

**INDEPENDENT BLOOD AND TISSUE SERVICES  
OF FLORIDA, INC., AND FLORIDA'S BLOOD CENTERS, INC.**

**COMBINED FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**

**YEARS ENDED DECEMBER 31, 2010 AND 2009**

**INDEPENDENT BLOOD AND TISSUE SERVICES  
OF FLORIDA, INC. AND FLORIDA'S BLOOD CENTERS, INC.  
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**INDEPENDENT AUDITORS' REPORT**

The Board of Directors  
Independent Blood and Tissue Services of  
Florida, Inc., and Florida's Blood Centers, Inc.  
Orlando, Florida

We have audited the accompanying combined statement of financial position of Independent Blood and Tissue Services, of Florida, Inc. and Florida's Blood Centers, Inc. (collectively, the Organization) as of December 31, 2010, and the related combined statements of activities and changes in net assets and cash flows for the year then ended. These combined financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these combined financial statements based on our audits. The combined financial statements as of and for the year ended December 31, 2009 were audited by other auditors whose report dated April 21, 2010 expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects the financial position of Independent Blood and Tissue Services of Florida, Inc. and Florida's Blood Centers, Inc. as of December 31, 2010, and the combined changes in their net assets and their cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

*Larson Allen LLP*  
**LarsonAllen LLP**

Orlando, Florida  
April 11, 2011

**INDEPENDENT BLOOD AND TISSUE SERVICES  
OF FLORIDA, INC. AND FLORIDA'S BLOOD CENTERS, INC.  
COMBINED STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2010 AND 2009**

<b>ASSETS</b>	2010	2009
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 4,587,014	\$ 7,784,494
Short-Term Investments	5,211,209	848,344
Accounts Receivable, Net of Allowance of \$377,291 and \$339,641 in 2010 and 2009, Respectively	12,723,231	14,716,521
Other Receivables	447,458	477,330
Supplies Inventory	1,774,068	1,419,246
Blood and Blood Components Inventory	987,398	1,083,648
Prepaid Expenses and Other Current Assets	1,362,142	971,599
Total Current Assets	27,092,520	27,301,182
<b>INVESTMENTS</b>	26,961,768	18,075,236
<b>PROPERTY AND EQUIPMENT, NET</b>	39,120,216	46,587,030
<b>PROPERTIES HELD FOR SALE</b>	1,849,000	-
<b>GOODWILL</b>	237,212	237,212
<b>OTHER ASSETS</b>	227,245	226,554
Total Assets	\$ 95,487,961	\$ 92,427,214
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current Portion of Long Term Debt	\$ 1,030,000	\$ 990,000
Accounts Payable	3,977,952	5,092,184
Accrued Expenses	3,991,317	7,411,348
Total Current Liabilities	8,999,269	13,493,532
<b>LONG-TERM LIABILITIES</b>		
Long-Term Debt, Net of Current Portion	19,220,000	20,250,000
Total Liabilities	28,219,269	33,743,532
<b>UNRESTRICTED NET ASSETS</b>	67,268,692	58,683,682
Total Liabilities and Net Assets	\$ 95,487,961	\$ 92,427,214

See accompanying Notes to Combined Financial Statements.

**INDEPENDENT BLOOD AND TISSUE SERVICES  
OF FLORIDA, INC. AND FLORIDA'S BLOOD CENTERS, INC.  
COMBINED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
YEARS ENDED DECEMBER 31, 2010 AND 2009**

