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

Versiti, Inc. and Affiliates

December 31, 2020 and 2019

Contents

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Versiti, Inc.

Report on the financial statements

We have audited the accompanying consolidated financial statements of Versiti, Inc. (a non-stock, not-for-profit Wisconsin corporation) and affiliates (collectively, the Organization), which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated financial statements 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 Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Versiti, Inc. and affiliates as of December 30, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other matters

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, 2020 and consolidating statement of activities for the year ended December 31, 2020, 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 for the year ended December 31, 2020, 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 the 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 auditing standards generally accepted in the United States of America. In our opinion, the 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 August 18, 2021, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Organization'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 Organization's internal control over financial reporting and compliance.

Grant Thornton LLP

Appleton, Wisconsin
August 18, 2021

Versiti, Inc. and Affiliates

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31,

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 38,107,803	$ 24,999,956
Accounts receivable, net of allowance for doubtful accounts and sales returns of $820,022 and $828,497 at December 31, 2020 and 2019, respectively	50,749,640	53,344,099
Contributions receivable, net	1,071,379	421,236
Inventories, net	14,040,471	13,285,366
Prepaid expenses	3,537,493	3,499,089
Total current assets	107,506,786	95,549,746
INVESTMENTS, including restricted investments of $23,597,457 and $20,039,116 at December 31, 2020 and 2019, respectively	217,924,699	186,197,176
PROPERTY AND EQUIPMENT, net	58,392,252	61,129,574
CONTRIBUTIONS RECEIVABLE, net	1,576,099	1,868,285
GOODWILL	7,862,517	7,862,517
INTANGIBLE ASSETS, NET	3,067,079	3,403,693
OTHER ASSETS	2,770,235	2,428,764
Total assets	$ 399,099,667	$ 358,439,755

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

Versiti, Inc. and Affiliates

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION - CONTINUED

December 31,

LIABILITIES AND NET ASSETS	**2020**	**2019**
CURRENT LIABILITIES		
Accounts payable	$ 11,315,528	$ 12,444,937
Accrued expenses	27,187,291	26,622,429
Total current liabilities	38,502,819	39,067,366
LONG-TERM RETIREMENT LIABILITIES	8,363,701	6,622,345
OTHER LONG-TERM LIABILITIES	4,371,447	1,351,667
Total liabilities	51,237,967	47,041,378
NET ASSETS		
Without donor restriction		
Board-designated endowment funds, Foundation	97,551,159	87,979,140
Operating funds	243,570,002	218,296,090
Total net assets without donor restriction	341,121,161	306,275,230
With donor restriction	6,740,539	5,123,147
Total net assets	347,861,700	311,398,377
Total liabilities and net assets	$ 399,099,667	$ 358,439,755

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

Versiti, Inc. and Affiliates

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support			
Blood services	$ 188,294,524	$ -	$ 188,294,524
Diagnostic laboratories	59,607,351	-	59,607,351
Pharmacy	39,436,057	-	39,436,057
Blood Research Institute	16,990,096	-	16,990,096
Organ and tissue donation	19,208,457	-	19,208,457
Donor testing laboratory	12,179,501	-	12,179,501
Medical services	16,317,195	-	16,317,195
Contributions from third parties	(129,503)	2,479,786	2,350,283
Other, net	3,038,304	-	3,038,304
	354,941,982	2,479,786	357,421,768
Net assets released from restriction	862,394	(862,394)	-
Total revenue and other support and net assets released from restriction	355,804,376	1,617,392	357,421,768
Expenses			
Salaries and benefits	165,637,519	-	165,637,519
Supplies	61,147,884	-	61,147,884
Purchased products	46,468,381	-	46,468,381
Purchased services	29,181,820	-	29,181,820
Depreciation and amortization	9,233,828	-	9,233,828
Occupancy	9,818,983	-	9,818,983
Equipment and software	12,459,179	-	12,459,179
Contributions to third parties	241,904	-	241,904
Other	7,284,656	-	7,284,656
Total expenses	341,474,154	-	341,474,154
Change in net assets before non-operating items	14,330,222	1,617,392	15,947,614
Non-operating items			
Investment return, net	21,449,762	-	21,449,762
Income taxes	(934,053)	-	(934,053)
CHANGE IN NET ASSETS	34,845,931	1,617,392	36,463,323
Net assets, beginning of year	306,275,230	5,123,147	311,398,377
Net assets, end of year	$ 341,121,161	$ 6,740,539	$ 347,861,700

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

Versiti, Inc. and Affiliates

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support			
Blood services	$ 173,566,210	$ -	$ 173,566,210
Diagnostic laboratories	47,975,678	-	47,975,678
Pharmacy	32,963,438	-	32,963,438
Blood Research Institute	15,800,998	-	15,800,998
Organ and tissue donation	18,794,943	-	18,794,943
Donor testing laboratory	9,086,981	-	9,086,981
Medical services	14,821,755	-	14,821,755
Contributions from third parties	(55,456)	3,619,023	3,563,567
Other, net	346,918	-	346,918
	313,301,465	3,619,023	316,920,488
Net assets released from restriction	770,605	(770,605)	-
Total revenue and other support and net assets released from restriction	314,072,070	2,848,418	316,920,488
Expenses			
Salaries and benefits	157,720,851	-	157,720,851
Supplies	54,927,618	-	54,927,618
Purchased products	42,536,544	-	42,536,544
Purchased services	34,437,678	-	34,437,678
Depreciation and amortization	9,055,102	-	9,055,102
Occupancy	9,506,974	-	9,506,974
Equipment and software	11,246,137	-	11,246,137
Contributions to third parties	431,872	-	431,872
Other	8,836,597	-	8,836,597
Total expenses	328,699,373	-	328,699,373
Change in net assets before non-operating items	(14,627,303)	2,848,418	(11,778,885)
Non-operating items			
Investment return, net	28,877,728	-	28,877,728
Income taxes	(22,656)	-	(22,656)
CHANGE IN NET ASSETS	14,227,769	2,848,418	17,076,187
Net assets, beginning of year	292,047,461	2,274,729	294,322,190
Net assets, end of year	$ 306,275,230	$ 5,123,147	$ 311,398,377

