

SAN DIEGO BLOOD BANK
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023



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**SAN DIEGO BLOOD BANK
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2023**

INDEPENDENT AUDITORS' REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS	
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	3
CONSOLIDATED STATEMENT OF ACTIVITIES	4
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES	5
CONSOLIDATED STATEMENT OF CASH FLOWS	6
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	7



INDEPENDENT AUDITORS' REPORT

Audit Committee
San Diego Blood Bank
San Diego, California

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of San Diego Blood Bank (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2023, 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of San Diego Blood Bank as of June 30, 2023, and the changes in their net assets and its cash flows for the year 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 Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of San Diego Blood Bank 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.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, on July 1, 2022, San Diego Blood Bank adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

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

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


Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 consolidated 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 consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated 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 San Diego Blood Bank's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about San Diego Blood Bank'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.



CliftonLarsonAllen LLP

San Diego, California
December 7, 2023

**SAN DIEGO BLOOD BANK
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023**

ASSETS

Current Assets:	
Cash and Cash Equivalents	\$ 1,847,580
Restricted Cash	486,789
Accounts Receivable, Net of Allowance for Returns and Doubtful Accounts	6,537,779
Promises to Give	175,000
Inventories, Net of Inventory Obsolescence	1,649,993
Prepaid Expenses and Other Assets	542,331
Total Current Assets	11,239,472
Property and Equipment, Net of Accumulated Depreciation	23,713,725
Operating Right-of-Use Asset	2,535,641
Investments	1,792,703
Interest Rate Swap	1,518,677
Deposits and Other Assets	302,234
Total Assets	\$ 41,102,452

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accounts Payable	\$ 3,512,536
Accrued Payroll	471,502
Accrued Expenses	1,777,967
Deferred Revenue	399,026
Line of Credit	1,750,000
Notes Payable	386,472
Operating Lease Liability	783,477
Accrued Pension	681,312
Total Current Liabilities	9,762,292
Deposits	48,804
Notes Payable, Net of Current Portion	9,967,932
Operating Lease Liability, Net of Current Portion	1,777,110
Accrued Pension, Net of Current Portion	779,136
Total Liabilities	22,335,274
Net Assets:	
Without Donor Restrictions:	18,105,389
With Donor Restrictions	661,789
Total Net Assets	18,767,178
Total Liabilities and Net Assets	\$ 41,102,452

See accompanying Notes to Consolidated Financial Statements.

**SAN DIEGO BLOOD BANK
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Blood and Blood Components	\$ 48,357,696	\$ -	\$ 48,357,696
Research and Cell Therapy	1,533,670	-	1,533,670
Government Grants and Contracts	916,115	-	916,115
Contributions	287,009	708,896	995,905
Lease Income	1,021,579	-	1,021,579
COVID-19 Convalescent Plasma	2,393	-	2,393
Other	1,140,873	-	1,140,873
Net Assets Released from Restrictions	1,079,488	(1,079,488)	-
Total Revenue and Support	<u>54,338,823</u>	<u>(370,592)</u>	<u>53,968,231</u>
OPERATING EXPENSES			
Program Services:			
Blood Banking	42,324,366	-	42,324,366
Research and Cell Therapy	2,767,339	-	2,767,339
Supporting Services:			
Management and General	10,374,457	-	10,374,457
Fund Raising	579,789	-	579,789
Total Operating Expenses	<u>56,045,951</u>	<u>-</u>	<u>56,045,951</u>
LOSS FROM OPERATIONS	(1,707,128)	(370,592)	(2,077,720)
NONOPERATING REVENUE			
Pension Related Changes Other than Net			
Periodic Pension Cost	1,615,910	-	1,615,910
Change in Fair Value of Interest Rate Swaps	454,191	-	454,191
Unrealized Gain on Investments	73,063	-	73,063
Total Nonoperating Revenue	<u>2,143,164</u>	<u>-</u>	<u>2,143,164</u>
CHANGE IN NET ASSETS	436,036	(370,592)	65,444
Net Assets - Beginning of Year	<u>17,669,353</u>	<u>1,032,381</u>	<u>18,701,734</u>
NET ASSETS - END OF YEAR	<u>\$ 18,105,389</u>	<u>\$ 661,789</u>	<u>\$ 18,767,178</u>

See accompanying Notes to Consolidated Financial Statements.

**SAN DIEGO BLOOD BANK
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023**

	Program Services		Supporting Services		Total
	Blood Banking	Research and Cell Therapy	Management and General	Fund Raising	
Salaries, Related Costs, and Benefits	\$ 18,295,634	\$ 2,374,084	\$ 5,207,634	\$ 382,839	\$ 26,260,191
Supplies	13,382,047	100,814	46,847	3,245	13,532,953
Testing	4,295,289	21,943	-	-	4,317,232
Facility and Equipment	827,156	79,689	975,865	7,238	1,889,948
Depreciation	640,795	59,029	1,290,985	-	1,990,809
Shipping	1,686,970	9,687	533	37	1,697,227
Lease	1,027,024	-	-	-	1,027,024
Interest	-	-	601,185	-	601,185
Marketing	712,479	9,424	3,391	69,087	794,381
Insurance	53	-	424,058	-	424,111
Consultant	218,166	50,312	147,657	92,025	508,160
Miscellaneous	75,762	29,874	192,081	4,694	302,411
Vehicle	465,458	-	-	-	465,458
Information Technology	370,679	6,795	738,831	70	1,116,375
Dues and Subscriptions	74,753	2,633	67,809	11,282	156,477
Travel	87,459	16,373	44,826	1,134	149,792
Professional Fees	-	6,374	89,255	-	95,629
Taxes	105,226	(858)	395,538	196	500,102
Contract Services	59,326	1,166	137,314	-	197,806
Bank and Brokerage Fees	90	-	10,648	7,942	18,680
Total Expenses	\$ 42,324,366	\$ 2,767,339	\$ 10,374,457	\$ 579,789	\$ 56,045,951

See accompanying Notes to Consolidated Financial Statements.

