

OneBlood, Inc.

Consolidated Financial Report
December 31, 2023

Contents

Independent auditor's report	1-2
Financial statements	
Consolidated balance sheets	3
Consolidated statements of operations and changes in net assets	4
Consolidated statements of cash flows	5
Notes to consolidated financial statements	6-28
Independent auditor's report on the supplementary information	29
Supplementary information	
Consolidating balance sheets	30-31
Consolidating statements of operations and changes in net assets	32-33

Independent Auditor's Report

RSM US LLP

Audit Committee
OneBlood, Inc.

Opinion

We have audited the consolidated financial statements of OneBlood, Inc. and its controlled affiliates (the Organization), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

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

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

RSM US LLP

Orlando, Florida
April 29, 2024

OneBlood, Inc.

Consolidated Balance Sheets December 31, 2023 and 2022

	2023	2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 18,139,150	\$ 14,370,747
Restricted cash	521,950	2,252,950
Investments	131,950,814	155,444,712
Receivables:		
Trade receivables, net	61,060,330	78,347,715
Other	5,955,481	2,293,319
Supplies inventory	6,914,740	7,273,907
Blood and blood components inventory	4,947,849	4,304,882
Current portion of related party note receivable	9,767,094	-
Prepaid expenses and other current assets	9,458,654	8,394,884
Total current assets	248,716,062	272,683,116
Related party note receivable, net of current portion	5,577,257	-
Property and equipment, net	138,628,428	127,350,582
Other investments	53,948,908	39,387,524
Right-of-use lease assets	37,085,960	28,452,054
Goodwill, net	6,686,741	7,516,429
Due from related parties	3,098,542	2,963,475
Deferred tax asset	-	714,623
Other assets	4,262,534	3,015,472
Total assets	\$ 498,004,432	\$ 482,083,275
Liabilities and Net Assets		
Current liabilities:		
Current portion of long-term debt	\$ 1,262,000	\$ 1,227,000
Current portion of right-of-use lease liability	7,843,770	4,831,099
Accounts payable	14,902,795	20,390,050
Accrued expenses	33,675,635	27,019,547
Due to related parties	2,749,464	2,816,050
Total current liabilities	60,433,664	56,283,746
Long-term liabilities:		
Long-term debt, net of current portion and debt issuance costs	50,775,458	51,981,677
Right-of-use lease liability, net of current portion	30,035,815	24,175,819
Total liabilities	141,244,937	132,441,242
Commitments and contingencies (Notes 8, 10, 11 and 14)		
Net assets:		
Without donor restrictions:		
Undesignated	351,283,166	347,304,618
With donor restrictions:		
Restricted for specified purposes	5,444,829	2,305,915
Restricted in perpetuity—endowment	31,500	31,500
Total with donor restrictions	5,476,329	2,337,415
Total net assets	356,759,495	349,642,033
Total liabilities and net assets	\$ 498,004,432	\$ 482,083,275

See notes to consolidated financial statements.

OneBlood, Inc.

**Consolidated Statements of Operations and Changes in Net Assets
Years Ended December 31, 2023 and 2022**

	2023	2022
Changes in net assets without donor restrictions:		
Operating revenues:		
Blood products	\$ 364,305,995	\$ 345,560,332
Laboratory services	60,141,966	57,864,285
Net assets released from restrictions	69,819	-
Total operating revenues	424,517,780	403,424,617
Operating expenses:		
Salaries and benefit costs	209,426,344	198,058,819
Medical supplies and testing services	94,357,327	86,535,269
Other operating expenses	120,936,546	117,002,282
Depreciation and amortization	18,567,214	16,437,667
Total operating expenses	443,287,431	418,034,037
Operating margin	(18,769,651)	(14,609,420)
(Loss) gain on disposal of property and equipment, net	(82,893)	22,077
Operating loss	(18,852,544)	(14,587,343)
Nonoperating revenue (expense), net:		
Investment income (loss), net	17,181,600	(39,890,332)
Earnings from other investments	5,108,910	2,395,273
Lease and service revenues	1,842,880	1,313,097
Interest expense	(1,305,075)	(793,862)
Income tax (loss) benefit	(714,623)	714,623
Other, net	717,400	994,334
Total nonoperating revenue (expense), net	22,831,092	(35,266,867)
Change in net assets without donor restrictions	3,978,548	(49,854,210)
Changes in net assets with donor restrictions:		
Contributions	2,994,000	-
Investment income (loss), net	214,733	(342,269)
Net assets released from restrictions	(69,819)	-
Change in net assets with donor restrictions	3,138,914	(342,269)
Change in net assets	7,117,462	(50,196,479)
Net assets:		
Beginning of year	349,642,033	399,838,512
End of year	\$ 356,759,495	\$ 349,642,033

See notes to consolidated financial statements.

OneBlood, Inc.

Consolidated Statements of Cash Flows Years Ended December 31, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 7,117,462	\$ (50,196,479)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	18,567,214	16,437,667
Net unrealized (gains) losses on investments	(9,378,871)	50,092,821
Earnings from other investments	(5,108,910)	(2,395,273)
Reduction in the carrying amount of right-of-use lease assets	6,548,599	7,020,423
Loss (gain) on disposal of property and equipment	82,893	(22,077)
Provision for credit losses	-	375,541
Changes in assets and liabilities:		
Trade receivables	(3,976,916)	(27,022,164)
Other receivables	(3,662,162)	(248,268)
Due from related parties	(135,067)	(71,324)
Supplies inventory	359,167	(60,867)
Blood and blood components inventory	(642,967)	(54,841)
Prepaid expenses and other current assets	(1,063,770)	(930,557)
Deferred tax asset	714,623	(714,623)
Other assets	(1,247,062)	(354,412)
Accounts payable	(3,719,196)	4,011,592
Accrued expenses	6,656,088	908,169
Right-of-use lease liabilities	(6,309,838)	(6,750,645)
Due to related parties	(66,586)	(80,013)
Net cash provided by (used in) operating activities	4,734,701	(10,055,330)
Cash flows from investing activities:		
Collection of related party note receivable	5,919,950	-
Purchases of property and equipment	(30,810,543)	(19,216,966)
Proceeds from sale of property and equipment	-	775,849
Purchases of investments	(81,702,979)	(156,468,101)
Proceeds from the sale and maturity of investments	114,575,748	188,235,762
Purchases of other investments	(13,516,850)	(8,403,481)
Distributions received from other investments	4,064,376	3,708,306
Cash payment for business acquisition	-	(7,350,000)
Net cash (used in) provided by investing activities	(1,470,298)	1,281,369
Cash flows used in financing activities:		
Payments of debt issuance costs	-	(364,066)
Borrowings of long-term debt	-	18,200,000
Principal payments on long-term debt	(1,227,000)	(1,190,000)
Net cash (used in) provided by financing activities	(1,227,000)	16,645,934
Net increase in cash and cash equivalents and restricted cash	2,037,403	7,871,973
Cash and cash equivalents and restricted cash:		
Beginning	16,623,697	8,751,724
Ending	\$ 18,661,100	\$ 16,623,697
Cash and cash equivalents, end of year	\$ 18,139,150	\$ 14,370,747
Restricted cash, end of year	521,950	2,252,950
Cash and cash equivalents and restricted cash, end of year	\$ 18,661,100	\$ 16,623,697
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 1,310,154	\$ 798,789
Supplemental disclosures of noncash investing and financing activities:		
Purchases of property and equipment included in accounts payable	\$ 1,059,866	\$ 2,827,925
Right-of-use assets obtained in exchange for operating lease obligations	\$ 15,182,505	\$ 16,203,728
Conversion of trade receivables to a note receivable	\$ 21,264,301	\$ -

See notes to consolidated financial statements.

OneBlood, Inc.

Notes to Consolidated Financial Statements

Note 1. Nature of Business and Significant Accounting Policies

Nature of business: OneBlood, Inc. is a Florida not-for-profit corporation that provides for the recruitment, collection, processing and distribution of blood and blood products to meet the needs of the community. OneBlood, Inc. serves hospitals and health facilities throughout Florida, Georgia, Alabama, North Carolina and South Carolina.

