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

Versiti, Inc. and Affiliates

December 31, 2022 and 2021

Contents

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Versiti, Inc.

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, 2022 and 2021, 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, 2022 and 2021, 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.

Emphasis of matter

As discussed in Note B to the consolidated financial statements, the Entity has adopted new accounting guidance in 2022, related to the accounting for leases. Our opinion is not modified with respect to this matter.

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 available to be 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, 2022 and consolidating statement of activities for the year ended December 31, 2022, 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 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 18, 2023 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 18, 2023

Versiti, Inc. and Affiliates

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31,

	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	$ 28,622,516	$ 36,541,964
Accounts receivable, net of allowance for doubtful accounts and sales returns of $1,166,984 and $1,206,874 at December 31, 2022 and 2021, respectively	62,981,478	56,906,090
Contributions receivable, net	454,808	527,574
Inventories, net	16,544,485	14,861,601
Prepaid expenses	3,617,050	3,323,582
Total current assets	112,220,337	112,160,811
Investments, including restricted investments of $30,090,376 and $27,859,679 at December 31, 2022 and 2021, respectively	226,820,558	245,037,391
Property and equipment, net	59,476,192	58,431,997
Operating lease right-of-use assets	7,809,478	-
Contributions receivable, net	1,178,435	1,533,770
Goodwill	7,995,794	7,862,517
Intangible assets, net	2,479,528	2,730,464
Other assets	3,094,755	2,761,448
Total assets	$ 421,075,077	$ 430,518,398

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

Versiti, Inc. and Affiliates

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION - CONTINUED

December 31,

	2022	2021
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	$ 10,058,077	$ 8,852,546
Accrued expenses	23,544,512	21,103,644
Current portion of finance lease liabilities	361,015	-
Total current liabilities	33,963,604	29,956,190
Long-term retirement liabilities	8,416,917	9,851,105
Obligations under finance lease liabilities, less current portion	868,785	-
Obligations under operating lease liabilities, less current portion	4,921,245	-
Other long-term liabilities	2,139,661	1,865,938
Total liabilities	50,310,212	41,673,233
Net assets		
Without donor restriction		
Board-designated endowment funds, Foundation	92,757,212	110,772,322
Operating funds	269,945,712	270,587,016
Total net assets without donor restriction	362,702,924	381,359,338
With donor restriction	8,061,941	7,485,827
Total net assets	370,764,865	388,845,165
Total liabilities and net assets	$ 421,075,077	$ 430,518,398

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

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 restriction	391,097	(391,097)	-
Total revenue and other support and net assets released from restriction	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 ACTIVITIES

Year ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support			
Blood services	$ 208,495,256	$ -	$ 208,495,256
Diagnostic laboratories	63,844,221	-	63,844,221
Pharmacy	40,833,957	-	40,833,957
Blood Research Institute	18,192,027	-	18,192,027
Organ and tissue donation	19,710,023	-	19,710,023
Donor testing laboratory	12,662,667	-	12,662,667
Medical services	18,311,264	-	18,311,264
Contributions from third parties	(36,280)	2,566,352	2,530,072
Other, net	241,255	-	241,255
	382,254,390	2,566,352	384,820,742
Net assets released from restriction	1,821,064	(1,821,064)	-
Total revenue and other support and net assets released from restriction	384,075,454	745,288	384,820,742
Expenses			
Salaries and benefits	177,898,983	-	177,898,983
Supplies	67,041,138	-	67,041,138
Purchased products	49,927,341	-	49,927,341
Purchased services	33,580,643	-	33,580,643
Depreciation and amortization	8,832,558	-	8,832,558
Occupancy	10,879,687	-	10,879,687
Equipment and software	15,507,053	-	15,507,053
Contributions to third parties	382,338	-	382,338
Other	6,622,855	-	6,622,855
Total expenses	370,672,596	-	370,672,596
Change in net assets before non-operating items	13,402,858	745,288	14,148,146
Non-operating items			
Investment return, net	27,462,807	-	27,462,807
Income taxes	(627,488)	-	(627,488)
CHANGE IN NET ASSETS	40,238,177	745,288	40,983,465
Net assets, beginning of year	341,121,161	6,740,539	347,861,700
Net assets, end of year	$ 381,359,338	$ 7,485,827	$ 388,845,165

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 STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2021

	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	$ 78,944,726	$ 22,975,361	$ 1,024,394	$ 14,696,305	$ 3,200,709	$ 8,802,248	$ 11,179,856	$ 3,836,725	$ 144,660,324	$ 32,600,552	$ 638,107	$ 33,238,659	$ 177,898,983
Supplies	26,527,824	5,999,009	39,320	3,035,522	2,075,308	795,081	3,958,287	24,485,854	66,916,205	124,445	488	124,933	67,041,138
Purchased products	16,203,377	11,539	33,706,679	-	-	-	5,746	-	49,927,341	-	-	-	49,927,341
Purchased services	29,209,197	410,037	259,334	4,757,059	5,719,718	5,563,493	317,459	(19,340,640)	26,895,657	6,612,513	72,473	6,684,986	33,580,643
Depreciation and amortization	2,237,588	496,750	-	1,390,746	387,183	47,121	307,228	211,411	5,078,027	3,750,386	4,145	3,754,531	8,832,558
Occupancy	3,872,204	68,557	2,400	1,132,108	1,092,462	125,193	71,844	34,383	6,399,151	4,479,486	1,050	4,480,536	10,879,687
Equipment and software	7,571,600	1,722,353	158,268	386,106	114,478	402,585	288,200	554,409	11,197,999	4,272,074	36,980	4,309,054	15,507,053
Contributions to third parties	137,659	-	102,100	3,500	-	5,443	-	123,636	372,338	10,000	-	10,000	382,338
Other	1,389,310	322,931	43,699	404,879	224,495	225,875	319,278	33,192	2,963,659	3,588,962	70,234	3,659,196	6,622,855
Total expenses	$ 166,093,485	$ 32,006,537	$ 35,336,194	$ 25,806,225	$ 12,814,353	$ 15,967,039	$ 16,447,898	$ 9,938,970	$ 314,410,701	$ 55,438,418	$ 823,477	$ 56,261,895	$ 370,672,596