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, 2020

	Program Services								Supporting Services			
	Blood Services	Diagnostic Laboratories	Pharmacy	Blood Research Institute	Organ & Tissue Donation	Medical Services	Donor Testing Laboratory	Total Program Services	Corporate Services	Development	Total Supporting Services	Total
Salaries and benefits	$ 69,586,622	$ 24,588,031	$ 975,950	$ 15,300,398	$ 7,714,406	$ 11,666,152	$ 3,782,160	$ 133,613,719	$ 31,312,871	$ 710,929	$ 32,023,800	$ 165,637,519
Supplies	22,029,701	7,831,629	18,417	2,040,866	848,595	2,831,760	25,502,993	61,103,961	43,445	478	43,923	61,147,884
Purchased products	12,930,069	475	33,537,837	-	-	-	-	46,468,381	-	-	-	46,468,381
Purchased services	32,133,869	3,074,670	293,353	4,406,583	5,668,252	153,891	(21,437,006)	24,293,612	4,812,411	75,797	4,888,208	29,181,820
Depreciation and amortization	2,638,905	925,130	-	1,421,747	52,174	336,322	68,657	5,442,935	3,786,748	4,145	3,790,893	9,233,828
Occupancy	3,512,058	1,099,055	2,160	946,257	102,593	72,056	22,680	5,756,859	4,060,324	1,800	4,062,124	9,818,983
Equipment and software	5,358,773	1,587,441	1,099	267,490	508,312	260,717	710,801	8,694,633	3,730,653	33,893	3,764,546	12,459,179
Contributions to third parties	134,895	-	102,100	-	4,909	-	-	241,904	-	-	-	241,904
Other	1,392,933	2,319,847	35,210	462,701	184,246	301,371	95,058	4,791,366	2,470,163	23,127	2,493,290	7,284,656
Total expenses	$ 149,717,825	$ 41,426,278	$ 34,966,126	$ 24,846,042	$ 15,083,487	$ 15,622,269	$ 8,745,343	$ 290,407,370	$ 50,216,615	$ 850,169	$ 51,066,784	$ 341,474,154

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, 2019

	Program Services								Supporting Services			
	Blood Services	Diagnostic Laboratories	Pharmacy	Blood Research Institute	Organ & Tissue Donation	Medical Services	Donor Testing Laboratory	Total Program Services	Corporate Services	Development	Total Supporting Services	Total
Salaries and benefits	$ 66,455,827	$ 21,351,086	$ 918,856	$ 15,674,149	$ 7,301,917	$ 10,301,182	$ 3,611,508	$ 125,614,525	$ 31,501,354	$ 604,972	$ 32,106,326	$ 157,720,851
Supplies	19,032,137	6,275,559	25,695	2,730,899	603,740	2,501,148	23,675,021	54,844,199	78,947	4,472	83,419	54,927,618
Purchased products	14,663,981	-	27,872,563	-	-	-	-	42,536,544	-	-	-	42,536,544
Purchased services	36,781,311	3,375,012	152,811	3,144,316	6,186,841	125,607	(22,454,390)	27,311,508	7,044,855	81,315	7,126,170	34,437,678
Depreciation and amortization	2,547,634	745,376	-	1,482,136	54,719	346,677	144,678	5,321,220	3,729,737	4,145	3,733,882	9,055,102
Occupancy	3,314,586	561,472	1,800	1,110,756	163,153	58,593	12,505	5,222,865	4,282,559	1,550	4,284,109	9,506,974
Equipment and software	4,844,738	1,415,016	247	276,596	273,914	240,456	656,949	7,707,916	3,510,054	28,167	3,538,221	11,246,137
Contributions to third parties	281,371	-	101,750	15,000	23,251	10,500	-	431,872	-	-	-	431,872
Other	2,123,163	1,417,410	30,509	797,491	368,169	536,971	48,105	5,321,818	3,442,628	72,151	3,514,779	8,836,597
Total expenses	$ 150,044,748	$ 35,140,931	$ 29,104,231	$ 25,231,343	$ 14,975,704	$ 14,121,134	$ 5,694,376	$ 274,312,467	$ 53,590,134	$ 796,772	$ 54,386,906	$ 328,699,373

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,

	2020	2019
Cash flows from operating activities:		
Change in net assets	$ 36,463,323	$ 17,076,187
Adjustments to reconcile change in net assets to net cash used in operating activities, net of acquisition:		
Depreciation and amortization	9,233,828	9,055,102
(Gain) loss on sale of property and equipment	(78,565)	21,173
Net realized investment gain	(5,691,215)	(2,417,464)
Unrealized investment gain	(11,671,025)	(21,794,579)
Change in assets and liabilities, net of assets acquired and liabilities assumed:		
Accounts receivable, net	2,594,459	(13,070,731)
Contributions receivable, net	(357,957)	(1,804,188)
Inventories, net	(755,105)	1,565,966
Prepaid expenses	(38,404)	112,860
Other assets	(341,471)	78,721
Accounts payable	(1,129,409)	(1,025,790)
Accrued expenses	564,862	3,240,138
Long-term retirement liabilities	1,741,356	1,514,113
Other long-term liabilities	3,019,780	254,791
Net cash provided by (used in) operating activities	33,554,457	(7,193,701)
Cash flows from investing activities:		
Purchases and construction of property and equipment	(8,524,490)	(6,670,152)
Proceeds from sale of property and equipment	2,443,163	20,143
Cash paid for acquisition, net of cash acquired	-	(14,054,399)
Purchases of investments	(121,320,487)	(59,335,481)
Proceeds from sales and maturities of investments	106,955,204	81,086,837
Net cash (used in) provided by investing activities	(20,446,610)	1,046,948
NET CHANGE IN CASH AND CASH EQUIVALENTS	13,107,847	(6,146,753)
Cash and cash equivalents, beginning of year	24,999,956	31,146,709
Cash and cash equivalents, end of year	$ 38,107,803	$ 24,999,956
Supplemental disclosure of cash flow information:		
Taxes paid	$ 934,053	$ 22,656
Non-cash investing activity:		
Purchases and construction of property and equipment in accounts payable	$ -	$ 344,732

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. 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.