OneBlood Foundation, Inc. (OBF), formerly Florida Blood Services Foundation, Inc., was established as a Florida not-for-profit organization in 1980 to support OneBlood, Inc. OBF is a controlled affiliate of OneBlood, Inc. which maintains a majority voting interest in OBF.

OBF Investments, LLC (OBFI), a wholly owned subsidiary of OBF, was established as a Florida for-profit organization on August 14, 2014, to make and manage certain strategic investments of OBF.

Proesis Biologics, Inc. (PBI), a wholly owned subsidiary of OneBlood, Inc., was established as a Delaware for-profit corporation in April 2022. PBI is a contemporary, forward-thinking, and highly scalable human source plasma collection platform dedicated to improving the plasma donation journey for all stakeholders. PBI partners with communities and donors to supply the industry with the high-quality plasma necessary for treating people with rare and chronic conditions worldwide.

Transfusion Medicine Specialists, Inc. (TMS), a wholly owned subsidiary of OneBlood, Inc., was established as a Florida not-for-profit organization to support OneBlood, Inc. in providing quality wellness care for patients who need transfusion services.

Clinical Discovery Institute, LLC (CDI), a wholly owned subsidiary of OneBlood, Inc., was established as a biotechnology Florida for-profit organization to provide biological blood products and services to hospitals and testing labs for valuable research and clinical trial purposes.

Principles of consolidation: The consolidated financial statements include the accounts of OneBlood, Inc., PBI, TMS, CDI, OBF, a controlled affiliate of OneBlood, Inc. and OBF's wholly owned subsidiary OBFI (collectively, OneBlood or the Organization). All of the significant intercompany accounts and transactions have been eliminated in consolidation.

A summary of the Organization's significant accounting policies follows:

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

Revenue recognition: The Organization's revenue is primarily derived from sales of blood products and laboratory services. Revenue from blood products and laboratory services is based on the transaction price which is the amount of consideration to which the Organization expects to be entitled in exchange for transferring goods or services to customers. The Organization records revenue at a point in time upon delivery of the good or service to the customer, which is when control has transferred, and the Organization's performance obligation is satisfied. The Organization has elected to treat shipping and handling activities related to contracts with customers as fulfillment costs, and not as separate performance obligations, and accrues the related costs when the related revenue is recognized.

Notes to Consolidated Financial Statements

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Cash and cash equivalents: For purposes of the consolidated statements of cash flows, all highly liquid investments with an original maturity of three months or less, and which are not designated as investments or certificates of deposit, are considered to be cash equivalents and are recorded at cost which approximates fair value.

At various times, cash balances held at financial institutions are in excess of federally insured limits. The Organization believes no significant concentration of credit risk exists with respect to these cash balances.

Restricted cash: Restricted cash is required by the automobile insurance and workers' compensation self-insurance claims administrators.

Trade receivables: Trade receivables are non-interest-bearing and recorded at net realizable value. Credit is extended based on an evaluation of the customer's financial condition, and generally, collateral is not required. The Organization maintains an allowance for potential credit losses based upon expected collectability of all accounts receivable. The Organization records an allowance for returned blood products at the time of sale based upon historical trends. Management estimates its allowance for credit losses and for returned blood products to be approximately \$985,000 as of December 31, 2023 and 2022. Trade receivables, net of an allowance for credit losses of approximately \$610,000, was approximately \$51,701,000 as of December 31, 2021. Credit losses and returns of blood products are provided for in the consolidated financial statements and have historically been within management's expectations.

Investments and investment income (loss): Investments are reported at fair value (see Note 3). Realized gains and losses are recorded at date of disposition based on the difference between the net proceeds and the cost of the investments sold, using the specific identification method. Unrealized gains and losses are reported for the changes in fair value between reporting periods, net of investment expenses. Interest and dividend income is recognized when earned. Investment income (loss), reported in the accompanying consolidated statements of operations and changes in net assets includes realized and unrealized gains and losses as well as interest and dividend income. Investments included in current assets on the accompanying consolidated balance sheets include investments in equity securities, money market funds, debt securities and investments measured at net asset value. Debt securities are classified as trading.

Other investments: Investee companies that are not consolidated, but over which OneBlood exercises significant influence, are accounted for under the equity method of accounting. Whether or not the Organization exercises significant influence with respect to an investee, depends on an evaluation of several factors including, among others, representation on the investee company's board of directors and ownership level, which is generally a 20% to 50% interest in the voting securities of the investee company. Under the equity method of accounting, an investee company's accounts are not reflected within the Organization's consolidated balance sheets and statements of operations and changes in net assets; however, the Organization's share of the earnings or losses of the investee company is included in the caption earnings from other investments in the consolidated statements of operations and changes in net assets. The Organization's carrying value in an equity method investee company is reflected in the caption other investments in the accompanying consolidated balance sheets.

When the carrying value in an equity method investee company is reduced to zero, no further losses are recorded in the consolidated financial statements unless the Organization guaranteed obligations of the investee company or has committed additional funding. When the investee company subsequently reports income, the Organization will not record its share of such income until it equals the amount of its share of losses not previously recognized.

Notes to Consolidated Financial Statements

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Investee companies not accounted for under the equity method of accounting are accounted for under the cost method of accounting. Under this method, the Organization's share of the earnings or losses of such investee companies is not included in the consolidated balance sheets or statements of operations and changes in net assets. However, impairment charges are recognized in the consolidated statements of operations and changes in net assets. If circumstances suggest that the value of the investee company has subsequently recovered, such recovery is not recorded.

When a cost method investee company initially qualifies for use of the equity method, the carrying value is adjusted for the Organization's share of the past results of the investee's operations. Accordingly, prior losses could significantly decrease the organization's carrying value in that investee company at that time.

Inventories: Inventories are stated at the lower of cost (first-in, first-out method) or net realizable value. The net realizable value of blood and blood components inventory is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of production, disposal and shipping. The cost of supplies inventory is determined by the first-in, first-out method.

Property and equipment: Property and equipment are reported on the basis of historical cost at the date of purchase. Property and equipment acquired in a business combination is reported on the fair value basis at the date of acquisition. Gifts of long-lived assets such as land, buildings or equipment are reported as nonoperating revenue in the year donated, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service. Expenditures that materially increase values, change capacities or extend useful lives are capitalized.

Depreciation is computed by the straight-line method over the following estimated useful lives:

Assets	Estimated Useful Life (Years)
Building and improvements	30-40
Furniture and equipment	5-10
Leasehold improvements	3-13
Computer equipment and software	3-6
Automobiles and trucks	2-10

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

Goodwill: Goodwill represents the excess of the purchase price of an acquired entity over the amounts assigned to the assets acquired and liabilities assumed in a business combination. The Organization has elected the private company alternative for accounting for goodwill and amortizes goodwill on a straight-line basis over ten years. The Organization evaluates goodwill for impairment at the entity level upon the occurrence of any impairment triggering events that indicate that the fair value of the entity may be below its carrying amount. There were no triggering events identified during the years ending December 31, 2023 and 2022.

Notes to Consolidated Financial Statements

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Debt issuance costs: Debt issuance costs are amortized over the term of the long-term debt using the straight-line method, which approximates the effective interest method. As of December 31, 2023 and 2022, approximately \$430,500 and \$486,300, respectively, of debt issuance costs are included in non-current liabilities as a direct reduction of the related long-term debt. Amortization of debt issuance costs were approximately \$55,800 and \$37,600 during the years ended December 31, 2023 and 2022, respectively, and is included in depreciation and amortization expense in the accompanying consolidated statements of operations and changes in net assets.

Leases: The Organization has operating leases for real estate and equipment. The Organization determines if an arrangement is a lease at the inception of a contract. Lease assets and lease liabilities are recognized based on the present value of the lease payments over the lease term at the commencement date. The Organization uses the incremental borrowing rate for operating leases, as determined through an analysis of its prospective borrowing rate on additional borrowings. Operating lease expense is recognized on a straight-line basis over the lease term.

Right-of-use (ROU) assets represent the Organization's right to use an underlying asset during the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are reflected in the consolidated balance sheets, see Note 8.