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,

	2022	2021
Cash flows from operating activities:		
Change in net assets	$ (18,080,300)	$ 40,983,465
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	8,675,289	8,832,558
(Gain) loss on sale of property and equipment	(148,676)	312
Net realized investment gain	(8,607,846)	(6,378,973)
Unrealized investment loss (gain)	36,234,042	(16,240,708)
Change in assets and liabilities, net of assets acquired and liabilities assumed:		
Accounts receivable, net	(6,015,958)	(6,156,450)
Contributions receivable, net	428,101	586,134
Inventories, net	(1,682,884)	(821,130)
Prepaid expenses	(292,619)	213,911
Other assets	(333,307)	8,787
Accounts payable	1,200,323	(2,462,982)
Accrued expenses	(413,096)	(6,083,647)
Operating lease right-of-use assets and liabilities, net	(64,669)	-
Long-term retirement liabilities	(1,434,188)	1,487,404
Other long-term liabilities	273,723	(2,505,509)
Net cash provided by operating activities	9,737,935	11,463,172
Cash flows from investing activities:		
Purchases and construction of property and equipment	(8,118,760)	(8,558,630)
Proceeds from sale of property and equipment	345,212	22,630
Cash paid for acquisition, net of cash acquired	(246,799)	-
Purchases of investments	(116,755,747)	(50,216,052)
Proceeds from sales and maturities of investments	107,346,384	45,723,041
Net cash used in investing activities	(17,429,710)	(13,029,011)
Cash flows from financing activities:		
Payments on finance lease liabilities	(227,673)	-
Net cash used in financing activities	(227,673)	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	(7,919,448)	(1,565,839)
Cash and cash equivalents, beginning of year	36,541,964	38,107,803
Cash and cash equivalents, end of year	$ 28,622,516	$ 36,541,964
Supplemental disclosure of cash flow information:		
Taxes paid	$ 436,927	$ 627,488
Non-cash transactions:		
Finance lease right-of-use assets acquired through finance lease liabilities	$ 1,457,473	$ -
Operating lease right-of-use assets acquired through operating lease liabilities	$ 7,593,207	$ -

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, and RCRC Independent Review Board, LLC d/b/a Salus IRB (Salus), an institutional review board services provider, 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 and Salus, 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 Acquisition

Salus acquired certain assets of Ethical and Independent Review Services, LLC (EIR), on June 30, 2022, for a cash payment of $249,606. 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

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 doubtful accounts. 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 expense amounted to approximately $81,000 and $110,000 for the years ended December 31, 2022 and 2021, 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 and $80,000 as of December 31, 2022 and 2021.

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 $30,090,000 and $27,860,000 as of December 31, 2022 and 2021, 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 $8,326,320 and $8,495,944 was recorded for the years ended December 31, 2022 and 2021, 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:

	2022	2021
Land and land improvements	$ 6,564,958	$ 6,599,895
Buildings and improvements	113,646,743	113,127,175
Furniture, equipment, software and vehicles	84,564,894	87,753,804
Leasehold improvements	3,878,293	3,327,488
Finance leased vehicles	1,241,202	-
Construction and equipment in progress	3,085,815	4,538,119
Total property and equipment	212,981,905	215,346,481
Less: accumulated depreciation	(153,505,713)	(156,914,484)
Property and equipment, net	$ 59,476,192	$ 58,431,997

Intangible Assets

Intangible assets consist of the following as of December 31:

	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	$ 3,660,851	$ (1,181,323)	$ 2,479,528

	2021		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Definite lived intangible assets			
Customer relationships (Cenetron)	$ 1,728,000	$ (216,000)	$ 1,512,000
Customer relationships (Salus)	185,000	(33,036)	151,964
Technology (Cenetron)	1,659,000	(592,500)	1,066,500
Total	$ 3,572,000	$ (841,536)	$ 2,730,464

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	14-20
Technology	7

Total amortization expense was $339,787 and $336,615 for the years ended December 31, 2022 and 2021, respectively. Future amortization expense for the years ended December 31, are as follows:

2023	$ 346,134
2024	346,134
2025	346,134
2026	346,134
2027	346,134
Thereafter	748,858
Total	$ 2,479,528

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, 2022 and 2021.

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 $7,995,794 and $7,862,517 as of December 31, 2022 and 2021, respectively. The change in goodwill during 2022 was the result of the business acquisition 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, 2022 and 2021, 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, 2022 and 2021.

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.

	2022	2021
Investment in Exchange	$ 374,385	$ 374,385
Notes receivable from Exchange	1,052,159	1,001,877

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 statement 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 allows 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 allows 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, 2022, 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:

Net Assets Without Donor Restrictions

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.

Net Assets With Donor Restrictions

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:

	2022	2021
Revenue from products recognized at a point in time	$ 369,823,419	$ 358,946,148
Revenue from services recognized over time	4,934,359	5,152,495
Revenue from contracts with customers	374,757,778	364,098,643
Contributions from third parties	1,689,953	2,530,072
Blood Research Institute revenue	24,113,393	18,192,027
Total revenue and other support	$ 400,561,124	$ 384,820,742

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 restriction contribution revenue. Contributions receivable 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:

	2022	2021
Total contributions receivable	$ 1,714,991	$ 2,215,654
Less: adjustment to present value for future cash flows for contributions receivable	(52,561)	(77,231)
Present value of contributions receivable	1,662,430	2,138,423
Less: allowance for doubtful contributions receivable	(29,187)	(77,079)
Net contributions receivable	$ 1,633,243	$ 2,061,344

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, 2022 and 2021.

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,	
2023	$ 464,991
2024	400,000
2025	250,000
2026	200,000
2027	200,000
Thereafter	200,000
	$ 1,714,991

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, 2022 and 2021, were $1,063,467 and $1,192,121, 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.

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.

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, 2022 and 2021.

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. Expenses are allocated on the basis of actual expenditures, square footage, time records and estimates made by management.

New Accounting Pronouncements

As discussed above, the Organization adopted ASU 2016-02, *Leases (Topic 842)*, which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors), as of January 1, 2022.

