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LIFESHARE BLOOD CENTERS AND AFFILIATES

SHREVEPORT, LOUISIANA

JUNE 30, 2010 AND 2009

LIFESHARE BLOOD CENTERS AND AFFILIATES

SHREVEPORT, LOUISIANA

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October 17, 2010

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, 2010 and 2009, 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, 2010 and 2009, 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, 2010 and 2009, 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 17, 2010, 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, LLP

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LIFESHARE BLOOD CENTERS AND AFFILIATES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2010 AND 2009

ASSETS	2010	2009
Current assets:		
Cash and cash equivalents	5,688,019	6,857,535
Investments	10,549,588	10,090,951
Receivables	7,408,839	6,177,663
Inventory	2,330,963	2,067,308
Prepaid expenses	290,526	199,753
Total current assets	26,267,935	25,393,210
Limited-use cash and investments	964,030	951,884
Property and equipment, net	16,736,937	16,692,949
Other assets:		
Other assets	925,024	677,458
Goodwill	1,000,000	-
Certificates of deposit	125,000	125,000
Total other assets	2,050,024	802,458
Total assets	46,018,926	43,840,501

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

LIABILITIES AND NET ASSETS	2010	2009
Current liabilities:		
Accounts payable	2,447,579	2,223,630
Accrued expenses	1,868,535	1,872,289
Deferred revenue	703,915	580,074
Notes payable, current portion	1,788,888	133,333
Bonds payable, current portion	300,000	300,000
Total current liabilities	7,108,917	5,109,326
Long-term liabilities:		
Bonds payable, long-term portion	3,300,000	3,600,000
Notes payable, long-term portion	333,333	1,455,556
Interest rate swap agreements	209,982	208,431
Total liabilities	10,952,232	10,373,313
Net assets:		
Unrestricted	35,066,694	33,467,188
Temporarily restricted	-	-
Total net assets	35,066,694	33,467,188
Total liabilities and net assets	46,018,926	43,840,501

LIFESHARE BLOOD CENTERS AND AFFILIATES

CONSOLIDATED STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
Change in unrestricted net assets		
Operating revenue:		
Apheresis income	9,255,416	8,537,139
Blood service fees	30,813,705	28,592,506
Bulk derivatives	2,849,180	2,428,797
Components	1,530,767	1,486,247
Lab fees	3,834,640	3,634,080
Cord blood program	1,376,159	419,926
Total operating revenue	49,659,867	45,098,695
Operating expenses:		
Salaries	16,492,233	15,211,054
Apheresis supplies and testing	4,008,893	2,973,389
Leukoreduced supplies	387,595	530,663
Bags	1,991,174	1,772,457
Test kits	642,827	557,441
Outsource contract testing	8,174,653	7,489,595
Public relations, advertising and recruiting	1,288,185	806,687
Depreciation and amortization	1,680,196	2,024,250
Other operating	14,556,793	15,111,673
Total operating expenses	49,222,549	46,477,209
Other revenue (expense):		
Contributions	151,851	40,046
Interest income	216,716	349,058
Supply sales	49,963	94,055
Realized gain (loss) on sale of assets	37,606	(178,568)
Fund raising and public relations expenses	(180,136)	(194,995)
Interest expense	(198,481)	(232,557)
Rental income	3,600	3,600
Unrealized gain (loss) on investments	291,706	(426,033)
Unrealized (loss) on interest rate swaps	(1,551)	(144,536)
Miscellaneous income	707,881	612,171
Hurricane (loss)	-	(119,356)
Total other revenue (expense)	1,079,155	(197,115)
Net assets released from restrictions	83,033	147,231
Change in unrestricted net assets	1,599,506	(1,428,398)

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, 2010 AND 2009

	2010	2009
Change in temporarily restricted net assets:		
Contributions	83,033	147,231
Net assets released from restrictions	(83,033)	(147,231)
Change in temporarily restricted net assets	-	-
Change in net assets	1,599,506	(1,428,398)
Net assets at beginning of year	33,467,188	34,895,586
Net assets at end of year	35,066,694	33,467,188

