Consolidated Financial Statements, Supplemental Schedules, Single Audit Reports and Report of Independent Certified Public Accountants

Versiti, Inc. and Affiliates

December 31, 2023 and 2022

Contents

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Versiti, Inc. and Affiliates

Report on the financial statements

Opinion
We have audited the consolidated financial statements of Versiti, Inc. (a non-stock, not-for-profit Wisconsin corporation) and Affiliates (the "Entity"), which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Entity as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion
We conducted our audits of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Entity and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the financial statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Entity's ability to continue as a going concern for one year after the date the financial statements are issued.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Entity's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary information
Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of financial position as of December 31, 2023 and consolidating statement of activities for the year ended December 31, 2023 are presented for purposes of additional analysis, rather than to present the financial position and results of operations of the individual entities and are not a required part of the consolidated financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S*. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such supplementary information is the responsibility of management and was derived from

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and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with US GAAS. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 22, 2024 on our consideration of the Entity's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Entity's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Entity's internal control over financial reporting and compliance.

Grant Thornton LLP

Appleton, Wisconsin
May 22, 2024

Versiti, Inc. and Affiliates

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31,

	2023	2022
ASSETS		
Current assets		
Cash and cash equivalents	$ 32,200,235	$ 28,622,516
Accounts receivable, net of allowance for credit losses and sales returns of $1,195,026 and $1,166,984 at December 31, 2023 and 2022, respectively	67,969,236	62,981,478
Contributions receivable, net	692,061	454,808
Inventories, net	19,001,070	16,544,485
Prepaid expenses	3,256,324	3,617,050
Total current assets	123,118,926	112,220,337
Investments, including restricted investments of $35,122,989 and $30,090,376 at December 31, 2023 and 2022, respectively	223,100,213	226,820,558
Property and equipment, net	76,539,342	59,476,192
Operating lease right-of-use assets	10,558,453	7,809,478
Contributions receivable, net	862,604	1,178,435
Goodwill	23,898,410	7,995,794
Intangible assets, net	12,025,745	3,244,528
Other assets	2,299,806	2,329,755
Total assets	$ 472,403,499	$ 421,075,077

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

Versiti, Inc. and Affiliates

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION - CONTINUED

December 31,

	2023	2022
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	$ 19,275,126	$ 10,058,077
Accrued expenses	29,053,498	23,544,512
Current portion of finance lease liabilities	1,244,833	361,015
Total current liabilities	49,573,457	33,963,604
Long-term retirement liabilities	10,721,540	8,416,917
Obligations under finance lease liabilities, less current portion	3,449,494	868,785
Obligations under operating lease liabilities, less current portion	7,116,175	4,921,245
Other long-term liabilities	6,544,183	2,139,661
Total liabilities	77,404,849	50,310,212
Net assets		
Without donor restrictions		
Board-designated endowment funds, Foundation	102,841,840	92,757,212
Operating funds	282,734,256	269,945,712
Total net assets without donor restrictions	385,576,096	362,702,924
With donor restrictions	9,422,554	8,061,941
Total net assets	394,998,650	370,764,865
Total liabilities and net assets	$ 472,403,499	$ 421,075,077

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

Versiti, Inc. and Affiliates

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support			
Blood services	$ 210,854,343	$ -	$ 210,854,343
Diagnostic laboratories	53,140,106	-	53,140,106
Pharmacy	54,422,802	-	54,422,802
Blood Research Institute	23,676,186	-	23,676,186
Organ and tissue donation	22,638,971	-	22,638,971
Biomaterials and clinical trial services	25,153,155	-	25,153,155
Donor testing laboratory	10,360,903	-	10,360,903
Medical services	17,732,479	-	17,732,479
Contributions from third parties	446,615	1,744,186	2,190,801
Other, net	286,018	-	286,018
	418,711,578	1,744,186	420,455,764
Net assets released from restrictions	717,013	(717,013)	-
Total revenue and other support and net assets released from restrictions	419,428,591	1,027,173	420,455,764
Expenses			
Salaries and benefits	208,233,623	-	208,233,623
Supplies	67,162,710	-	67,162,710
Purchased products	55,424,230	-	55,424,230
Purchased services	38,686,757	-	38,686,757
Depreciation and amortization	10,316,284	-	10,316,284
Occupancy	13,932,650	-	13,932,650
Equipment and software	17,708,238	-	17,708,238
Contributions to third parties	384,808	-	384,808
Interest expense	87,996	-	87,996
Other	10,534,542	-	10,534,542
Total expenses	422,471,838	-	422,471,838
Change in net assets before non-operating items	(3,043,247)	1,027,173	(2,016,074)
Non-operating items			
Investment return, net	26,287,619	333,440	26,621,059
Income taxes	(371,200)	-	(371,200)
CHANGE IN NET ASSETS	22,873,172	1,360,613	24,233,785
Net assets, beginning of year	362,702,924	8,061,941	370,764,865
Net assets, end of year	$ 385,576,096	$ 9,422,554	$ 394,998,650

The accompanying notes are an integral part of this consolidated financial statement.

Versiti, Inc. and Affiliates

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support			
Blood services	$ 203,354,720	$ -	$ 203,354,720
Diagnostic laboratories	48,717,111	-	48,717,111
Pharmacy	54,057,206	-	54,057,206
Blood Research Institute	24,113,393	-	24,113,393
Organ and tissue donation	19,947,649	-	19,947,649
Biomaterials and clinical trial services	18,849,555	-	18,849,555
Donor testing laboratory	10,056,389	-	10,056,389
Medical services	19,530,693	-	19,530,693
Contributions from third parties	722,742	967,211	1,689,953
Other, net	244,455	-	244,455
	399,593,913	967,211	400,561,124
Net assets released from restrictions	391,097	(391,097)	-
Total revenue and other support and net assets released from restrictions	399,985,010	576,114	400,561,124
Expenses			
Salaries and benefits	183,387,234	-	183,387,234
Supplies	66,070,812	-	66,070,812
Purchased products	60,619,516	-	60,619,516
Purchased services	37,534,172	-	37,534,172
Depreciation and amortization	8,675,289	-	8,675,289
Occupancy	12,255,394	-	12,255,394
Equipment and software	17,499,893	-	17,499,893
Contributions to third parties	489,981	-	489,981
Other	8,507,810	-	8,507,810
Total expenses	395,040,101	-	395,040,101
Change in net assets before non-operating items	4,944,909	576,114	5,521,023
Non-operating items			
Investment return, net	(23,164,396)	-	(23,164,396)
Income taxes	(436,927)	-	(436,927)
CHANGE IN NET ASSETS	(18,656,414)	576,114	(18,080,300)
Net assets, beginning of year	381,359,338	7,485,827	388,845,165
Net assets, end of year	$ 362,702,924	$ 8,061,941	$ 370,764,865

The accompanying notes are an integral part of this consolidated financial statement.

Versiti, Inc. and Affiliates

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2023

	Program Services									Supporting Services			
	Blood Services	Diagnostic Laboratories	Pharmacy	Blood Research Institute	Biomaterials & Clinical Trial Services	Organ & Tissue Donation	Medical Services	Donor Testing Laboratory	Total Program Services	Corporate Services	Development	Total Supporting Services	Total
Salaries and benefits	$ 93,320,785	$ 24,399,499	$ 3,080,547	$ 18,062,078	$ 8,247,182	$ 10,185,869	$ 9,564,114	$ 3,541,807	$ 170,401,881	$ 37,101,268	$ 730,474	$ 37,831,742	$ 208,233,623
Supplies	27,423,481	7,640,905	75,546	2,929,909	3,347,289	1,163,405	3,785,643	20,720,926	67,087,104	74,858	748	75,606	67,162,710
Purchased products	10,777,348	33,550	44,613,332	-	-	-	-	-	55,424,230	-	-	-	55,424,230
Purchased services	27,210,387	1,936,495	434,318	7,951,092	5,761,551	6,362,610	137,262	(18,505,166)	31,288,549	6,755,370	642,838	7,398,208	38,686,757
Depreciation and amortization	2,931,286	427,810	8,656	1,349,346	1,353,895	52,255	330,792	241,125	6,695,165	3,616,975	4,144	3,621,119	10,316,284
Occupancy	5,131,076	49,925	11,507	1,471,268	1,873,097	138,307	105,480	38,149	8,818,809	5,112,741	1,100	5,113,841	13,932,650
Equipment and software	8,182,890	1,845,146	37,835	820,992	547,111	339,325	379,075	626,477	12,778,851	4,893,413	35,974	4,929,387	17,708,238
Contributions to third parties	256,979	-	114,000	7,200	-	6,629	-	-	384,808	-	-	-	384,808
Interest	69,152	-	-	-	-	683	-	-	69,835	18,161	-	18,161	87,996
Other	2,192,967	432,401	138,308	1,040,327	479,087	461,019	304,654	48,999	5,097,762	5,311,578	125,202	5,436,780	10,534,542
Total expenses	$ 177,496,351	$ 36,765,731	$ 48,514,049	$ 33,632,212	$ 21,609,212	$ 18,710,102	$ 14,607,020	$ 6,712,317	$ 358,046,994	$ 62,884,364	$ 1,540,480	$ 64,424,844	$ 422,471,838

The accompanying notes are an integral part of this consolidated financial statement.