**SAN DIEGO BLOOD BANK
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2023**

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	\$ 65,444
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:	
Depreciation and Amortization	1,990,809
Bad Debt Expense	75,446
Inventory Obsolescence Recovery	(19,159)
Unrealized Gain on Investments	(73,063)
Change in Fair Value of Interest Rate Swaps	(454,191)
Noncash Pension Benefit	(1,615,913)
Noncash Lease Expense	24,946
Changes in Operating Assets and Liabilities:	
Accounts Receivable	(551,869)
Promises to Give	(87,265)
Inventories	190,149
Prepaid Expenses and Other Assets	74,545
Deposits and Other Assets	(243,331)
Accounts Payable	23,544
Accrued Payroll	(502,931)
Accrued Expenses	417,445
Deferred Revenue	158,838
Advanced Deposits	48,804
Net Cash Used by Operating Activities	<u>(477,752)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of Property and Equipment	(1,948,611)
CASH FLOWS FROM FINANCING ACTIVITIES	
Borrowings (Payments) on Line of Credit	1,750,000
Payments on Notes Payable	(429,693)
Net Cash Provided by Financing Activities	<u>1,320,307</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	(1,106,056)
Cash and Cash Equivalents and Restricted Cash - Beginning of Year	<u>3,440,425</u>
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH - END OF YEAR	<u>\$ 2,334,369</u>
Cash and Cash Equivalents and Restricted Cash Consists of:	
Cash and Cash Equivalents	\$ 1,847,580
Restricted Cash	486,789
Total Cash and Cash Equivalents and Restricted Cash	<u>\$ 2,334,369</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION	
Cash Paid for Interest	<u>\$ 601,185</u>
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES	
Note Payable Incurred for Purchase of Equipment	<u>\$ 46,715</u>

See accompanying Notes to Consolidated Financial Statements.

SAN DIEGO BLOOD BANK
NOTES TO CONSOLIDATED STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The San Diego Blood Bank (SDBB) is a California nonprofit public benefit corporation established in 1950. SDBB collects, tests, processes, stores, and distributes blood products throughout the Southern California region. In addition, SDBB provides a wide range of additional blood banking services, including plateletpheresis and plasmapheresis, and testing in an immunohematology reference laboratory. SDBB also supports life science research and clinical trials, including in cellular therapies and population-scale genomics, as an extension of our mission to save lives. SDBB's vision is to have an even greater impact in the community's health by improving community wellness and engaging with researchers to drive future medical advances.

Effective November 5, 2021, the San Diego Blood Bank transferred its cell therapy activity and related assets to Community Bio, Inc. in exchange for 342,000 Series A preferred shares of Community Bio, Inc., which represents a 34% ownership interest. Community Bio, Inc. was formally renamed Excellos, Incorporated (Excellos) effective January 31, 2022.

The consolidated financial statements include the accounts of SDBB Labs, Inc. (SDBB Labs), which was incorporated during the year ended June 30, 2019. SDBB Labs is a wholly owned subsidiary of the San Diego Blood Bank focused on providing research and other services to outside entities.

Basis of Consolidation

The consolidated financial statements include the accounts of the San Diego Blood Bank, SDBB Labs, and Neighbor Savors (collectively, Blood Bank). All significant intercompany balances and transactions have been eliminated.

Consolidated Financial Statement Presentation

The consolidated financial statements of the Blood Bank have been prepared in accordance with auditing standards generally accepted in the United States of America (U.S. GAAP), which require the Blood Bank to report information regarding their consolidated financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Blood Bank. These net assets may be used at the discretion of Blood Bank's management and the board of directors.

Net Assets With Donor Restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Blood Bank or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. The Blood Bank did not have any donor restrictions that were perpetual in nature for the year ended June 30, 2023.

SAN DIEGO BLOOD BANK
NOTES TO CONSOLIDATED STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Consolidated Financial Statement Presentation (Continued)

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statements of activities.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, the actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, the Blood Bank considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. Certificates of deposit that may be redeemed without a significant penalty are considered cash and cash equivalents regardless of the maturity.

Investment return on restricted assets is reported as an increase in net assets without donor restrictions if the asset restriction expires in the reporting period in which the income is recognized. All other restricted investment return is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction.

Cash with donor-imposed restrictions is reported as restricted cash.