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, 2010 AND 2009

	2010	2009
Cash flows from operating activities:		
Change in net assets	1,599,506	(1,428,398)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,680,196	2,024,250
(Gain) loss on sale of assets	(37,606)	178,568
Unrealized (gain) loss on investments	(291,706)	426,033
Unrealized (gain) loss on interest rate swaps	1,551	144,536
Hurricane loss	-	67,545
(Increase) decrease in:		
Receivables	(1,231,176)	754,273
Inventory	(263,655)	(228,687)
Prepaid expenses	(90,773)	173,420
Other assets	(230,084)	(133,926)
Increase (decrease) in:		
Accounts payable	223,949	(47,521)
Accrued expenses	(3,754)	228,578
Deferred revenue	123,841	580,074
Total adjustments	(119,217)	4,167,143
Net cash provided by operating activities	1,480,289	2,738,745
Cash flows from investing activities:		
Proceeds from sale of assets	21,168	444,658
Redemption of investments	7,882,736	9,029,592
Increase in limited-use cash	(12,146)	(26,259)
Purchase of investments	(8,024,603)	(6,008,589)
Purchase of fixed assets and construction in progress	(1,678,522)	(3,061,950)
Purchase of goodwill	(1,000,000)	-
Investment in ITSY	(71,770)	-
Net cash provided (used) by investing activities	(2,883,137)	377,452
Cash flows from financing activities:		
Proceeds from issuance of debt	666,666	-
Payments of bonds payable	(300,000)	(300,000)
Payments of notes payable	(133,334)	(133,334)
Net cash provided (used) by financing activities	233,332	(433,334)
Net increase (decrease) in cash and cash equivalents	(1,169,516)	2,682,863
Cash and cash equivalents, beginning of year	6,857,535	4,174,672
Cash and cash equivalents, end of year	5,688,019	6,857,535
Supplementary cash flow information:		
Interest paid	196,806	236,102

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

LIFESHARE BLOOD CENTERS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

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, 2010 and 2009 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
The Organization is 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 the Organization is required to file an annual information tax return. The Organization 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. The Organization 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, the Organization must assess whether it has any tax positions associated with unrelated business income subject to income tax. The Organization 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 the Organization's accounting records.

The Organization files U.S. federal Form 990 for informational purposes. The Organization's federal income tax returns for the tax years 2006 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. Goodwill is not being amortized in accordance with FASB Accounting Standards Codification Topic 350, *Intangibles-Goodwill and Other*. It is being evaluated annually for impairment instead. Management has determined that nothing has occurred as of June 30, 2010 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 is $102,000. LifeShare paid $50,320 during the fiscal year ended June 30, 2010 and is obligated to pay the remaining $51,680 in monthly installments of $2,720 through October 1, 2011.

At June 30, 2010 and 2009, LifeShare's investment in I.T. Synergistics was $239,313 and $125,960, respectively, and included in other assets (refer to Note 10). In 2010 and 2009, LifeShare's portion of the (loss) per the K-1 from I.T. Synergistics was ($58,417) and ($51,676), respectively.

4. Investments

Investments at June 30, 2010 and 2009 consisted of the following:

	2010		2009	
	Market Value	Cost	Market Value	Cost
U.S. Treasury bills	3,495,726	3,495,726	3,469,885	3,469,885
Common stocks	1,326,041	1,448,242	1,211,113	1,439,062
Fixed Securities	1,748,165	1,661,362	1,589,913	1,534,652
Certificates of Deposit	2,655,366	2,655,366	2,650,166	2,650,166
Mutual Funds	1,324,290	1,734,091	1,169,874	1,734,091
	10,549,588	10,994,787	10,090,951	10,827,856

Net unrealized gains (losses) were $291,706 and ($426,033) for the years ended June 30, 2010 and 2009, respectively. Dividend and interest income from investments for the years ended June 30, 2010 and 2009, was $216,716 and $336,958, respectively. Realized gains (losses) were $37,606 and ($127,739) for the years ended June 30, 2010 and 2009, 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, 2010 and 2009 are as follows:

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

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

	Assets and (Liabilities) at Fair Value as of June 30, 2009			
	Level 1	**Level 2**	**Level 3**	**Fair Value**
Money Markets	-	1,196,596	-	1,196,596
Treasury Bills	3,469,885	-	-	3,469,885
Certificates of Deposit	3,424,383	-	-	3,424,383
Mutual Funds:				
Foreign Blended	339,939	-	-	339,939
Total Mutual Funds	339,939	-	-	339,939
Exchange Traded Funds	829,935	-	-	829,935
Fixed Income:				
Government Obligations	-	316,163	-	316,163
Corporate Bonds	-	482,238	-	482,238
Mortgage Backed Securities	-	791,511	-	791,511
Total Fixed Income	-	1,589,912	-	1,589,912
Common Stock:				
Domestic	1,183,888	-	-	1,183,888
Foreign	27,226	-	-	27,226
Total Common Stock	1,211,114	-	-	1,211,114
Interest Rate Swap Agreements	-	(208,431)	-	(208,431)
Total	9,275,256	2,578,077	-	11,853,333

	LifeShare Blood Centers	**Blood Center Properties, Inc.**	**LifeShare Blood Centers Foundation**	**Total**
Money Markets (included in cash and cash equivalents)	970,363	-	226,233	1,196,596
Investments	6,284,555	-	3,806,396	10,090,951
Certificates of Deposit (included in limited use-cash and investments)	-	649,217	-	649,217
Certificates of Deposit	125,000	-	-	125,000
Interest rate swap agreements	-	(208,431)	-	(208,431)
Total	7,379,918	440,786	4,032,629	11,853,333

6. **Receivables**

At June 30, 2010 and 2009, receivables consisted of the following:

	2010	2009
Due for blood processing	6,681,007	5,563,769
Accrued interest income	34,761	48,123
*Due from customers related to Bio-Care joint venture	506,285	547,205
Other and insurance claims	333,152	89,215
	7,555,205	6,248,312
Allowance for doubtful accounts	(146,366)	(70,649)
	7,408,839	6,177,663

* 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, 2010 and 2009, inventories consisted of the following:

	2010	2009
Supplies	1,551,808	1,430,323
Blood and blood products	779,155	636,985
	2,330,963	2,067,308

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, 2010 and 2009, property and equipment consisted of the following:

	2010	2009
Land	4,144,895	3,865,345
Buildings and improvements	13,608,164	13,382,170
Vehicles	6,442,740	5,533,718
Equipment	5,558,342	5,348,607
Furniture and fixtures	1,402,816	1,396,643
Projects in progress*	367,977	409,136
	31,524,934	29,935,619
Less-accumulated depreciation	(14,787,997)	(13,242,670)
	16,736,937	16,692,949

* The estimated cost to complete projects in process is $1,140,000.

Depreciation expense was $1,625,908 and $1,969,359 for the years ended June 30, 2010 and 2009, respectively.

10. Other Assets

At June 30, 2010 and 2009, other assets consisted of the following:

	2010	2009
Capital contribution and allocated profits with Community Blood Centers' Exchange (A)	547,737	400,087
Bond issue costs, net (B)	89,427	97,496
Loan issue costs, net (B)	3,094	6,469
Letter of credit fees, net (B)	29,273	31,666
Deposits	16,180	15,780
Investment in IT Synergistics (Note 3)	239,313	125,960
	925,024	677,458

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, 2010 and 2009, other assets consisted of bond issue costs of $89,427 and $97,496, respectively, which are net of accumulated amortization of $80,014 and $71,945, respectively, loan issue costs of $3,094 and $6,469, respectively, which are net of accumulated amortization of $13,782 and $10,407, respectively, and letter of credit fees of $29,273 and $31,666, respectively, which are net of accumulated amortization of $7,677 and $8,363, respectively, and various deposits made in the ordinary course of business.