Versiti, Inc. and Affiliates

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2022

	Program Services									Supporting Services			
	Blood Services	Diagnostic Laboratories	Pharmacy	Blood Research Institute	Biomaterials & Clinical Trial Services	Organ & Tissue Donation	Medical Services	Donor Testing Laboratory	Total Program Services	Corporate Services	Development	Total Supporting Services	Total
Salaries and benefits	$ 85,194,369	$ 21,941,122	$ 1,183,033	$ 14,457,883	$ 5,001,655	$ 9,447,143	$ 9,445,336	$ 3,563,162	$ 150,233,703	$ 32,435,056	$ 718,475	$ 33,153,531	$ 183,387,234
Supplies	26,672,117	6,727,475	21,844	2,636,179	2,542,609	921,557	5,181,458	21,320,623	66,023,862	46,893	57	46,950	66,070,812
Purchased products	15,388,425	7,889	45,222,002	-	-	-	1,200	-	60,619,516	-	-	-	60,619,516
Purchased services	26,226,919	233,740	428,115	8,568,813	6,805,328	5,243,192	152,484	(17,524,808)	30,133,783	7,278,766	121,623	7,400,389	37,534,172
Depreciation and amortization	2,221,901	428,427	-	1,237,833	490,457	43,211	315,681	226,496	4,964,006	3,707,138	4,145	3,711,283	8,675,289
Occupancy	4,356,732	59,118	2,951	1,390,908	1,234,071	129,577	86,820	26,878	7,287,055	4,967,489	850	4,968,339	12,255,394
Equipment and software	8,461,351	1,615,699	20,651	480,771	211,736	334,566	318,994	563,208	12,006,976	5,458,402	34,515	5,492,917	17,499,893
Contributions to third parties	353,363	-	114,000	500	-	7,068	500		475,431	11,050	3,500	14,550	489,981
Other	1,593,175	335,631	46,751	741,434	435,763	368,337	449,612	(193,489)	3,777,214	4,537,430	193,166	4,730,596	8,507,810
Total expenses	$ 170,468,352	$ 31,349,101	$ 47,039,347	$ 29,514,321	$ 16,721,619	$ 16,494,651	$ 15,952,085	$ 7,982,070	$ 335,521,546	$ 58,442,224	$ 1,076,331	$ 59,518,555	$ 395,040,101

The accompanying notes are an integral part of this consolidated financial statement.

Versiti, Inc. and Affiliates

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31,

	2023	2022
Cash flows from operating activities:		
Change in net assets	$ 24,233,785	$ (18,080,300)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	10,316,284	8,675,289
Gain on sale of property and equipment	(9,275)	(148,676)
Net realized investment (gain) loss	(5,850,302)	(8,607,846)
Unrealized investment gain	(13,161,474)	36,234,042
Change in assets and liabilities, net of assets acquired and liabilities assumed:		
Accounts receivable, net	(3,618,538)	(6,015,958)
Contributions receivable, net	78,578	428,101
Inventories, net	(2,456,585)	(1,682,884)
Prepaid expenses	360,726	(292,619)
Other assets	29,949	(333,307)
Accounts payable	8,449,556	1,200,323
Accrued expenses	1,712,990	(413,096)
Operating lease right-of-use assets and liabilities, net	148,930	(64,669)
Long-term retirement liabilities	2,304,623	(1,434,188)
Other long-term liabilities	904,522	273,723
Net cash provided by operating activities	23,443,769	9,737,935
Cash flows from investing activities:		
Purchases and construction of property and equipment	(16,813,333)	(8,118,760)
Proceeds from sale of property and equipment	238,717	345,212
Cash paid for acquisitions, net of cash acquired	(25,443,552)	(246,799)
Purchases of investments	(76,993,107)	(116,755,747)
Proceeds from sales and maturities of investments	99,781,825	107,346,384
Net cash used in investing activities	(19,229,450)	(17,429,710)
Cash flows from financing activities:		
Payments on finance lease liabilities	(636,600)	(227,673)
Net cash used in financing activities	(636,600)	(227,673)
NET CHANGE IN CASH AND CASH EQUIVALENTS	3,577,719	(7,919,448)
Cash and cash equivalents, beginning of year	28,622,516	36,541,964
Cash and cash equivalents, end of year	$ 32,200,235	$ 28,622,516
Supplemental disclosure of cash flow information:		
Taxes paid	$ 371,200	$ 436,927
Non-cash transactions:		
Finance lease right-of-use assets acquired through finance lease liabilities	$ 4,478,654	$ 1,457,473
Operating lease right-of-use assets acquired through operating lease liabilities	$ 3,875,141	$ 7,593,207
Earnout associated with business acquisition	$ 3,500,000	$ -

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

NOTE A - ORGANIZATION

Versiti, Inc. (Versiti) is a Wisconsin non-stock, not-for-profit supporting organization formed in 2012. Versiti operates exclusively for charitable, scientific and educational purposes, and supports Versiti Wisconsin, Inc., (Wisconsin), Versiti Illinois, Inc., (Illinois), Versiti Michigan, Inc., (Michigan), and Versiti Indiana, Inc., (Indiana), each of which are non-stock, not-for-profit organizations with similar or related charitable missions.

Wisconsin is a Wisconsin based non-stock, not-for-profit organization formed in 1947 exclusively for charitable, scientific and educational purposes. Wisconsin serves patients and health care providers by recruiting volunteer blood donors, and collecting, processing and distributing blood and blood components. Wisconsin also provides a specialized diagnostic laboratory and medical services; facilitates organ and tissue donation; distributes pharmaceutical products to patients with hematological disorders; and conducts research and educational programs related to transfusion and transplant medicine. Cenetron Diagnostics, LLC (Cenetron), a central laboratory and clinical trials logistics provider, RCRC Independent Review Board, LLC d/b/a Salus IRB (Salus), an institutional review board services provider, Quantigen, LLC (Quantigen), a specialty lab, and Pearl IRB, LLC (Pearl Pathways), an institutional review board services provider supporting all aspects of human research, are subsidiaries of Wisconsin. The results of those subsidiaries are consolidated into Wisconsin. Versiti is the sole member of Wisconsin.

Illinois is an Illinois based non-stock, not-for-profit organization formed in 1943 exclusively for charitable, scientific and educational purposes. Illinois serves patients and health care providers by recruiting volunteer blood donors, and collecting, processing and distributing blood and blood components. Illinois also provides a specialized diagnostic laboratory and medical services. Versiti is the sole member of Illinois.

Michigan is organized as a not-for-profit organization, formed in 1955, under Michigan law to establish and operate blood centers for scientific and charitable purposes. Michigan recruits volunteer blood donors and blood-drive sponsors; draws, tests, processes, stores and distributes donated blood; and operates many adjunct services that support quality medical care and quality of life. Versiti is the sole member of Michigan.

Indiana was formed in 1952 (commencing consolidated blood bank operations in 1965) in order to provide a community blood bank for the procurement, processing and distribution of whole blood and components for hospitals, other medical organizations and individuals in Indiana, and any other geographical areas in which affiliated blood centers are located. Indiana also engages in other laboratory services. Versiti is the sole member of Indiana.

Versiti Blood Research Institute Foundation, Inc. (Foundation) is a Wisconsin based non-stock, not-for-profit supporting organization formed in 1981 exclusively for charitable, scientific and educational purposes. More specifically, the Foundation is organized and operated exclusively to perform the functions of and advance the charitable purposes of its supported affiliates, Wisconsin, Illinois, Michigan, Indiana, and other similar entities engaged in transfusion or transplant medicine services or research. Foundation funds have been donated to ensure the continuing availability of monies for the purposes described above and to support, when appropriate, the operating expenses of Wisconsin's research facility. Wisconsin's management administers Foundation funds according to donor intent and board designation. The Foundation is controlled by Wisconsin (and, therefore, Versiti) through board overlap and Board representation.

Collectively, Versiti, Wisconsin and its subsidiaries Cenetron, Salus, Quantigen, and Pearl Pathways, Illinois, Michigan, Indiana and Foundation are referred to as the Organization.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

The Organization's financial statements have been consolidated pursuant to accounting principles generally accepted in the United States of America (U.S. GAAP). All significant inter-entity transactions are eliminated in consolidation.

Basis of Presentation

The consolidated financial statements are presented on the accrual basis of accounting. The Organization classifies net assets and revenue based on the existence or absence of donor-imposed stipulations or time restrictions. Expenses are recorded as incurred.

Business Acquisitions

Wisconsin acquired Quantigen effective July 1, 2023, for a cash payment of $13,955,122 and an estimated earnout of $3,500,000. The earnout is recorded at fair value as determined through the use of a probability-based scenario analysis approach. Under this approach, a set of potential future earnings based on various revenue growth rate assumptions is assigned a probability of likelihood and the resulting earnout is calculated and discounted using a weighted average discount rate. The earnout is subject to redetermination over the earnout period. Changes in revenue growth rates, related earnings or the discount rate could result in a material change to the earnout recognized.

Wisconsin acquired Pearl Pathways effective November 1, 2023, for a cash payment of $11,488,430 and an earnout that is contingent upon employment of the seller of Pearl Pathways during the earnout period. There was no compensation expense recognized for the year ended December 31, 2023 for the Pearl Pathways' earnout.

The acquisitions of Quantigen and Pearl Pathways were made to advance Versiti's specialty lab services and regulatory affairs consulting services, respectively. The acquisitions were funded through cash on hand. The following table summarizes the estimated fair value of assets acquired and liabilities assumed as of the dates of acquisition:

	2023	
	Quantigen	Pearl Pathways
Cash and cash equivalents	$ 3,851,576	$ 362,415
Accounts receivable	458,386	910,834
Investments	-	56,597
Property and equipment, net	6,084,633	-
Trademarks	681,000	370,000
Customer relationships	4,030,000	4,310,000
Goodwill	9,536,885	6,365,731
Earnout	(3,500,000)	-
Accounts payable	(599,142)	(168,351)
Accrued expenses	(459,315)	(356,381)
Deferred revenue	(2,277,325)	-
Net assets acquired	$ 17,806,698	$ 11,850,845

The earnout liability and deferred revenue are included in other long-term liabilities on the consolidated statements of financial position. There were $1,514,011 of transaction costs incurred during the year ended December 31, 2023 related to the above acquisitions.

Salus acquired certain assets of Ethical and Independent Review Services, LLC (EIR), on June 30, 2022, for a cash payment of $246,799. The acquisition of EIR was made to advance Versiti's clinical trial services. The acquisition was funded through cash on hand. The following table summarizes the estimated fair value of assets acquired and liabilities assumed as of the date of acquisition:

	2022
Cash and cash equivalents	$ 2,807
Accounts receivable	59,430
Other assets	849
Customer relationships	88,851
Goodwill	133,277
Accounts payable	(5,208)
Accrued expenses	(30,400)
Net assets acquired	$ 249,606

There were no transaction costs associated with the acquisition of EIR during the year ended December 31, 2022.

Cash and Cash Equivalents

Cash equivalents consist of short-term investments with original maturities at acquisition of three months or less. The Organization has cash and cash equivalents in excess of the Federal Deposit Insurance Corporation insurance limits. Management does not believe it is exposed to any significant risk.