Investments

The Blood Bank invests in other organizations with similar missions. For equity securities with a readily determinable fair value, the Blood Bank estimates the fair value of the investment using the net asset value (NAV) per share as of the Blood Bank's measurement date. If the NAV per share of the investment obtained from the investee is not as of the Blood Bank's measurement date, the Blood Bank considers whether an adjustment to the most recent NAV per share is necessary. For equity securities without a readily determinable fair value and the asset does not qualify for the practical expedient to estimate fair value in accordance, the Blood Bank will measure the equity security at its cost minus impairment, if any.

Accounts Receivable

Accounts receivable arise in the normal course of business. The amounts for accounts receivable are presented at net realizable value. It is the policy of management to review the outstanding accounts receivable at year-end, as well as the bad debt write-offs experienced in the past, and establish an allowance for returns and doubtful accounts for uncollectible amounts. The allowance for returns and doubtful accounts was \$104,573 at June 30, 2023. Accounts receivable are recognized and collected or written off within a year.

SAN DIEGO BLOOD BANK
NOTES TO CONSOLIDATED STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Promises to Give

Promises to give that are expected to be collected within one year are recorded at their net realizable value. Promises to give that are expected to be collected in future years are discounted to their estimated net present value. After promises to give are originally recorded, an allowance for uncollectible promises to give may be established based on specific circumstances.

Inventories

The cost of whole blood and blood components inventory is determined by valuing blood using drawing and processing costs and certain purchased items, excluding distribution costs. Inventories of supplies are valued at the lower of cost or net realizable value, determined on the first-in, first-out basis. The allowance for inventory obsolescence was \$183,333 at June 30, 2023.

Property and Equipment

Acquisitions of property and equipment of \$5,000 or more are capitalized. Property and equipment are stated at cost, or if donated, at the approximate fair market value on the date of donation. Expenditures for maintenance and repairs are charged against operations. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the related assets, ranging from 3 to 40 years, or, in the case of leasehold improvements, over the lesser of the useful lives of the related assets or the lease term.

Deferred Revenue

The Blood Bank has a monthly prepayment agreement with one customer. Deferred revenue of \$399,026 as of June 30, 2023 represents the cash collected prior to year-end for the July 2023 prepayment, net of the customer's balance in accounts receivable as of June 30, 2023.

Impairment of Long-Term Assets

The Blood Bank reviews its investment in long-term assets for impairment whenever events and changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the long-term asset to the estimated proceeds from the eventual disposition of the long-term asset. If the long-term asset is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of long-term asset exceeds the fair value of such property. There were no impairment losses recognized for the year ended June 30, 2023.

Compensated Absences

Accumulated paid time off totaling \$1,769,484 at June 30, 2023, is accrued when incurred and included in accrued payroll.

SAN DIEGO BLOOD BANK
NOTES TO CONSOLIDATED STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Revenue earned from the blood and its components, plasma derivatives, and research is recognized when the products are shipped or services are performed. The Blood Bank generally enters into contracts with customers to provide various blood products and other blood related services with payments based upon a fee schedule.

At contract inception, the Blood Bank assess the services promised in the contracts with customers to identify the performance obligations in the arrangement. Generally, the contracts are considered to have a single performance obligation once the Blood Bank ships the products or performs the service.

Revenue is recognized for the performance obligation at a point in time for products or services performed. The transaction price is the contractually defined amount that includes adjustment for variable consideration, if any. The Blood Bank determines the transaction price based on the Blood Bank's internal pricing guidelines, discount agreements, if any, and negotiations with the customer. The transaction price is reduced by implicit and explicit price concessions, if any. The Blood Bank determines its estimates of explicit price concessions based on contractual agreements and its discount policies. The Blood Bank determines its estimate of implicit price concessions based on its historical collection experience with each class of customers.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

The Blood Bank recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Grants and conditional promises to give – that are, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

Government Grants and Contracts comprise of cost-reimbursable contracts and grants, which are conditional contributions recognized in accordance with the policy described in the preceding paragraph, and exchange revenue related to the value of the benefits received by the funding agency, which is recognized as the services are provided. Amounts received under cost-reimbursable contracts are recognized as earned and are reported as revenue when the Blood Bank has incurred expenditures in compliance with specific contract or grant provisions. Amounts received but not yet earned are reported as deferred revenue in the statement of financial position.

**SAN DIEGO BLOOD BANK
NOTES TO CONSOLIDATED STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Services and Materials

The Blood Bank utilizes the services of many volunteers throughout the year. This contribution of services by the volunteers is not recognized in the consolidated financial statements unless the services received (a) create or enhance nonfinancial assets or (b) require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. In-kind contributions consisting of fundraising items, donor points donated back and other supplies have been recorded as in-kind contribution revenue and expenses in the consolidated statements of activities.

Derivative Instruments

The accounting and reporting standards related to derivative instruments and hedging activities requires that every derivative instrument be recorded on the consolidated statements of financial position as either an asset or liability as measured at its fair value. The Blood Bank's interest rate swap agreements (IRSA) as discussed in Note 8 are considered a cash flow hedge and are measured at fair value. The gains and losses on cash flow hedges are recognized as a change in net assets in the period of the change. The Blood Bank enters into total return swaps to manage risks on the changes in market interest rates.

The IRSA's are considered Level 3 assets or liabilities. For the valuation of the IRSA's at June 30, 2023, the Blood Bank used the income approach which involves using (i) quoted prices for economically equivalent swaps, or (ii) valuation methodologies, assumptions and inputs, which in the case of projected future cash flows; discount such cash flows to a single net present value amount. Various inputs are used to construct interest rate, currency exchange rate, commodity price or other curves that are placed into a valuation model to compute the valuation.

