restricted net assets					
Contributions	41,415	-	-	-	41,415
Net assets released from restrictions	(41,415)	-	-	-	(41,415)
Change in temporarily restricted assets	-	-	-	-	-
Change in net assets	(722,761)	977,189	813,618	-	1,068,046
Net assets at beginning of year	21,374,063	9,004,829	4,687,802	-	35,066,694
Net assets at end of year	$ 20,651,302	$ 9,982,018	$ 5,501,420	$ -	$ 36,134,740

LIFESHARE BLOOD CENTERS AND AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

	LifeShare Blood Centers	Blood Center Properties, Inc	LifeShare Blood Centers Foundation	Consolidation and Elimination Entries	Consolidated
Change in unrestricted net assets					
Operating revenue					
Apheresis income	$ 9,255,416	$ -	$ -	$ -	$ 9,255,416
Blood service fees	30,813,705	-	-	-	30,813,705
Bulk derivatives	2,849,180	-	-	-	2,849,180
Components	1,530,767	-	-	-	1,530,767
Lab fees	3,834,640	-	-	-	3,834,640
Cord blood program	1,376,159	-	-	-	1,376,159
Total operating revenues	49,659,867	-	-	-	49,659,867
Operating expenses					
Salaries	16,492,233	-	-	-	16,492,233
Apheresis supplies and testing	4,008,893	-	-	-	4,008,893
Leukoreduced supplies	387,595	-	-	-	387,595
Bags	1,991,174	-	-	-	1,991,174
Test kits	642,827	-	-	-	642,827
Outsource contract testing	8,174,653	-	-	-	8,174,653
Public relations, advertising and recruiting	1,288,185	-	-	-	1,288,185
Depreciation and amortization	1,255,170	425,026	-	-	1,680,196
Rent	1,569,367	-	-	(1,569,367)	-
Other operating	14,515,370	12,481	28,942	-	14,556,793
Total Operating Expenses	50,325,467	437,507	28,942	(1,569,367)	49,222,549
Other revenue (expense)					
Contributions	136,326	-	15,525	-	151,851
Interest income	87,466	12,453	116,797	-	216,716
Supply sales	49,963	-	-	-	49,963
Realized gain (loss) on sale of assets	12,542	-	25,064	-	37,606
Fund raising and public relations expenses	(180,136)	-	-	-	(180,136)
Interest expense	(3,481)	(195,000)	-	-	(198,481)
Rental income	-	1,572,967	-	(1,569,367)	3,600
Unrealized gain (loss) on investments	19,907	-	271,799	-	291,706
Unrealized (loss) on interest rate swaps	-	(1,551)	-	-	(1,551)
Miscellaneous income	705,134	-	2,747	-	707,881
Hurricane (loss)	-	-	-	-	-
Total other revenue (expense)	827,721	1,388,869	431,932	(1,569,367)	1,079,155
Net assets released from restrictions	83,033	-	-	-	83,033
Change in unrestricted net assets	245,154	951,362	402,990	-	1,599,506
Change in temporarily restricted net assets					
Contributions	83,033	-	-	-	83,033
Net assets released from restrictions	(83,033)	-	-	-	(83,033)
Change in temporarily restricted assets	-	-	-	-	-
Change in net assets	245,154	951,362	402,990	-	1,599,506
Net assets at beginning of year	21,128,909	8,053,467	4,284,812	-	33,467,188
Net assets at end of year	$ 21,374,063	$ 9,004,829	$ 4,687,802	$ -	$ 35,066,694

HEARD, MCELROY, & VESTAL
L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS
333 TEXAS STREET, SUITE 1525
SHREVEPORT, LOUISIANA 71101
318-429-1525 PHONE 318-429-2070 FAX

October 25, 2011

The Board of Directors
LifeShare Blood Centers and Affiliates
Shreveport, Louisiana

Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

We have audited the consolidated financial statements of LifeShare Blood Centers and Affiliates (Louisiana not-for-profit corporations) as of and for the year ended June 30, 2011, and have issued our report thereon dated October 25, 2011. 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
In planning and performing our audit, we considered LifeShare Blood Centers and Affiliates' 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 internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of LifeShare Blood Centers and Affiliates' 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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 over financial reporting 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 consolidated financial statements of the Organization 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

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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 directors, management, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Heard, McElroy & Vestal, LLC

LIFESHARE BLOOD CENTERS AND AFFILIATES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2011

We have audited the consolidated financial statements of LifeShare Blood Centers and Affiliates as of and for the year ended June 30, 2011, and have issued our report thereon dated October 25, 2011. 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. Our audit of the consolidated financial statements as of June 30, 2011 resulted in an unqualified opinion.

Section I - Summary of Auditor's Reports

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control – No material weaknesses were noted.

Compliance - No material noncompliance was noted.

b. Federal Awards - LifeShare Blood Centers and Affiliates was not subject to a federal single audit for the year ended June 30, 2011.

Section II - Financial Statement Findings

No matters were reported.

LIFESHARE BLOOD CENTERS AND AFFILIATES

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2011

No significant deficiencies, material weaknesses, or instances of material noncompliance were noted in the prior year. However, the comments noted in a separate management letter related to PTO policy extensions, notes payable reporting, and investment allocation were resolved in the current year.