Accounts Receivable

The majority of the Organization's accounts receivable are due from companies in the health care industry. Accounts receivable also consist of reimbursement from federal agencies for research activities. Credit is extended based on an evaluation of a customer's financial condition and collateral is not required. Accounts receivable are stated at amounts due from customers net of an allowance for credit losses. The Organization determines its allowance by considering a number of factors, including the length of time trade accounts receivable are past due, the Organization's previous loss history, the customer's current ability to pay its obligation to the Organization, and the condition of the general economy and the industry as a whole. The Organization writes off accounts receivable when they become uncollectible. The policy for determining past-due accounts is assessed on a customer-by-customer basis. Bad debt/(recoveries) expense amounted to approximately $(93,000) and $81,000 for the years ended December 31, 2023 and 2022, respectively.

Inventories

All of the blood supplied by Wisconsin, Illinois, Michigan and Indiana is obtained from volunteer donors. Blood and blood component inventories are valued at their processing cost, which does not exceed market value.

The Organization also holds a supply of pharmaceutical products for sale to third parties and a supply inventory for use in its daily activities. Supplies and pharmaceutical products are valued at the lower of cost or net realizable value using the first-in, first-out method.

Inventory is stated net of an allowance for excess and obsolete items of $80,000 as of December 31, 2023 and 2022.

Investments

Investments in marketable securities with readily determinable fair values, investments in debt securities, and investments measured using net asset value (NAV) are reported at their fair values in the consolidated statements of financial position. Unrealized gains and losses are included in the change in net assets. Restricted investments of approximately $35,123,000 and $30,090,000 as of December 31, 2023 and 2022, respectively, are being held to be used in accordance with federal grant sub-award requirements. See Note K.

Property and Equipment

The Organization accounts for depreciation of its property and equipment and related additions and improvements over their estimated useful lives, which range from two to 30 years, on a straight-line basis. Leasehold improvements are amortized over the lesser of their useful life or the lease term. Amortization of assets held under finance leases is included in depreciation expense. Depreciation expense of $9,033,657 and $8,326,320 was recorded for the years ended December 31, 2023 and 2022, respectively.

The cost and related accumulated depreciation of property and equipment retired or otherwise disposed of are removed from the accounts, with any gain or loss included in other revenue or other expense. Maintenance and repairs are charged to expense as incurred.

Property and equipment are stated at cost and consist of the following as of December 31:

	2023	2022
Land and land improvements	$ 6,564,958	$ 6,564,958
Buildings and improvements	116,852,762	113,646,743
Furniture, equipment, software and vehicles	93,542,835	84,564,894
Leasehold improvements	7,239,586	3,878,293
Finance leased vehicles	3,442,220	1,241,202
Finance leased equipment	1,853,368	-
Construction and equipment in progress	7,460,655	3,085,815
Total property and equipment	236,956,384	212,981,905
Less: accumulated depreciation	(160,417,042)	(153,505,713)
Property and equipment, net	$ 76,539,342	$ 59,476,192

Intangible Assets

Intangible assets consist of the following as of December 31:

	2023		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Definite lived intangible assets			
Customer relationships (Cenetron)	$ 1,728,000	$ (388,800)	$ 1,339,200
Customer relationships (Salus and EIR)	273,851	(68,984)	204,867
Customer relationships (Quantigen)	4,030,000	(161,200)	3,868,800
Customer relationships (Pearl Pathways)	4,310,000	(47,889)	4,262,111
Technology (Cenetron)	1,659,000	(1,066,500)	592,500
Trademarks (Quantigen)	681,000	(45,400)	635,600
Trademarks (Pearl Pathways)	370,000	(12,333)	357,667
Total definite lived intangible assets	13,051,851	(1,791,106)	11,260,745
Indefinite lived intangible assets			
Trademarks (Cenetron)	720,000	-	720,000
Trademarks (Salus)	45,000	-	45,000
Total intangible assets	$ 13,816,851	$ (1,791,106)	$ 12,025,745

	2022		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Definite lived intangible assets			
Customer relationships (Cenetron)	$ 1,728,000	$ (302,400)	$ 1,425,600
Customer relationships (Salus and EIR)	273,851	(49,423)	224,428
Technology (Cenetron)	1,659,000	(829,500)	829,500
Total definite lived intangible assets	3,660,851	(1,181,323)	2,479,528
Indefinite lived intangible assets			
Trademarks (Cenetron)	720,000	-	720,000
Trademarks (Salus)	45,000	-	45,000
Total	$ 4,425,851	$ (1,181,323)	$ 3,244,528

Intangible assets with definite lives are amortized using the straight-line method over the lesser of the asset's life or the estimated remaining useful life. The estimated useful lives by major classification are as follows:

	Years
Customer relationships	12.5-20
Technology	7
Trademarks	5-7.5

Total amortization expense was $609,783 and $339,787 for the years ended December 31, 2023 and 2022, respectively. Future amortization expense for the years ended December 31, are as follows:

2024	$ 1,117,494
2025	1,117,494
2026	998,994
2027	880,494
2028	868,161
Thereafter	6,278,108
Total	$ 11,260,745

Intangible assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable based upon an estimate of the related future undiscounted cash flows. There were no impairment losses for the years ended December 31, 2023 and 2022.

Goodwill

Goodwill represents the excess of the purchase price of the Organization's acquisitions over the fair value of identifiable net assets acquired, including other identified intangible assets. The outstanding balance was $23,898,410 and $7,995,794 as of December 31, 2023 and 2022, respectively. The change in goodwill during 2023 and 2022 was the result of the business acquisitions discussed in Note B.

Goodwill is assessed for impairment at the consolidated level if there is a triggering event that occurs. There were no triggering events that occurred for the years ended December 31, 2023 and 2022, and therefore, there was no goodwill impairment analysis performed.

Other Assets

Versiti holds a voting membership in Blood Centers of America, Inc. (BCA) along with other not-for-profit corporations that are engaged in blood banking and blood services. BCA serves primarily as a group purchasing organization (GPO) for its member organizations, and also serves as a resource sharing agent for blood products between members and negotiating agent with third parties for select blood products. Versiti made an initial contribution of $350,000 in connection with the membership, which was recorded within other assets on the accompanying consolidated statements of financial position. Versiti's contribution amounts to $350,000 at December 31, 2023 and 2022.

Illinois, Michigan and Indiana have invested in an inter-insurance exchange, also referred to as a reciprocal insurer. This exchange, the Community Blood Centers' Exchange Risk Retention Group (the Exchange), was formed pursuant to the Federal Liability Risk Retention Act to provide its members, non-profit community blood centers, access to general and professional liability insurance. Each member has made contributions evidencing its ownership interest in the Exchange. Annually, dividends are received from the Exchange and are included as a reduction of other expenses in the consolidated statements of activities. Additionally, the Exchange allocates non-interest-bearing subscriber savings accounts annually. The subscriber savings accounts are automatically converted to interest-bearing notes. The notes are payable five years from their inception and may be extended by the Exchange's board, at its sole discretion. The investment and notes receivable are included in other assets on the consolidated statements of financial position.

Below is a summary of the Organization's activity with the Exchange as of December 31.

	2023	2022
Investment in Exchange	$ 374,421	$ 374,385
Notes receivable from Exchange	1,139,095	1,052,159

Leases

Effective January 1, 2022, the Organization adopted Accounting Standards Update (ASU) 2016-02*, Leases (Topic 842)*, and related amendments. Accounting Standards Codification (ASC) 842 requires lessees to (i) recognize a right-of-use asset and a lease liability that is initially measured at the present value of the remaining lease payments on the consolidated statements of financial position, (ii) recognize a single lease expense calculated over the lease term on a straight-line basis and (iii) classify lease related cash payments within operating and financing activities. The Organization adopted ASC 842 utilizing the current-period adjustment method, which allowed the guidance to be initially applied at the adoption date with a cumulative-effect adjustment to the opening balance of net assets. The Organization elected the package of practical expedients, which allowed the Organization to forgo reassessing prior conclusions on lease definition, classification and initial direct costs related to existing leases as of the adoption date. The Organization elected not to recognize short-term leases on the consolidated statements of financial position and all non-lease components, such as common area maintenance and copier service charges, were excluded. Variable lease payments that do not depend on a rate or index and short-term rentals are expensed as incurred.

The Organization's existing lease arrangements consist of both operating leases and finance leases. There was no impact of the adoption to the opening balance of net assets. The lease liabilities on January 1, 2023, reflect remaining lease payments discounted using an incremental borrowing rate over the remaining lease term, as an implicit rate was not determinable for any of the Organization's existing leases. See Note I for further disclosure surrounding leases.

Net Assets

Net assets, revenue, gains and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

<u>Net Assets Without Donor Restrictions</u>

Net assets available for general use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

<u>Net Assets With Donor Restrictions</u>

Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue Recognition from Contracts with Customers

Nature of Products

Blood Services is responsible for recruiting, collecting, processing, and distributing blood and blood products. Generally, Diagnostics Laboratories and Biomaterials and Clinical Trial Services are responsible for developing and performing a variety of laboratory testing on patient samples and providing clinical trial and institutional review board services. Pharmacy includes the distribution of purchased pharmaceutical products related to blood disorders to hospitals, physicians, and in-home care patients. Organ and Tissue Donation is responsible for procuring and distributing organ and tissue donations. Donor Testing Laboratories provides infectious disease donor testing services to other blood centers. Medical Services provides a vast array of transfusion and blood disease-related medical services as well as bleeding disorder treatment center services, marrow donation services and cord blood products.

Performance Obligations

Versiti's contracts include a promise to transfer a product to a customer, or a promise to perform a service to a customer, which represent a single performance obligation. Versiti determines the standalone selling prices for its products based on observable selling prices.