The change in the fair value of the IRSA liability is as follows for the year ended June 30, 2023:

Balance - Beginning of Year	\$ 1,064,486
Change in Fair Value of Obligation Under Interest Rate Swaps	454,191
Balance - End of Year	<u>\$ 1,518,677</u>

Functional Expense Allocations

The Blood Bank's accounting system is established to record expenses by fund, department, and natural expense. The expense function is determined by either fund alone or by a combination of fund and department. One fund is used to accumulate expenses considered to be either management and general or fundraising in nature. Within that fund, the department determines whether the expense is management and general or fundraising in nature. The remaining funds accumulate expenses considered to be programmatic in nature. In the event certain costs are mistakenly captured within the program funds, such as investment brokerage fees or professional fundraising fees, they are reallocated as appropriate to either management and general or fundraising costs.

**SAN DIEGO BLOOD BANK
NOTES TO CONSOLIDATED STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expense Allocations (Continued)

The consolidated financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. If not directly identifiable to program services, types of expenses that are allocated include depreciation, interest, and insurance, which are allocated on a square-footage basis, as well as salaries, related costs and benefits, which are allocated on the basis of supportable estimates of time and effort.

Income Taxes

The San Diego Blood Bank is a qualified nonprofit blood bank that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. However, the Blood Bank remains subject to taxes on any net income which is derived from a trade or business regularly carried on and unrelated to its exempt purpose. For the year ended June 30, 2023, no such unrelated business taxable income was reported and, therefore, no provision for income taxes has been made. The Blood Bank is not a private foundation.

The Blood Bank follows accounting standards generally accepted in the United States of America related to the recognition of uncertain tax positions. The Blood Bank recognizes accrued interest and penalties associated with uncertain tax positions as part of the consolidated statements of activities, when applicable. Management has determined that the Blood Bank has no uncertain tax positions at June 30, 2023 and therefore, no amounts have been accrued.

Fair Value Measurements

The Blood Bank defines fair value as the exchange price that would be received for an asset or paid for a liability in the principal or most advantageous market. The Blood Bank applies fair value measurements to assets and liabilities that are required to be recorded at fair value under U.S. GAAP. Fair value measurement techniques maximize the use of observable inputs and minimize the use of unobservable inputs, and are categorized in a fair value hierarchy based on the transparency of inputs.

The three levels are defined as follows:

Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the same term of the financial instrument.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

SAN DIEGO BLOOD BANK
NOTES TO CONSOLIDATED STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

As a practical expedient, certain financial instruments may be valued using net asset value (NAV) per share. NAV is the amount of net assets attributable to each share of outstanding capital stock at the end of the period.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The carrying value of cash, receivables, inventory, and payables approximates fair value as of June 30, 2023, due to the relative short maturities of these instruments.

Measure of Operations

Transactions deemed by management to be directly related to the programs of the Blood Bank are reported as operating revenue and expenses. Nonoperating activities include investment returns, capital activity, pension related changes other than net periodic pension costs, and extinguishment of debt.

Accounting Pronouncements – Adopted

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, *Leases* (ASC 842). This new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Company adopted the requirements of the guidance effective July 1, 2022, and has elected to apply the provisions of this standard to the beginning of the period of adoption, with certain practical expedients available.

The Company has elected to adopt the package of practical expedients available in the year of adoption. This adoption allows the Company to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

The Company has also elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the Company's ROU assets.

SAN DIEGO BLOOD BANK
NOTES TO CONSOLIDATED STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting Pronouncements – Adopted (Continued)

As a result of the adoption of the new lease accounting guidance, the company recognized on July 1, 2022, a lease liability of \$3,317,920, which represents the present value of the remaining operating lease payments of approximately \$3,528,997, discounted using the risk-free rates ranging from 2.84% to 2.88%, and a right of use asset of \$3,317,920 which represents the operating lease liability.

The standard had a material impact on the balance sheets but did not have an impact on the statements of income nor cash flows. The most significant impact was the recognition of ROU asset and lease liability for operating leases on the balance sheets while the Company's accounting for its finance leases remained substantially unchanged.

Leases

The Company leases its facilities under noncancelable leases arrangements. The Company determines if an arrangement is a lease at inception. In evaluating contracts to determine if they qualify as a lease, the Company considers factors such as if the Company has obtained substantially all of the rights to the underlying asset through exclusivity, if the Company can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities on the accompanying balance sheet. ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease.

ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. For leases that do not provide an implicit rate, the Company has elected to use a risk-free discount rate of a period comparable with that of the lease term for computing the present value of lease liabilities. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Company has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the accompanying balance sheet.

The Company has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants. Additionally, the individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Company has elected to use the risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of the lease liabilities.

**SAN DIEGO BLOOD BANK
NOTES TO CONSOLIDATED STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

The Blood Bank has evaluated subsequent events through December 7, 2023, which is the date the consolidated financial statements were available to be issued.

NOTE 2 LIQUIDITY AND AVAILABILITY

The following reflects the Blood Bank's financial assets as of the consolidated statements of financial position dates, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the consolidated statements of financial position dates. Amounts not available include amounts set aside for long-term investing in the board designated fund that could be drawn upon if the governing board approves that action.