On July 1, 2019, Wisconsin acquired Cenetron Diagnostics, LLC (Cenetron), a central laboratory and clinical trials logistics provider, and Salus IRB (Salus), an institutional review board services provider, for approximately $14,300,000. The acquisition of Cenetron and Salus was made to advance Versiti's diagnostic laboratories. See note C for further information.

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.

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.

Inventories

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

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

Inventory is stated net of an allowance for excess and obsolete items of $80,000 as of December 31, 2020 and 2019.

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 $23,597,000 and $20,039,000 at December 31, 2020 and 2019, respectively, are being held to be used in accordance with federal grant sub-award requirements. See Note L.

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 2 to 30 years, on a straight-line basis. Leasehold improvements are amortized over the lesser of their useful life or the lease term.

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:

	2020	2019
Land and land improvements	$ 6,598,361	$ 7,083,326
Buildings and improvements	111,813,559	111,692,457
Furniture and equipment and vehicles	82,591,645	85,865,918
Leasehold improvements	3,189,051	3,020,651
Construction and equipment in progress	3,243,872	1,236,451
Total property and equipment	207,436,488	208,898,803
Less accumulated depreciation	(149,044,236)	(147,769,229)
Property and equipment, net	$ 58,392,252	$ 61,129,574

Intangible Assets

Intangible assets consist of the following as of December 31:

	2020		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Definite lived intangible assets			
Customer relationships (Cenetron)	$ 1,728,000	$ (129,600)	$ 1,598,400
Customer relationships (Salus)	185,000	(19,821)	165,179
Technology (Cenetron)	1,659,000	(355,500)	1,303,500
Total	$ 3,572,000	$ (504,921)	$ 3,067,079

	2019		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Definite lived intangible assets			
Customer relationships (Cenetron)	$ 1,728,000	$ (43,200)	$ 1,684,800
Customer relationships (Salus)	185,000	(6,607)	178,393
Technology (Cenetron)	1,659,000	(118,500)	1,540,500
Total	$ 3,572,000	$ (168,307)	$ 3,403,693

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 (Cenetron)	20
Customer relationships (Salus)	14
Technology (Cenetron)	7

Total amortization expense was $336,614 and 168,307 for the years ended December 31, 2020 and 2019, respectively. Future amortization expense for the years ended December 31, are as follows:

2021	$ 336,614
2022	336,614
2023	336,614
2024	336,614
2025	336,614
Thereafter	1,384,009
Total	$ 3,067,079

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, 2020 and 2019.

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. Goodwill is the result of the Cenetron acquisition in 2019 discussed in note C. The outstanding balance was $7,862,517 for the year ended December 31, 2020 and 2019, respectively.

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, 2020 and 2019, and therefore, there was no goodwill impairment analysis performed.

Other Assets

Indiana and Versiti previously both held voting memberships 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. Indiana and Versiti each made an initial contribution of $350,000 in connection with the memberships, which were recorded within other assets on the accompanying consolidated statements of financial position. Versiti's contribution amounts to $350,000 at December 31, 2020 and 2019. With Indiana becoming an affiliate of Versiti in 2015, Indiana is no longer required to maintain a separate voting membership with BCA. As such, beginning in February 2016, BCA began refunding Indiana's contribution, which was repaid in 5 installments through the year 2020. The balance of Indiana's membership amounts to $0 and $92,719 as of December 31, 2020 and 2019, respectively.

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 in 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.

	2020	2019
Investment in Exchange	$ 374,379	$ 374,379
Notes receivable from Exchange	1,001,877	706,330

Net Assets

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

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

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

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

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

Revenue Recognition from Contracts with Customers

Nature of Products

Blood Services is responsible for recruiting, collecting, processing, and distributing blood and blood products. Generally, Diagnostics Laboratories is 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 thirty 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:

	2020	2019
Revenue from products recognized at a point in time	$ 333,072,702	$ 292,786,964
Revenue from services recognized over time	5,008,687	4,768,959
Revenue from contracts with customers	338,081,389	297,555,923
Contributions from third parties	2,350,283	3,563,567
Blood Research Institute revenue	16,990,096	15,800,998
Total revenue and other support	$ 357,421,768	$ 316,920,488

Grant Revenue

Blood Research Institute undertakes research in the area of transfusion and transplant medicine, which are primarily funded from government contracts. The amounts received as part of these government contracts are considered a contribution as the resource provider is not receiving commensurate value in transferring assets under the transaction. Revenue from government contracts is recognized when allowable and reimbursable expenditures are incurred, and upon meeting the legal or contractual requirements of the granting agency.

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:

	2020	2019
Total contributions receivable	$ 2,781,272	$ 2,452,545
Less adjustment to present value for future cash flows for contributions receivable	(102,831)	(132,061)
Present value of contributions receivable	2,678,441	2,320,484
Less allowance for doubtful contributions receivable	(30,963)	(30,963)
Net contributions receivable	$ 2,647,478	$ 2,289,521

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 2.51% as of December 31, 2020, and 1.69% to 2.51% as of December 31, 2019.

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,	
2021	$ 928,730
2022	352,542
2023	350,000
2024	350,000
2025	200,000
Thereafter	600,000
	$ 2,781,272

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 E for fair value measurements of investments.