Transaction Price

The transaction price is the amount of consideration to which Versiti expects to be entitled in exchange for transferring products to the customer or providing the customer with a service. Revenue from product and service sales is recorded based on the transaction price, which includes fixed consideration based on the number of units ordered, or the service being rendered. Receivables from customers are typically due within 30 days. Versiti has determined that any variable consideration is immaterial. The timing of revenue recognition typically aligns with Versiti's right to invoice the customer once control of the product has transferred to the customer (point in time). For revenue from blood products, tissue products, pharmaceutical procedures and laboratory testing services, this is when the products are shipped or upon the completion of the services, with the exception of consigned products, where revenue is recorded from the sale of blood products and pharmaceutical products when transfused to the patient. Revenue from organ donation is recognized upon acceptance for transplant. In the case of physician service revenue, which is part of medical service revenue, control is transferred to the customer over time, under an output method based on time incurred, as the services are being received and consumed by the customer.

Total revenue and other support recognized was as follows for the years ended December 31:

	2023	2022
Revenue from products recognized at a point in time	$ 390,115,707	$ 369,823,419
Revenue from services recognized over time	4,473,070	4,934,359
Revenue from contracts with customers	394,588,777	374,757,778
Contributions from third parties	2,190,801	1,689,953
Blood Research Institute revenue	23,676,186	24,113,393
Total revenue and other support	$ 420,455,764	$ 400,561,124

Contributions and Contributions Receivable

Contributions received and made, including unconditional promises to give, are recognized as revenue and expense, respectively, in the period in which the contribution is received or made, respectively. Contributions that have restrictions that are met during the same year the contributions are received are recorded as net assets without donor restrictions contribution revenue. Contributions receivables are recorded at the present value of future estimated cash flows and net of an allowance for uncollectible contributions.

Net contributions receivable are summarized as follows as of December 31:

	2023	2022
Total contributions receivable	$ 1,629,709	$ 1,714,991
Less: adjustment to present value for future cash flows for contributions receivable	(36,405)	(52,561)
Present value of contributions receivable	1,593,304	1,662,430
Less: allowance for uncollectible contributions	(38,639)	(29,187)
Net contributions receivable	$ 1,554,665	$ 1,633,243

Pledges expected to be received after one year are discounted at a rate commensurate with the risk involved, with rates ranging from 0.36% to 4.02% as of December 31, 2023 and 2022.

Management determines its allowance by considering a number of factors, including the length of time contributions receivable are past due, previous loss history, the donor's current ability to pay its obligation, and the condition of the general economy and the industry as a whole. Management writes off contributions receivable when they become uncollectible. The policy for determining past-due contributions is assessed on a donor-by-donor basis.

Payments on contributions receivable are expected to be received as follows:

Years Ending December 31,	
2024	$ 718,709
2025	275,500
2026	225,500
2027	210,000
2028	200,000
Thereafter	-
	$ 1,629,709

Use of Estimates in Preparation of Financial Statements

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value Measurements

Cash and cash equivalents are reflected in the consolidated financial statements at cost, which approximates fair value because of the short-term duration of these instruments. Receivables are reflected at net realizable value based on anticipated losses due to potentially uncollectible balances, which approximate fair value. Accounts payable and accrued expenses are reflected at cost, which approximates fair value because of the short-term duration of these instruments. See Note D for fair value measurements of investments.

Advertising Costs

The Organization expenses advertising costs as incurred. Advertising costs for the years ended December 31, 2023 and 2022, were $1,243,720 and $1,063,467, respectively.

Income Taxes

Versiti, Wisconsin, Illinois, Michigan, Indiana and the Foundation have all received tax determination letters confirming that the organizations qualify as tax-exempt organizations under section 501(c)(3) of the Internal Revenue Code (IRC).

The Organization follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the financial statements if the position is more likely than not to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

Versiti, Wisconsin, Illinois, Michigan, Indiana and the Foundation are exempt from federal income tax under IRC section 501(c)(3), though they are subject to tax on income unrelated to their exempt purposes, unless that income is otherwise excluded by the IRC. The Organization has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Organization files federal and state income tax returns to report unrelated business income where applicable, and with few exceptions, those periods generally remain open three years for federal purposes and four years for state purposes. The statute of limitations will remain open for any years where returns were not filed. The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the consolidated financial statements.

Salus has been organized as a limited liability company and, accordingly, is not subject to federal or state income taxes. All income tax attributes of the entity are passed through to its sole member, Wisconsin. The entity is, however, subject to Texas Franchise Tax. The entity is included in the consolidated information return filed by Versiti Wisconsin.

Cenetron has been organized as a wholly owned LLC that has elected to be treated as a C-corporation for tax purposes and so is subject to federal and state income taxes. Income taxes are provided for the tax effects of transactions reported by Cenetron and consist of taxes currently due and deferred taxes. Deferred taxes are recognized for differences between the basis of assets and liabilities for financial statement and income tax purposes. The differences relate primarily to intangible assets. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Cenetron is subject to taxation in the United States and the state of Texas.

Quantigen has been organized as a disregarded entity and, accordingly, is not subject to federal or state income taxes. All income tax attributes of the entity are passed through to its sole member, Wisconsin.

Pearl Pathways has been organized as a disregarded entity and, accordingly, is not subject to federal or state income taxes. All income tax attributes of the entity are passed through to its sole member, Wisconsin.

The consolidated deferred tax liability was $675,285 and $271,839 as of December 31, 2023 and 2022, respectively, and primarily relates to intangibles. There was deferred income tax expense for the years ended December 31, 2023 and 2022 of $371,200 and $436,926, respectively.

The Organization recognizes, if necessary, interest and penalties related to unrecognized tax benefits in the provision for income taxes. There were no material interest or penalties related to income taxes that have been accrued or recognized as of and for the years ended December 31, 2023 and 2022.

Other Presentation Matters

The Organization presents its functional expenses in the consolidated statement of functional expenses to reflect operations by defined service lines. Corporate Services includes the general and administrative functions of the Organization. Development includes the fundraising activities of the Organization.

The statement of functional expenses reports certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis. A majority of expenses are allocated on the basis of actual expenditures, however expenses such as occupancy are based on square footage, while expenses such as salaries and benefits are based on time records and estimates made by management.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation. There were no changes to previously reported total assets, total liabilities and net assets, or change in net assets as a result of these reclassification adjustments.

New Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13*, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("CECL").* ASU 2016-13 is intended to improve financial reporting by requiring timelier recording of credit losses on loans and other financial instruments held. This ASU requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This ASU requires enhanced disclosures to help financial statement users better understand significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of the Organization's portfolio. These disclosures include qualitative and quantitative requirements that provide additional information about the amounts recorded in the consolidated financial statements. The Organization adopted this new guidance effective January 1, 2023. There was no material impact on the consolidated financial statements as a result of the adoption of this guidance.

NOTE C - INVESTMENTS

The Organization's investment portfolio consists of the following as of December 31:

	2023		2022	
	Carrying Value	Cost	Carrying Value	Cost
Money market funds	$ 4,345,176	$ 4,345,176	$ 689,041	$ 689,035
Fixed income mutual funds	91,560,731	92,924,127	102,911,901	105,295,209
Common stock mutual funds	77,552,112	55,595,904	76,314,619	64,513,393
Mixed asset mutual funds	10,721,540	10,285,381	8,417,417	9,542,834
Common stock	56,597	56,597	-	-
Alternative investments	36,864,057	29,775,222	38,487,580	31,823,756
Total investments	$ 221,100,213	$ 192,982,407	$ 226,820,558	$ 211,864,227

Included in investments on the consolidated statements of financial position is $2,000,000 and $0 due from broker at December 31, 2023 and 2022, respectively.

The Organization's investments are exposed to various risks, such as interest rates, market and credit risks. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the values of investments, it is at least reasonably possible that changes in risk in the near term would materially affect the Organization's investment holdings.

NOTE D - DISCLOSURES ABOUT FAIR VALUES OF FINANCIAL INSTRUMENTS

Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value, which are the following:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following methods and assumptions were used to estimate the fair value of each classification of financial instruments for which it was practicable to do so. There have been no changes to the methodologies used at December 31, 2023 and 2022.

Common stock and mutual funds – Quoted market prices are used to determine the fair value of these securities.

The following table summarizes assets by fair value measurement level as of December 31. The Organization measures certain investments using NAV which is exempted from categorization within the fair value hierarchy and related disclosures; however, the Organization separately discloses the information required for assets measured using NAV in the following tables:

	2023			
	Level 1	Level 2	Level 3	Total
Fixed income mutual funds	$ 91,560,731	$ -	$ -	$ 91,560,731
Common stock mutual funds	77,552,112	-	-	77,552,112
Mixed asset mutual funds	10,721,540	-	-	10,721,540
Common stock	56,597	-	-	56,597
Investments, at fair value	$ 179,890,980	$ -	$ -	179,890,980
Alternative investments, valued at NAV				36,864,057
				$ 216,755,037

	2022			
	Level 1	Level 2	Level 3	Total
Fixed income mutual funds	$ 102,911,901	$ -	$ -	$ 102,911,901
Common stock mutual funds	76,314,619	-	-	76,314,619
Mixed asset mutual funds	8,417,417	-	-	8,417,417
Investments, at fair value	$ 187,643,937	$ -	$ -	187,643,937
Alternative investments, valued at NAV				38,487,580
				$ 226,131,517

The following table provides additional information related to investments recorded at NAV as of December 31:

	Fair Value 2023	Fair Value 2022	Unfunded Commitments as of December 31, 2023	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Parametric Defensive Equity Fund, LLC	$ 5,225,921	$ 6,301,706	$ -	Monthly	5 days
Clarion Lion Properties Fund, LP	5,013,455	8,127,598	-	Quarterly	90 days
Landmark Equity Partners XVI, LP	1,961,753	1,718,926	878,188	Unknown	
Wellington Trust Company Emerging Markets Research Equity	2,702,268	3,768,884	-	Weekly	10 days
Siguler Guff Small Buyout Opportunities Fund III LP	1,951,070	2,068,185	215,000	Unknown	-
Summit Partners Credit Offshore Fund III LP	470,954	836,070	1,220,308	Unknown	-
Siguler Guff Small Buyout Opportunities Fund IV LP	2,637,990	2,167,745	480,218	Unknown	-
JP Morgan PEG Global Private Equity VIII Offshore Special LP	2,651,149	2,325,867	535,494	Unknown	-
HIG Whitehorse Principal Lending Offshore Feeder	6,245,348	6,011,740	330,345	Unknown	-
JP Morgan PEG Global Private Equity IX	1,516,316	1,040,367	870,793	Unknown	-
Aberdeen Standard U.S. Private Equity Fund IX (Offshore)	1,939,921	1,437,537	600,000	Unknown	-
HIG Whitehorse Equity Side-Car	357,969	332,977	5,288	Unknown	-
JP Morgan PEG Global Private Equity X	882,949	116,989	2,139,142	No redemption	-
Siguler Guff Small Buyout Opportunities Fund V LP	708,457	232,989	1,373,544	No redemption	-
Earnest International Investment Trust Fund	2,448,537	2,000,000	-	Monthly	10 days
JP Morgan PEG Global Private Equity XI LP	-	-	2,000,000	No redemption	-
RCP Multi-Strategy Cayman Feeder II, LP	150,000	-	1,350,000	No redemption	-
Total	$ 36,864,057	$ 38,487,580	$ 11,998,320		

Non-U.S. Equities

Non-U.S. equity sub-asset classes (Developed Large-Cap, Small Cap and Emerging Markets) invest in publicly traded stocks issued by companies located outside of the United States of America across more than 100 countries worldwide. Investment managers seek to outperform their respective benchmark, while managing downside risk over a full market cycle by implementing bottom-up, fundamental research of individual companies and following a robust investment process.