In September 2020, the Financial Accounting Standards Board (FASB) issued ASU 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets,* to increase the transparency of contributed nonfinancial assets through enhancements to presentation and disclosure. The guidance requires contributed nonfinancial assets to be presented as a separate line item on the statement of activities, apart from cash and other financial asset contributions. The guidance also requires disclosure of the types of contributed nonfinancial assets and, for each category, information about whether the assets were monetized or utilized, a description of the policies to monetize or utilize such assets, a description of donor-imposed restrictions associated with the contributions, and a description of the valuation techniques and principal market used to arrive at a fair value measure at initial recognition. The Organization adopted this guidance during the year ended December 31, 2022. There was no material impact on the consolidated financial statements.

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. In November 2018, the FASB issued ASU 2018-19, *Codification Improvements to Topic 326, Financial Instruments - Credit Losses*, which mitigate transition complexity for nonpublic business entities and clarifies that receivables arising from operating leases are not within the scope of Subtopic 326-20. Instead, impairment of receivables arising from operating leases should be accounted for in accordance with Topic 842, *Leases*. Subject to the one-year deferral noted above per ASU 2020-05, the amendments in ASU 2016-13 are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Organization is currently evaluating the impact on the consolidated financial statements.

NOTE C - INVESTMENTS

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

	2022		2021	
	Carrying Value	Cost	Carrying Value	Cost
Money market funds	$ 689,041	$ 689,035	$ 2,353,124	$ 2,353,129
Fixed income mutual funds	102,911,901	105,295,209	71,651,052	72,083,318
Common stock mutual funds	76,314,619	64,513,393	131,400,089	87,249,298
Mixed asset mutual funds	8,417,417	9,542,834	9,851,105	8,303,561
Alternative investments	38,487,580	31,823,756	29,782,021	23,857,712
Total investments	$ 226,820,558	$ 211,864,227	$ 245,037,391	$ 193,847,018

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, 2022 and 2021.

Common stock, money market 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:

	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

	2021			
	Level 1	Level 2	Level 3	Total
Fixed income mutual funds	$ 71,651,052	$ -	$ -	$ 71,651,052
Common stock mutual funds	131,400,089	-	-	131,400,089
Mixed asset mutual funds	9,851,105	-	-	9,851,105
Investments, at fair value	$ 212,902,246	$ -	$ -	212,902,246
Alternative investments, valued at NAV				29,782,021
				$ 242,684,267

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

		Fair Value 2022		Fair Value 2021		Unfunded Commitments as of December 31, 2022	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Defensive equity fund								
Parametric Defensive Equity Fund, LLC [a]	$	6,301,706	$	6,499,959	$	-	Monthly	5 days
Hedge fund								
Corbin Opportunity Fund, LTD [b]		-		47,919		-	Quarterly	70 days
Private real estate fund								
Clarion Lion Properties Fund, LP [c]		8,127,598		6,613,664			Quarterly	90 days
Landmark Equity Partners XVI, LP [d]		1,718,926		1,354,937		1,668,861	Unknown	
Wellington Trust Company								
Emerging Markets Research Equity [e]		3,768,884		4,979,249		-	Weekly	10 days
Siguler Guff								
Opportunities Fund III LP [f]		2,068,185		2,163,165		310,336	Unknown	-
Summit Partners Credit Offshore								
Fund III LP [g]		836,070		1,051,597		1,239,318	Unknown	-
Siguler Guff Small Buyout								
Opportunities Fund IV LP [h]		2,167,745		1,560,885		801,257	Unknown	-
JP Morgan								
PEG Global Private Equity VIII								
Offshore Special LP [i]		2,325,867		1,904,997		676,670	Unknown	-
HIG WhiteHorse Principal Lending								
Offshore [j]		6,011,740		1,849,018		989,780	Unknown	-
JP Morgan								
PEG Global Private Equity IX[k]		1,040,367		784,703		1,180,185	Unknown	-
Aberdeen Private								
Equity Fund IX[l]		1,437,537		678,943		999,627	Unknown	-
HIG WhiteHorse								
Equity Side-Car[m]		332,977		292,985		5,288	Unknown	-
JP Morgan								
Private Equity X [n]		116,989		-		2,869,815	Unknown	-
Siguler Guff Small Buyout								
Opportunity Fund V LP [o]		232,989		-		1,771,000	Unknown	-
Earnest International Investment								
Trust Fund [p]		2,000,000		-		-	Monthly	10 days
JP Morgan								
PEG Private Equity XI LP [q]		-		-		2,000,000	Unknown	-
Total	$	38,487,580	$	29,782,021	$	14,512,137		

(a) The Parametric Defensive Equity fund attempts to generate similar returns to the S&P 500 over a full market cycle with lower risk. The fund consists of 50% S&P 500 and 50% treasury bills. Additionally, the fund sells fully collateralized call and put options on the S&P 500 to generate ongoing income.

(b) The Corbin Opportunity fund seeks to achieve a substantial return on capital through opportunistic investments primarily in a broad range of public and private credit instruments. The fund may employ a variety of investment strategies such as high-yield and distressed securities, long/short credit, structured and asset-backed credit, private lending, event driven investing and emerging markets credit.

(c) The Clarion Lion Properties fund seeks to identify, acquire and manage a diversified portfolio of primarily institutional quality real estate assets and real estate related investments within the United States, and to select investments across property types, geographic and economic regions, and metropolitan markets to attempt to achieve favorable risk-adjusted investment returns.

(d) The Landmark Equity Partners fund’s strategy is focused on using its quantitative strategies group (QRG) to offer free private equity portfolio analysis to plan sponsors and other private equity investors in order to collect market data and generate deal flow. As the fund is a private equity fund, there are typically no redemptions allowed until the fund has sold its investments and capital is distributed. The time the redemption restriction might lapse is unknown.

(e) The Wellington Trust Company fund's objective is to provide long-term total return in excess of the MSCI Emerging Markets Index. The portfolio consists of several sub portfolios that are each actively managed by Wellington's Global Industry Analysts who have discretion over stock selection and timing of investments within their respective industries.

(f) The Siguler Guff fund invests in pooled investment vehicles focused on buyout, recapitalization and growth equity transactions. Portfolio investments typically involve direct or indirect securities of private companies doing business in the United States and Canada. Up to 40% of the fund's aggregate capital commitments may be allocated to direct investments. As the fund is a private equity fund, there are typically no redemptions allowed until the fund has sold its investments and capital is distributed. The time the redemption restriction might lapse is unknown.