Advertising Costs

The Organization expenses advertising costs as incurred. Advertising costs for the years ended December 31, 2020 and 2019, were $368,068 and $1,450,803, 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 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 interest or penalties related to income taxes that have been accrued or recognized as of and for the years ended December 31, 2020 and 2019.

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

The Financial Accounting Standards Board (FASB) has issued Accounting Standards Update (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). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less may be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. ASU 2016-02 supersedes the previous leases standard, *Leases* (Topic 840). In June 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, which deferred the effective date by one year. The ASU is effective for annual reporting periods beginning after December 15, 2021. Early adoption is permitted. The Organization is currently evaluating the impact on the consolidated financial statements at this time.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. ASU 2020-04 provides optional guidance for a limited period of time to ease the potential burden of accounting for reference rate reform. This guidance is effective for all entities as of March 12, 2020 through December 31, 2022. The Organization expects to utilize this optional guidance but does not expect it to have a material effect on the consolidated financial statements.

NOTE C - ACQUISITION

As noted in Note A, Wisconsin acquired Cenetron and Salus, on July 1, 2019, for a purchase price of $14,336,609. The acquisition of Cenetron and Salus 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:

	2019
Cash and cash equivalents	$ 282,210
Accounts receivable	2,166,846
Prepaid expenses	167,596
Inventories, net	374,984
Other assets	765,000
Equipment	231,350
Goodwill	7,862,517
Intangible assets	3,572,000
Accounts payable	(995,749)
Accrued expenses	(90,145)
Net assets acquired	$ 14,336,609

NOTE D - INVESTMENTS

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

	2020		2019	
	Carrying Value	Cost	Carrying Value	Cost
Money market funds	$ 2,921,800	$ 2,921,800	$ 670,439	$ 670,439
Fixed income mutual funds	63,827,407	62,009,797	57,937,748	56,321,028
Common stock mutual funds	116,586,024	88,025,668	87,344,654	70,688,593
Common stock	-	-	6,302,597	4,872,869
Mixed asset mutual funds	8,351,252	7,112,311	6,622,345	6,241,304
Alternative investments	26,238,216	22,905,458	27,319,393	24,161,601
Total investments	$ 217,924,699	$ 182,975,034	$ 186,197,176	$ 162,955,834

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 E - 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, 2020 or 2019.

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:

	2020			
	Level 1	Level 2	Level 3	Total
Fixed income mutual funds	$ 63,827,407	$ -	$ -	$ 63,827,407
Common stock mutual funds	116,586,024	-	-	116,586,024
Mixed asset mutual funds	8,351,252	-	-	8,351,252
Investments, at fair value	$ 188,764,683	$ -	$ -	188,764,683
Alternative investments, valued at NAV				26,238,216
				$ 215,002,899

	2019			
	Level 1	Level 2	Level 3	Total
Fixed income mutual funds	$ 57,937,748	$ -	$ -	$ 57,937,748
Common stock mutual funds	87,344,654	-	-	87,344,654
Mixed asset mutual funds	6,622,345	-	-	6,622,345
Common stock	6,302,597	-	-	6,302,597
Investments, at fair value	$ 158,207,344	$ -	$ -	158,207,344
Alternative investments, valued at NAV				27,319,393
				$ 185,526,737

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

	Fair Value 2020	Fair Value 2019	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Defensive equity fund					
Parametric Defensive Equity Fund, LLC [a]	$ 5,096,246	$ 4,871,563	$ -	Monthly	5 days
Hedge fund					
Corbin Opportunity Fund, LTD [b]	2,470,662	4,536,907	-	Quarterly	70 days
Private real estate fund					
Clarion Lion Properties Fund, LP [c]	7,345,638	11,341,996	-	Quarterly	90 days
Landmark Equity Partners Xvi, LP [d]	1,414,444	859,024	1,800,954	Unknown	
Wellington Trust Company					
Emerging Markets Research Equity [e]	5,023,621	2,882,268	-	Weekly	10 days
Siguler Guff					
Opportunities Fund III LP [f]	1,613,806	1,487,042	386,194	Unknown	
Summit Partners Credit Offshore Fund III LP [g]	691,300	578,486	1,308,700	Unknown	
Siguler Guff Small Buyout Opportunities Fund IV LP [h]	619,387	113,750	1,880,613	Unknown	
JP Morgan PEG Global Private Equity VIII Offshore Special LP [i]	687,224	234,794	1,812,776	Unknown	
HIG WhiteHorse Principal Lending Offshore [j]	902,847	413,563	-	Unknown	
JP Morgan PEG Global Private Equity IX[k]	183,788	-	1,816,212	Unknown	
Aberdeen Private Equity Fund IX[l]	-	-	2,000,000	Unknown	
HIG WhiteHorse Equity Side-Car[m]	189,253	-	70,747	Unknown	
Total	$ 26,238,216	$ 27,319,393	$ 11,076,196		

(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) 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) HIG WhiteHorse Equity Side-Car will participate within HIG's flagship middle market strategy. The side-car vehicle will invest over 3-years in market leading companies through controlling or influential minority stakes. The time the redemption restriction might lapse is unknown.

NOTE F - RETIREMENT PLANS

Defined Contribution Plans

403(b)

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.

401(k)

In December 2017, the Organization created the Versiti 401(k) plan. Contributions were $6,136,471 and $5,974,711 during the years ended December 31, 2020 and 2019, respectively.

457(b)

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 all affiliates after December 2017 are made to the Versiti 457(b) plan. Total balances of $8,351,252 and $6,622,345 were recorded as of December 31, 2020 and 2019, respectively.

Long Term Incentive Plan (“LTIP”)

Versiti maintained an LTIP covering several key employees. There was an outstanding balance of $1,492,058 and $640,654 as of December 31, 2020 and 2019, 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, 2020 and 2019, was approximately $1,329,000 and $1,033,000, respectively.

NOTE G - LETTER OF CREDIT

Wisconsin has a letter of credit that expires December 31, 2024, in favor of the Treasurer of the Wisconsin Unemployment Reserve Fund in the amount of $566,580 that has been issued to satisfy state unemployment compensation requirements as of December 31, 2020 and 2019.