Hedge Funds

Defensive Equity strategies attempt to generate similar returns to the S&P 500 over a full market cycle with lower risk. A lower volatility portfolio is created by structurally reducing equity market risk, while systematically selling fully collateralized equity index options to enhance returns.

Real Estate

Core real estate investing resides at the low-risk/low-return end of the real estate risk spectrum. Core investments are existing high-quality, stabilized, income-producing office, industrial, multifamily, and/or retail properties located in major metropolitan markets. These supply constrained markets are economically diversified and generally offer better liquidity through a market cycle. Core properties are substantially leased to multiple high-credit quality tenants. Leases are long-term in nature and feature staggered lease expirations to mitigate any negative impact on the income stream during an economic downturn.

Private Equity and Private Debt

Private equity funds are pools of actively-managed capital that invest primarily in private companies with the intent of creating value in the companies in which they invest by improving operations, reducing costs, selling non-core assets and maximizing cash flow. Through a private equity fund, investors combine or pool their capital that enables the manager of the fund to make investments in various companies structured as limited partnerships or limited liability companies that are professionally managed by a general partner who sources and vets potential investments and has the discretion to make investments for the fund. Private equity funds usually have an investment objective or strategy that may focus on companies in certain sectors, industries, geographic regions, size ranges or stages of development or operations, or on certain types and sizes of investments. Although private equity connotes equity investing which offers funds a significant upside potential, private equity funds may also provide debt financing, including senior, mezzanine, subordinated or convertible debt.

NOTE E - RETIREMENT PLANS

Defined Contribution Plans

<u>403(b)</u>

Wisconsin maintained two section 403(b) plans until December 2017. The matched plan covered those employees who met the eligibility requirements of the plan. The non-contributory defined contribution plan covered substantially all full-time employees of Wisconsin. In December 2017, the assets of the Wisconsin 403(b) non-contributory defined contribution plan were merged into the matched plan and renamed the Versiti 403(b) plan. The Versiti 403(b) plan is frozen.

<u>401(k)</u>

In December 2017, the Organization created the Versiti 401(k) plan. Employee contributions are subject to certain limitations, and the Organization provides a discretionary matching contribution to all eligible participants. Contributions were $8,443,125 and $7,210,097 during the years ended December 31, 2023 and 2022, respectively.

<u>457(b)</u>

Versiti and its affiliates offer several section 457(b) plans to highly compensated employees. The plans allow participants to make contributions through payroll withholdings. Any amounts deferred by the participants are recorded in investments as an asset and long-term retirement liabilities within the accompanying consolidated statements of financial position in equal amounts. In December 2017, the Organization created the Versiti 457(b) plan. Contributions for participants from all affiliates after December 2017 are made to the Versiti 457(b) plan. Total balances of $10,721,540 and $8,416,917 were recorded as of December 31, 2023 and 2022, respectively.

<u>Long Term Incentive Plan (“LTIP”)</u>

Versiti maintains an LTIP covering several key executive employees. The purpose of the plan is to attract and retain key executive employees and to provide additional incentive compensation for multi-year strategic initiatives. The additional incentive compensation will be paid out at the end of a three-year plan cycle. There was an outstanding balance of $5,682,028 and $1,836,583 as of December 31, 2023 and

2022, respectively, which was included in accrued expenses on the accompanying consolidated statements of financial position.

Medical Plans

Versiti maintains a self-insured medical plan covering the medical and pharmacy expenses of the Organization. Versiti has purchased individual stop-loss insurance that covers health costs in excess of $175,000 for each covered individual. There is no maximum lifetime benefit limit under this insurance policy. The incurred but not reported liability for claims included in accrued expenses on the accompanying consolidated statements of financial position as of December 31, 2023 and 2022, was $1,757,222 and $1,530,637, respectively.

NOTE F - LETTER OF CREDIT

Wisconsin has a letter of credit that expires December 31, 2026, in favor of the Treasurer of the Wisconsin Unemployment Reserve Fund, in the amounts of $613,926 and $578,724 that have been issued to satisfy state unemployment compensation requirements as of December 31, 2023 and 2022, respectively.

NOTE G - MASTER TRUST INDENTURE AND LINE OF CREDIT

During 2020, Versiti entered into a Master Trust Indenture with U.S. Bank National Association as Master Trustee for purposes of providing the Organization with the issuance from time to time of financing or refinancing for the acquisition or betterment of facilities or for other purposes with the obligated issuers. Amounts under the Master Trust Indenture are secured by a general business security agreement and require compliance with certain covenants. The Organization was in compliance with these covenants at December 31, 2023 and 2022.

In connection with this Master Trust Indenture, Versiti secured a $9,500,000 line of credit at JPMorgan Chase Bank. The line of credit expires on August 23, 2024. The line of credit bears interest at the Applicable Rate as stated in the credit agreement, which was the SOFR rate + 0.75% as of December 31, 2023 and December 31, 2022 (effective rates of 6.13% and 5.05% as of December 31, 2023 and 2022, respectively). There were no amounts outstanding as of December 31, 2023 and 2022.

NOTE H - NET ASSETS

Without Donor Restrictions

This portion of net assets is not restricted by donor-imposed stipulations or the passage of time.

Board-Designated Endowment Funds

Board-designated endowment funds for the Foundation totaled $102,841,840 and $92,757,212 as of December 31, 2023 and 2022, respectively.

The board-designated endowment fund for the Foundation includes amounts donated (and, in part, the earnings thereon) to assure the continuing availability of funds for research purposes and to support the operating expenses of the Blood Research Institute. While the donors designated the funds to the aforementioned purposes, they also allowed for the board of directors of Wisconsin and the Foundation to alter the designations by a 75% vote.

With Donor Restrictions

Net assets with donor-imposed restrictions were $9,422,554 and $8,061,941 as of December 31, 2023 and 2022, respectively. These assets are subject to purpose and time restrictions. During the years ended December 31, 2023 and 2022, Versiti released $717,013 and $391,097, respectively, of net assets from restrictions.

The following table reflects the Organization's net assets with donor-imposed time or purpose restrictions at December 31:

	2023	2022
Research stem cell and cell therapy	$ 5,171,305	$ 4,657,378
Research operating pledges receivable	148,184	15,437
Research fellowship and scholars	613,712	679,107
Research cancer immunology	50,386	70,697
Research leukemia tissue bank	137,621	165,188
Medical services bone marrow testing	207,456	207,456
Organ donation support	190,035	196,562
Blood services support	60,356	60,356
Research building expansion	700,299	-
Total donor restricted operating funds	7,279,354	6,052,181
Research endowment pledges receivable	1,000,000	1,200,000
Research Foundation endowment	1,143,200	809,760
Total donor restricted endowment funds	2,143,200	2,009,760
Total donor restricted net assets	$ 9,422,554	$ 8,061,941

Endowment Net Assets

The Organization's endowment includes funds designated by Versiti's board of directors to function as endowments. Net assets associated with endowment funds, including funds designated to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization has interpreted the Wisconsin Uniform Prudent Management of Institutional Funds Act (WUPMIFA) adopted and enacted by the Wisconsin legislature on August 4, 2009, as requiring consideration of prudent expenditure standards prior to authorizing disbursements. As a result of this interpretation, the Organization classifies as net assets with donor restrictions: (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts donated to the endowment (3) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund and (4) amounts which are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by the state of Wisconsin in its enacted version of WUPMIFA. In accordance with WUPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the endowment funds; (2) the purposes of the Organization and the donor-restricted endowment fund; (3) general economic conditions; (4) the possible effect of inflation and deflation; (5) the expected total return from income and the appreciation of investments; (6) other resources of the Organization; and (7) the investment policy of the Organization.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Organization to retain as a fund of perpetual duration. There were no deficiencies of this nature reported for the years ended December 31, 2023 and 2022.

The Organization invests its board-designated endowment funds and net assets with permanent donor restrictions prudently with the goal of providing a long-term rate of return in excess of inflation. Objectives of the Organization’s investment policy include providing adequate liquidity, maximizing returns on all funds invested and achieving full employment of all available funds as earning assets. The Organization has an active Investment and Finance Committee that meets regularly to ensure the objectives of the investment policy are being met, and the strategies used to meet the objectives are in accordance with the investment policy.

The Organization has a policy of appropriating for distribution each year 5.5% of their board-designated endowment fund’s average fair value over the prior five years in which the distribution is planned. Additional appropriations are allowed at the discretion of the board of directors. In establishing this policy, the Organization considers the long-term expected return on their endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow their endowment to grow at an average of 5.5%. This is consistent with the Organization’s objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return. Actual returns in any given year may vary from this expectation. In accordance with WUPMIFA, the Organization’s policy for appropriating for distribution is suspended when the fair value of assets associated with individual donor-restricted endowment funds falls below the level required by the donor or WUPMIFA.