(g) The Summit Partners Credit Offshore fund is focused on primarily pursuing middle market non-sponsored deals. Summit will make first and second lien loans to companies with between $10 million and $100 million of EBITDA. Most of the loans will be floating rate securities. Summit will be directly calling on private companies across the United States to generate investment opportunities.

(h) The Siguler Guff Small Buyout fund invests in pooled investment vehicles focused on buyout, recapitalization and growth equity transactions. Portfolio investments typically involve direct or indirect securities of private company doing business in the United States and Canada. Up to 40% of the fund's aggregate capital commitments may be allocated to direct investments. The time the redemption restriction might lapse is unknown.

(i) As a globally diversified fund-of-funds, the JP Morgan PEG Global Private Equity fund is expected to be allocated over three to four years across more than 20 managers with a 60% allocation to buyout funds, 20% to venture capital/growth funds, and 20% to special situations funds in North American, Europe, and Emerging Markets with up to 50% of the fund allocated to either secondary and direct/co-investments. The time the redemption restriction might lapse is unknown.

(j) The HIG Whitehorse Private Equity fund is focused on a lower middle market direct lending strategy with a 3-year investment period. The fund will focus on providing senior high-quality loans to lower middle market businesses ($8-50 million in EBITDA), with a primary focus lending to companies owned by "off-the-run" sponsors. The time the redemption restriction might lapse is unknown.

(k) The JPMorgan PEG Global Private Equity IX fund is a fund of funds and is expected to be allocated over three to four years across more than 25 managers with a 60% allocation to buyout funds, 20% to venture capital/growth funds, and 20% to special situations funds in North American, Europe, and Emerging Markets with up to 50% of the fund allocated to either secondary and direct/co-investments. The time the redemption restriction might lapse is unknown.

(l) The Aberdeen Private Equity Fund IX will focus exclusively on small buyout with a focus on US based managers that typically target companies smaller than $250 million in enterprise value and manager fund sizes under $250 million. The Fund is targeting a 30-50% allocation to traditional fund commitments, 20-40% allocation to seasoned funds and/or secondaries, and a 20-30% allocation to co-investments. The time the redemption restriction might lapse is unknown.

(m) The HIG WhiteHorse Equity Side-Car will participate within HIG's flagship middle market strategy. The side-car vehicle will invest over three-years in market leading companies through controlling or influential minority stakes. The time the redemption restriction might lapse is unknown.

(n) The JPMorgan PEG Global Private Equity X Fund is expected to be allocated over three to four years across more than 25 managers with a 60% allocation to buyout funds, 20% to venture capital/growth funds, and 20% to special situations funds in North American, Europe, and Emerging Markets with up to 50% of the fund allocated to either secondary and direct/co-investments. The time the redemption restriction might lapse is unknown.

(o) The Siguler Guff Small Buyout Opportunity V Fund seeks opportunistic returns from small buyout investments with at least 55% of capital committed to fund investments and up to 45% of capital committed to direct investments, generally as co-investments alongside small buyout fund managers and sponsors. The time the redemption restriction might lapse is unknown.

(p) The Earnest International Investment Fund seeks to outperform its respective benchmark, MSCI ACWI ex US Index, while managing the downside risk, as described below, over a full market cycle. Earnest Partners maintains a coherent investment philosophy and follows a consistent investment process. Utilizing an internally developed screen called Return Pattern Recognition and assessing the risk of meaningful underperformance versus the assigned benchmark, this allows the team to spend the vast majority of their time conducting bottom-up, fundamental research focused on the long-term prospects of individual companies.

(q) PEG Global Private Equity XI Fund (GPE XI) is a diversified Global Private Equity portfolio focused on both corporate finance and venture capital/growth investments. Within corporate finance, investments are focused on small to mid-market and opportunistically larger companies, targeting proven global private teams with sector and strategy focus that can provide an execution and operating advantage. Within venture capital/growth, GPE XI will focus on areas of innovation and target global privates with domain expertise and strong entrepreneurial networks. The time the redemption restriction might lapse is unknown.

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 $7,210,097 and $6,859,748 during the years ended December 31, 2022 and 2021, 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 $8,416,917 and $9,851,105 were recorded as of December 31, 2022 and 2021, respectively.

Long Term Incentive Plan ("LTIP")

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 $1,836,583 and $1,574,708 as of December 31, 2022 and 2021, 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, 2022 and 2021, was approximately $1,530,637 and $1,597,900, 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 amount of $578,724 that has been issued to satisfy state unemployment compensation requirements as of December 31, 2022 and 2021.

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, 2022 and 2021.

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 25, 2023. 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, 2022 and the LIBOR rate + 1.25% base rate as of December 31, 2021 (effective rates of 5.05% and 1.83% as of December 31, 2022 and 2021, respectively). There were no amounts outstanding as of December 31, 2022 and 2021.

NOTE H - NET ASSETS

Without Donor Restriction

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 $92,757,212 and $110,772,322 as of December 31, 2022 and 2021, 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 $8,061,941 and $7,485,827 as of December 31, 2022 and 2021, respectively. These assets are subject to purpose and time restrictions. During the years ended December 31, 2022 and 2021, Versiti released $391,097 and $1,821,064, 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:

	2022	2021
Research stem cell and cell therapy	$ 4,657,378	$ 3,820,298
Research operating pledges receivable	15,437	20,185
Research fellowship and scholars	679,107	734,491
Research cancer immunology	70,697	118,224
Research leukemia tissue bank	165,188	196,222
Medical services bone marrow testing	207,456	207,456
Organ donation support	196,562	199,629
Blood services support	60,356	60,356
Total donor restricted operating funds	6,052,181	5,356,861
Research endowment pledges receivable	1,200,000	1,400,000
Research Foundation endowment	809,760	728,966
Total donor restricted endowment funds	2,009,760	2,128,966
Total donor restricted net assets	$ 8,061,941	$ 7,485,827

Endowment Net Assets

The Organization's endowment includes funds designated by Wisconsin'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, 2022 and 2021.