NOTE H - MASTER TRUST INDENTURE AND LINE OF CREDIT

During 2020, Versiti entered into a Master Trust Indenture with US 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 is in compliance with these covenants at December 31, 2020.

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 29, 2021. The line of credit bears interest at the Applicable Rate as stated in the credit agreement, which was the LIBOR rate + 1.25% base rate (1.59%) as of December 31, 2020. There were no amounts outstanding as of December 31, 2020.

NOTE I - 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 $97,551,159 and $87,979,140 as of December 31, 2020 and 2019, 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 $6,740,539 and $5,123,147 as of December 31, 2020 and 2019, respectively. These assets are subject to purpose and time restrictions. During the years ended December 31, 2020 and 2019, Versiti released $862,394 and $770,605, 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:

	2020	2019
Research stem cell & cell therapy	$ 2,067,306	$ 812,027
Research operating pledges receivable	1,181,272	596,961
Research fellowship and scholars	856,292	744,948
Research cancer immunology	125,974	173,734
Research scientist recruitment	20,803	20,803
Medical services bone marrow testing	207,456	207,456
Medical services scholarships	-	210,472
Organ donation support	152,042	147,448
Blood services support	68,534	195,756
Total donor restricted operating funds	4,679,679	3,109,605
Research endowment pledges receivable	1,600,000	1,800,000
Research Foundation endowment	460,860	213,542
Total donor restricted endowment funds	2,060,860	2,013,542
Total donor restricted net assets	$ 6,740,539	$ 5,123,147

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 and (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, 2020 and 2019.

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:

	2020		
	Without Donor Restriction	With Donor Restriction	Total
Board-designated endowment funds	$ 97,551,159	$ 2,060,860	$ 99,612,019
	$ 97,551,159	$ 2,060,860	$ 99,612,019

	2019		
	Without Donor Restriction	With Donor Restriction	Total
Board-designated endowment funds	$ 87,979,140	$ 2,013,542	$ 89,992,682
	$ 87,979,140	$ 2,013,542	$ 89,992,682

	Years ended December 31, 2020	Years ended December 31, 2019
Without donor restriction		
Endowment net assets without donor restriction at beginning of year	$ 87,979,140	$ 77,632,272
Total investment return, net	9,410,590	14,149,507
Transfers from operating fund to endowment fund		
License revenue	379,949	184,784
Contributions from affiliates	4,000,000	-
Contributions/transfers	114,932	327,477
Appropriation of endowment assets for expenditure	(4,333,452)	(4,314,900)
Endowment net assets without donor restriction at end of year	$ 97,551,159	$ 87,979,140

	Years ended December 31, 2020	Years ended December 31, 2019
With donor restriction		
Endowment net assets with donor restriction at beginning of year	$ 2,013,542	$ -
Contribution	-	2,000,000
Total investment return, net	47,318	13,542
Endowment net assets with donor restriction at end of year	$ 2,060,860	$ 2,013,542

NOTE J - LEASES

The Organization leases office space, equipment and vehicles under various operating leases. The terms of the leases include various escalation clauses. Future minimum lease payments are as follows as of December 31, 2020:

Years ending December 31,	
2021	$ 2,076,193
2022	1,235,622
2023	666,485
2024	242,378
2025	176,559
	$ 4,397,237

Total rent expense for leases was $2,745,589 and $2,134,866 during the years ended December 31, 2020 and 2019, respectively.

NOTE K - 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 $14,794,435 and $15,524,494 for the years ended December 31, 2020 and 2019, respectively. Receivables from related parties totaled $1,369,178 and $1,778,245 at December 31, 2020 and 2019, respectively. Versiti purchased services of approximately $255,873 and $312,000 from companies with which certain Versiti board members are associated for the years ended December 31, 2020 and 2019, respectively. Payables to related parties were approximately $0 and $170,000 at December 31, 2020 and 2019, respectively

Contributions from board of director members totaled $388,279 and $2,177,625 for the years ended December 31, 2020 and 2019, respectively. Contributions receivable from these related parties totaled $2,563,000 and $1,834,167 at December 31, 2020 and 2019, respectively.

NOTE L - 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 2020 and 2019, 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 - CFDA #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, 2020 and 2019, Wisconsin earned Program-related revenue (Program Income) of approximately $24,030,000 and $17,980,000, 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, 2020 and 2019, Wisconsin expended approximately $20,472,000 and $16,321,000, 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, 2020 and 2019, Wisconsin and Foundation maintain approximately $23,597,000 and $20,039,000, 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 7-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, 2020 and 2019, the outstanding short-term liability was recorded as an accrued expense of $285,700 within the accompanying consolidated statements of financial position. At December 31, 2020 and 2019, the outstanding long-term liability is $285,750 and $571,500, respectively, and is recorded within other long-term liabilities on 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 M - FUND TRANSFERS (FORMULA TRANSFER ADJUSTMENT)

For the years ended December 31, 2020 and 2019, 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, 2020 and 2019, $4,333,452 and $4,314,900, 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 N - 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 O - 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:

	2020	2019
Cash and cash equivalents	$ 38,107,803	$ 24,999,956
Investments	217,924,699	186,197,176
Accounts receivable	50,749,640	53,344,099
Contributions receivable	2,647,478	2,289,521
Total financial assets	309,429,620	266,830,752
Less: Amounts not available to be used within one year		
Assets designated by the board of directors	(97,551,159)	(87,979,140)
Alternative investments without the option to withdraw within one year	(6,302,049)	(3,686,659)
Investments restricted for a certain purpose	(23,597,457)	(20,039,116)
Funds subject to long-term donor restrictions	(5,155,854)	(4,100,952)
Financial assets available to meet general expenditures within one year	$ 176,823,101	$ 151,024,885

NOTE P - 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 is able to use payments received under the Provider Relief Fund through June 30, 2021.