	2010	2009
<b>OPERATING REVENUES</b>		
Processing Fees:		
Red Blood Cells	\$ 59,447,546	\$ 62,489,177
Pheresis	27,555,193	27,626,174
Plasma Revenues	11,095,347	9,953,309
Other Products and Services	9,184,067	12,031,272
Total Operating Revenues	107,282,153	112,099,932
<b>OPERATING EXPENSES</b>		
Salaries and Benefit Costs	46,044,489	51,100,961
Medical Supplies and Testing Services	28,898,039	28,856,324
Other Operating Expenses	19,478,370	23,605,301
Depreciation and Amortization	5,201,800	4,287,177
Total Operating Expenses	99,622,698	107,849,763
Operating Income	7,659,455	4,250,169
<b>NON-OPERATING INCOME, NET</b>		
Investment Income, Net	2,462,994	2,651,964
Interest Expense	(240,194)	(409,332)
Impairment Loss	(1,720,478)	-
Gain on Disposition of Assets, Net	123,737	52,555
Other, Net	299,496	295,046
Total Non-Operating Income, Net	925,555	2,590,233
<b>EXCESS OF REVENUES AND GAINS OVER EXPENSES AND INCREASE IN UNRESTRICTED NET ASSETS</b>	8,585,010	6,840,402
Net Assets - Beginning of Year	58,683,682	51,843,280
Net Assets - End of Year	\$ 67,268,692	\$ 58,683,682

See accompanying Notes to Combined Financial Statements.

**INDEPENDENT BLOOD AND TISSUE SERVICES  
OF FLORIDA, INC. AND FLORIDA'S BLOOD CENTERS, INC.  
COMBINED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2010 AND 2009**

	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in Net Assets	\$ 8,585,010	\$ 6,840,402
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Net Realized/Unrealized (Gain) Losses on Investments	(1,811,679)	(2,118,091)
Depreciation and Amortization	5,201,800	4,287,177
Gain on Disposal of Assets	(123,737)	(52,555)
Impairment Loss	1,720,478	-
Provision for Doubtful Accounts	74,000	72,000
Changes in Operating Assets and Liabilities:		
Accounts Receivable, Net	1,919,290	4,529
Other Receivables	29,872	6,829
Supplies Inventory	(354,822)	209,213
Blood and Blood Components Inventory	96,250	207,634
Prepaid Expenses and Other Current Assets	(390,543)	298,827
Other Assets	(9,840)	18,192
Accounts Payable	(1,114,232)	367,931
Accrued Expenses	(3,420,031)	(506,816)
Net Cash Provided by Operating Activities	10,401,816	9,635,272
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Property and Equipment	(1,764,006)	(7,299,918)
Proceeds from Sale of Property and Equipment	592,428	260,800
Purchases of Investments	(23,420,614)	(12,383,527)
Proceeds from Sale of Investments	11,982,896	16,464,192
Net Cash Used in Investing Activities	(12,609,296)	(2,958,453)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal Payments on Bonds Payable	(990,000)	(955,000)
Net Cash Used in Financing Activities	(990,000)	(955,000)
<b>(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(3,197,480)	5,721,819
Cash and Cash Equivalents - Beginning of Year	7,784,494	2,062,675
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 4,587,014	\$ 7,784,494
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>		
Cash Paid for Interest	\$ 228,000	\$ 422,000

See accompanying Notes to Combined Financial Statements.

**INDEPENDENT BLOOD AND TISSUE SERVICES  
OF FLORIDA, INC. AND FLORIDA'S BLOOD CENTERS, INC.  
NOTES TO COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**NOTE 1 ORGANIZATION**

Independent Blood and Tissue Services of Florida, Inc. (IBTSF) and Florida's Blood Centers, Inc. (the Blood Center) (collectively, the Organization) are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code and are exempt from federal and state income taxes on related income pursuant to Section 501(a) of the Internal Revenue Code and Chapter 220.13 of the *Florida Statutes*, respectively. IBTSF and Blood Centers are corporations organized under the laws of the state of Florida.

IBTSF and the Blood Center are separate legal entities operating within various counties throughout Florida. The same individuals serve on the board of directors and as the executive officers for each entity. As a result of this common control relationship, the financial statements of IBTSF and the Blood Center have been combined for financial statement reporting purposes. All material intercompany accounts and transactions have been eliminated in combination.

The Blood Center was established in 1942 to provide blood and blood products to the communities it serves. In 1989, IBTSF was incorporated to own and provide physical property for the benefit of the Blood Center and to support, expand, and further the services provided to the community.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Use of Estimates**

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

**Basis of Presentation**

Contributions received are recorded as an increase in unrestricted, temporarily restricted or permanently restricted support, depending on the existence or nature of any donor restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted – Resources over which the Board of Directors (the "Board") of the Organization has discretionary control. Designated amounts represent those revenues which the Board has set aside for a particular purpose.