The following schedules reflect the Organization’s endowment net asset composition and activity as of and for the years ended December 31:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment funds	$ 102,841,840	$ 2,143,200	$ 104,985,040
	$ 102,841,840	$ 2,143,200	$ 104,985,040

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment funds	$ 92,757,212	$ 2,009,760	$ 94,766,972
	$ 92,757,212	$ 2,009,760	$ 94,766,972

	Years Ended December 31, 2023	Years Ended December 31, 2022
Without donor restrictions		
Endowment net assets without donor restrictions at beginning of year	$ 92,757,212	$ 110,772,322
Total investment return, net	13,926,521	(13,269,782)
Transfer from endowment fund to operating fund	-	(1,000,000)
Transfers from operating fund to endowment fund		
License revenue	227,665	424,310
Contributions	443,690	423,965
Appropriation of endowment assets for expenditure	(4,513,248)	(4,593,603)
Endowment net assets without donor restrictions at end of year	$ 102,841,840	$ 92,757,212

	Years Ended December 31, 2023	Years Ended December 31, 2022
With donor restrictions		
Endowment net assets with donor restrictions at beginning of year	$ 2,009,760	$ 2,128,967
Appropriation of endowment assets for expenditure	-	(27,204)
Total investment return, net	133,440	(92,003)
Endowment net assets with donor restrictions at end of year	$ 2,143,200	$ 2,009,760

NOTE I - LEASES

The Organization leases various operational facilities and equipment leases under non-cancelable finance and operating lease agreements. Certain leases call for escalating rental payments. At the commencement of a lease, the Organization includes only the initial lease term unless the option to extend is reasonably certain. The Organization does not capitalize leases with a lease term of 12 months or less on its consolidated statements of financial position in accordance with ASC 842.

The Organization has elected to account for leases that have lease payments over the term of the lease of $5,000 or greater. When calculating the lease liability on a discounted basis, the Organization applies its estimated incremental borrowing rate if an implicit rate in the lease is not readily available. The Organization bases its incremental borrowing rate on a collateralized interest rate.

The Organization's facility leases often contain lease and non-lease components. The Organization has elected to account for these lease and non-lease components separately. Non-lease components for these assets are primarily comprised of maintenance expense, insurance and utilities that are passed on from the lessor in proportion to the space leased by the Organization and are recognized in the period in which the obligation for those payments was incurred. Non-lease components are separate from lease components within the Organization's lease agreements, such that an allocation between the components does not need to be performed. The Organization accounts for these expenses as variable payments and does not include such expenses as a lease component. Lease expense for leases is recognized on a straight-line basis over the lease term.

The expense components of the Organization's leases reflected on the consolidated statements of activities were as follows:

	December 31, 2023	December 31, 2022
Finance lease expenses:		
Amortization of right-of-use assets	$ 672,844	$ 9,181
Interest on lease liabilities	87,997	1,437
Total finance lease expense	760,841	10,618
Operating lease expense	3,638,396	3,476,641
Total lease expense	$ 4,399,237	$ 3,487,259

Other information related to leases was as follows:

	December 31, 2023	December 31, 2022
Weighted-average remaining lease term (in years):		
Finance leases	4	4
Operating leases	5	3
Weighted-average discount rate:		
Finance leases	3.9%	3.9%
Operating leases	3.0%	1.8%

As of December 31, 2023, future minimum lease payments under non-cancellable leases are as follows:

	Finance leases	Operating leases	Total
2024	$ 1,243,163	$ 3,658,242	$ 4,901,405
2025	1,243,163	3,145,298	4,388,461
2026	1,114,016	2,152,518	3,266,534
2027	1,016,977	1,145,223	2,162,200
2028	635,051	378,525	1,013,576
Thereafter	-	805,514	805,514
Total future minimum lease payments	5,252,370	11,285,320	16,537,690
Less: discount	(558,043)	(642,605)	(1,200,648)
Lease liability	$ 4,694,327	$ 10,642,715	$ 15,337,042

The current portion of the operating lease liability is included with accrued expenses on the consolidated statement of financial position.

NOTE J - RELATED PARTIES

Certain members of the Organization's board of directors are employed by or serve on boards of directors of various health care organizations or service companies with which the Organization does business. Sales to related parties totaled $2,557,401 and $3,447,665 for the years ended December 31, 2023 and 2022, respectively. Receivables from related parties totaled $691,966 and $1,524,833 at December 31, 2023 and 2022, respectively. Versiti purchased services of $5,149,271 and $3,640,043 from companies with which certain Versiti board members are associated for the years ended December 31, 2023 and 2022, respectively. Payables to related parties were $157,831 and $559,464 at December 31, 2023 and 2022, respectively

Contributions from board of director members totaled $634,920 and $181,812 for the years ended December 31, 2023 and 2022, respectively. Contributions receivable from these related parties totaled $1,479,483 and $1,510,000 at December 31, 2023 and 2022, respectively.

NOTE K - COMMITMENTS AND CONTINGENCIES

Wisconsin operates a hemophilia treatment center, the Comprehensive Center for Bleeding Disorders (CCBD), under a federal grant sub-award from the Health Resources and Services Administration - Federal Assistance Listing Number 93.110. The grant sub-award passed through from Great Lakes Hemophilia Foundation, Inc., allows Wisconsin to participate in the 340b Drug Pricing Program (Program), a federal program administered by the U.S. Department of Health and Human Services. During the years ended December 31, 2023 and 2022, Wisconsin earned Program-related revenue (Program Income) of approximately $41,087,000 and $39,074,000, respectively. Program Income generated under the grant is restricted in accordance with the terms and conditions of the grant, and the use of such funds is limited to patient care, education and supportive services necessary to provide comprehensive care to CCBD patients. During the years ended December 31, 2023 and 2022, Wisconsin expended approximately $36,055,000 and $36,844,000, respectively, on expenses related to the sale of pharmaceutical product and uses of residual Program Income for operations of CCBD that comply with the restrictions on Program Income in accordance with the grant agreement. As of December 31, 2023 and 2022, Wisconsin and Foundation maintain approximately $35,123,000 and $30,090,000, respectively, of cumulative Program Income in investments on the accompanying consolidated statements of financial position that is restricted, as described above.

The Organization is engaged in various matters of litigation in the ordinary course of business. Amounts are established by management to cover estimated losses and related expenses associated with these matters if they become probable and reasonably estimated. It is the opinion of management that the ultimate resolution of these matters will not have a material effect on the Organization's consolidated financial position or results of operations.

NOTE L - FUND TRANSFERS (FORMULA TRANSFER ADJUSTMENT)

For the years ended December 31, 2023 and 2022, the Foundation operating fund was entitled to receive from the Foundation board-designated endowment fund 5.5% of the total number of units of participation in the Foundation board-designated endowment fund multiplied by the average annual market value per unit of the Foundation board-designated endowment fund as of the end of the preceding 20 calendar quarters.

For the years ended December 31, 2023 and 2022, $4,513,248 and $4,593,603, respectively, was transferred from the Foundation board-designated fund to the Foundation operating fund. The transactions were in accordance with the above-described formula.

NOTE M - LICENSING OF INTELLECTUAL PROPERTY RIGHTS

License income is derived by the Foundation from licensing of intellectual property rights owned by the Foundation. Patent and license expenses, which are expensed as incurred, include direct costs associated with the acquisition of such rights, as well as the portion of the net license income (gross license income less direct acquisition costs) allocable to the research investigator. The net license income is allocated to the various funds and the research investigators based on formal policies adopted by the board of directors.

NOTE N - LIQUIDITY AND AVAILABILITY

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds according to an approved investment policy that invests funds based on operational, short-term and long-term needs. The Organization invests in liquid investments with no or limited redemption limitations. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents and investments.

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a budget that anticipates collecting sufficient revenue to cover general expenditures and capital expenditures.

The following table reflects the Organization’s financial assets reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual or donor restrictions and board designations as of December 31:

	2023	2022
Cash and cash equivalents	$ 32,200,235	$ 28,622,516
Investments	223,100,213	226,820,558
Accounts receivable	67,969,236	62,981,478
Contributions receivable, net - current	692,061	454,808
Total financial assets	323,961,745	318,879,360
Less: amounts not available to be used within one year		
Assets designated by the board of directors	(102,841,840)	(92,757,212)
Alternative investments without the option to withdraw within one year	(21,473,876)	(18,289,392)
Investments restricted for a certain purpose	(35,122,989)	(30,090,376)
Funds subject to long-term donor restrictions	(9,422,554)	(8,061,941)
Financial assets available to meet general expenditures within one year	$ 155,100,486	$ 169,680,439

NOTE O - SUBSEQUENT EVENTS

The Organization evaluated its December 31, 2023, consolidated financial statements for subsequent events through May 22, 2024, the date the consolidated financial statements were available to be issued. The Organization is not aware of any subsequent events that would require recognition or disclosure in the consolidated financial statements, except as disclosed below.

Subsequent to year-end, the Organization announced its expansion plan for the Versiti Blood Research Institute. The expansion will nearly double Versiti Blood Research Institute's research capacity. The project is estimated at approximately $79 million, and will include funding through donations, private funding and a $10 million grant from the State of Wisconsin.