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 $2,700,000 of payments under the Provider Relief Fund as of December 31, 2020. 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 as of December 31, 2020, and recognized approximately $2,700,000 as other operating income on the accompanying consolidated statements of activities.

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 is able to defer half of its share of payroll taxes owed until December 31, 2021, with the remaining half due on December 31, 2022. As of December 31, 2020, the Company deferred approximately $2,400,000 of payroll taxes. These amounts are reflected in accrued expenses and other long-term liabilities on the accompanying consolidated statements of financial position.

NOTE Q - RISKS AND UNCERTANTIES

The COVID-19 pandemic has impacted and could further impact the Organization's business and operations 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 R - SUBSEQUENT EVENTS

The Organization evaluated its December 31, 2020, consolidated financial statements for subsequent events through August 18, 2021, 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, 2020

ASSETS	Wisconsin	Cenetron	Salus	Eliminations	Consolidated Wisconsin(*)	Foundation	Illinois	Michigan	Indiana	Versiti	Eliminations	Consolidated
CURRENT ASSETS												
Cash and cash equivalents	$ 65,285	$ 3,296,270	$ 448,108	$ -	$ 3,809,663	$ 5,274,593	$ -	$ -	$ -	$ 29,023,547	$ -	$ 38,107,803
Accounts receivable, net	34,533,640	1,652,289	371,054	(217,733)	36,339,250	8,063,783	11,282,888	10,122,667	19,386,716	1,065,343	(35,511,007)	50,749,640
Contributions receivable, net	-	-	-	-	-	1,071,379	-	-	-	-	-	1,071,379
Inventories, net	6,647,927	702,901	-	-	7,350,828	-	2,138,321	1,216,217	3,335,105	-	-	14,040,471
Prepaid expenses	577,247	972,000	5,387	-	1,554,634	-	83,617	229,977	375,795	1,293,470	-	3,537,493
Total current assets	41,824,099	6,623,460	824,549	(217,733)	49,054,375	14,409,755	13,504,826	11,568,861	23,097,616	31,382,360	(35,511,007)	107,506,786
INVESTMENTS	42,107,947	-	-	-	42,107,947	95,620,384	40,370,639	18,682,861	20,567,860	575,008	-	217,924,699
INVESTMENT IN AFFILIATES	17,587,879	-	-	(17,587,879)	-							
PROPERTY AND EQUIPMENT, NET	33,754,547	247,405	27,126	-	34,029,078	16,301	6,338,225	7,804,659	8,159,996	2,043,993	-	58,392,252
CONTRIBUTIONS RECEIVABLE, NET	-	-	-	-	-	1,576,099	-	-	-	-	-	1,576,099
GOODWILL	-	7,280,691	581,826	-	7,862,517	-	-	-	-	-	-	7,862,517
INTANGIBLE ASSETS, NET	-	2,901,900	165,179	-	3,067,079	-	-	-	-	-	-	3,067,079
OTHER ASSETS	11,258	785,510	45,000	-	841,768	39,000	559,398	332,569	583,500	414,000	-	2,770,235
Total assets	$ 135,285,730	$ 17,838,966	$ 1,643,680	$ (17,805,612)	$ 136,962,764	$ 111,661,539	$ 60,773,088	$ 38,388,950	$ 52,408,972	$ 34,415,361	$ (35,511,007)	$ 399,099,667
Percentage of consolidated total assets	33.90%	4.47%	0.41%	-4.46%	34.32%	27.98%	15.23%	9.62%	13.13%	8.62%	-8.90%	

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

Versiti, Inc. and Affiliates

CONSOLIDATING STATEMENT OF FINANCIAL POSITION - CONTINUED

December 31, 2020

LIABILITIES AND NET ASSETS	Wisconsin	Cenetron	Salus	Eliminations	Consolidated Wisconsin(*)	Foundation	Illinois	Michigan	Indiana	Versiti	Eliminations	Consolidated
CURRENT LIABILITIES												
Accounts payable	$ 4,285,925	$ 540,014	$ 6,643	$ -	$ 4,832,582	$ 39,203	$ 811,290	$ 1,206,627	$ 2,266,155	$ 2,159,671	$ -	$ 11,315,528
Accrued expenses	16,748,583	1,145,137	88,037	(217,733)	17,764,024	73,881	3,683,546	4,560,954	6,797,547	29,818,346	(35,511,007)	27,187,291
Total current liabilities	21,034,508	1,685,151	94,680	(217,733)	22,596,606	113,084	4,494,836	5,767,581	9,063,702	31,978,017	(35,511,007)	38,502,819
LONG-TERM RETIREMENT LIABILITIES	7,294,059	-	-	-	7,294,059	-	161,652	106,797	213,736	587,457	-	8,363,701
OTHER LONG-TERM LIABILITIES	1,510,764	114,936	-	-	1,625,700	-	432,748	379,546	433,566	1,499,887	-	4,371,447
Total liabilities	29,839,331	1,800,087	94,680	(217,733)	31,516,365	113,084	5,089,236	6,253,924	9,711,004	34,065,361	(35,511,007)	51,237,967
NET ASSETS												
Without donor restriction												
Board-designated endowment funds, Foundation	-	-	-	-	-	97,551,159	-	-	-	-	-	97,551,159
Operating funds	105,446,399	16,038,879	1,549,000	(17,587,879)	105,446,399	7,532,747	55,683,852	32,126,847	42,430,157	350,000	-	243,570,002
Total net assets without donor restriction	105,446,399	16,038,879	1,549,000	(17,587,879)	105,446,399	105,083,906	55,683,852	32,126,847	42,430,157	350,000	-	341,121,161
Total net assets with donor restriction	-	-	-	-	-	6,464,549	-	8,179	267,811	-	-	6,740,539
Total net assets	105,446,399	16,038,879	1,549,000	(17,587,879)	105,446,399	111,548,455	55,683,852	32,135,026	42,697,968	350,000	-	347,861,700
Total liabilities and net assets	$ 135,285,730	$ 17,838,966	$ 1,643,680	$ (17,805,612)	$ 136,962,764	$ 111,661,539	$ 60,773,088	$ 38,388,950	$ 52,408,972	$ 34,415,361	$ (35,511,007)	$ 399,099,667