Cash and Cash Equivalents	\$ 1,847,580
Accounts Receivable, Net of Allowance for Returns and Doubtful Accounts	6,537,779
Promises to Give	175,000
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 8,560,359</u>

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Blood Bank considers all expenditures related to its ongoing activities of blood banking and distribution, research, and public service as well as the conduct of services undertaken to support those activities to be general expenditures.

The Blood Bank is partially supported by donor-restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Blood Bank must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year.

The Blood Bank regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Blood Bank has various sources of liquidity at its disposal, including cash and cash equivalents, conversion of investments, collection of accounts receivable, conversion and usage of inventories, and if needed, a revolving line of credit. See Note 7 for more information on the line of credit.

In addition to financial assets available to meet general expenditures over the next 12 months, the Blood Bank operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the consolidated statements of cash flows which identifies the sources and uses of the Blood Bank's cash.

SAN DIEGO BLOOD BANK
NOTES TO CONSOLIDATED STATEMENTS
JUNE 30, 2023

NOTE 3 CONCENTRATIONS OF CREDIT RISK

Cash

The Blood Bank maintains cash accounts at various financial institutions. The balances at times may exceed Federal Deposit Insurance Corporation (FDIC) limits. Accounts at each financial institution are insured by the FDIC up to \$250,000.

Accounts Receivable

Essentially all of the Blood Bank's business is conducted with hospitals in Southern California. Substantially all of the accounts receivable balance was due from hospitals and was unsecured at June 30, 2023. The Blood Bank's allowance for returns and doubtful accounts has historically been adequate to cover existing credit risks. The Blood Bank had one customer that comprised 10% of total accounts receivable during the year ended June 30, 2023.

Promises to Give

During the year ended June 30, 2023, the Blood Bank had four donors that comprised 92% of total promises to give.

Revenue

During the year ended June 30, 2023, the Blood Bank had one customer that comprised 11% of total revenue.

Revenue from Government Contracts

During the year ended June 30, 2023, the Blood Bank had one grantor that comprised 100% of total revenue from government contracts.

Contributions

During the year ended June 30, 2023, the Blood Bank had three donors that comprised 49% of total contributions.

Labor Subject to Collective Bargaining Agreements

Nurses employed by the Blood Bank are subject to a collective bargaining agreement which expired September 30, 2023. Nurses account for approximately 9% of the labor force employed by the Blood Bank.

NOTE 4 PROMISES TO GIVE

Promises to give consist of the following as of June 30, 2023:

Due in Less than One Year	\$ 175,000
Due in One to Five Years	-
Total	<u><u>\$ 175,000</u></u>

SAN DIEGO BLOOD BANK
NOTES TO CONSOLIDATED STATEMENTS
JUNE 30, 2023

NOTE 4 PROMISES TO GIVE (CONTINUED)

No discount was considered necessary at June 30, 2023 due to the minimal effect it would have on the consolidated financial statements. No allowance was considered necessary at June 30, 2023 because management believes that all amounts are collectible.

NOTE 5 INVESTMENTS

Blood Centers of America, Inc.

The Blood Bank purchased a voting membership in Blood Centers of America, Inc., (BCA). BCA is a cooperative representing community blood centers located throughout the United States. BCA's focus is on improving the operations and business activities of the member blood centers. BCA provides contract management for the purchase and sale of medical plastics, therapeutic proteins, and recovered plasma. BCA provides an active blood exchange that assures an adequate supply of blood to all member centers and shares excesses with other nonmember centers. BCA provides technology partnering for product development, clinical trials, product testing and implementation work groups. Voting members have (i) the right to vote, (ii) the right to share in any patronage dividend or other distributions made by BCA, and (iii) the right to share in the assets of BCA upon liquidation. There are currently approximately 37 unrelated nonprofit blood banks that have voting memberships in BCA at June 30, 2023. The Blood Bank owns approximately 3% of BCA. The investment in BCA was recorded at the equity method of \$652,755 at June 30, 2023.

National Blood Collaborative, LLC

The Blood Bank is one of the founding members of National Blood Collaborative, LLC (NBC), a national network of leading blood centers coming together to provide capacity to respond to the increasing economic demands of hospitals and healthcare systems across the United States. At June 30, 2023, the Blood Bank owned approximately 10% of NBC. The investment in NBC was recorded at the equity method of \$61,619 at June 30, 2023.

Investment in Excellos

As a result of the agreement entered into and effective November 5, 2021, the Blood Bank owns approximately 34% of Excellos as of June 30, 2023. The Blood Bank transferred assets with a net book value of \$1,078,329 in exchange for its ownership interest. The Blood Bank elected to measure the equity security at its cost minus impairment, if any, as there is not readily determinable fair value and the asset does not qualify for the practical expedient to estimate fair value in accordance.