Temporarily Restricted – Resources subject to donor imposed restrictions that will be satisfied by actions of the Organization or passage of time. Temporarily restricted net assets expended in the year of receipt are recognized as unrestricted contributions.

**INDEPENDENT BLOOD AND TISSUE SERVICES  
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**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Permanently Restricted – Resources subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

The Organization did not have any temporarily restricted or permanently restricted net assets at December 31, 2010 and 2009.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, all highly liquid investments with an original maturity of three months or less, and which are not designated as investments, are considered to be cash equivalents and are recorded at cost which approximates market value.

The Organization places its temporary cash with high credit quality financial institutions. At such times cash may be in excess of the FDIC insurance limits of \$250,000.

**Accounts Receivable**

Accounts receivable include amounts due from trade customers. Credit is extended based on an evaluation of the customer's financial condition, and generally, collateral is not required. The Organization maintains an allowance for potential credit losses based upon expected collectibility of all accounts receivable. The Organization records an allowance for returned blood products at the time of sale based upon historical trends. Credit losses and returns of blood products are provided for in the financial statements and have historically been within management's expectations.

**Investments**

Investments at December 31, 2010 and 2009 consist of money market funds, equity securities, mutual funds, governmental bonds and corporate bond securities. Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the combined statements of financial position. Fair value is determined on the basis of quoted market prices. Investment income or loss (including realized gains and losses on investments, interest, and dividends) and unrealized gains and losses on investments are reported as investment income (loss) and included in excess of revenues and gains over expenses in the combined statements of activities and changes in net assets, unless the income or loss is restricted by a donor or law.

**Inventories**

Inventories are stated at the lower of cost (first-in, first-out method) or market. The cost of blood and blood components inventory is determined using a current year average combined collection, processing and distribution cost per unit produced. The cost of supplies inventory is determined by the first-in, first-out method.

**INDEPENDENT BLOOD AND TISSUE SERVICES  
OF FLORIDA, INC. AND FLORIDA'S BLOOD CENTERS, INC.  
NOTES TO COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Property and Equipment**

Property and equipment are reported on the basis of historical cost at the date of acquisition. Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support, and are excluded from the excess of revenues over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service. Expenditures that materially increase values, change capacities, or extend useful lives are capitalized.

Depreciation is computed using the straight-line method at rates estimated by management to amortize the cost of the various assets during their expected useful life as follows:

<u>Assets</u>	<u>Estimated Useful Life</u>
Building and Improvements	30 to 40 years
Furnitures and Equipment	5 to 10 years
Automobiles and Trucks	2 to 6 years
Computer Equipment and Software	5 to 6 years
Leasehold Improvements	3 to 25 years

Leasehold improvements and property under capital lease obligations are amortized using the straight-line method over the lesser of the period of the lease term or the estimated useful life of the assets. Such amortization is included in depreciation and amortization expense in the accompanying statements of activities and changes in net assets.

**Goodwill**

Goodwill is recognized as a result of a business combination when the price paid for the acquired business exceeds the fair value of its identified net assets. Goodwill is tested for impairment at least annually. The Organization has evaluated its existing goodwill for impairment as of December 31, 2010 and 2009 and has determined that goodwill is not impaired.

**Deferred Bond Issue Costs**

Deferred bond issue costs are amortized over the term of the long-term debt using the straight-line method, which approximates the effective interest method. At December 31, 2010 and 2009, approximately \$154,000 and \$163,000, respectively, of unamortized deferred bond issuance costs are included in other assets. Amortization of bond issue costs was approximately \$9,000 for each of the years ended December 31, 2010 and 2009.