11. Certificates of Deposit

As of June 30, 2010 and 2009, $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 $3,644,384, which matures April 15, 2011. 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, 2010 and 2009, are as follows:

	2010	2009
Balance of bonds payable	3,600,000	3,900,000
Less-current maturities	300,000	300,000
Long-term portion	3,300,000	3,600,000

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

2011	300,000
2012	300,000
2013	300,000
2014	300,000
2015	300,000
Thereafter	2,100,000
	3,600,000

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 year 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 years ended June 30, 2010 and 2009, the Center incurred interest associated with the bonds payable of $118,127 and $149,880, 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, 2010, the Organization is in compliance. Annual letter of credit fees of $36,950 (for the 2009-2010 year) and $40,029 (for the 2008-2009 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:

	2010	2009
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 April 27, 2006 in the original amount of $2,000,000, with interest at LIBOR plus 1.25%, adjusted daily (1.60% as of June 30, 2010), payable in fifty-nine (59) monthly installments of principal installments of $11,111 beginning June 15, 2006, plus accrued interest, with the balance of the note due on May 15, 2011, secured by the Alexandria Blood Center.	1,455,555	1,588,889
Subtotal	2,122,221	1,588,889
Less-current maturities	1,788,888	133,333
Long-term portion	333,333	1,455,556

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

2011	1,788,888
2012	333,333
	2,122,221

For the years ended June 30, 2010 and 2009, the Center incurred interest associated with the notes payable of $76,873 and $82,677, 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 $98,339 value of the swap agreement at June 30, 2010, is reported as a liability in the statement of financial position. This reflects a $51,811 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.

12. **Bonds and Notes Payable** (Continued)

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 $2,250,000 at June 30, 2010. The agreement effectively fixes the Organization's interest rate exposure at 4.24%. Interest expense on the underlying bonds totaled $118,127 and $149,880 for the years ended June 30, 2010 and 2009. Included in these amounts is $92,760 and $71,840 of additional interest required to be paid under the swap agreement.

Related to the notes payable, the negative $111,643 value of the swap agreement at June 30, 2010, is reported as a liability in the statement of financial position. This reflects a $53,362 increase in the liability (i.e., decrease in value of the swap) since the prior fiscal year. The decrease 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 $1,455,556 at June 30, 2010. The agreement effectively fixes the Organization's interest rate exposure at 3.73%. Interest expense on the underlying note totaled $76,873 and $82,677 for the years ended June 30, 2010 and 2009. Included in these amounts is $53,530 and $35,692 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 $1,376,159 and $419,926 was recognized for the fiscal years ended June 30, 2010 and 2009, respectively, and $703,915 and $580,074 remained in deferred revenue as of June 30, 2010 and 2009, respectively.

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 $212,901 and $1,659,611 for the years ended June 30, 2010 and 2009, 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, 2010 and 2009. Employees may make additional contributions to the Plan. Other operating expenses for 2010 and 2009 include approximately $725,711 and $675,657, 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,	
2011	663,675
2012	285,640
2013	145,144
2014	12,350
2015	-
	1,106,809

Operating expenses include rent expense for the years ended June 30, 2010 and 2009 of $481,403 and $1,194,798, 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, 2010 of $369,262 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, 2010, the kit prices ranged from $80 to $119 for the ALYX Instruments and $145 to $200 for the AMICUS Instruments.

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

	2011	2012	2013	2014	2015
ALYX Instruments	5,600	5,600	5,600	5,206	3,777
AMICUS Instruments	6,000	6,000	6,000	3,100	250

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, 2010 and 2009, the Center purchased products from three vendors comprising approximately 59% and 52% of total operating cost, respectively.

19. **Advertising**
Advertising costs are expensed as incurred. For the years ended June 30, 2010 and 2009, the Organization incurred $370,756 and $107,730, 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. **Hurricane Loss**
In September 2008, two hurricanes caused closures of blood centers for several days. Additionally, the Lake Charles blood center experienced significant damage. The insurance policy covers damages up to $500,000 for the building and $500,000 for the contents.

