



Report of Independent Auditors and
Financial Statements

San Diego Blood Bank

June 30, 2024

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Report of Independent Auditors

Audit Committee
San Diego Blood Bank

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of San Diego Blood Bank which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of San Diego Blood Bank as of June 30, 2024, 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 audit 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 San Diego Blood Bank and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 San Diego Blood Bank's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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.

Moss Adams LLP

San Diego, California
October 9, 2024

Financial Statements

San Diego Blood Bank
Statement of Financial Position
June 30, 2024

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	\$ 1,460,159
Accounts receivable, net of provision for credit losses of \$113,943	6,748,254
Promises to give	22,500
Inventories, net of allowances of \$172,170	1,549,528
Prepaid expenses and other current assets	<u>746,063</u>
Total current assets	10,526,504
PROPERTY AND EQUIPMENT, net	23,507,604
DEPOSITS & OTHER ASSETS	279,930
OPERATING RIGHT-OF-USE ASSETS, net	1,565,278
INVESTMENTS	1,826,056
INTEREST RATE SWAP	<u>1,516,992</u>
Total assets	<u><u>\$ 39,222,364</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable	\$ 4,001,629
Accrued expenses	2,531,321
Deferred revenue	413,440
Line of credit	250,000
Notes payable	277,411
Current portion of operating lease liability	<u>783,477</u>
Total current liabilities	8,257,278
DEPOSITS	48,804
NOTES PAYABLE, net of current portion	9,667,376
OPERATING LEASE LIABILITY, net of current portion	923,466
ACCRUED PENSION	<u>153,966</u>
Total liabilities	19,050,890
NET ASSETS	
Without donor restrictions	19,343,162
With donor restrictions	<u>828,312</u>
Total net assets	<u>20,171,474</u>
Total liabilities and net assets	<u><u>\$ 39,222,364</u></u>

See accompanying notes.

San Diego Blood Bank
Statement of Activities
Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Blood and blood components	\$ 48,760,110	\$ -	\$ 48,760,110
Research and cell therapy	1,493,406	-	1,493,406
Government grants and contracts	833,501	-	833,501
Contributions	149,738	650,091	799,829
Lease income	981,558	-	981,558
Other	887,364	-	887,364
Net assets released from restrictions	483,568	(483,568)	-
Total revenue and support	<u>53,589,245</u>	<u>166,523</u>	<u>53,755,768</u>
OPERATING EXPENSES			
Program services			
Blood banking	39,952,503	-	39,952,503
Research and cell therapy	2,216,177	-	2,216,177
Supporting services			
Management and general	11,011,829	-	11,011,829
Fund raising	474,113	-	474,113
Total operating expenses	<u>53,654,622</u>	<u>-</u>	<u>53,654,622</u>
(LOSS) GAIN FROM OPERATIONS	<u>(65,377)</u>	<u>166,523</u>	<u>101,146</u>
NONOPERATING REVENUE AND EXPENSE			
Pension related changes other than net periodic pension cost	1,306,482	-	1,306,482
Change in fair value of interest rate swaps	(1,685)	-	(1,685)
Unrealized loss on investments	(1,647)	-	(1,647)
Total nonoperating revenue	<u>1,303,150</u>	<u>-</u>	<u>1,303,150</u>
CHANGE IN NET ASSETS	1,237,773	166,523	1,404,296
NET ASSETS, beginning of year	<u>18,105,389</u>	<u>661,789</u>	<u>18,767,178</u>
NET ASSETS, end of year	<u>\$ 19,343,162</u>	<u>\$ 828,312</u>	<u>\$ 20,171,474</u>

See accompanying notes.