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:

	2022		
	Without Donor Restriction	With Donor Restriction	Total
Board-designated endowment funds	$ 92,757,212	$ 2,009,760	$ 94,766,972
	$ 92,757,212	$ 2,009,760	$ 94,766,972

	2021		
	Without Donor Restriction	With Donor Restriction	Total
Board-designated endowment funds	$ 110,772,322	$ 2,128,967	$ 112,901,289
	$ 110,772,322	$ 2,128,967	$ 112,901,289

	Years Ended December 31,	
	2022	2021
Without donor restriction		
Endowment net assets without donor restriction at beginning of year	$ 110,772,322	$ 97,551,159
Total investment return, net	(13,269,782)	16,009,562
Transfer from endowment fund to operating fund	(1,000,000)	-
Transfers from operating fund to endowment fund		
License revenue	424,310	119,289
Contributions	423,965	1,252,146
Appropriation of endowment assets for expenditure	(4,593,603)	(4,159,834)
Endowment net assets without donor restriction at end of year	$ 92,757,212	$ 110,772,322

	Years Ended December 31,	
	2022	2021
With donor restriction		
Endowment net assets with donor restriction at beginning of year	$ 2,128,967	$ 2,060,860
Appropriation of endowment assets for expenditure	(27,204)	-
Total investment return, net	(92,003)	68,107
Endowment net assets with donor restriction at end of year	$ 2,009,760	$ 2,128,967

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, 2022
Finance lease expenses:	
Amortization of right-of-use assets	$ 9,181
Interest on lease liabilities	1,437
Total finance lease expense	10,618
Operating lease expense	3,476,641
Total lease expense	$ 3,487,259

Other information related to leases was as follows:

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

As of December 31, 2022, future minimum lease payments under non-cancellable leases are as follows:

	Finance leases	Operating leases	Total
2023	$ 361,015	$ 2,823,565	$ 3,184,580
2024	361,015	1,844,166	2,205,181
2025	352,842	1,381,866	1,734,708
2026	151,687	977,005	1,128,692
2027	76,825	632,126	708,951
Thereafter	-	343,723	343,723
Total future minimum lease payments	1,303,384	8,002,451	9,305,835
Less: discount	(73,584)	(257,642)	(331,226)
Lease liability	$ 1,229,800	$ 7,744,809	$ 8,974,609

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

Prior to the adoption of ASC 842 on January 1, 2022, the Company followed the lease guidance under ASC 840. For the year ended December 31, 2021, total rent expense for operating leases was $3,807,307. Minimum future rentals as of December 31, 2021, were as follows:

Years Ending December 31,	
2022	$ 2,370,331
2023	1,600,967
2024	1,190,349
2025	371351
2026	210,186
	$ 5,743,184

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 $3,447,665 and $4,266,808 for the years ended December 31, 2022 and 2021, respectively. Receivables from related parties totaled $1,524,833 and $1,161,644 at December 31, 2022 and 2021, respectively. Versiti purchased services of approximately $3,640,043 and $2,595,400 from companies with which certain Versiti board members are associated for the years ended December 31, 2022 and 2021, respectively. Payables to related parties were approximately $559,464 and $58,557 at December 31, 2022 and 2021, respectively

Contributions from board of director members totaled $181,812 and $191,060 for the years ended December 31, 2022 and 2021, respectively. Contributions receivable from these related parties totaled $1,510,000 and $1,864,000 at December 31, 2022 and 2021, respectively.

NOTE K - COMMITMENTS AND CONTINGENCIES

In 2011, Wisconsin received $2,528,016 from the National Institutes of Health to complete the build-out of its research facilities. Per the grant agreement, this building is to be used for approved research activities for a period of 10 years after occupancy of the building. During 2022 and 2021, the building was being used for research activities in compliance with the grant agreement.

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, 2022 and 2021, Wisconsin earned Program-related revenue (Program Income) of approximately $39,074,000 and $28,731,000, 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, 2022 and 2021, Wisconsin expended approximately $36,844,000 and $24,593,000, 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, 2022 and 2021, Wisconsin and Foundation maintain approximately $30,090,000 and $27,860,000, respectively, of cumulative Program Income in cash and cash equivalents and investments on the accompanying consolidated statements of financial position that is restricted, as described above.

Versiti entered into an agreement effective as of January 1, 2016, with Terumo BCT, Inc. (Terumo). The agreement requires Versiti to purchase a certain percentage of their platelet and RBC kits from Terumo. The agreement holds Versiti liable for $2,000,000 to be evenly recognized for the duration of the seven-year agreement. For each year the purchase requirements are not met in accordance with the agreement, a penalty payment is due to Terumo from Versiti equal to 14% of the $2,000,000. If Versiti meets the purchase requirements during a given year, Versiti receives a rebate equal to the same 14%. At December 31, 2022 and 2021, the outstanding short-term liability was recorded as an accrued expense of $0 and $285,700 within the accompanying consolidated statements of financial position.

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, 2022 and 2021, 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, 2022 and 2021, $4,593,603 and $4,159,834, 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:

	2022	2021
Cash and cash equivalents	$ 28,622,516	$ 36,541,964
Investments	226,820,558	245,037,391
Accounts receivable	62,981,478	56,906,090
Contributions receivable	1,633,243	2,061,344
Total financial assets	320,057,795	340,546,789
Less: amounts not available to be used within one year		
Assets designated by the board of directors	(92,757,212)	(110,772,322)
Alternative investments without the option to withdraw within one year	(18,289,392)	(11,641,230)
Investments restricted for a certain purpose	(30,090,376)	(27,859,680)
Funds subject to long-term donor restrictions	(8,061,941)	(7,072,240)
Financial assets available to meet general expenditures within one year	$ 170,858,874	$ 183,201,317

NOTE O - CARES ACT

Provider Relief Fund

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security Act (CARES Act) was enacted. The CARES Act provided additional waivers, reimbursement, grants and other funds to assist health care providers during the COVID-19 pandemic, including $100.0 billion in appropriations for the Public Health and Social Services Emergency Fund, also referred to as the Provider Relief Fund, to be used for preventing, preparing, and responding to COVID-19, and for reimbursing "eligible health care providers for health care related expenses or lost revenue that are attributable to coronavirus." The Organization was able to use payments received under the Provider Relief Fund through December 31, 2022.