SAN DIEGO BLOOD BANK
NOTES TO CONSOLIDATED STATEMENTS
JUNE 30, 2023

NOTE 5 INVESTMENTS (CONTINUED)

The schedule below summarizes the activity of the investments above:

	Blood Centers of America, Inc.	National Blood Collaborative, LLC	Excellos, Inc.	Total
Ending Balance, June 30, 2022	\$ 575,568	\$ 52,211	\$ 1,078,329	\$ 1,706,108
Total Gains (Losses):				
Included in Realized/Unrealized	77,187	(25,592)	-	51,595
Purchases, Issuances and Redemptions, Net	-	35,000	-	35,000
Ending Balance, June 30, 2023	<u>\$ 652,755</u>	<u>\$ 61,619</u>	<u>\$ 1,078,329</u>	<u>\$ 1,792,703</u>

NOTE 6 PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2023:

Building and Improvements	\$ 17,751,307
Land	6,480,629
Equipment, Furniture, and Fixtures	7,965,225
Vehicles	4,143,437
Data Processing Equipment	2,540,946
Software	804,856
Construction-in-Progress	822,701
Subtotal	<u>40,509,101</u>
Less: Accumulated Depreciation	<u>(16,795,376)</u>
Total	<u>\$ 23,713,725</u>

NOTE 7 NOTES PAYABLE

On August 6, 2021, the Blood Bank entered into a new tax-exempt loan of \$10,451,131 and a taxable loan of \$290,336. Both obligations are amortized over a 30-year period with monthly principal and interest payments starting October 1, 2021 and have termination dates of September 1, 2031. These new loans were used to pay off prior obligations, as of August 6, 2021, of \$7,710,679 and \$262,891 both originated in December 2013, a loan balance of \$647,121 originated in May 2015 and obligations of \$450,000 relating to interest rate swap agreements associated with the 2013 obligations. The new loans also made \$1,450,000 available as a "Project Fund" allowing for long-term infrastructure and equipment acquisitions and improvements. \$154,811 of loan costs and origination fees were capitalized as part of the transaction and will be amortized over the term of the loan. All obligations are secured by the commercial property at 3636 Gateway Center Ave, San Diego, California.

**SAN DIEGO BLOOD BANK
NOTES TO CONSOLIDATED STATEMENTS
JUNE 30, 2023**

NOTE 7 NOTES PAYABLE (CONTINUED)

Notes payable consists of the following at June 30, 2023:

Description

Note payable which is held by City National Bank in the original amount of \$10,451,131 and bears interest at fixed rate of 1.35% plus the secured overnight financing rate listed by Federal Reserve Bank of New York, except that effective September 1, 2021, the Blood Bank entered into an interest rate swap agreement (Note 9) that fixed the interest rate of the note at 2.69% per annum. Payments of principal (fixed monthly amounts ranging from \$17,633 to \$23,433 and interest payments are due monthly. Secured by a deed of trust on real property. \$ 10,027,713

Note payable which is held by City National Bank in the original amount of \$290,336 and bears interest at fixed rate of 1.75% plus the secured overnight financing rate listed by Federal Reserve Bank of New York, except that effective September 1, 2021, the Blood Bank entered into an interest rate swap agreement (Note 9) that fixed the interest rate of the note at 3.09% per annum. Payments of principal (fixed monthly amounts ranging from \$427 to \$570 and interest payments are due monthly. Secured by a deed of trust on real property. 279,813

Multiple notes payable which are held by various lenders that originated March 1, 2020, through October 4, 2022, in the original amount of \$750,746 and bear interest from 0% to 4.5 %. Principal is payable monthly beginning March 2020 through October 2022 and is due January 2025 through October 2027. Secured by equipment. 178,789
Subtotal 10,486,315

Less: Unamortized Loan Issuance Costs (131,911)
Less: Current Portion (386,472)
Total \$ 9,967,932

The Blood Bank is subject to compliance with certain debt covenants. The Blood Bank received waivers for covenant noncompliance for the year ended June 30, 2023.

SAN DIEGO BLOOD BANK
NOTES TO CONSOLIDATED STATEMENTS
JUNE 30, 2023

NOTE 7 NOTES PAYABLE (CONTINUED)

Future principal payments on notes payable as of June 30, 2023 are as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2024	\$ 386,472
2025	321,381
2026	268,996
2027	275,848
2028	280,708
Thereafter	8,952,910
Total	<u>\$ 10,486,315</u>

NOTE 8 INTEREST RATE SWAPS

The Blood Bank entered into two interest rate swap agreements (IRSA) with a financial institution in regard to the notes payable described in Note 7. In accordance with the agreements, the Blood Bank pays interest at a fixed rate of 2.69% and 3.09% per annum, respectively, through the termination date of September 1, 2031.

The fair value of the IRSA's are recorded on the consolidated statements of financial position as either an asset or liability at fair value with changes in the fair value recorded as a change in net assets in the period of the change.

NOTE 9 PENSION PLAN

Effective June 30, 2009, the Blood Bank amended the defined benefit pension plan (Plan) to freeze benefit accruals for all participants except those covered under terms of a collective bargaining agreement. Effective December 10, 2011, the Plan has been amended to freeze benefit accruals for participants covered under the terms of a collective bargaining agreement. The Blood Bank contributed \$681,312 to the Plan for the year ended June 30, 2023. The Plan's assets are invested in an annuity contract with an insurance company and a diversified portfolio of stocks and bonds. The annual periodic benefit cost totaling \$527,284 for the year ended June 30, 2023, has been included in salaries, related costs and benefits in the consolidated statements of functional expenses.