**INDEPENDENT BLOOD AND TISSUE SERVICES  
OF FLORIDA, INC. AND FLORIDA'S BLOOD CENTERS, INC.  
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DECEMBER 31, 2010 AND 2009**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue Recognition**

Revenues from processing fees are recognized in the period in which services are rendered, while revenues to be derived from shipments of blood products are recognized when shipped to the purchaser. Risk of loss is transferred when blood products are received by customers.

**Contributed Services**

A substantial number of unpaid volunteers have made significant contributions of their time, principally in collection programs. The value of this contributed time is not reflected in these financial statements since it is not susceptible to objective measurement or valuation and the equivalent of an employer/employee relationship does not exist.

**Impairment of Long-Lived Assets**

Long-lived assets, such as property and equipment, and purchased intangible assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the use and eventual disposition of the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the statement of financial position and reported at the lower of the carrying amount or fair value less costs to sell, and would no longer be depreciated. The assets and liabilities of a disposal group classified as held for sale would be presented separately in the appropriate asset and liability sections of the combined statement of financial position. The Organization recognized an impairment loss of approximately \$1,720,000 to write-down certain buildings. No impairment losses were recorded in 2009.

**Fair Value Measurements**

Fair value measurements apply to financial and nonfinancial assets and liabilities that are required or permitted to be measured at fair value under an existing accounting pronouncement. The Organization emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access.

**INDEPENDENT BLOOD AND TISSUE SERVICES  
OF FLORIDA, INC. AND FLORIDA'S BLOOD CENTERS, INC.  
NOTES TO COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The Organization has the option to elect fair value for the initial and subsequent measurement for certain financial assets and liabilities on an instrument-by-instrument basis. The Organization, has not elected the option to measure any existing financial instruments at fair value, however may elect to measure newly acquired financial instruments at fair value in the future.

**Functional Expenses**

Total costs, fees and expenses, allocated on a functional basis, for the years ended December 31, 2010 and 2009 are as follows:

	2010	2009
Program Services	\$ 93,977,170	\$ 100,871,963
Management and General Services	5,645,528	6,977,800
	\$ 99,622,698	\$ 107,849,763

**Income Taxes**

The Organization files as a tax-exempt organization. The tax returns for the years 2007 to 2010 are open to review by federal and state authorities. However, should the Organization's tax-exempt status be challenged in the future, all years since inception could be subject to review.

**Subsequent Events**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through April 11, 2011, the date the financial statements were available to be issued.

**INDEPENDENT BLOOD AND TISSUE SERVICES  
OF FLORIDA, INC. AND FLORIDA'S BLOOD CENTERS, INC.  
NOTES TO COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**NOTE 3 INVESTMENTS**

Investments at December 31, 2010 and 2009 consist of:

	<u>2010</u>	<u>2009</u>
Short-term Investments:		
Money Market Funds	\$ 4,649,835	\$ 656,087
U.S. Government Securities	167,116	192,257
Corporate Debt Securities	394,258	-
	<u>5,211,209</u>	<u>848,344</u>
Investments:		
U.S. Government Securities	7,077,189	3,076,924
Corporate Debt Securities	1,947,474	1,100,597
Mutual Funds	1,881,231	1,435,671
Common Stocks	16,055,874	12,462,044
	<u>26,961,768</u>	<u>18,075,236</u>
	<u>\$ 37,384,186</u>	<u>\$ 19,771,924</u>

Investment income was comprised of the following components for the years ended December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Interest and Dividend Income	\$ 651,315	\$ 533,873
Net Realized and Unrealized Gains from Investments	<u>1,811,679</u>	<u>2,118,091</u>
	<u>\$ 2,462,994</u>	<u>\$ 2,651,964</u>

**INDEPENDENT BLOOD AND TISSUE SERVICES  
OF FLORIDA, INC. AND FLORIDA'S BLOOD CENTERS, INC.  
NOTES TO COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**NOTE 4 PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Land	\$ 4,876,314	\$ 7,021,226
Buildings and Improvements	25,710,495	28,020,275
Furniture and Equipment	9,989,158	11,395,936
Automobiles and Trucks	8,618,581	9,344,887
Computer Equipment and Software	7,526,331	6,848,833
Leasehold Improvements	3,981,375	4,004,618
Property under Capital Leases	<u>617,896</u>	<u>617,896</u>
	61,320,150	67,253,671
Less Accumulated Depreciation and Amortization	<u>22,199,934</u>	<u>20,666,641</u>
	<u><u>\$ 39,120,216</u></u>	<u><u>\$ 46,587,030</u></u>

Depreciation expense for the years ended December 31, 2010 and 2009 amounted to approximately \$5,193,000 and \$4,287,000, respectively. Property under capital leases was fully amortized as of December 31, 2010 and 2009.