The Organization received insurance proceeds of $389,938 for the building and $500,000 for the contents. The hurricane loss of $119,356 consists of $67,545 for furniture and fixtures and $51,811 for clean-up costs and lodging costs for employees who stayed in Lake Charles to begin clean-up of the blood center after the hurricane.

21. **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 17, 2010, which is the date the financial statements were available to be issued.

22. **Purchase of Blood Center**
During the fiscal year ended June 30, 2010, the Organization purchased a blood center in Texarkana, Texas for $1,370,990 from Blood Systems, Inc. The purchase included a $290,000 building, $80,990 in furniture and equipment, and $1,000,000 of goodwill. The Organization paid $704,324 in cash for the building, furniture and equipment, and $333,334 of the goodwill at closing. A note payable was established for the remaining $666,666 of goodwill. See footnote 12 for more information about the note payable.

OTHER FINANCIAL INFORMATION

LIFESHARE BLOOD CENTERS AND AFFILIATES

CONSOLIDATED SCHEDULES OF OTHER OPERATING EXPENSES

FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
Auto expense	750,889	725,151
Bad debts	75,717	208,077
Computer expense	541,843	579,067
Contract services	278,868	301,385
Donor refreshments	220,680	199,952
Donor expense	247,007	170,303
Dues and subscriptions	115,987	107,022
Employee benefits	381,160	364,750
Group and family benefit plan	26,462	40,694
Insurance	3,980,601	3,649,283
Operations	1,491,569	1,579,337
Professional fees	338,936	274,666
Miscellaneous	87,206	102,693
Miscellaneous taxes	30,049	27,087
Office supplies and postage	294,470	292,246
Payroll taxes	1,238,567	1,139,595
Printing	227,954	245,232
Rentals/leases	481,403	1,194,798
Repairs, maintenance and security service	1,518,541	1,482,689
Retirement plan contributions	725,711	675,657
Shipping	233,657	260,142
Supplies	49,258	184,935
Tax and freight	103,198	117,503
Telephone	345,747	327,077
Travel and education	464,061	523,508
Utilities	307,252	338,824
	14,556,793	15,111,673

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 FINANCIAL POSITION
JUNE 30, 2009

	LifeShare Blood Centers	Blood Center Properties, Inc.	LifeShare Blood Centers Foundation	Consolidation and Elimination Entries	Consolidated
Assets					
Current assets					
Cash and cash equivalents	$ 5,415,501	$ 979,594	$ 462,440	$ -	$ 6,857,535
Investments	6,284,555	-	3,806,396	-	10,090,951
Receivables	6,462,663	11,842	17,157	(313,999)	6,177,663
Inventory	2,067,308	-	-	-	2,067,308
Prepaid expenses	199,753	-	-	-	199,753
Total current assets	20,429,780	991,436	4,285,993	(313,999)	25,393,210
Limited-use cash and investments	-	951,884	-	-	951,884
Property and equipment					
Land	154,000	3,711,345	-	-	3,865,345
Buildings and improvements	1,779,712	11,602,458	-	-	13,382,170
Vehicles	5,533,718	-	-	-	5,533,718
Equipment	4,958,882	389,725	-	-	5,348,607
Furniture and fixtures	1,225,711	170,932	-	-	1,396,643
Projects in process	100,000	309,136	-	-	409,136
	13,752,023	16,183,596	-	-	29,935,619
Less: accumulated depreciation	(9,062,115)	(4,180,555)	-	-	(13,242,670)
Net property and equipment	4,689,908	12,003,041	-	-	16,692,949
Other assets					
Other assets	541,827	135,631	-	-	677,458
Goodwill	-	-	-	-	-
Certificates of deposit	125,000	-	-	-	125,000
Total other assets	666,827	135,631	-	-	802,458
Total assets	$ 25,786,515	$ 14,081,992	$ 4,285,993	$ (313,999)	$ 43,840,501
Liabilities and Net Assets					
Current liabilities					
Accounts payable	$ 2,215,927	$ 7,703	$ -	$ -	$ 2,223,630
Accrued expenses	1,861,602	323,505	1,181	(313,999)	1,872,289
Deferred revenue	580,074	-	-	-	580,074
Notes payable, *current portion*	-	133,333	-	-	133,333
Bonds payable, *current portion*	-	300,000	-	-	300,000
Total current liabilities	4,657,603	764,541	1,181	(313,999)	5,109,326
Long-term liabilities					
Bonds payable, *long term portion*	-	3,600,000	-	-	3,600,000
Notes payable, *long term portion*	-	1,455,556	-	-	1,455,556
Interest rate swap agreements	-	208,431	-	-	208,431
Total liabilities	4,657,603	6,028,528	1,181	(313,999)	10,373,313
Net assets					
Unrestricted	21,128,909	8,053,467	4,284,812	-	33,467,188
Temporarily restricted	-	-	-	-	-
Total net assets	21,128,909	8,053,467	4,284,812	-	33,467,188
Total liabilities and net assets	$ 25,786,512	$ 14,081,995	$ 4,285,993	$ (313,999)	$ 43,840,501