The Organization's leases included one or more options to renew, the exercise of such lease renewal options is at the Organization's sole discretion. The renewal term is included in the lease liability only when it is reasonably possible the Organization will exercise the options. Leases with a lease term of 12 months or less at commencement are not recorded on the consolidated balance sheets.

The Organization has lease agreements which require payments for lease and non-lease components and has elected to exclude the non-lease components for all operating leases. For leases that commenced before the effective date of Accounting Standards Updated (ASU) 2016-12, the Organization elected the permitted practical expedients to not reassess the following: (i) whether any expired or existing contracts contain leases; (ii) the lease classification for any expired or existing leases; and (iii) initial direct costs for any existing leases.

Classification of net assets: Contributions received are recorded as an increase in net assets without donor restrictions or net assets with donor restrictions, depending on the existence or nature of any donor restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed stipulations, but may be designated for specific purposes by action of the Board of Directors. No assets have been designated by the Board of Directors for these purposes as of December 31, 2023 and 2022. Net assets without donor restrictions were \$351,283,166 and \$347,304,618 as of December 31, 2023 and 2022, respectively.

Net assets with donor restrictions: Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization, passage of time, or permanently maintained by the Organization.

Notes to Consolidated Financial Statements

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Net assets with donor restrictions restricted for specified purposes at December 31, 2023 and 2022, were \$5,444,829 and \$2,305,915, respectively. Net assets with donor restrictions restricted in perpetuity were \$31,500 at December 31, 2023 and 2022, and consists of investment securities held by the Foundation, the distributions from which are to be used to support the Organization's mission.

Contributions: Unconditional promises to give are recognized as contributions in the period received at their fair value. Conditional contributions or intentions to give, that is those with both a measurable performance or other barrier and a right of return or release, are not recognized until they become unconditional, that is, at the time when the conditions on which they depend on are substantially met. Unconditional contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions support depending on the existence or nature of any donor-imposed restrictions. When a donor-imposed restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified into net assets without donor restrictions and are reported in the accompanying consolidated statements of operations and changes in net assets as net assets released from restrictions.

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

Impairment of long-lived assets (except goodwill): Long-lived assets, such as property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the use and eventual disposition of the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the consolidated balance sheets and reported at the lower of the carrying amount of fair value less costs to sell, and would no longer be depreciated. The Organization noted no events or changes in circumstances indicative of potential impairment for either of the years ended December 31, 2023 and 2022.

Income taxes: OneBlood, Inc., TMS and OBF are exempt from income taxes under section 501(c)(3) of the Internal Revenue Code and from state income taxes under similar provisions in the states in which they operate. CDI and OBF are disregarded entities for federal and state income tax purposes and, therefore, reports all federal and state tax information through OneBlood, Inc. and OBF, respectively. Accordingly, no provision for federal and state income taxes has been recorded in the accompanying consolidated financial statements.

Deferred taxes are provided on a liability method, for PBI, whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carry forwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax basis. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment. PBI files a tax return based on its own operations (see Note 16).

Notes to Consolidated Financial Statements

Note 1. Nature of Business and Significant Accounting Policies (Continued)

The Organization follows accounting standards relating to accounting for uncertainty in income taxes. The Organization assessed whether there were any uncertain tax positions which may give rise to income tax liabilities and determined that there were no such matters requiring recognition in the accompanying consolidated financial statements. Also, under this guidance, PBI may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. To the extent that interest and penalties are assessed by taxing authorities on any underpayment on income taxes, such amounts are accrued and classified as a component of income tax benefit. The Organization files income tax returns in the U.S. federal jurisdiction. Generally, the Organization is no longer subject to U.S. federal income tax examinations by tax authorities for years ended December 31, 2019 and prior.

Advertising: OneBlood expenses the costs of advertising as incurred. Advertising costs for the years ended December 31, 2023 and 2022, were approximately \$2,534,100 and \$2,524,400, respectively.

Shipping and handling: OneBlood includes shipping and handling costs in other operating expenses. Total shipping and handling costs related to blood products and services was approximately \$4,299,800 and \$4,141,600 for the years ended December 31, 2023 and 2022, respectively.

Recent accounting pronouncements: The Financial Accounting Standards Board (FASB) has issued certain new or modifications to, or interpretations of, existing accounting guidance. The Organization has considered the new pronouncements and does not believe that any other new or modified guidance will have a material impact on the Organization's reported financial position or activities in the near term.

Recently adopted accounting pronouncements: The Organization adopted Accounting Standards Codification (ASC) 326, Financial Instruments—Credit Losses, as of January 1, 2023, with the cumulative-effect transition method and the required prospective approach. The measurement of expected credit losses under the current expected credit loss (CECL) methodology is applicable to financial assets measured at amortized cost, which includes trade receivables and other receivables. An allowance for credit losses under the CECL methodology is determined using the loss-rate approach and measured on a collective (pool) basis when similar risk characteristics exist. Where financial instruments do not share risk characteristics, they are evaluated on an individual basis. The CECL allowance is based on relevant available information, from internal and external sources, relating to past events, current conditions and reasonable and supportable forecasts. The allowance for credit losses as of December 31, 2023, and change in the allowance for credit losses during the year ended December 31, 2023, was not material to the financial statements.

Prior to adoption of ASC 326, the Organization maintained an allowance for doubtful accounts to reserve for potentially uncollectible receivables. The allowance for doubtful accounts as of December 31, 2022, was not material to the financial statements.

Subsequent events: The Organization has evaluated subsequent events through April 29, 2024, the date on which the consolidated financial statements were available to be issued.

OneBlood, Inc.**Notes to Consolidated Financial Statements**

Note 2. Goodwill

Goodwill consists of the following as of December 31, 2023 and 2022:

	2023	2022
Goodwill, gross	\$ 8,296,881	\$ 8,296,881
Less accumulated amortization	(1,610,140)	(780,452)
Goodwill, net	<u>\$ 6,686,741</u>	<u>\$ 7,516,429</u>

Amortization expense relating to goodwill was approximately \$829,700 and \$368,200 for the years ended December 31, 2023 and 2022, respectively, and is included in depreciation and amortization expense in the accompanying consolidated statements of operations and changes in net assets.

The estimated annual amortization expense of goodwill for the years ending after December 31, 2023, is as follows:

Years ending December 31:	
2024	\$ 829,688
2025	829,688
2026	829,688
2027	829,688
2027	829,688
Thereafter	2,538,301
	<u>\$ 6,686,741</u>

OneBlood, Inc.**Notes to Consolidated Financial Statements**

Note 3. Investments and Fair Value Measurements

Investments at fair value as of December 31, 2023 and 2022, consist of:

	2023	2022
Equity securities:		
Common stocks:		
S&P 500 stocks	\$ 13,084,127	\$ 13,257,029
Foreign stocks	12,452,858	11,534,988
OTC market stocks	415,939	2,641,008
	<u>25,952,924</u>	<u>27,433,025</u>
Mutual funds:		
Growth funds	47,782,923	58,556,816
Bond funds	4,463,437	7,035,875
Conservative allocation funds	4,792,824	4,795,997
	<u>57,039,184</u>	<u>70,388,688</u>
Money market funds	<u>3,492,260</u>	<u>1,681,954</u>
Debt securities:		
Corporate debt securities	13,372,786	16,956,212
U.S. government securities	8,014,199	9,470,601
Municipal debt securities	684,341	1,868,380
Foreign debt securities	738,456	969,079
	<u>22,809,782</u>	<u>29,264,272</u>
Investments measured at net asset value:		
Real estate investment trust	22,656,664	26,676,773
	<u>\$131,950,814</u>	<u>\$155,444,712</u>

Notes to Consolidated Financial Statements

Note 3. Investments and Fair Value Measurements (Continued)

Investment income (loss) without donor restrictions was comprised of the following components for the years ended December 31, 2023 and 2022:

	2023	2022
Net realized and unrealized gains and (losses) from investments, net of investment expenses	\$ 12,982,830	\$ (43,585,534)
Interest and dividend income	4,198,770	3,695,202
	<u>\$ 17,181,600</u>	<u>\$ (39,890,332)</u>

The Organization invests in various investment securities in accordance with its investment policy. These investment securities are exposed to various risks such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities and the uncertainty related to changes in their values, it is reasonable to expect that changes in the values of investment securities will occur in the near term and that such changes could materially affect the investment balance.