**NOTE 5 LONG-TERM DEBT**

Long-term debt consists of the following:

	<u>2010</u>	<u>2009</u>
Orange County Industrial Development Authority (Florida) Industrial Development Revenue Bonds, Series 2002	\$ 14,145,000	\$ 14,715,000
Palm Beach County Florida, Florida Industrial Development Revenue Bonds, Series 2002	<u>6,105,000</u>	<u>6,525,000</u>
	20,250,000	21,240,000
Less Current Portion of Long-Term Debt	<u>1,030,000</u>	<u>990,000</u>
	<u><u>\$ 19,220,000</u></u>	<u><u>\$ 20,250,000</u></u>

**INDEPENDENT BLOOD AND TISSUE SERVICES  
OF FLORIDA, INC. AND FLORIDA'S BLOOD CENTERS, INC.  
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**NOTE 5 LONG-TERM DEBT (CONTINUED)**

The Orange County Industrial Development Bonds (the Orange County Bonds) were issued through the Orange County Industrial Development Authority (Orange County Authority) and are payable by IBTSF pursuant to a loan agreement between IBTSF and the Orange County Authority, whereby the Orange County Authority loaned the proceeds of the Orange County Bonds to IBTSF. The Palm Beach County Industrial Development Bonds (the Palm Beach Bonds) were issued through the Palm Beach County Industrial Development Authority (Palm Beach County Authority) and are payable by IBTSF pursuant to a loan agreement between IBTSF and the Palm Beach County Authority, whereby the Palm Beach County Authority loaned the proceeds of the Palm Beach Bonds to IBTSF.

The Orange County Bonds and the Palm Beach Bonds, collectively the Bonds, are variable rate demand bonds. Therefore, the Bonds may be put to IBTSF at the option of the bondholder. The Bonds have associated remarketing agreements, which provide for IBTSF the option to market the Bonds at the then prevailing market rates for periods ranging from seven days to the maturity dates. In the event the Bonds are put and not remarketed, IBTSF has obtained bank letter of credit agreements as security for the payment of the Bonds. The bank letter of credit agreements provide, among other things, that in the event a market for the Bonds is not sustained, the bank would purchase the obligations at the principal amount of the bonds and up to 40 days of accrued interest on the Bonds based on a maximum rate of 12% per annum. IBTSF's obligation to the bank would be payable in accordance with the original maturities of the Bonds over the remaining term of the letter of credit agreements, with the remaining amount due upon expiration of the letter of credit agreements. The obligation of IBTSF to reimburse the bank that issued the letters of credit is secured by a mortgage lien on and security interest in certain real and personal property of IBTSF.

The letter of credit agreements supporting the Bonds matures on October 15, 2012. There were no amounts outstanding under the letter of credit agreements at December 31, 2010. The amount available under the letter of credit agreement for the Orange Country Bonds and the Palm Beach Bonds is approximately \$14,331,000 and \$6,185,000, respectively, at December 31, 2010.

The Orange County Bonds and the Palm Beach Bonds mature on October 1, 2027 and December 1, 2022, respectively, and initially bear interest at an adjustable weekly rate established by the Remarketing Agent to equal the minimum interest rate required to sell the bonds at a price of par. The interest rate on the Orange County Bonds and Palm Beach County Bonds was 0.98%, as of December 31, 2010. Interest is due monthly.