On December 27, 2020, the Coronavirus Response and Relief Supplemental Appropriations Act of 2021 (CRRSA Act) was signed into law. The CRRSA Act legislated certain provisions and reporting requirements associated with the payments received under the Provider Relief Fund, including provisions surrounding how an entity should calculate lost revenue. As discussed above, the payments received under the Provider Relief Fund are to be used for health care related expenses and lost revenues attributable to the COVID-19 pandemic.

The Organization received approximately $0 and $165,000 of payments under the Provider Relief Fund during the year ended December 31, 2022 and 2021, respectively. Under the Organization's accounting policy, payments are recognized on the books and records as other operating income when it is probable that it has complied with the terms and conditions of the funds. The Organization evaluated its compliance with the terms and conditions set forth within the CRRSA Act and by HHS, and recognized approximately $80,000 and $85,000 as other operating income on the accompanying consolidated statements of activities during the years ended December 31, 2022 and 2021, respectively.

Payroll Tax Deferral

In April 2020, the Organization began deferring payment on its share of payroll taxes owed, as allowed by the CARES Act through December 31, 2020. The Organization was able to defer half of its share of payroll taxes owed until December 31, 2021, with the remaining half due by December 31, 2022. As of December 31, 2022 and 2021, the Organization had deferred approximately $4,000 and $2,376,000, respectively, in accrued expenses on the accompanying consolidated statements of financial position.

NOTE P - RISKS AND UNCERTAINTIES

The COVID-19 pandemic has impacted and could further impact the Organization's business and operations, including labor and wages, and the operations of its suppliers, vendors and customers. The pandemic continues to significantly impact global economic conditions and in the U.S. as federal, state and local governments react to the public health crisis with mitigation measures, creating significant uncertainties in the U.S. and global economies. The extent to which the pandemic will continue to affect the Organization's business, operations and financial results will depend on numerous factors that it may not be able to accurately predict and which may cause the actual results to differ from the estimates and assumptions the Organization is required to make in preparation of consolidated financial statements according to U.S. GAAP.

NOTE Q - SUBSEQUENT EVENTS

The Organization evaluated its December 31, 2022, consolidated financial statements for subsequent events through May 18, 2023, 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.

SUPPLEMENTAL INFORMATION

Versiti, Inc. and Affiliates

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2022

ASSETS	Wisconsin	Cenetron	Salus	Eliminations	Consolidated Wisconsin(*)	Foundation	Illinois	Michigan	Indiana	Versiti	Eliminations	Consolidated
Current assets												
Cash and cash equivalents	$ -	$ 3,887,609	$ 1,225,979	$ -	$ 5,113,588	$ 9,180,588	$ -	$ -	$ -	$ 14,328,340	$ -	28,622,516
Accounts receivable, net	38,354,334	3,918,130	1,487,139	(1,040,337)	42,719,266	159,526	17,956,308	14,385,143	10,263,073	6,787,054	(29,288,892)	62,981,478
Contributions receivable, net	-	-	-	-	-	454,808	-	-	-	-	-	454,808
Inventories, net	9,531,534	1,115,427	-	-	10,646,961	-	1,402,125	1,780,694	2,714,705	-	-	16,544,485
Prepaid expenses	571,556	507,855	15,255	-	1,094,666	-	129,900	210,803	371,310	1,810,371	-	3,617,050
Total current assets	48,457,424	9,429,021	2,728,373	(1,040,337)	59,574,481	9,794,922	19,488,333	16,376,640	13,349,088	22,925,765	(29,288,892)	112,220,337
Investments	40,113,083	-	-	-	40,113,083	112,481,692	38,425,285	13,811,343	19,390,628	2,598,527	-	226,820,558
Investment in affiliates	21,020,552	-	-	(21,020,552)	-	-	-	-	-	-	-	-
Property and equipment, net	31,073,335	502,156	26,716	-	31,602,207	8,011	6,848,042	8,932,548	10,468,248	1,617,136	-	59,476,192
Operating lease right-of-use assets	979,382	3,336,678	-	-	4,316,060	-	1,360,877	1,091,207	1,041,334	-	-	7,809,478
Contributions receivable, net	-	-	-	-	-	1,178,435	-	-	-	-	-	1,178,435
Goodwill	-	7,280,691	715,103	-	7,995,794	-	-	-	-	-	-	7,995,794
Intangible assets, net	-	2,255,100	224,428	-	2,479,528	-	-	-	-	-	-	2,479,528
Other assets	11,258	916,869	45,000	-	973,127	-	575,518	372,182	594,928	579,000	-	3,094,755
Total assets	$ 141,655,034	$ 23,720,515	$ 3,739,620	$ (22,060,889)	$ 147,054,280	$ 123,463,060	$ 66,698,055	$ 40,583,920	$ 44,844,226	$ 27,720,428	$ (29,288,892)	$ 421,075,077