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

LIFESHARE BLOOD CENTERS AND AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

	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	$ 8,537,139	$ -	$ -	$ -	$ 8,537,139
Blood service fees	28,592,506	-	-	-	28,592,506
Bulk derivatives	2,428,797	-	-	-	2,428,797
Components	1,486,247	-	-	-	1,486,247
Lab fees	3,634,080	-	-	-	3,634,080
Cord blood program	419,926	-	-	-	$ 419,926
Total operating revenues	45,098,695	-	-	-	45,098,695
Operating expenses					
Salaries	15,211,054	-	-	-	15,211,054
Apheresis supplies and testing	2,973,389	-	-	-	2,973,389
Leukoreduced supplies	530,663	-	-	-	530,663
Bags	1,772,457	-	-	-	1,772,457
Test kits	557,441	-	-	-	557,441
Outsource contract testing	7,489,595	-	-	-	7,489,595
Public relations, advertising, and recruiting	806,687	-	-	-	806,687
Depreciation and amortization	1,391,657	632,593	-	-	2,024,250
Rent	1,489,124	-	-	(1,489,124)	-
Other operating	15,076,775	20,310	49,715	(35,127)	15,111,673
Total Operating Expenses	47,298,842	652,903	49,715	(1,524,251)	46,477,209
Other revenue (expense)					
Contributions	69,763	-	(29,717)	-	40,046
Interest income	176,116	38,890	134,052	-	349,058
Supply sales	94,055	-	-	-	94,055
Realized gain (loss) on sale of assets	20,464	-	(199,032)	-	(178,568)
Fund raising and public relations expenses	(194,995)	-	-	-	(194,995)
Interest expense	-	(232,557)	-	-	(232,557)
Rental income	-	1,492,724	-	(1,489,124)	3,600
Unrealized gain (loss) on investments	(63,111)	-	(362,922)	-	(426,033)
Unrealized (loss) on interest rate swaps	-	(144,536)	-	-	(144,536)
Miscellaneous income	647,298	-	-	(35,127)	612,171
Hurricane (loss)	(111,876)	(7,480)	-	-	(119,356)
Total other revenue (expense)	637,714	1,147,041	(457,619)	(1,524,251)	(197,115)
Net assets released from restrictions	147,231	-	-	-	147,231
Change in unrestricted net assets	(1,415,202)	494,138	(507,334)	-	(1,428,398)
Change in temporarily restricted net assets					
Contributions	147,231	-	-	-	147,231
Net assets released from restrictions	(147,231)	-	-	-	(147,231)
Change in temporarily restricted assets	-	-	-	-	-
Change in net assets	*(1,415,202)*	*494,138*	*(507,334)*	-	*(1,428,398)*
Net assets at beginning of year	22,544,111	7,559,329	4,792,146	-	34,895,586
Net assets at end of year	$ 21,128,909	$ 8,053,467	$ 4,284,812	$ -	$ 33,467,188

OTHER REPORTS

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October 17, 2010

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, 2010, and have issued our report thereon dated October 17, 2010. 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

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, LLP

LIFESHARE BLOOD CENTERS AND AFFILIATES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2010

We have audited the consolidated financial statements of LifeShare Blood Centers and Affiliates as of and for the year ended June 30, 2010, and have issued our report thereon dated October 17, 2010. 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, 2010 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; a management letter was issued.