**INDEPENDENT BLOOD AND TISSUE SERVICES  
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**NOTE 5 LONG-TERM DEBT (CONTINUED)**

At December 31, 2010, annual principal requirements to retire bonded debt are as follows:

<u>Year Ending December 31:</u>	<u>Amount</u>
2011	\$ 1,030,000
2012	1,065,000
2013	1,110,000
2014	1,150,000
2015	1,190,000
Thereafter	<u>14,705,000</u>
	<u>\$ 20,250,000</u>

The IBTSF is subject to certain financial covenants under its debt agreements. The IBTSF was in compliance with all such financial covenants as of December 31, 2010.

**NOTE 6 LEASES**

The Organization leases land and office space in connection with its operations. These leases are accounted for as operating leases. Total lease expense incurred in connection with these operations was approximately \$1,400,000 and \$1,219,000 for the years ended December 31, 2010 and 2009, respectively.

Future minimum lease payments under noncancelable operating leases are as follows:

<u>Year Ending December 31:</u>	<u>Amount</u>
2011	\$ 1,409,000
2012	864,000
2013	484,000
2014	208,000
2015	120,000

**INDEPENDENT BLOOD AND TISSUE SERVICES  
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**NOTE 7 MAJOR CUSTOMERS AND CREDIT CONCENTRATIONS**

The Organization provides blood and blood products collected from volunteer donors to hospitals and health care organizations across United States and internationally, though priority in the distribution of products is given to customers in the Organization's service areas throughout Florida.

Revenues from the Organization's primary customers as a percentage of total revenues from the following customers in 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Customer A	22.3%	20.8%
Customer B	25.4%	22.8%
Customer C	10.1%	10.7%

Accounts receivable due from the following primary customers as a percentage of total accounts receivable in 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Customer A	18.1%	13.1%
Customer B	24.6%	18.7%
Customer C	7.8%	10.9%

No other single customer accounted for greater than 10% of revenues or accounts receivable during the comparable periods presented.

**NOTE 8 RETIREMENT PLAN**

The Organization maintains a defined contribution plan that covers substantially all employees. The plan is a salary savings plan established to encourage employees to develop a regular and systematic savings program through payroll deductions. The plan was effective as of January 1, 1985. Federal income taxes on amounts contributed by the employees are deferred in accordance with Section 401(k) of the Internal Revenue Code.

Employees of the Organization are eligible to participate after completing 100 hours of service in a 30-calendar-day period and attaining age 21. Contributions by the Organization are made at the discretion of the Organization's board of directors ("discretionary contributions"). The Organization elected to contribute 4.0 percent of eligible compensation of the participants for 2009; however, elected not to contribute for 2010. In addition to the discretionary contributions, the Organization matches employee elective contributions ("matching contributions") dollar for dollar up to a maximum of 6.0 percent of eligible compensation for 2010 and 2009. Total contribution expense to the Organization under the plan was approximately \$1,654,000 and \$3,067,000 for the years ended December 31, 2010 and 2009, respectively. Discretionary contributions are made in February following the Plan year. Prior to 2010, matching contributions were also funded in February following the

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**NOTE 8 RETIREMENT PLAN (CONTINUED)**

Plan year; however, in 2010 the Plan was amended so that matching contributions are funded at the same time the employee contribution is made.

An employee is fully vested immediately in all contributions made by the employee. The plan provides for vesting of Organization contributions at the rate of 100% after two years of service. Thus, the Organization's contributions are fully vested after two years of service. Normal withdrawals may begin at age 59 ½, with provisions for "hardship" withdrawals prior to that age. Employees are eligible to receive the then current value of their vested accounts upon termination.

**NOTE 9 RELATED-PARTY TRANSACTIONS**

The Organization, in the normal course of business, purchases certain products and services from organizations affiliated with members of the board of directors. During 2010 and 2009, approximately \$191,000 and \$1,866,000, respectively, were paid to such organizations for products and services. During 2010 and 2009, approximately \$158,000 and \$172,000, respectively, in revenues was earned from such organizations for products and services.

**NOTE 10 CONTINGENCIES**

The Organization is, from time to time, subject to claims and suits for damages, including damages for personal injuries to patients and others, which are covered as to risk and amount under various insurance policies, subject to deductibles. In the opinion of management, the ultimate resolution of pending claims will not have a material effect on the financial position, activities, or liquidity of the Organization.