The Organization follows accounting standards relating to fair value measurements which defines fair value, establishes a framework for measuring fair value in accordance with U.S. GAAP, and expands disclosures about fair value measurements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The accounting standards relating to fair value measurements establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. Investments recorded at fair value in the accompanying consolidated balance sheets are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Level inputs, as defined by this guidance, are as follows:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices 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.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Fair value of actively traded debt and equity securities is based on quoted market prices. Fair value of inactively traded debt securities is based on quoted market prices of identical or similar securities or based on observable inputs like interest rates using either a market or income valuation approach and is generally classified as Level 2.

OneBlood, Inc.

Notes to Consolidated Financial Statements

Note 3. Investments and Fair Value Measurements (Continued)

The following tables present the fair value hierarchy for the balances of the financial assets of the Organization measured at fair value on a recurring basis as of December 31, 2023 and 2022:

	2023			
	Level 1	Level 2	Level 3	Total
Equity securities:				
Common stocks:				
S&P 500 stocks	\$ 13,084,127	\$ -	\$ -	\$ 13,084,127
Foreign stocks	12,452,858	-	-	12,452,858
OTC market stocks	415,939	-	-	415,939
	25,952,924	-	-	25,952,924
Mutual funds:				
Growth funds	-	47,782,923	-	47,782,923
Bond funds	-	4,463,437	-	4,463,437
Conservative allocation funds	-	4,792,824	-	4,792,824
	-	57,039,184	-	57,039,184
Money market funds	3,492,260	-	-	3,492,260
Debt securities:				
Corporate debt securities	-	13,372,786	-	13,372,786
U.S. government securities	5,133,994	2,880,205	-	8,014,199
Municipal debt securities	-	684,341	-	684,341
Foreign debt securities	-	738,456	-	738,456
	5,133,994	17,675,788	-	22,809,782
Real estate investment trust measured at net asset value (a)	-	-	-	22,656,664
	-	-	-	22,656,664
	\$ 34,579,178	\$ 74,714,972	\$ -	\$ 131,950,814

OneBlood, Inc.

Notes to Consolidated Financial Statements

Note 3. Investments and Fair Value Measurements (Continued)

	2022			
	Level 1	Level 2	Level 3	Total
Equity securities:				
Common stocks:				
S&P 500 stocks	\$ 13,257,029	\$ -	\$ -	\$ 13,257,029
Foreign stocks	11,534,988	-	-	11,534,988
OTC market stocks	2,641,008	-	-	2,641,008
	27,433,025	-	-	27,433,025
Mutual funds:				
Growth funds	-	58,556,816	-	58,556,816
Bond funds	-	7,035,875	-	7,035,875
Conservative allocation funds	-	4,795,997	-	4,795,997
	-	70,388,688	-	70,388,688
Money market funds	1,681,954	-	-	1,681,954
Debt securities:				
Corporate debt securities	-	16,956,212	-	16,956,212
U.S. government securities	6,643,904	2,826,697	-	9,470,601
Municipal debt securities	-	1,868,380	-	1,868,380
Foreign debt securities	-	969,079	-	969,079
	6,643,904	22,620,368	-	29,264,272
Real estate investment trust measured at net asset value (a)	-	-	-	26,676,773
	-	-	-	26,676,773
	\$ 35,758,883	\$ 93,009,056	\$ -	\$ 155,444,712

(a) Certain investments that are measured at net asset value (NAV) per share practical expedient or its equivalent have not been classified in the fair value hierarchy. The fair value amounts presented in this table are reported for the purpose of reconciling the fair value hierarchy to the investments report in the consolidated balance sheets.

The real estate investment trust consists of an investment in Prime Property Fund, LLC (Prime) which is a Delaware limited liability company that acquires, owns, and holds for investment and ultimately dispose of investments in real estate and real estate related assets with the intention of achieving current income, capital appreciation or both. Morgan Stanley Real Estate Advisor, Inc. serves as the sponsor and adviser of Prime. The fair value is determined using the NAV per share as a practical expedient, as provided by the investment manager. An investor in Prime is able to redeem funds subject to the availability of cash arising from net investment income, allocations and the sale of investments in the normal course of business. The Organization receives audited financial statements annually and quarterly unaudited performance reports.

OneBlood, Inc.

Notes to Consolidated Financial Statements

Note 4. Other Investments

In April 2020, OneBlood and the American Red Cross finalized a joint venture agreement to form ARC-One Solutions, LLC (ARC-One), a regulated software company. As part of the joint venture agreement, OneBlood contributed \$10,457,850 and \$6,653,480 during the years ended December 31, 2023 and 2022 respectively, to ARC-One for a 50% interest in the company. As of December 31, 2023 and 2022, the Organization had a receivable of approximately \$3,096,400 and \$2,963,000, respectively, due from ARC-One, which is included in due from related parties in the accompanying consolidated balance sheets.

During the year ended December 31, 2022, the Organization invested \$1,000,000 in Orsense, Ltd., a medical device company. The investment represents approximately 5% of the total net assets of Orsense, Ltd. and is accounted for under the cost method.

During the year ended December 31, 2022, the Organization invested \$750,001 in Secure Transfusion Services, Inc. (STS), in which it owned approximately 14% of the total net assets and was accounted for under the cost method. During the year ended December 31, 2022, the Organization determined its investment in STS was impaired and wrote-off its investment in STS in the amount of \$3,512,182. During the year ended December 31, 2023, STS was closed.

During the year ended December 31, 2023, the Organization invested \$2,759,000 in Prothya Biosolutions, a supplier of medicines derived from blood plasma, in which it owns approximately 6% of the total net assets and is accounted for under the cost method.

During the year ended December 31, 2023, the Organization invested \$300,000 in Circulate LLC, whose purpose is to collect and provide real-time aggregated, deidentified data concerning the blood supply in the continental United States of America, in which it owns approximately 25% of the total net assets and is accounted for under the equity method.

The Organization accounts for its investments in Creative Testing Solutions (CTS), HemeXcel Purchasing Alliance, LLC, HemeXcel Resources, LLC, Circulate LLC and ARC-One under the equity method. The Organization's investments in OrSense, Ltd. and Prothya Biosolutions are accounted for under the cost method. The date of investment, purpose and percentage ownership for each investment is as follows at December 31, 2023:

Entity	Date of Investment	Purpose	Percentage of Ownership
ARC-One Solutions, LLC	April 3, 2020	Blood supply chain management software	50%
HemeXcel Purchasing Alliance, LLC	August 26, 2013	Purchasing group	25%
HemeXcel Resources, LLC	May 30, 2014	Distributor and marketer of blood products	25%
Circulate LLC	February 22, 2023	Data collection of blood supply	25%
Creative Testing Solutions	January 1, 2010	Donor testing service	20%
OrSense Ltd.	September 15, 2020	Medical device supplier	5%
Prothya Biosolutions	January 15, 2021	Plasma supplies	4%

OneBlood, Inc.**Notes to Consolidated Financial Statements**

Note 4. Other Investments (Continued)

Summary of investment balances for the respective entities as of and for the years ended December 31, 2023 and 2022, is as follows:

	2023	2022
Creative Testing Solutions	\$ 31,535,202	\$ 22,965,484
ARC-One Solutions, LLC	13,980,765	11,048,099
Prothya Biosolutions	5,382,941	2,623,941
OrSense Ltd.	2,750,000	2,750,000
Circulate LLC	300,000	-
	<u>\$ 53,948,908</u>	<u>\$ 39,387,524</u>

Summary financial information for the entities that the Organization accounts for under the equity method of accounting as of and for the years ended December 31, 2023 and 2022, is as follows:

	2023	2022
Total assets	\$290,662,646	\$232,635,506
Total liabilities	105,025,699	93,024,514
Net assets	<u>\$185,636,947</u>	<u>\$139,610,992</u>
Total revenues and other income	\$493,684,876	\$431,628,896
Total expenses	445,565,193	405,279,762
Net income	<u>\$ 48,119,683</u>	<u>\$ 26,349,134</u>
OneBlood's share of net income from other investments under the equity method	<u>\$ 5,108,910</u>	<u>\$ 2,395,273</u>

OneBlood, Inc.**Notes to Consolidated Financial Statements**

Note 5. Property and Equipment

Property and equipment consists of the following as of December 31, 2023 and 2022:

	2023	2022
Land	\$ 21,677,941	\$ 21,677,941
Buildings and improvements	144,212,083	128,184,092
Furniture and equipment	78,867,556	74,386,052
Automobiles and trucks	63,156,577	61,987,161
Computer equipment and software	60,164,685	55,835,997
Leasehold improvements	15,519,115	14,016,786
Construction in progress	2,770,727	2,827,925
	<u>386,368,684</u>	<u>358,915,954</u>
Less accumulated depreciation and amortization	<u>(247,740,256)</u>	<u>(231,565,372)</u>
	<u>\$138,628,428</u>	<u>\$127,350,582</u>

Depreciation and amortization expense for the years ended December 31, 2023 and 2022, was approximately \$17,681,700 and \$16,031,900, respectively.

Note 6. Accrued Expenses

Accrued expenses consists of the following as of December 31, 2023 and 2022:

	2023	2022
Vacation	\$ 13,794,955	\$ 13,055,779
Payroll and related benefits	6,398,930	4,394,609
Health, workers' compensation and automobile insurance (Note 14)	5,895,278	4,624,793
Retirement	4,455,397	3,126,953
Other	3,131,075	1,817,413
	<u>\$ 33,675,635</u>	<u>\$ 27,019,547</u>

OneBlood, Inc.

Notes to Consolidated Financial Statements

Note 7. Long-Term Debt

Long-term debt as of December 31, 2023 and 2022, consists of the following:

	2023	2022
<p>In April 2013, the Organization received Health Care Facilities Revenue Bonds, Series 2013 (Series 2013 Bonds) in the principal amount of \$45,000,000 for the purpose of financing or refinancing the cost of the acquisition, construction, equipping, renovation or expansion of all or a portion of certain capital projects and equipment owned or to be owned and operated by the Organization. The Series 2013 Bonds were issued through the City of St. Petersburg Health Facilities Authority. In April 2020, the lender exercised their right to call the bonds, and consequently, the Organization entered into a refinancing arrangement with BB&T Community Holdings (now Truist Commercial Equity, Inc.) for the remaining outstanding principal of \$37,839,000. The Series 2013 Bonds bear a fixed rate per annum of 1.62%. The Series 2013 Bonds are collateralized by gross revenues and property. The Series 2013 Bonds, which mature in April 2043, require annual principal and quarterly interest payments. The financing agreement gives the lender the right to tender the Bonds on April 1, 2030, April 1, 2033, April 1, 2036, and April 1, 2039, at the outstanding principal balance thereof plus accrued interest thereon.</p>	\$ 34,268,000	\$ 35,495,000
<p>In June 2022, the Organization received Health Care Facilities Revenue Bonds, Series 2022 (Series 2022 Bonds) in the principal amount of \$10,200,000 for the purpose of financing or refinancing the cost of the acquisition, renovation, improvement and equipping of the capital project located entirely within Charlotte, North Carolina and owned or to be owned and operated by the Organization. The Series 2022 Bonds were issued through the Arizona Industrial Development Authority and the Organization entered into a financing agreement with Truist Commercial Equity, Inc. The Series 2022 Bonds bear a fixed rate per annum of 3.56%. The Series 2022 Bonds are collateralized by gross revenues and the property covered by the financing agreement. The Organization is required to make quarterly interest payments commencing on October 1, 2022 and continuing on each, January 1, April 1, July 1 and October 1 thereafter until payment of the outstanding principal balance has been repaid. The Organization is required to make annual principal payments commencing on October 1, 2044 and continuing on each October 1 thereafter until the maturity date of October 1, 2052. The financing agreement gives the lender the right to tender the Bonds on June 1, 2032 and June 1, 2042, at the outstanding principal balance thereof plus accrued interest thereon.</p>	10,200,000	10,200,000

OneBlood, Inc.**Notes to Consolidated Financial Statements****Note 7. Long-Term Debt (Continued)**

	2023	2022
In June 2022, the Organization entered into a loan agreement with a bank in the principal amount of \$8,000,000 for the purpose of reimbursing the Organization for costs incurred in the acquisition of a processing center in Jacksonville, Florida. The loan agreement bears a fixed rate per annum of 4.51% and is collateralized by the property covered by the loan agreement. The Organization is required to make quarterly interest payments commencing on October 1, 2022 and continuing on each, January 1, April 1, July 1 and October 1 thereafter until payment of the outstanding principal balance has been repaid. The Organization is required to make annual principal payments commencing on October 1, 2044 and continuing on each October 1 thereafter until the maturity date of October 1, 2052.	8,000,000	8,000,000
	52,468,000	53,695,000
Less debt issuance costs	(430,542)	(486,323)
Less current portion of long-term debt	(1,262,000)	(1,227,000)
	<u>\$ 50,775,458</u>	<u>\$ 51,981,677</u>

The above financing agreements contain certain financial covenants including the maintenance of minimum unrestricted day's cash on hand, an annual required debt service coverage ratio and a maximum debt to capitalization ratio limit.

As of December 31, 2023, long-term debt (before debt issuance costs) matures as follows:

Years ending December 31:	
2024	\$ 1,262,000
2025	1,303,000
2026	1,344,000
2027	1,385,000
2028	1,425,000
Thereafter	45,749,000
	<u>\$ 52,468,000</u>

Note 8. Leases

Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The components of lease expense for the years ended December 31, 2023 and 2022, are as follows:

	2023	2022
Operating lease cost	\$ 7,661,810	\$ 6,609,324
Short-term lease cost	1,184,996	848,038
	<u>\$ 8,846,806</u>	<u>\$ 7,457,362</u>

OneBlood, Inc.**Notes to Consolidated Financial Statements****Note 8. Leases (Continued)**

Lease term and discount rates as of the years ended December 31, 2023 and 2022, are as follows:

	2023	2022
Weighted-average remaining lease term	7.76 years	8.80 years
Weighted-average discount rate	2.62%	2.62%

The following table summarizes the maturity of lease liabilities under operating leases as of December 31, 2023.

Years ending December 31:	
2024	\$ 8,735,765
2025	7,340,959
2026	4,685,542
2027	4,215,547
2028	3,665,437
Thereafter	13,445,725
Total minimum obligations	42,088,975
Less amount representing interest	(4,209,390)
Total lease liabilities	<u>\$ 37,879,585</u>

Note 9. Liquidity and Availability of Resources

As of December 31, 2023 and 2022, the following reflects the Organization's financial assets, reduced by amounts not available for general use because of contractual or donor-imposed restrictions, within one year of December 31, 2023 and 2022:

	2023	2022
Financial assets:		
Cash and cash equivalents	\$ 18,139,150	\$ 14,370,747
Investments	131,950,814	155,444,712
Receivables:		
Trade receivables, net	61,060,330	78,347,715
Other	5,955,481	2,293,319
	<u>217,105,775</u>	<u>250,456,493</u>
Less unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted by donors with purpose restriction	(5,444,829)	(2,305,915)
Restricted by donors in perpetuity - endowment	(31,500)	(31,500)
	<u>(5,476,329)</u>	<u>(2,337,415)</u>
Financial assets available to meet cash needs for general expenditures over the next 12 months	<u>\$211,629,446</u>	<u>\$248,119,078</u>

The Organization has a goal to maintain 120 days of operating expense coverage (approximately \$100,000,000) in liquid financial assets. The Organization meets this goal with cash balances combined with an investment portfolio which is primarily invested in actively traded stocks, bonds and mutual funds that can generally be liquidated on demand.

OneBlood, Inc.