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, 2010.

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, 2010

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 restricted contributions, vendor setup rights, investment allocations, blood inventory procedures, PTO policy extensions, revenue documentation, and Cord Blood Program objectives and reporting were resolved in the current year.

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October 17, 2010

The Audit Committee of
LifeShare Blood Centers and Affiliates

In planning and performing our audit of the financial statements of LifeShare Blood Centers and Affiliates as of and for the year ended June 30, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered LifeShare Blood Centers and Affiliates' internal control over financial reporting (internal control) 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 Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 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 was for the limited purpose described in the first paragraph 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.

We consider the following to be control deficiencies in internal control over financial reporting:

2010-01 – Notes Payable

Findings & Recommendations
During our audit, we noted that the $1,455,555 balance of Blood Center Properties' note payable to Chase Bank is due May 15, 2011, so it should be listed as current maturities of long-term debt in the June 30, 2010 financial statements. However, the balance of the note payable was divided into current and long-term portions in the financial statements.

We recommend establishing and maintaining a notes payable register. The register should include pertinent data about each open note payable, such as date, amount, payee, maturity dates, interest rate, collateral, and payment history with respect to principal and interest. In addition, copies of paid and unpaid notes should be included in the register. As a control factor, unpaid principal amounts per the register should be reconciled on a periodic basis to the general ledger.

Management's Response
The organization will develop and maintain a notes payable register that contains appropriate information regarding paid and unpaid notes payable. A reconciliation will be performed on a periodic basis between the register amounts and the general ledger.

2010-02 – Investments

Findings & Recommendations
During our testing of investments and review of meeting minutes of LifeShare Blood Centers, we noted that the asset allocation in the Morgan Keegan investment account did not meet the target allocation as outlined in the investment policy as of March 31, 2010 and June 30, 2010. As discussed in the April 30, 2010 board of directors meeting minutes, the board chose to create an ad hoc committee to study the investment policy and make recommendations. As of the date of our audit fieldwork, this had not occurred. We recommend that the Organization adhere to the established investment policy as written or amend the policy to reflect new target allocations.

Management's Response
This issue is under board review.

2010-03 – PTO Policy

Findings & Recommendations
We noted that the PTO policy states that "employees are required to use 50% of the paid time off earned during each calendar year of employment" and "all required time off must be taken by the last day of the pay period before the last payday in December each year." However, compliance with this requirement was not enforced for Doris Mitchell, Fallon Saucier, Tameka Baker, and Ronnie May. Of our sample population, we noted that these four employees were allowed to carry over and use some of their required time off during the first pay period ending in January. We recommend that the Organization enforce the current PTO policy for all employees or amend the PTO policy to allow employees to use required PTO through the first pay period ending in January.

Management's Response
Management elected to extend the PTO forfeiture deadline to the last day of the first pay period ending in January to allow employees to count their PTOs taken in conjunction with the holidays versus forfeiting them prior to the holidays due to the policy limitation. The Administrator (Human Resources) is in the process of developing a revised PTO policy.

This communication is intended solely for the information and use of management, the audit committee, others within the organization, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

LifeShare Blood Centers and Affiliates' written responses to the deficiencies in internal control identified in our audit have not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

We would be pleased to discuss the above matters or to respond to any questions at your convenience.

Very truly yours,

HEARD, McELROY & VESTAL, LLP

By: Tim B Nielsen
CPA

TBN:ml
Encl.