SUPPLEMENTAL INFORMATION

Versiti, Inc. and Affiliates

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2023

ASSETS	Wisconsin	Cenetron	Salus	Quantigen	Pearl Pathways	Eliminations	Consolidated Wisconsin(*)	Foundation	Illinois	Michigan	Indiana	Versiti	Eliminations	Consolidated
Current assets														
Cash and cash equivalents	$ -	$ 3,530,120	$ 1,222,077	$ 3,497,290	$ 59,172	$ -	$ 8,308,659	$ 4,753,757	$ -	$ -	$ -	$ 19,137,819	$ -	$ 32,200,235
Accounts receivable, net	37,471,041	4,032,456	1,963,581	704,858	992,127	(1,131,082)	44,032,981	97,087	30,876,738	22,735,578	17,130,849	8,561,238	(55,465,235)	67,969,236
Contributions receivable, net	-	-	-	-	-	-	-	692,061	-	-	-	-	-	692,061
Inventories, net	11,173,130	873,506	-	-	-	-	12,046,636	-	2,006,211	2,009,232	2,938,991	-	-	19,001,070
Prepaid expenses	888,352	291,310	7,128	165,865	120,122	-	1,472,777	-	38,155	24,066	197,940	1,523,386	-	3,256,324
Total current assets	49,532,523	8,727,392	3,192,786	4,368,013	1,171,421	(1,131,082)	65,861,053	5,542,905	32,921,104	24,768,876	20,267,780	29,222,443	(55,465,235)	123,118,926
Investments	44,895,906	-	-	-	56,597	-	44,952,503	127,463,863	31,563,288	5,451,705	10,552,707	3,116,147	-	223,100,213
Investment in affiliates	49,247,515	-	-	-	-	(49,247,515)	-	-	-	-	-	-	-	-
Property and equipment, net	34,864,435	429,274	19,742	5,924,452	-	-	41,237,903	3,866	8,403,435	11,686,821	13,916,733	1,290,584	-	76,539,342
Operating lease right-of-use assets	1,728,726	2,682,250	-	-	-	-	4,410,976	-	2,191,088	2,795,592	1,160,797	-	-	10,558,453
Contributions receivable, net	-	-	-	-	-	-	-	862,604	-	-	-	-	-	862,604
Goodwill	-	7,280,691	715,103	9,536,885	6,365,731	-	23,898,410	-	-	-	-	-	-	23,898,410
Intangible assets, net	-	2,651,700	249,867	4,504,400	4,619,778	-	12,025,745	-	-	-	-	-	-	12,025,745
Other assets	361,258	196,869	-	50,000	-	(350,000)	258,127	-	51,792	38,007	24,364	1,927,516	-	2,299,806
Total assets	$ 180,630,363	$ 21,968,176	$ 4,177,498	$ 24,383,750	$ 12,213,527	$ (50,728,597)	$ 192,644,717	$ 133,873,238	$ 75,130,707	$ 44,741,001	$ 45,922,381	$ 35,556,690	$ (55,465,235)	$ 472,403,499

*Cenetron, Salus, Quantigen and Pearl Pathways are wholly owned subsidiaries of the Wisconsin affiliate.

Versiti, Inc. and Affiliates

CONSOLIDATING STATEMENT OF FINANCIAL POSITION - CONTINUED

December 31, 2023

	Wisconsin	Cenetron	Salus	Quantigen	Pearl Pathways	Eliminations	Consolidated Wisconsin(*)	Foundation	Illinois	Michigan	Indiana	Versiti	Eliminations	Consolidated
LIABILITIES AND NET ASSETS														
Current liabilities														
Accounts payable	$ 6,980,711	$ 451,873	$ 94,452	$ 253,951	$ 151,365	$ -	$ 7,932,352	$ 96,678	$ 1,449,505	$ 1,309,112	$ 3,932,442	$ 4,555,037	$ -	$ 19,275,126
Accrued expenses	41,578,275	1,932,485	170,429	3,357,141	309,565	(1,131,082)	46,216,813	1,405,313	2,666,518	1,751,978	4,925,435	27,552,676	(55,465,235)	29,053,498
Current portion of finance lease liabilities	327,902	-	-	-	-	-	327,902	-	291,051	252,190	373,690	-	-	1,244,833
Total current liabilities	48,886,888	2,384,358	264,881	3,611,092	460,930	(1,131,082)	54,477,067	1,501,991	4,407,074	3,313,280	9,231,567	32,107,713	(55,465,235)	49,573,457
Long-term retirement liabilities	9,026,860	-	-	-	-	-	9,026,860	-	133,745	215,413	249,117	1,096,405	-	10,721,540
Obligations under finance lease liabilities, less current portion	956,453	-	-	350,000	-	(350,000)	956,453	-	840,517	576,936	1,075,588	-	-	3,449,494
Obligations under operating lease liabilities, less current portion	964,487	2,088,691	-	-	-	-	3,053,178	-	1,419,069	1,978,954	664,974	-	-	7,116,175
Other long-term liabilities	179,456	351,813	-	3,983,672	-	-	4,514,941	-	-	-	26,670	2,002,572	-	6,544,183
Total liabilities	60,014,144	4,824,862	264,881	7,944,764	460,930	(1,481,082)	72,028,499	1,501,991	6,800,405	6,084,583	11,247,916	35,206,690	(55,465,235)	77,404,849
Net assets														
Without donor restrictions														
Board-designated endowment funds, Foundation	-	-	-	-	-	-	-	102,841,840	-	-	-	-	-	102,841,840
Operating funds	120,616,219	17,143,314	3,912,617	16,438,986	11,752,597	(49,247,515)	120,616,218	20,374,664	68,330,302	38,656,418	34,406,654	350,000	-	282,734,256
Total net assets without donor restrictions	120,616,219	17,143,314	3,912,617	16,438,986	11,752,597	(49,247,515)	120,616,218	123,216,504	68,330,302	38,656,418	34,406,654	350,000	-	385,576,096
Total net assets with donor restrictions	-	-	-	-	-	-	-	9,154,743	-	-	267,811	-	-	9,422,554
Total net assets	120,616,219	17,143,314	3,912,617	16,438,986	11,752,597	(49,247,515)	120,616,218	132,371,247	68,330,302	38,656,418	34,674,465	350,000	-	394,998,650
Total liabilities and net assets	$ 180,630,363	$ 21,968,176	$ 4,177,498	$ 24,383,750	$ 12,213,527	$ (50,728,597)	$ 192,644,717	$ 133,873,238	$ 75,130,707	$ 44,741,001	$ 45,922,381	$ 35,556,690	$ (55,465,235)	$ 472,403,499

*Cenetron, Salus, Quantigen and Pearl Pathways are wholly owned subsidiaries of the Wisconsin affiliate.

Versiti, Inc. and Affiliates

CONSOLIDATING STATEMENT OF ACTIVITIES

Year ended December 31, 2023

	Wisconsin	Cenetron	Salus	Quantigen	Pearl Pathways	Eliminations	Consolidated Wisconsin(*)	Foundation	Illinois	Michigan	Indiana	Versiti	Eliminations	Consolidated
Revenue and other support														
Blood services	$ 52,099,123	$ -	$ -	$ -	$ -	$ -	$ 52,099,123	$ -	$ 55,889,611	$ 58,982,490	$ 55,010,237	$ -	$ (11,127,118)	$ 210,854,343
Diagnostic laboratories	46,842,987	-	-	-	-	(2,197,336)	44,645,651	-	2,836,261	2,115,622	4,298,015	-	(755,443)	53,140,106
Pharmacy	54,436,294	-	-	-	-	-	54,436,294	-	-	-	-	-	(13,492)	54,422,802
Blood Research Institute	32,470,220	-	-	-	-	-	32,470,220	377,678	-	-	-	-	(9,171,712)	23,676,186
Organ and tissue donation	22,696,296	-	-	-	-	-	22,696,296	-	-	-	-	-	(57,325)	22,638,971
Biomaterials and clinical trial services	661,863	14,038,550	5,177,167	4,255,773	705,935	(94,165)	24,745,123	-	120,311	103,001	184,720	-	-	25,153,155
Donor testing laboratory	356,494	-	-	-	-	-	356,494	-	-	-	25,279,050	-	(15,274,641)	10,360,903
Medical services	10,878,454	-	-	-	-	-	10,878,454	-	-	6,503,185	364,481	-	(13,641)	17,732,479
Contributions from affiliates	-	-	-	-	-	-	-	3,810,000	-	-	-	-	(3,810,000)	-
Contributions from third parties	52,458	-	-	-	-	-	52,458	2,089,198	20,827	12,415	15,903	-	-	2,190,801
Affiliate service fees	626,816	244,218	-	-	-	(457,650)	413,384	-	177,164	196,849	196,849	30,214,182	(31,198,428)	-
Equity in affiliates	1,594,520	-	-	-	-	(1,594,520)	-	-	-	-	-	-	-	-
Other, net	140,719	39,761	12,670	-	880	-	194,030	-	-	455	-	91,533	-	286,018
Total revenue and other support	222,856,244	14,322,529	5,189,837	4,255,773	706,815	(4,343,671)	242,987,527	6,276,876	59,044,174	67,914,017	85,349,255	30,305,715	(71,421,800)	420,455,764
Percentage of consolidated total revenue and other support	53.00%	3.41%	1.23%	1.01%	0.17%	-1.03%	57.79%	1.49%	14.04%	16.15%	20.30%	7.21%	-16.99%	100.00%
Expenses														
Salaries and benefits	95,361,580	2,928,527	1,448,445	2,481,562	415,081	20,238	102,655,433	1,015,980	25,343,552	30,351,619	33,429,479	15,437,560	-	208,233,623
Supplies	19,443,236	2,181,471	6,383	1,106,292	9,435	(39,289)	22,707,528	2,401	7,101,335	9,683,054	27,785,287	(116,895)	-	67,162,710
Purchased products	45,761,354	-	-	-	-	-	45,761,354	-	6,462,713	3,992,204	10,335,077	-	(11,127,118)	55,424,230
Purchased services	25,452,424	6,054,024	1,087,697	333,792	263,943	(2,286,505)	30,905,375	782,757	5,543,282	7,226,190	2,839,744	7,433,134	(16,043,725)	38,686,757
Depreciation and amortization	3,965,206	406,499	29,529	802,789	60,222	-	5,264,245	4,145	1,086,984	1,547,273	1,821,543	592,094	-	10,316,284
Occupancy	4,877,572	1,043,692	82,544	535,343	15,967	(6,877)	6,548,241	1,100	2,460,784	2,558,211	2,356,112	8,202	-	13,932,650
Equipment and software	6,243,939	149,978	33,757	281,596	26,409	-	6,735,679	39,696	2,294,857	2,929,096	2,888,125	2,820,785	-	17,708,238
Contributions to third parties	161,528	-	-	-	-	-	161,528	-	65,867	83,180	45,483	28,750	-	384,808
Contributions to affiliates	3,810,000	-	-	-	-	-	3,810,000	9,242,529	-	-	-	-	(13,052,529)	-
Versiti service allocation	12,689,956	156,221	280,496	-	-	(436,717)	12,689,956	-	5,438,553	6,042,836	6,042,836	984,247	(31,198,428)	-
Interest expense	14,863	-	-	-	-	-	14,863	-	30,607	13,739	28,787	-		87,996
Other	3,704,928	136,283	156,647	82,110	13,906	-	4,093,874	199,968	259,613	936,806	1,033,729	4,010,552	-	10,534,542
Total expenses	221,486,586	13,056,695	3,125,498	5,623,484	804,963	(2,749,150)	241,348,076	11,288,576	56,088,147	65,364,208	88,606,202	31,198,429	(71,421,800)	422,471,838
Change in net assets before non-operating items	1,369,658	1,265,834	2,064,339	(1,367,711)	(98,148)	(1,594,521)	1,639,451	(5,011,700)	2,956,027	2,549,809	(3,256,947)	(892,714)	-	(2,016,074)
Non-operating items														
Investment return, net	4,151,335	-	-	-	-	-	4,151,335	15,090,256	3,711,099	1,118,517	1,657,138	892,714	-	26,621,059
Income taxes	(31,925)	(254,369)	(15,425)	-	-	-	(301,719)	(25,780)	(16,722)	(13,158)	(13,821)	-	-	(371,200)
CHANGE IN NET ASSETS	5,489,068	1,011,465	2,048,914	(1,367,711)	(98,148)	(1,594,521)	5,489,067	10,052,776	6,650,404	3,655,168	(1,613,630)	-	-	24,233,785
Net assets, beginning of year	115,127,151	17,881,849	3,138,703	-	-	(21,020,552)	115,127,151	122,318,471	61,679,898	35,001,250	36,288,095	350,000	-	370,764,865
Business acquisitions	-	-	-	17,806,697	11,850,745	(29,657,442)	-	-	-	-	-	-	-	-
Dividends	-	(1,750,000)	(1,275,000)	-	-	3,025,000	-	-	-	-	-	-	-	-
Net assets, end of year	$ 120,616,219	$ 17,143,314	$ 3,912,617	$ 16,438,986	$ 11,752,597	$ (49,247,515)	$ 120,616,218	$ 132,371,247	$ 68,330,302	$ 38,656,418	$ 34,674,465	$ 350,000	$ -	$ 394,998,650