Notes to Consolidated Financial Statements

Note 10. Retirement Plans

A summary of the Organization's retirement plans is as follows:

OneBlood 403(b) retirement plan: The Organization maintains a defined 403(b) contribution plan. Employees are eligible to contribute to the plan upon the first day of the month following their date of hire. Effective January 1, 2018, the plan adopted an automatic deferral election provision that allows the Organization to deduct 1% from all new employees' compensation in each plan year for a maximum of 5%, which begins the first of the month following 60 days of service, unless the employee opts out within 30 days of their date of hire. In addition, after completion of 60 days of service, the Organization matches up to 3.5% of eligible compensation. Employees must contribute at least 5% to be eligible for the maximum match. The employer also funds an additional discretionary 3% of eligible compensation to all eligible participants.

OneBlood defined contribution retirement plan: The Organization maintains a defined 401(a) contribution plan. Assets in the 401(a) plan are fully vested and no further contributions will be made to this plan.

Deferred compensation plan—457(b): The Organization maintained an eligible deferred compensation plan for certain members of management. The plan was established to allow participants to defer income taxation on retirement savings into future years. During the year ended December 31, 2021, the plan was amended to include employer contributions.

Deferred compensation plan—457(f): During the year ended December 31, 2021, the Organization adopted a 457(f) nonqualified deferred compensation Plan. The plan was established to supplement the retirement income of a select management group.

The Organization recorded approximately \$8,770,100 and \$8,442,800 of expenses related to the retirement plans noted above during the years ended December 31, 2023 and 2022, respectively. Deferred compensation is vested upon reaching retirement age.

Note 11. Related-Party Transactions

CTS: The following is a summary of the transactions between the Organization and CTS as of December 31, 2023 and 2022, and for the years ended December 31, 2023 and 2022:

	2023	2022
Due to CTS	\$ 2,749,464	\$ 2,816,050
Testing services provided by CTS	33,758,531	32,471,905
Lease and services revenue from CTS	1,177,740	1,163,097
Share of distributions paid by CTS	4,064,376	3,708,306

In 2010, the Organization entered into leasing agreements with CTS, whereby the Organization leased the use of a portion of its building located in St. Petersburg, Florida, to CTS.

The facility lease expires on December 31, 2029. The Organization leases approximately 29,000 square feet of building space to CTS, with monthly payments of approximately \$69,100. The basic annual rent shall increase beginning January 1 of each year by an amount equal to the lesser of: (a) 3% or (b) the CPI Adjustment Rate. In addition, CTS is to pay certain operating costs associated with the space. The portion of the facility leased has a cost basis of approximately \$4,462,000 and a net book value of \$0 as of December 31, 2023 and 2022.

OneBlood, Inc.

Notes to Consolidated Financial Statements

Note 11. Related-Party Transactions (Continued)

Future minimum rental payments receivable with related parties under noncancelable operating leases with initial or remaining lease terms in excess of one year are approximately as follows at December 31, 2023:

Years ending December 31:

2024	\$ 854,099
2025	879,722
2026	906,114
2027	933,297
2028	961,296
Thereafter	990,135
	<u>\$ 5,524,663</u>

During the years ended December 31, 2023 and 2022, the Organization received a distribution of \$4,064,376 and \$3,708,306, respectively, from CTS.

OrSense Ltd.: The Organization purchased equipment of approximately \$1,056,400 and \$851,200 from OrSense Ltd. during the years ended December 31, 2023 and 2022, respectively.

Prothya Biosolutions: The Organization recognized revenues from sales of its products to Prothya Biosolutions, of approximately \$29,928,000 and \$31,070,000, during the years ended December 31, 2023 and 2022, respectively. As of December 31, 2023 and 2022, respectively, the Organization had a receivable from Prothya Biosolutions of approximately \$9,643,400 and \$23,797,900 in accordance with mutual agreed contract terms and is included in trade receivables in the accompanying consolidated balance sheets.

During the year ended December 31, 2023, the Organization converted \$21,264,301 of its trade receivables from Prothya Biosolutions at December 31, 2022 into a note receivable. The note receivable is unsecured, payable over a 24-month period through June 2025 and bears interest at 6.5%. The outstanding balance of the note receivable at December 31, 2023 amounted to \$15,344,351.

Maturities of note receivable at December 31, 2023, are as follows:

Years ending December 31:

2024	\$ 9,767,094
2025	5,577,257
	<u>\$ 15,344,351</u>

OneBlood, Inc.

Notes to Consolidated Financial Statements

Note 12. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes as of December 31, 2023 and 2022:

	2023	2022
Restricted for specified purposes:		
Purchase of ten Big Red Bus mobile units	\$ 2,919,000	\$ -
Medical research and professional education in the field of blood transfusion medicine	1,862,761	1,648,028
Other medical research and professional education	527,068	521,887
Purchase of medical equipment	136,000	136,000
	<u>\$ 5,444,829</u>	<u>\$ 2,305,915</u>

There were \$69,819 and \$0 in assets released from restrictions during the years ended December 31, 2023 and 2022, respectively.

Net assets with donor restrictions held in perpetuity of OBF as of December 31, 2023 and 2022, consisted of the following:

	2023	2022
Investments	<u>\$ 31,500</u>	<u>\$ 31,500</u>

Notes to Consolidated Financial Statements**Note 13. Allocation of Functional Expenses**

The cost of providing the Organization's various programs and activities are summarized below on a functional basis. Accordingly, certain costs have been allocated among the programs benefited and supporting services. Management allocates expenses based on function and natural classification. The methodology used in allocating expenses by function are based on qualitative and quantitative factors affecting each class of expenses. Salaries and benefit costs are allocated to each function based on the time and effort of the labor involved, medical supplies and testing services are fully allocated to program services, other operating expenses are allocated based on time and effort and depreciation and amortization are allocated based on square footage used.

	2023		
	Program Services	Supporting Services General and Administration	Total
Salaries and benefit costs	\$ 188,483,710	\$ 20,942,634	\$ 209,426,344
Medical supplies and testing services	94,357,327	-	94,357,327
Other operating expenses	111,261,622	9,674,924	120,936,546
Depreciation and amortization	16,710,493	1,856,721	18,567,214
	<u>\$ 410,813,152</u>	<u>\$ 32,474,279</u>	<u>\$ 443,287,431</u>
	2022		
	Program Services	Supporting Services General and Administration	Total
Salaries and benefit costs	\$ 178,252,937	\$ 19,805,882	\$ 198,058,819
Medical supplies and testing services	86,535,269	-	86,535,269
Other operating expenses	107,779,267	9,223,015	117,002,282
Depreciation and amortization	14,798,653	1,639,014	16,437,667
	<u>\$ 387,366,126</u>	<u>\$ 30,667,911</u>	<u>\$ 418,034,037</u>

Note 14. Commitments and Contingencies

Self-insurance: The Organization provides medical and other healthcare benefits to certain employees and covered dependents through a self-insured healthcare plan. Reinsurance, covering costs above \$250,000 per plan plus \$250,000 per individual per plan year, is maintained through a commercial excess coverage policy. In addition, the Organization is self-insured for workers' compensation and automobile insurance. Undiscounted estimated reserves for claims incurred but not yet reported totaled approximately \$5,895,000 and \$4,625,000 at December 31, 2023 and 2022, respectively, and are included in accrued expenses (see Note 6) in the accompanying consolidated balance sheets.

Notes to Consolidated Financial Statements

Note 14. Commitments and Contingencies (Continued)

Professional liability: The Organization is, from time to time, subject to claims and suits for alleged damages, including alleged damages for personal injuries to patients and others, which are covered as to risk and amount under various insurance policies, subject to deductibles. The Organization maintains claims-based professional liability insurance to cover the costs related to these claims and has an undiscounted estimated reserve for claims incurred but not yet reported included in accrued expenses in the accompanying consolidated balance sheets. In the opinion of management, the ultimate resolution of pending claims will not have a material effect on the financial position, activities or liquidity of the Organization.