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

Versiti, Inc. and Affiliates

CONSOLIDATING STATEMENT OF ACTIVITIES

December 31, 2020

	Wisconsin	Cenetron	Salus	Eliminations	Consolidated Wisconsin(*)	Foundation	Illinois	Michigan	Indiana	Versiti	Eliminations	Consolidated
Revenue and other support												
Blood services	$ 53,244,644	$ -	$ -	$ -	$ 53,244,644	$ -	$ 48,336,681	$ 51,594,839	$ 52,103,905	$ (10,976)	$ (16,974,569)	$ 188,294,524
Diagnostic laboratories	33,950,407	16,302,680	1,660,914	(20,567)	51,893,434	-	2,646,078	1,471,997	4,066,850	(1,624)	(469,384)	59,607,351
Pharmacy	39,436,057	-	-	-	39,436,057	-	-	-	-	-	-	39,436,057
Blood Research Institute	23,907,816	-	-	-	23,907,816	942,525	-	-	-	-	(7,860,245)	16,990,096
Organ and tissue donation	19,229,841	-	-	-	19,229,841	-	-	-	-	-	(21,384)	19,208,457
Donor testing laboratory	330,508	-	-	-	330,508	-	-	-	29,285,127	-	(17,436,134)	12,179,501
Medical services	9,962,851	-	-	-	9,962,851	-	-	5,891,752	464,442	-	(1,850)	16,317,195
Contributions from affiliates	-	-	-	-	-	14,885,000	-	-	-	-	(14,885,000)	-
Contributions from third parties	10,000	-	-	-	10,000	2,203,840	1,009	17,904	117,530	-	-	2,350,283
Affiliate service fees	-	-	-	-	-	-	-	-	-	21,872,073	(21,872,073)	-
Equity in affiliates	4,081,822	-	-	(4,081,822)	-	-	-	-	-	-	-	-
Other, net	2,861,961	29,327	-	(1,394)	2,889,894	-	17,947	23,619	100,384	6,460	-	3,038,304
Total revenue and other support	187,015,907	16,332,007	1,660,914	(4,103,783)	200,905,045	18,031,365	51,001,715	59,000,111	86,138,238	21,865,933	(79,520,639)	357,421,768
Percentage of consolidated total revenue and other support	52.32%	4.57%	0.46%	-1.15%	56.21%	5.04%	14.27%	16.51%	24.10%	6.12%	-22.25%	100.00%
Expenses												
Salaries and benefits	79,817,185	2,208,718	505,068	(4,188)	82,526,783	953,319	19,574,409	22,997,287	25,907,060	14,267,051	(588,390)	165,637,519
Supplies	15,140,016	2,250,940	3,690	-	17,394,646	478	5,251,641	7,597,577	30,877,143	26,399	-	61,147,884
Purchased products	34,407,781	-	-	-	34,407,781	-	7,842,397	8,780,228	11,824,154	-	(16,386,179)	46,468,381
Purchased services	21,358,247	2,633,529	381,628	(16,379)	24,357,025	169,979	7,221,053	7,671,837	3,426,030	4,243,264	(17,907,368)	29,181,820
Depreciation and amortization	4,602,950	348,857	19,341	-	4,971,148	4,145	1,236,032	1,508,326	1,247,061	267,116	-	9,233,828
Occupancy	3,532,379	890,517	121,395	-	4,544,291	2,400	1,923,616	1,637,054	1,706,496	5,126	-	9,818,983
Equipment and software	5,232,408	120,663	33,059	-	5,386,130	36,893	1,417,476	2,138,320	2,464,515	1,015,845	-	12,459,179
Contributions to third parties	132,174	-	-	-	132,174	-	25,800	69,700	14,230	-	-	241,904
Contributions to affiliates	9,185,000	1,300,000	-	-	10,485,000	7,881,629	1,304,000	1,528,000	1,568,000	-	(22,766,629)	-
Versiti service allocation	9,702,780	82,878	56,775	-	9,842,433	-	3,565,148	4,177,566	4,286,926	-	(21,872,073)	-
Other	2,095,344	1,948,539	71,449	(1,394)	4,113,938	93,694	480,503	157,737	349,033	2,089,751	-	7,284,656
Total expenses	185,206,264	11,784,641	1,192,405	(21,961)	198,161,349	9,142,537	49,842,075	58,263,632	83,670,648	21,914,552	(79,520,639)	341,474,154
Change in net assets before non-operating items	1,809,643	4,547,366	468,509	(4,081,822)	2,743,696	8,888,828	1,159,640	736,479	2,467,590	(48,619)	-	15,947,614
Non-operating items												
Investment return, net	4,193,459	-	-	-	4,193,459	9,439,678	4,031,567	1,738,387	1,998,052	48,619	-	21,449,762
Income taxes	-	(932,100)	(1,953)	-	(934,053)	-	-	-	-	-	-	(934,053)
Change in net assets	6,003,102	3,615,266	466,556	(4,081,822)	6,003,102	18,328,506	5,191,207	2,474,866	4,465,642	-	-	36,463,323
Net assets, beginning of year	99,443,297	13,323,613	1,182,444	(14,506,057)	99,443,297	93,219,949	50,492,645	29,660,160	38,232,326	350,000	-	311,398,377
Dividends	-	(900,000)	(100,000)	1,000,000	-	-	-	-	-	-	-	
Net assets, end of year	$ 105,446,399	$ 16,038,879	$ 1,549,000	$ (17,587,879)	$ 105,446,399	$ 111,548,455	$ 55,683,852	$ 32,135,026	$ 42,697,968	$ 350,000	$ -	$ 347,861,700