The Organization provides medical and other healthcare benefits to its eligible employees and covered dependents through a self-insured health care plan. Reinsurance, covering costs above \$75,000 per individual per plan year is maintained through a commercial excess coverage policy. Estimated reserves for claims incurred but not yet reported totaled approximately \$1,200,000 and \$1,491,000 at December 31, 2010 and 2009, respectively, and are included in accrued expenses in the accompanying combined balance sheets.

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**NOTE 11 FAIR VALUE OF FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS**

The following table presents the fair value hierarchy for the balances of the financial and nonfinancial assets and liabilities of the Organization measured at fair value on a recurring and nonrecurring basis as of December 31, 2010:

<b>2010</b>				
	Level 1	Level 2	Level 3	Total
<b>Recurring</b>				
Short-term Investments:				
Money Market Funds	\$ 4,649,835	\$ -	\$ -	\$ 4,649,835
U.S. Government Securities	-	167,116	-	167,116
Corporate Debt Securities	-	394,258	-	394,258
	<u>4,649,835</u>	<u>561,374</u>	<u>-</u>	<u>5,211,209</u>
Investments:				
U.S. Government Securities	-	7,077,189	-	7,077,189
Corporate Debt Securities	-	1,947,474	-	1,947,474
Mutual Funds	1,881,231	-	-	1,881,231
Common Stocks	16,055,874	-	-	16,055,874
	<u>17,937,105</u>	<u>9,024,663</u>	<u>-</u>	<u>26,961,768</u>
<b>Nonrecurring</b>				
Properties Held for Sale	-	-	1,849,000	1,849,000
	<u>\$ 22,586,940</u>	<u>\$ 9,586,037</u>	<u>\$ -</u>	<u>\$ 32,172,977</u>

The following table presents the fair value hierarchy for the balances of the financial assets and liabilities of the Organization measured at fair value on a recurring basis as of December 31, 2009:

<b>2009</b>				
	Level 1	Level 2	Level 3	Total
<b>Recurring</b>				
Short-term Investments:				
Money Market Funds	\$ 656,087	\$ -	\$ -	\$ 656,087
U.S. Government Securities	-	192,257	-	192,257
	<u>656,087</u>	<u>192,257</u>	<u>-</u>	<u>848,344</u>
Investments:				
U.S. Government Securities	-	3,076,924	-	3,076,924
Corporate Debt Securities	-	1,100,597	-	1,100,597
Mutual Funds	1,435,671	-	-	1,435,671
Common Stocks	12,462,044	-	-	12,462,044
	<u>13,897,715</u>	<u>4,177,521</u>	<u>-</u>	<u>18,075,236</u>
	<u>\$ 14,553,802</u>	<u>\$ 4,369,778</u>	<u>\$ -</u>	<u>\$ 18,923,580</u>

There were no financial and nonfinancial assets and liabilities measured at fair value on a nonrecurring basis as of December 31, 2009.

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**NOTE 11 FAIR VALUE OF FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS  
(CONTINUED)**

**Valuation Techniques**

Securities included in Level 1 were valued using readily available market quotations in active markets. Securities in Level 2 were valued using independent pricing providers who employ matrix pricing models utilizing market prices, broker quotes and prices of securities with comparable maturities and qualities. The fair values of money market funds were determined through the use of quoted market prices, or \$1, which is generally the net asset value of these funds. The Organization does not have any securities that are valued using Level 3 inputs.

The fair value of properties held for sale was determined based on their appraised values and comparable sales for those properties.

**Other Financial Instruments**

The fair value of certain of the Organization's financial instruments that are not measured at fair value, including cash and cash equivalents, accounts receivable, and accounts payable approximated the carrying amount because of the short-term nature of these instruments. The fair value of the Organization's debt is based on quoted market prices, if available, or estimated using quoted market prices for similar securities. The estimated fair value of Organization's debt, as of December 31, 2010 and 2009 approximated carrying value of the debt.