Litigation: The Organization is subject to certain claims and legal actions arising during the ordinary course of business. Although there can be no assurances as of December 31, 2023, it is management's opinion, based on information currently available, that these matters will not have a material adverse effect on the financial position, results of operations or cash flows of the Organization.

Regulations: State and federal laws set forth anti-kickback and self-referral prohibitions and otherwise regulate financial relationships between blood banks and hospitals, physicians and other persons who refer business to them. While the Organization believes its present operations comply with applicable regulations, there can be no assurance that future legislation or rule making, or the interpretation of existing laws and regulations will not prohibit or adversely impact the delivery by the Organization of its services or products.

Note 15. Business Acquisition

On September 1, 2022, Proesis Biologics, Inc. acquired one FDA-licensed blood center in Dallas, Texas (the Acquired Center) and the assets used in the operation of the Acquired Center from KEDPlasma LLC. The acquisition allows the Organization to collect, market and sell plasma in the Dallas plasma market. As a result of the transaction, the Organization is expected to increase its market share and customer base. The purchase consideration was \$7,350,000. The acquisition has been treated as a business combination, whereby, assets are recorded at estimated fair value and the excess of consideration transferred over the estimated fair value of the net assets acquired is recorded as goodwill.

The following table summarizes the fair value of the intangible and tangible assets acquired at the date of acquisition:

Property and equipment	\$ 386,303
Supplies inventory	41,060
Assets acquired	<u>427,363</u>
Goodwill	6,922,637
Total fair value of consideration transferred	<u><u>\$ 7,350,000</u></u>

The excess of consideration transferred over the estimated fair value of the net assets acquired has been recorded as goodwill on the accompanying consolidated balance sheets, which is deductible for tax purposes. Transaction costs for the acquisition were expensed as incurred and not significant. The activity related to the Acquired Center has been included in the Organization's consolidated change in net assets since the acquisition date.

OneBlood, Inc.**Notes to Consolidated Financial Statements**

Note 16. Income Taxes

PBI records income taxes based on its own operations tax returns. Current and deferred tax benefit as of December 31, 2023 and 2022 is as follows:

	2023	2022
Current income tax expense:		
Federal	\$ -	\$ -
Current income tax expense	<u>\$ -</u>	<u>\$ -</u>
Deferred income tax expense (benefit):		
Federal	\$ 714,623	\$ (714,623)
Total income tax expense (benefit)	<u>\$ 714,623</u>	<u>\$ (714,623)</u>

Deferred income taxes are provided for temporary differences between reported amounts of assets and liabilities and their tax bases. Deferred tax assets (liabilities) are comprised of the following as of December 31, 2023 and 2022:

	2023	2022
Deferred tax assets:		
Right-of-use lease liability	\$ 1,233,422	\$ 969,077
Loss carryforwards	3,184,250	839,760
Other	42,385	11,111
Valuation allowance	(3,182,881)	-
Total deferred tax assets	<u>1,277,176</u>	<u>1,819,948</u>
Deferred tax liabilities:		
Property and equipment	52,068	137,658
Right-of-use lease assets	1,225,108	967,667
Total deferred tax liabilities	<u>1,277,176</u>	<u>1,105,325</u>
Net deferred tax assets	<u>\$ -</u>	<u>\$ 714,623</u>

As of December 31, 2023 and 2022, PBI had U.S. federal net operating loss carryforwards of approximately \$15,163,000 and \$3,999,000, respectively, for income tax purposes that can be carried forward and deducted indefinitely. As of December 31, 2023, the Organization recorded a valuation allowance of \$3,182,881 on the deferred tax assets. Realization of deferred tax assets is dependent upon sufficient future taxable income during the period that deductible temporary differences and carry forwards are expected to be available to reduce taxable income. Management estimates it is not more likely than not that the Organization will fully realize the benefits of the deferred tax assets. Accordingly, there is a valuation allowance for deferred tax assets as of December 31, 2023.

Independent Auditor's Report on the Supplementary Information

Audit Committee
OneBlood, Inc.

We have audited the consolidated financial statements of OneBlood, Inc. and its controlled affiliates (the Organization) as of and for the years ended December 31, 2023 and 2022, and have issued our report thereon, dated April 29, 2024, which contains an unmodified opinion on those consolidated financial statements. See pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for purposes of additional analysis rather than to present the financial position, results of operations and cash flows of the individual companies and is not a required part of the financial statements. Such 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 consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

RSM US LLP

Orlando, Florida
April 29, 2024

OneBlood, Inc.

Consolidating Balance Sheet December 31, 2023

	OneBlood, Inc. and Subsidiaries	OneBlood Foundation, Inc. and Subsidiary	Proesis Biologics, Inc.	Eliminations	Consolidated Total
Assets					
Current assets:					
Cash and cash equivalents	\$ 16,080,198	\$ 1,323,617	\$ 735,335	\$ -	\$ 18,139,150
Restricted cash	521,950	-	-	-	521,950
Investments	98,347,850	33,602,964	-	-	131,950,814
Receivables:					
Trade receivable, net	60,271,340	-	788,990	-	61,060,330
Other	5,955,481	-	-	-	5,955,481
Supplies inventory	6,914,740	-	-	-	6,914,740
Blood and blood components inventory	4,341,737	-	606,112	-	4,947,849
Current portion of related party note receivable	9,767,094	-	-	-	9,767,094
Prepaid expenses and other current assets	9,062,835	-	395,819	-	9,458,654
Total current assets	211,263,225	34,926,581	2,526,256	-	248,716,062
Related party note receivable, net of current portion	5,577,257	-	-	-	5,577,257
Property and equipment, net	133,804,937	-	4,823,491	-	138,628,428
Other investments	97,314,555	8,132,941	-	(51,498,588)	53,948,908
Right-of-use lease assets	31,252,114	-	5,833,846	-	37,085,960
Goodwill, net	687,123	-	5,999,618	-	6,686,741
Due from related parties	5,843,514	-	-	(2,744,972)	3,098,542
Other assets	4,194,309	68,225	-	-	4,262,534
Total assets	\$ 489,937,034	\$ 43,127,747	\$ 19,183,211	\$ (54,243,560)	\$ 498,004,432
Liabilities and Net Assets					
Current liabilities:					
Current portion of long-term debt	\$ 1,262,000	\$ -	\$ -	\$ -	\$ 1,262,000
Current portion of right-of-use lease liability	7,332,184	-	511,586	-	7,843,770
Accounts payable	13,324,471	826,018	752,306	-	14,902,795
Accrued expenses	33,060,000	-	615,635	-	33,675,635
Due to related parties	2,749,464	2,744,972	-	(2,744,972)	2,749,464
Total current liabilities	57,728,119	3,570,990	1,879,527	(2,744,972)	60,433,664
Long-term liabilities:					
Long-term debt, net of current portion and debt issuance costs	50,775,458	-	-	-	50,775,458
Right-of-use lease liability, net of current portion	24,673,962	-	5,361,853	-	30,035,815
Total liabilities	133,177,539	3,570,990	7,241,380	(2,744,972)	141,244,937
Net assets:					
Without donor restrictions:					
Undesignated	351,283,166	36,999,428	11,941,831	(48,941,259)	351,283,166
With donor restrictions:					
Restricted for specified purposes	5,444,829	2,525,829	-	(2,525,829)	5,444,829
Restricted in perpetuity—endowment	31,500	31,500	-	(31,500)	31,500
Total with donor restrictions	5,476,329	2,557,329	-	(2,557,329)	5,476,329
Total net assets	356,759,495	39,556,757	11,941,831	(51,498,588)	356,759,495
Total liabilities and net assets	\$ 489,937,034	\$ 43,127,747	\$ 19,183,211	\$ (54,243,560)	\$ 498,004,432

OneBlood, Inc.