SAN DIEGO BLOOD BANK
NOTES TO CONSOLIDATED STATEMENTS
JUNE 30, 2023

NOTE 9 PENSION PLAN (CONTINUED)

The changes in projected benefit obligations and fair value of plan assets are as follows at June 30, 2023:

Change in Benefit Obligation:	
Benefit Obligation - Beginning of Year	\$ 15,758,305
Interest Cost	700,243
Benefit Paid	(2,743,952)
Actuarial Loss (Gain)	(688,721)
Settlements	-
Benefit Obligation - End of Year	<u>\$ 13,025,875</u>
Change in Plan Assets:	
Plan Assets - Beginning of Year	\$ 12,681,944
Actual Return on Plan Assets	1,100,151
Employer Contributions	527,284
Benefits Paid	(2,743,952)
Settlements	-
Plan Assets - End of Year	<u>\$ 11,565,427</u>
Funded Status Plan at End of Year (Underfunded):	
Pension Liability	<u>\$ (1,460,448)</u>

Amounts recognized in nonoperating expenses and net assets without donor restrictions but have not yet been recognized in net periodic pension costs at June 30, 2023:

Unrecognized Net Actuarial Loss	<u>\$ 3,184,705</u>
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The following weighted-average assumptions were used to determine benefit obligations and net periodic benefit costs as of and for the year ended June 30, 2023:

Discount Rate	4.58 %
Expected Return on Plan Assets	7.0
Rate of Compensation Increase	N/A

The Blood Bank reviews the assumptions used by the Plan on an annual basis. The rate of compensation increase does not apply to the Plan since the Plan has been frozen. The discount rate is an estimate used to discount future cash flows to the present to account for the time value of money and is one of the factors in determining the benefit obligation of the Plan. The discount rate used by the Plan is highly sensitive and changes to the discount rate can have a significant impact on the calculation of the benefit obligation of the Plan.

**SAN DIEGO BLOOD BANK
NOTES TO CONSOLIDATED STATEMENTS
JUNE 30, 2023**

NOTE 9 PENSION PLAN (CONTINUED)

The components of net periodic pension cost are as follows for the year ended June 30, 2023:

Service Cost	\$ -
Interest Cost	700,243
Expected Return on Assets Net of Expenses	(714,846)
Deferral of Assets Loss	311,685
Net Periodic Pension Cost	<u>\$ 297,082</u>

Other changes in amounts included in nonoperating expenses and net assets for the year ended June 30, 2023:

Assumption Loss at End of Year	\$ 171,102
Asset Loss at End of Year	<u>(311,685)</u>
Total Recognized in Nonoperating Expenses	<u>\$ (140,583)</u>
Total Recognized in Net Periodic Benefit Cost	<u>\$ 156,499</u>

Plan assets by category at June 30, 2023:

Equity Securities and Mutual Funds	63 %
Debt Securities and Mutual Funds	12
Other	25
Total	<u>100 %</u>

The investment objective for the assets of the defined benefit pension plan portfolio is to generate a total rate of return, including income and capital appreciation, sufficient to enhance the ability of the plan to meet its obligations to plan participants and their beneficiaries when due without taking unnecessary risk of long-term capital decline.

Investment policies and strategies governing the assets of the plan are designed to achieve investment objectives within prudent risk parameters. Risk management practices include the use of an external investment manager and the maintenance of a portfolio diversified by asset class, investment approach and security holdings, and the maintenance of sufficient liquidity to meet benefit obligations as they come due.

Current policies for the plan target an asset mix of 70% in total equity securities, and the remainder in fixed income securities and guaranteed investment income fund.

The Blood Bank expects to make contributions totaling \$397,945 to the Plan during the year ending June 30, 2024.

**SAN DIEGO BLOOD BANK
NOTES TO CONSOLIDATED STATEMENTS
JUNE 30, 2023**

NOTE 9 PENSION PLAN (CONTINUED)

The following benefit payments are expected to be paid over the next 10 fiscal years:

Years Ending June 30,	Amount
2024	\$ 919,718
2025	934,185
2026	951,508
2027	970,078
2028	991,421
2029-2033	4,863,493

These amounts are based on current data and assumptions and reflect expected future services, as appropriate.

NOTE 10 RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions consist of the following at June 30, 2023:

Purpose Restrictions:

Fleet of Lifesaving Vehicles	\$ 251,484
Equipment and Software	214,626
Blood Collections and Drives	17,000
Emergency Preparedness	79
Other	3,600
Total Purpose Restrictions	486,789

Time Restrictions:

Fleet of Lifesaving Vehicles	50,000
Equipment and Software	125,000
Total Time Restrictions	175,000

Total	\$ 661,789
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Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended June 30, 2023:

Satisfaction of Purpose Restrictions:

Fleet of Lifesaving Vehicles	\$ 162,426
Equipment and Software	793,318
Blood Collections and Drives	83,837
Other	39,907
Total	\$ 1,079,488

**SAN DIEGO BLOOD BANK
NOTES TO CONSOLIDATED STATEMENTS
JUNE 30, 2023**

NOTE 11 LEASE INCOME

The Blood Bank owns the building located at 3636 Gateway Center Avenue, San Diego, California and leases the facility space to an unrelated party under an operating lease which expires on January 31, 2025, and provides for two renewal options through January 31, 2027. The lease includes scheduled rent increases and an additional charge for common area maintenance costs. The Blood Bank leases rooftop space on its building at 3636 Gateway Center, San Diego, California under an operating lease which expires in August 31, 2025 and is automatically renewed for eight additional five-year terms unless written notice of intent to terminate is made. The Blood Bank leases a portion of its building to an unrelated party under an operating lease which expires on January 31, 2025, and provides for two renewal options through January 31, 2030. Lease income totaled \$1,021,579 for the year ended June 30, 2023.