*Cenetron and Salus are wholly owned subsidiaries of the Wisconsin affiliate

Versiti, Inc. and Affiliates

CONSOLIDATING STATEMENT OF FINANCIAL POSITION - CONTINUED

December 31, 2022

	Wisconsin	Cenetron	Salus	Eliminations	Consolidated Wisconsin(*)	Foundation	Illinois	Michigan	Indiana	Versiti	Eliminations	Consolidated
LIABILITIES AND NET ASSETS												
Current liabilities												
Accounts payable	$ 4,189,264	$ 1,170,927	$ 141,823	$ -	$ 5,502,014	$ 35,625	$ 657,764	$ 1,252,922	$ 1,849,143	$ 760,609	$ -	$ 10,058,077
Accrued expenses	14,446,905	1,653,931	459,094	(1,040,337)	15,519,593	1,108,964	3,122,397	3,264,537	5,675,924	24,141,989	(29,288,892)	23,544,512
Current portion of finance lease liabilities	81,168	-	-	-	81,168	-	107,992	105,710	66,145	-	-	361,015
Total current liabilities	18,717,337	2,824,858	600,917	(1,040,337)	21,102,775	1,144,589	3,888,153	4,623,169	7,591,212	24,902,598	(29,288,892)	33,963,604
Long-term retirement liabilities	7,103,722	-	-	-	7,103,722	-	112,959	169,070	214,540	816,626	-	8,416,917
Obligations under finance lease liabilities, less current portion	153,388	-	-	-	153,388	-	318,734	221,385	175,278	-	-	868,785
Obligations under operating lease liabilities, less current portion	368,057	2,741,969	-	-	3,110,026	-	698,311	569,046	543,862	-	-	4,921,245
Other long-term liabilities	185,379	271,839	-	-	457,218	-	-	-	31,239	1,651,204	-	2,139,661
Total liabilities	26,527,883	5,838,666	600,917	(1,040,337)	31,927,129	1,144,589	5,018,157	5,582,670	8,556,131	27,370,428	(29,288,892)	50,310,212
Net assets												
Without donor restriction												
Board-designated endowment funds, Foundation	-	-	-	-	-	92,757,212	-	-	-	-	-	92,757,212
Operating funds	115,127,151	17,881,849	3,138,703	(21,020,552)	115,127,151	21,767,129	61,679,898	35,001,250	36,020,284	350,000	-	269,945,712
Total net assets without donor restriction	115,127,151	17,881,849	3,138,703	(21,020,552)	115,127,151	114,524,341	61,679,898	35,001,250	36,020,284	350,000	-	362,702,924
Total net assets with donor restriction	-	-	-	-	-	7,794,130	-	-	267,811	-	-	8,061,941
Total net assets	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
Total liabilities and net assets	$ 141,655,034	$ 23,720,515	$ 3,739,620	$ (22,060,889)	$ 147,054,280	$ 123,463,060	$ 66,698,055	$ 40,583,920	$ 44,844,226	$ 27,720,428	$ (29,288,892)	$ 421,075,077

*Cenetron and Salus are wholly owned subsidiaries of the Wisconsin affiliate

Versiti, Inc. and Affiliates

CONSOLIDATING STATEMENT OF ACTIVITIES

Year ended December 31, 2022

	Wisconsin	Cenetron	Salus	Eliminations	Consolidated Wisconsin(*)	Foundation	Illinois	Michigan	Indiana	Versiti	Eliminations	Consolidated
Revenue and other support												
Blood services	$ 51,795,488	$ -	$ -	$ -	$ 51,795,488	$ -	$ 57,285,241	$ 55,169,565	$ 52,521,021	$ 59,992	$ (13,476,587)	$ 203,354,720
Diagnostic laboratories	40,658,823	-	-	(67,847)	40,590,976	-	2,858,966	1,816,071	3,958,989	(135)	(507,756)	48,717,111
Pharmacy	54,057,206	-	-	-	54,057,206	-	-	-	-	-	-	54,057,206
Blood Research Institute	31,626,449	-	-	-	31,626,449	693,250	-	-	-	-	(8,206,306)	24,113,393
Organ and tissue donation	19,999,163	-	-	-	19,999,163	-	-	-	-	-	(51,514)	19,947,649
Biomaterials & clinical trial services	195,163	14,437,078	4,137,814	(18,525)	18,751,530	-	-	-	98,025	-	-	18,849,555
Donor testing laboratory	349,879	-	-	-	349,879	-	-	-	24,006,237	-	(14,299,727)	10,056,389
Medical services	12,039,912	-	-	-	12,039,912	-	-	7,143,648	375,463	-	(28,330)	19,530,693
Contributions from affiliates	-	-	-	-	-	4,310,000	-	-	-	-	(4,310,000)	-
Contributions from third parties	116,450	-	-	-	116,450	1,505,246	1,411	51,423	15,423	-	-	1,689,953
Affiliate service fees	62,927	261,427	-	(514,537)	(190,183)	-	(81,507)	(90,563)	(90,563)	29,585,951	(29,133,135)	-
Equity in affiliates	2,704,971	-	-	(2,704,971)	-	-	-	-	-	-	-	-
Other, net	202,658	-	-	-	202,658	-	-	280	-	41,517	-	244,455
Total revenue and other support	213,809,089	14,698,505	4,137,814	(3,305,880)	229,339,528	6,508,496	60,064,111	64,090,424	80,884,595	29,687,325	(70,013,355)	400,561,124
Percentage of consolidated total revenue and other support	53.38%	3.67%	1.03%	-0.83%	57.25%	1.62%	14.99%	16.00%	20.19%	7.41%	-17.48%	100.00%
Expenses												
Salaries and benefits	82,454,978	2,724,949	1,103,432	-	86,283,359	934,592	23,702,004	27,833,913	30,080,117	14,553,249	-	183,387,234
Supplies	19,063,371	2,494,708	3,996	(48,389)	21,513,686	57	7,023,488	9,916,023	27,720,403	(102,845)	-	66,070,812
Purchased products	46,635,926	-	-	-	46,635,926	-	9,165,730	6,192,798	12,101,649	-	(13,476,587)	60,619,516
Purchased services	23,189,863	5,747,059	978,238	(62,096)	29,853,064	202,779	5,372,237	6,467,235	2,927,583	7,531,724	(14,820,450)	37,534,172
Depreciation and amortization	4,037,586	406,559	24,522	-	4,468,667	4,145	909,509	1,222,768	1,381,216	688,984	-	8,675,289
Occupancy	4,612,461	942,092	91,623	12,258	5,658,434	1,050	2,267,329	2,134,690	2,184,604	9,287	-	12,255,394
Equipment and software	5,274,508	160,826	32,324	1,130	5,468,788	39,443	2,135,443	3,200,032	3,218,321	3,437,866	-	17,499,893
Contributions to third parties	168,503	-	-	-	168,503	3,500	79,665	86,325	46,488	105,500	-	489,981
Contributions to affiliates	4,010,000	300,000	-	-	4,310,000	8,273,184	-	-	-	-	(12,583,184)	-
Versiti service allocation	12,426,100	140,698	363,114	(503,812)	12,426,100	-	5,325,471	5,917,190	5,917,190	(452,817)	(29,133,134)	-
Other	2,745,967	117,938	131,255	-	2,995,160	215,253	702,839	624,160	608,212	3,362,186	-	8,507,810
Total expenses	204,619,263	13,034,829	2,728,504	(600,909)	219,781,687	9,674,003	56,683,715	63,595,134	86,185,783	29,133,134	(70,013,355)	395,040,101
Change in net assets before non-operating items	9,189,826	1,663,676	1,409,310	(2,704,971)	9,557,841	(3,165,507)	3,380,396	495,290	(5,301,188)	554,191	-	5,521,023
Non-operating items												
Investment return, net	(3,028,031)	-	-	-	(3,028,031)	(13,363,251)	(3,430,106)	(1,160,507)	(1,628,310)	(554,191)	-	(23,164,396)
Income taxes	(29,000)	(355,537)	(12,478)	-	(397,015)	-	(11,000)	(17,044)	(11,868)	-	-	(436,927)
CHANGE IN NET ASSETS	6,132,795	1,308,139	1,396,832	(2,704,971)	6,132,795	(16,528,758)	(60,710)	(682,261)	(6,941,366)	-	-	(18,080,300)
Net assets, beginning of year	108,994,356	17,373,710	2,241,871	(19,615,581)	108,994,356	138,847,229	61,740,608	35,683,511	43,229,461	350,000	-	388,845,165
Dividends	-	(800,000)	(500,000)	1,300,000	-	-	-	-	-	-	-	-
Net assets, end 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