Consolidating Balance Sheet December 31, 2022

	OneBlood, Inc. and Subsidiaries	OneBlood Foundation, Inc. and Subsidiary	Proesis Biologics, Inc.	Eliminations	Consolidated Total
Assets					
Current assets:					
Cash and cash equivalents	\$ 11,776,469	\$ 2,119,669	\$ 474,609	\$ -	\$ 14,370,747
Restricted cash	2,252,950	-	-	-	2,252,950
Investments	124,798,744	30,645,968	-	-	155,444,712
Receivables:					
Trade receivable, net	77,938,114	-	409,601	-	78,347,715
Other	2,293,319	-	-	-	2,293,319
Supplies inventory	7,273,907	-	-	-	7,273,907
Blood and blood components inventory	4,144,329	-	160,553	-	4,304,882
Prepaid expenses and other current assets	8,314,529	-	80,355	-	8,394,884
Total current assets	238,792,361	32,765,637	1,125,118	-	272,683,116
Property and equipment, net	126,695,066	-	655,516	-	127,350,582
Other investments	80,071,825	5,373,941	-	(46,058,242)	39,387,524
Right-of-use lease assets	23,844,114	-	4,607,940	-	28,452,054
Goodwill, net	824,547	-	6,691,882	-	7,516,429
Due from related parties	2,975,873	-	-	(12,398)	2,963,475
Deferred tax asset	-	-	714,623	-	714,623
Other assets	2,944,245	71,227	-	-	3,015,472
Total assets	\$ 476,148,031	\$ 38,210,805	\$ 13,795,079	\$ (46,070,640)	\$ 482,083,275
Liabilities and Net Assets					
Current liabilities:					
Current portion of long-term debt	\$ 1,227,000	\$ -	\$ -	\$ -	\$ 1,227,000
Current portion of right-of-use lease liability	4,371,072	-	460,027	-	4,831,099
Accounts payable	19,119,874	868,756	401,420	-	20,390,050
Accrued expenses	26,969,134	-	50,413	-	27,019,547
Due to related parties	2,816,050	12,398	-	(12,398)	2,816,050
Total current liabilities	54,503,130	881,154	911,860	(12,398)	56,283,746
Long-term liabilities:					
Long-term debt, net of current portion and debt issuance costs	51,981,677	-	-	-	51,981,677
Right-of-use lease liability, net of current portion	20,021,191	-	4,154,628	-	24,175,819
Total liabilities	126,505,998	881,154	5,066,488	(12,398)	132,441,242
Net assets:					
Without donor restrictions:					
Undesignated	347,304,618	34,992,236	8,728,591	(43,720,827)	347,304,618
With donor restrictions:					
Restricted for specified purposes	2,305,915	2,305,915	-	(2,305,915)	2,305,915
Restricted in perpetuity—endowment	31,500	31,500	-	(31,500)	31,500
Total with donor restrictions	2,337,415	2,337,415	-	(2,337,415)	2,337,415
Total net assets	349,642,033	37,329,651	8,728,591	(46,058,242)	349,642,033
Total liabilities and net assets	\$ 476,148,031	\$ 38,210,805	\$ 13,795,079	\$ (46,070,640)	\$ 482,083,275

OneBlood, Inc.

Consolidating Statement of Operations and Changes in Net Assets Year Ended December 31, 2023

	OneBlood, Inc. and Subsidiaries	OneBlood Foundation, Inc. and Subsidiary	Proesis Biologics, Inc.	Eliminations	Consolidated Total
Changes in net assets without donor restrictions:					
Operating revenues:					
Blood products	\$ 358,379,672	\$ -	\$ 5,926,323	\$ -	\$ 364,305,995
Laboratory services	60,141,966	-	-	-	60,141,966
Net assets released from restrictions	-	69,819	-	-	69,819
Total operating revenues	418,521,638	69,819	5,926,323	-	424,517,780
Operating expenses:					
Salaries and benefit costs	203,037,674	-	6,388,670	-	209,426,344
Medical supplies and testing services	90,566,258	-	3,791,069	-	94,357,327
Other operating expenses	114,413,741	802,225	5,720,580	-	120,936,546
Depreciation and amortization	17,467,379	-	1,099,835	-	18,567,214
Total operating expenses	425,485,052	802,225	17,000,154	-	443,287,431
Operating margin	(6,963,414)	(732,406)	(11,073,831)	-	(18,769,651)
Loss on disposal of property and equipment, net	(82,893)	-	-	-	(82,893)
Operating loss	(7,046,307)	(732,406)	(11,073,831)	-	(18,852,544)
Nonoperating revenue (expense), net:					
Investment income, net	14,442,002	2,739,598	-	-	17,181,600
Earnings from other investments	(4,452,438)	-	-	9,561,348	5,108,910
Lease and service revenue	1,842,880	-	-	-	1,842,880
Interest expense	(1,305,075)	-	-	-	(1,305,075)
Income tax loss	-	-	(714,623)	-	(714,623)
Other, net	717,400	-	-	-	717,400
Total nonoperating revenue (expense), net	11,244,769	2,739,598	(714,623)	9,561,348	22,831,092
Change in net assets without donor restrictions	4,198,462	2,007,192	(11,788,454)	9,561,348	3,978,548
Changes in net assets with donor restrictions:					
Contributions	2,919,000	75,000	-	-	2,994,000
Investment income, net	-	214,733	-	-	214,733
Net assets released from restrictions	-	(69,819)	-	-	(69,819)
Change in net assets with donor restrictions	2,919,000	219,914	-	-	3,138,914
Change in net assets	7,117,462	2,227,106	(11,788,454)	9,561,348	7,117,462
Net assets:					
Beginning of year	349,642,033	37,329,651	8,728,591	(46,058,242)	349,642,033
Capital contributions	-	-	15,001,694	(15,001,694)	-
End of year	\$ 356,759,495	\$ 39,556,757	\$ 11,941,831	\$ (51,498,588)	\$ 356,759,495

OneBlood, Inc.

Consolidating Statement of Operations and Changes in Net Assets Year Ended December 31, 2022

	OneBlood, Inc. and Subsidiaries	OneBlood Foundation, Inc. and Subsidiary	Proesis Biologics, Inc.	Eliminations	Consolidated Total
Changes in net assets without donor restrictions:					
Operating revenues:					
Blood products	\$ 343,821,277	\$ -	\$ 1,739,055	\$ -	\$ 345,560,332
Laboratory services	57,864,285	-	-	-	57,864,285
Total operating revenues	401,685,562	-	1,739,055	-	403,424,617
Operating expenses:					
Salaries and benefit costs	196,463,927	-	1,594,892	-	198,058,819
Medical supplies and testing services	85,512,184	-	1,023,085	-	86,535,269
Other operating expenses	113,861,179	869,357	2,271,746	-	117,002,282
Depreciation and amortization	16,173,929	-	263,738	-	16,437,667
Total operating expenses	412,011,219	869,357	5,153,461	-	418,034,037
Operating margin	(10,325,657)	(869,357)	(3,414,406)	-	(14,609,420)
Gain on disposal of property and equipment, net	22,077	-	-	-	22,077
Operating loss	(10,303,580)	(869,357)	(3,414,406)	-	(14,587,343)
Nonoperating revenue (expense), net:					
Investment loss, net	(27,356,488)	(12,533,844)	-	-	(39,890,332)
Earnings from other investments	(13,827,589)	-	-	16,222,862	2,395,273
Lease and service revenue	1,313,097	-	-	-	1,313,097
Interest expense	(793,862)	-	-	-	(793,862)
Income tax benefit	-	-	714,623	-	714,623
Other, net	771,943	222,391	-	-	994,334
Total nonoperating revenue (expense), net	(39,892,899)	(12,311,453)	714,623	16,222,862	(35,266,867)
Change in net assets without donor restrictions	(50,196,479)	(13,180,810)	(2,699,783)	16,222,862	(49,854,210)
Changes in net assets with donor restrictions:					
Investment loss, net	-	(342,269)	-	-	(342,269)
Change in net assets with donor restrictions	-	(342,269)	-	-	(342,269)
Change in net assets	(50,196,479)	(13,523,079)	(2,699,783)	16,222,862	(50,196,479)
Net assets:					
Beginning of year	399,838,512	50,852,730	-	(50,852,730)	399,838,512
Capital contributions	-	-	11,428,374	(11,428,374)	-
End of year	\$ 349,642,033	\$ 37,329,651	\$ 8,728,591	\$ (46,058,242)	\$ 349,642,033