*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, 2020

Federal Grantor/Federal Agency/Program Title or Pass-Through Grantor and Program Description	Federal CFDA Number	Pass through ID	Federal Expenditures	Awarded to Subrecipients
Research and Development Cluster				
U.S. Department of Health and Human Services				
National Institutes of Health (NIH)				
Allergy and Infectious Diseases Research				
Direct Program			$ 772,353	$ -
Pass-Through Program from Brown University		AI083636	60,300	-
Pass-Through Program from Health Research Inc Roswell Park		R01AI140736	72,859	-
Pass-Through Program from University of Arkansas		AI133561, U01AI133561	236,152	-
	93.855		1,141,664	-
Biomedical Research and Research Training				
Direct Program	93.859		170,594	-
Blood Diseases and Resources Research				
Direct Program			7,650,550	1,374,435
Pass-through from Columbia University Health Sciences		R01HL148151	35,461	-
Pass-through from Medical College of Wisconsin		R01HL142657, HL102035, HL126645, HL127187, HL142657, R01HL102035, R01HL142152	722,788	-
Pass-through from Oklahoma Medical Research Foundation		HL062565, R01HL062565	98,176	-
Pass-through from University of Pittsburgh		HL133815	2,900	-
	93.839		8,509,875	1,374,435
Cancer Biology Research				
Direct Program	93.396		886,067	37,532
Cancer Research Manpower				
Direct Program	93.398		81,064	-
Cancer Treatment Research				
Pass-through from Medical College of Wisconsin	93.395	CA179363	9,822	-
Cardiovascular Diseases Research				
Direct Program			1,475,947	586,232
Pass-through from Glycan Therapeutics		R44HL139187	31,951	-
Pass-through from Marquette University		R15HL127636	17,321	
Pass-through from Medical College of Wisconsin		R01HL142791, HL142794	133,478	-
	93.837		1,658,697	586,232
Child Health and Human Development Extramural Research				
Pass-through from Kansas University	93.865	HD099638	36,684	-
Diabetes, Digestive, and Kidney Diseases Extramural Research				
Direct Program			94,185	-
Pass-through from Medical College of Wisconsin		DK121747, R01DK120548, R01DK121747	104,551	-
	93.847		198,736	-

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

Federal Grantor/Federal Agency/Program Title or Pass-Through Grantor and Program Description	Federal CFDA Number	Pass through ID	Federal Expenditures	Awarded to Subrecipients
Extramural Research Programs in the Neurosciences and Neurological Disorders				
Pass-through from Medical College of Wisconsin	93.853	R21NS106451, R61NS114954, U24NS115679	$ 26,725	$ -
National Center for Advancing Translational Sciences				
Pass-through from Medical College of Wisconsin	93.350	TR001436, UL1TR001436	32,633	-
National Heart Lung and Blood Institute				
Pass-through from University of Pittsburgh	93.838	9-312-0217571-66057L	31,179	-
Preclinical PREVENT				
Pass-through from Medical College of Wisconsin	75N91019D00020	75N91019F00130	19,494	-
Trans-NIH Research Support				
Direct Program	93.310		98,006	-
Retrovirus Epidemiology Donor Study IV				
Direct Program	75N92019D00035		603,158	126,128
National Institutes of Health (NIH)			13,504,398	2,124,327
Centers for Disease Control and Prevention (CDC)				
Blood Disorder Program: Prevention, Surveillance, and Research				
Pass-through from Great Lakes Hemophilia Foundation, Inc.	93.080	DD001155	43,111	-
Health Resources and Services Administration (HRSA)				
Maternal and Child Health Federal Consolidated Programs				
Pass-through from Great Lakes Hemophilia Foundation, Inc.	93.110	H30MC24052	46,402	-
Total U.S. Department of Health and Human Services			13,593,911	2,124,327
U.S. Department of Defense				
Defense Threat Reduction Agency				
Scientific Research - Combating Weapons of Mass Destruction				
Pass-through from ioGenetics LLC	12.351	HDTRA11710052	202,614	-
Total Research and Development Cluster			13,796,525	2,124,327
Total expenditures of Federal Awards			$ 13,796,525	$ 2,124,327

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 has been designated as Versiti's oversight agency.

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

NOTE B - BASIS OF PRESENTATION

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

NOTE C - AUDITS PERFORMED BY OTHER ORGANIZATIONS

There were no audits performed by other organizations of Versiti's federal grant programs for the year ended December 31, 2020.

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 - CFDA #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, 2020, Wisconsin earned Program-related revenue (Program Income) of $24,030,000. 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, 2020, Wisconsin expended $20,472,000 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, 2020, Wisconsin maintains approximately $23,597,000 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, the consolidated financial statements of Versiti, Inc. (a non-stock, not-for-profit Wisconsin corporation) and affiliates (collectively, the Organization), which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated August 18, 2021.

Internal control over financial reporting
In planning and performing our audit of the consolidated financial statements, we considered the Organization’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 internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization’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 Organization’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 the Organization’s internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and other matters

As part of obtaining reasonable assurance about whether the Organization'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*.

Intended purpose

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 Organization'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 Organization's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Grant Thornton LLP

Appleton, Wisconsin
August 18, 2021

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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

We have audited the compliance of Versiti, Inc.(a non-stock, not-for-profit Wisconsin corporation) and affiliates (collectively, the Organization) with the types of compliance requirements described in the U.S. Office of Management and Budget's OMB Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's responsibility
Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to the Organization's federal programs.

Auditor's responsibility
Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; 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).Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on each major federal program
In our opinion, the Organization 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, 2020.

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Report on internal control over compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of compliance requirements that could have a direct and material effect on each major federal program to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section 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 Organization's internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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
August 18, 2021

Versiti, Inc. and Affiliates

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

December 31, 2020

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.