*Cenetron and Salus are wholly owned subsidiaries of the Wisconsin affiliate

Versiti, Inc. and Affiliates

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended December 31, 2022

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		$ -	$ 63,852
Allergy and Infectious Diseases Research				
Direct Program			-	619,187
Pass-Through Program from Brown University		R01AI083636	-	11,548
Pass-Through Program from Health Research Inc Roswell Park		R01AI140736	-	229,180
Pass-Through Program from Medical College of Wisconsin		R01AI165578	-	18,770
Pass-Through Program from Brigham And Women's Hospital		R01AI170193	-	13,319
Pass-Through Program from University of Arkansas		U01AI133561	-	125,237
	93.855		-	1,017,241
Biomedical Research and Research Training				
Direct Program	93.859		-	271,002
Blood Diseases and Resources Research				
Direct Program			4,126,435	11,841,299
Pass-through from Medical College of Wisconsin		R01HL102035, R01HL128810, R01HL142152, R01HL142657, R03HL155174	-	500,048
	93.839		4,126,435	12,341,347
Cancer Biology Research				
Direct Program	93.396		50,033	1,381,614
Cancer Research Manpower				
Direct Program	93.398		-	173,919
Cancer Treatment Research				
Direct Program	93.395		-	357,324
Cardiovascular Diseases Research				
Direct Program			225,350	644,252
Pass-through from Marquette University		R15HL127636	-	3,826
Pass-through from Medical College of Wisconsin		R01HL149620, R01HL142791, R01HL153397, R01HL157642, R01HL163516	-	791,999
Pass-through from University of North Carolina		R01HL160046	-	9,855
	93.837		225,350	1,449,932
Child Health and Human Development Extramural Research				
Pass-through from Kansas University	93.865	R01HD099638	-	19,828
Diabetes, Digestive, and Kidney Diseases Extramural Research				
Direct Program			-	69,238
Pass-through from Medical College of Wisconsin		R01DK052194, R01DK120548, R01DK121747, R01DK134064	-	108,003
	93.847		-	177,241

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

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
Extramural Research Programs in the Neurosciences and Neurological Disorders				
Pass-through from Medical College of Wisconsin	93.853	R61NS114954, U24NS115679	$ -	$ 4,250
Lung Diseases Research				
Pass-through from University of Michigan		OT2HL156812	-	78,190
Pass-through from University of Pittsburgh		OT2HL156812	611,050	855,841
	93.838		611,050	934,031
National Center for Advancing Translational Sciences				
Pass-through from Medical College of Wisconsin	93.350	UL1TR001436	-	43,012
Trans-NIH Research Support				
Direct Program	93.310		37,820	677,471
Retrovirus Epidemiology Donor Study IV				
Direct Program	75N92019D00035	75N92019D00035	186,122	1,055,240
National Institutes of Health (NIH)			5,236,810	19,967,304
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	-	29,899
Health Resources and Services Administration (HRSA)				
Maternal and Child Health Federal Consolidated Programs				
Pass-through from Great Lakes Hemophilia Foundation, Inc.	93.110	H30MC24052	-	43,353
Total U.S. Department of Health and Human Services			5,236,810	20,040,556
U.S. Department of Defense				
Department of the Army				
Military Medical Research and Development				
Direct Program	12.420		471,983	998,195
Total U.S. Department of Defense			471,983	998,195
Research and Development Cluster			5,708,793	21,038,751
U.S. Department of Health and Human Services				
Health Resources and Services Administration				
COVID-19 Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution - Period 4				
Direct Program	93.498		-	165,761
Total U.S. Department of Health and Human Services			-	165,761
			$ 5,708,793	$ 21,204,512

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

With the exception of funds received under the Provider Relief Fund, 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.

During 2021 and 2022, Versiti received HHS awards related to the Provider Relief Fund (PRF) program. HHS has indicated the amounts on the schedule of federal expenditures be reported corresponding to reporting requirements of the HRSA PRF Reporting Portal. Payments from HHS for PRF are assigned to "Payment Received Periods" (each, a Period) based upon the date each payment from the PRF was received. Each Period has a specified Period of Availability and timing of reporting requirements. Entities report in to the HRSA PRF Reporting Portal after each Period's deadline to use the funds (i.e. after the end of the Period of Availability).

The schedule of federal expenditures includes $0 received from HHS between January 1, 2021 to June 30, 2021. In accordance with guidance from HHS, no amounts are presented as Period 3. The schedule of federal expenditures also includes $165,761 received from HHS between July 1, 2021 to December 31, 2021. In accordance with guidance from HHS, these amounts are presented as Period 4. Such amounts were recognized as grant revenue in Versiti's consolidated financial statements during the years ended December 31, 2022 and 2021.

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, 2022.

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, 2022, Wisconsin earned Program-related revenue (Program Income) of $39,074,000. 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, 2022, Wisconsin expended $36,844,000 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, 2022, Wisconsin maintains approximately $30,090,000 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.

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, 2022, 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 18, 2023.

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.

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 18, 2023

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Versiti, Inc.

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, 2022. 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, 2022.

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

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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 18, 2023

Versiti, Inc. and Affiliates

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

December 31, 2022

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.