Future minimum lease income as of June 30, 2023 is as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2024	\$ 805,497
2025	825,257
2026	847,602
2027	836,486
2028	825,053
Thereafter	1,156,297
Total	<u>\$ 5,296,192</u>

NOTE 12 COMMITMENTS AND CONTINGENCIES

Retirement Plans

The Blood Bank offers employees the opportunity for participation in a 403(b) retirement plan. Employees may contribute to the 403(b) retirement plan up to the maximum amount allowed by the Internal Revenue Code. The Blood Bank makes up to a 3% discretionary contribution. The Blood Bank had also established the San Diego Blood Bank Money Purchase Pension Plan (MPP Plan). The Blood Bank contributed an amount equal to 5% of a participant's compensation earned while an eligible employee. Employees could not contribute to the MPP Plan. The Plan was terminated during the year ended June 30, 2020. The Blood Bank contributed \$519,069 to these retirement plans for the year ended June 30, 2023, which is included in salaries, related costs and benefits on the consolidated statements of functional expenses.

Purchase Commitments

The Blood Bank has agreements with several suppliers obligating it to purchase a minimum amount of certain products. These agreements are related to certain supplies and equipment used by the Blood Bank in its operations.

**SAN DIEGO BLOOD BANK
NOTES TO CONSOLIDATED STATEMENTS
JUNE 30, 2023**

NOTE 12 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Sales Commitments

The Blood Bank has agreements with several hospitals to provide blood products.

Loss Contingencies

There were no loss contingencies that existed as of June 30, 2023.

NOTE 13 LINE OF CREDIT

The Blood Bank has a line of credit (LOC) with a financial institution in the amount of \$4,000,000 at a variable interest rate of Prime Rate plus 0.25%, with a Floor of 2.5%. There was an outstanding amount of \$1,750,000 on the LOC at June 30, 2023. The LOC is secured by commercial property at 3636 Gateway Center Ave, San Diego, California and matures August 1, 2024.

NOTE 14 RELATED PARTY TRANSACTIONS

Activity related to Excellos, in which the Blood Bank owns approximately 34% interest as of June 30, 2023, includes revenue related to product sales, services, lease income, and royalty income. The Blood Bank recognized \$1,204,932 of revenue related product sales, services, and lease income during the year ended June 30, 2023, of which \$273,413 was a receivable as of June 30, 2023.

In addition, the Blood Bank recognized a receivable of \$72,707 as of June 30, 2023 for various expenses paid on behalf of Excellos. The Blood Bank also billed customers on behalf of Excellos until February 2023. There was outstanding amount due to Excellos, for cash collected but not yet transferred to Excellos, as of June 30, 2023.

As part of the agreement between the Blood Bank and Excellos, Excellos is to pay the Blood Bank a royalty fee of 3% of net revenues until January 1, 2026. The Blood Bank recognized \$129,252 of royalty income during the year ended June 30, 2023, of which \$50,645 was a receivable as of June 30, 2023.

The Blood Bank has one additional related party customer. The Blood Bank recognized \$5,747,087 of revenue related to this customer during the year ended June 30, 2023. The Blood Bank has recognized deferred revenue of \$399,026 as of June 30, 2023 related to this customer.

SAN DIEGO BLOOD BANK
NOTES TO CONSOLIDATED STATEMENTS
JUNE 30, 2023

NOTE 15 LEASES – ASC 842

The Company leases equipment as well as certain operating and office facilities for various terms under long-term, noncancelable lease agreements. The leases expire at various dates through 2028. In the normal course of business, it is expected that these leases will be replaced by similar leases. Certain facility leases provide for increases in future minimum annual rental payments defined by the lease agreement, subject to certain minimum increases. Additionally, the agreements generally require the Company to pay real estate taxes, insurance, and repairs.

The following table provides quantitative information concerning the Company's leases:

Lease Cost:

Finance Lease Cost:	
Amortization of Right-of-Use Assets	\$ 26,647
Interest on Lease Liabilities	1,445
Operating Lease Cost	<u>859,750</u>
Total Lease Cost	<u><u>\$ 887,842</u></u>

Other Information:

Cash Paid for Amounts Included in the Measurement of Lease Liabilities:	
Operating Cash Flows from Operating Leases	\$ 834,804
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities	
	\$ 3,317,920
Weighted-Average Remaining Lease Term - Operating Leases	
	3.4 Years
Weighted-Average Discount Rate - Operating Leases	
	2.9%

A maturity analysis of annual undiscounted cash flows for lease liabilities as of June 30, 2023, is as follows:

<u>Years Ending June 30,</u>	<u>Operating Leases</u>
2024	\$ 846,813
2025	771,786
2026	632,267
2027	353,423
2028	89,904
Total Lease Payments	<u>2,694,193</u>
Less: Interest	(133,606)
Present Value of Lease Liabilities	<u><u>\$ 2,560,587</u></u>



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