*Cenetron, Salus, Quantigen and Pearl Pathways are wholly owned subsidiaries of the Wisconsin affiliate.

Versiti, Inc. and Affiliates

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended December 31, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
Research and Development Cluster				
U.S. Department of Health and Human Services				
National Institutes of Health (NIH)				
21st Century Cures Act-Beau Biden Cancer Moonshot				
Direct Program	93.353		$ -	$ 364,664
Allergy and Infectious Diseases Research				
Direct Program			-	(20,983)
Pass-Through Program from Health Research Inc Roswell Park		R01AI140736	-	24,109
Pass-Through Program from Medical College of Wisconsin		R01AI165578	-	44,379
Pass-Through Program from Northwestern University		R01AI148403	-	5,084
Pass-Through Program from Brigham And Women's Hospital		R01AI170193	-	12,523
	93.855		-	65,112
Biomedical Research and Research Training				
Direct Program	93.859		-	226,238
Blood Diseases and Resources Research				
Direct Program			4,146,968	13,075,216
Pass-through from Medical College of Wisconsin		R01HL102035, R01HL142152, R03HL155174	-	244,393
Pass-through from Trustees of Indiana University		R01HL111656	-	10,917
	93.839		4,146,968	13,330,526
Cancer Biology Research				
Direct Program	93.396		77,089	1,359,589
Cancer Research Manpower				
Direct Program	93.398		-	78,018
Cancer Treatment Research				
Direct Program	93.395		-	512,554
Cardiovascular Diseases Research				
Direct Program			376,291	770,327
Pass-through from Medical College of Wisconsin		P01HL149620, R01HL142791, R01HL153397, R01HL157642, R01HL163516, R01HL164460	-	766,928
Pass-through from University of Arizona		P01HL149620	-	118,111
Pass-through from University of North Carolina		R01HL160046	-	30,028
	93.837		376,291	1,685,394
Child Health and Human Development Extramural Research				
Pass-through from Kansas Medical Center Research Institute	93.865	R01HD099638	-	28,966
Diabetes, Digestive, and Kidney Diseases Extramural Research				
Pass-through from Medical College of Wisconsin		R01DK052194, R01DK120548, R01DK121747, R01DK134064, RC2DK129964	-	201,126
Pass-through from University of Michigan		R01DK135649	-	4,670
	93.847		-	205,796

See the accompanying notes to the schedule of expenditures of federal awards.

Versiti, Inc. and Affiliates

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year ended December 31, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
Lung Diseases Research				
Pass-through from University of Pittsburgh	93.838	OT2HL156812	$ 51,600	$ 221,406
National Center for Advancing Translational Sciences				
Pass-through from Medical College of Wisconsin	93.350	UL1TR001436	-	26,240
Retrovirus Epidemiology Donor Study IV				
Direct Program	75N92019D00035		97,144	983,659
Trans-NIH Research Support				
Direct Program	93.310		50,950	809,933
Total National Institutes of Health (NIH)			4,800,042	19,898,095
Health Resources and Services Administration (HRSA)				
Maternal and Child Health Federal Consolidated Programs				
Pass-through from Great Lakes Hemophilia Foundation, Inc	93.110	H30MC24052	-	46,608
Centers for Disease Control and Prevention (CDC)				
Blood Disorder Program: Prevention, Surveillance, and Research				
Pass-through from Great Lakes Hemophilia Foundation, Inc	93.080	NU27DD000020-0I-00	-	30,253
Total U.S. Department of Health and Human Services			4,800,042	19,974,956
U.S. Department of Defense				
Department of the Army				
CHIPS (Chilled Platelet Study)				
Pass-through from University of Pittsburgh		W81XWH2190014	-	17,200
Military Medical Research and Development				
Direct Program	12.420		549,775	1,320,025
Evaluating the Safety and Ease of Use of CounterFlow Hemostatic Gauze for Extreme Cold Environments				
Direct Program	HT942523C0095		-	23,811
Total U.S. Department of Defense			549,775	1,361,036
Total Research and Development Cluster and Federal Expenditures			$ 5,349,817	$ 21,335,992

See the accompanying notes to the schedule of expenditures of federal awards.

NOTE A - SCOPE OF AUDIT PURSUANT TO UNIFORM GRANT GUIDANCE

All federal grant activities of Versiti, Inc. (Versiti) are included in the scope of the Uniform Grant Guidance. The Single Audit was performed in accordance with the provisions of the Uniform Grant Guidance. The Department of Health and Human Services (HHS) has been designated as Versiti's oversight agency.

Versiti utilizes approved indirect cost rates and does not elect to use the 10% *de minimis* cost rate as covered in 2 CFR 200.414, Indirect (F&A) costs.

NOTE B - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards is presented on the accrual basis of accounting. Grant revenue is recorded for financial reporting purposes when Versiti has met the qualifications for the respective grants.

NOTE C - AUDITS PERFORMED BY OTHER ORGANIZATIONS

There are no audits currently in process by other organizations of Versiti's federal grant programs for the year ended December 31, 2023.

NOTE D - CONTINGENCY

All federal awards are subject to review and audit by grantor agencies. Such audits could lead to requests for reimbursement by the grantor agencies for costs disallowed under the terms of the awards. It is the opinion of management that all costs charged against federal awards are allowable under the regulations of those programs.

NOTE E - PROGRAM INCOME

Wisconsin operates a hemophilia treatment center, the Comprehensive Center for Bleeding Disorders (CCBD), under a federal grant sub-award from the Health Resources and Services Administration - Federal Assistance Listing Number #93.110. The grant sub-award, passed through from Great Lakes Hemophilia Foundation, Inc., allows Versiti to participate in the 340b Drug Pricing Program (Program), a federal program administered by the U.S. Department of Health and Human Services. During the year ended December 31, 2023, Wisconsin earned Program-related revenue (Program Income) of approximately $41,087,000. Program Income generated under the grant is restricted in accordance with the terms and conditions of the grant and the use of such funds is limited to patient care, education and supportive services necessary to provide comprehensive care to CCBD patients. During the year ended December 31, 2023, Wisconsin expended approximately $36,055,000 on expenses related to the sale of pharmaceutical product and uses of residual Program Income for operations of CCBD that comply with the restrictions on Program Income in accordance with the grant agreement. As of December 31, 2023, Wisconsin maintains approximately $35,123,000 of cumulative Program Income in cash and cash equivalents and investments on the consolidated statements of financial position that is restricted, as described above.

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Versiti, Inc. and Affiliates

We have audited, 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 (*Government Auditing Standards*), the consolidated financial statements of Versiti, Inc (a non-stock, not-for-profit Wisconsin corporation) and Affiliates (the "Entity"), which comprise the consolidated statement of financial position as of December 31, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 22, 2024.

Report on internal control over financial reporting
In planning and performing our audit of the consolidated financial statements, we considered the Entity's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances 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 Entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Grant Thornton

Report on compliance and other matters

As part of obtaining reasonable assurance about whether the Entity's consolidated financial statements are free from 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 financial statements. 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*.

Purpose of this report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Entity's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Grant Thornton LLP

Appleton, Wisconsin
May 22, 2024

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Versiti, Inc. and Affiliates

Report on compliance for each major federal program

Opinion on each major federal program
We have audited the compliance of Versiti, Inc. (a non-stock, not-for-profit Wisconsin corporation) and Affiliates (the "Entity") with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget's *OMB Compliance Supplement* that could have a direct and material effect on each of the Entity's major federal programs for the year ended December 31, 2023. The Entity's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Entity complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

Basis for opinion on each major federal program
We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (US GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards);* and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Entity and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Entity's compliance with the compliance requirements referred to above.

Responsibilities of management for compliance
Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Entity's federal programs.

Auditor's responsibilities for the audit of compliance
Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Entity's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Entity's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with US GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Entity's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on internal control over compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor’s Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in the Entity’s internal control over compliance that we consider to be material weaknesses or significant deficiencies. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this Report on Internal Control Over Compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Grant Thornton LLP

Appleton, Wisconsin
May 22, 2024

Versiti, Inc. and Affiliates

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

December 31, 2023

SUMMARY OF AUDITOR'S RESULTS

Financial statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal awards

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of federal major programs:	Research and Development Cluster
Dollar threshold used to distinguish between type A and type B programs:	$ 750,000
Auditee qualified as low-risk auditee?	Yes

FINANCIAL STATEMENT FINDINGS

No matters were reported.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.