San Diego Blood Bank
Statement of Functional Expenses
Year Ended June 30, 2024

	Program Services		Supporting Services		Total
	Blood Banking	Research and Cell Therapy	Management and General	Fund Raising	
Salaries, related costs, and benefits	\$ 17,735,723	\$ 1,755,427	\$ 4,810,189	\$ 348,401	\$ 24,649,740
Supplies	11,803,373	237,204	49,251	1,353	12,091,181
Testing	3,800,358	46,454	-	-	3,846,812
Depreciation and amortization	754,406	55,078	1,305,011	-	2,114,495
Shipping	1,656,377	8,678	491	40	1,665,586
Facility and equipment	824,650	72,155	752,056	-	1,648,861
Information technology	464,731	2,625	880,749	12,080	1,360,185
Marketing	1,040,769	4,842	3,343	80,182	1,129,136
Leases	1,022,728	-	-	-	1,022,728
Interest	-	-	790,799	-	790,799
Consultant	306,874	16,808	455,144	11,570	790,396
Vehicle	32,725	-	597,589	-	630,314
Taxes	125,480	6,032	412,441	1,666	545,619
Insurance	64	-	428,260	-	428,324
Miscellaneous	145,545	2,156	174,593	4,796	327,090
Contract services	62,807	3,365	124,044	-	190,216
Dues and subscriptions	77,788	1,798	83,764	4,425	167,775
Travel	95,983	3,551	49,701	1,585	150,820
Professional fees	-	-	74,184	-	74,184
Bank and brokerage fees	2,122	4	20,220	8,015	30,361
Total services	<u>\$ 39,952,503</u>	<u>\$ 2,216,177</u>	<u>\$ 11,011,829</u>	<u>\$ 474,113</u>	<u>\$ 53,654,622</u>

See accompanying notes.

San Diego Blood Bank
Statement of Cash Flows
Year Ended June 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 1,404,296
Adjustments to reconcile change in net assets to net cash provided from operating activities:	
Depreciation and amortization	2,062,413
Change in provision for credit losses	59,983
Unrealized loss on investments	1,647
Change in fair value of interest rate swaps	1,685
Amortization of debt issuance costs	52,082
Noncash pension benefit	(1,306,482)
Amortization of the right-of-use assets	970,363
(Decrease) increase due to changes in assets and liabilities	
Accounts receivable	(270,458)
Promises to give	152,500
Inventory	100,465
Prepaid expenses and other assets	(203,732)
Other assets	(29,778)
Accounts payable	489,093
Accrued expenses	281,852
Deferred revenue	14,414
Operating lease liability	(853,644)
	<u>2,926,699</u>
Net cash provided by operating activities	<u>2,926,699</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	(1,856,292)
Purchase of investment	(35,000)
	<u>(1,891,292)</u>
Net cash used in investing activities	<u>(1,891,292)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Payments on line of credit	(1,500,000)
Payments on notes payable	(409,617)
	<u>(1,909,617)</u>
Net cash used in financing activities	<u>(1,909,617)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(874,210)
CASH AND CASH EQUIVALENTS, beginning of year	<u>2,334,369</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 1,460,159</u></u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION	
Cash paid for interest	<u><u>\$ 807,512</u></u>

See accompanying notes.

San Diego Blood Bank

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies

Nature of activities – The San Diego Blood Bank (SDBB or The Blood Bank) 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 blood banking services, including plateletpheresis and plasmapheresis, and testing in an immunohematology reference laboratory. SDBB also supports life science research and clinical trials, including cellular therapies and population-scale genomics, as an extension of the Blood Bank’s 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.

Basis of presentation – The 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 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. SDBB did not have any board designated net assets without donor restrictions for the year ended June 30, 2024.

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, 2024.

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 statements of activities.

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 unrealized investment activity, change in fair value of interest rate swap agreements, and pension related changes other than net periodic pension costs.

Use of estimates – The preparation of 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 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.

See accompanying notes.

San Diego Blood Bank

Notes to Financial Statements

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.

Accounts receivable – The Blood Bank carries its accounts receivable at invoiced amounts less the allowances for current expected credit losses. The Blood Bank calculates a provision for credit losses to estimate losses from uncollectible accounts. Under this method, a provision is recorded based upon historical experience and management’s evaluation of, among other factors, current and reasonably supportable expected future economic conditions and the customer’s willingness or ability to pay. Management does not obtain collateral, and interest is not charged on outstanding receivables.

Accounts receivable amounted to \$6,748,254 and \$6,537,779 as of June 30, 2024, and July 1, 2023, respectively.

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. All promises to give for the year ended June 30, 2024, are expected to be collected during the year ending June 30, 2025. No allowance was considered necessary at June 30, 2024, because management believes that all amounts are collectible.

Inventory –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 \$172,170 at June 30, 2024.

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 of property and equipment is provided using the straight-line method over the assets’ estimated useful lives, which ranges from three to forty years. Leasehold improvements are amortized using the straight-line method over the shorter of the estimated useful life of the assets or lease term. Depreciation and amortization expense of property and equipment for the year ended June 30, 2024, amounted to \$2,062,413.

Investments – The Blood Bank invests in other organizations with similar missions. For equity securities without a readily determinable fair value, the Blood Bank will measure the equity security at its cost minus impairment, if any, and observable price changes. Certain other investments are accounted for under the equity method.

San Diego Blood Bank

Notes to Financial Statements

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, 2024.

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 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.

Derivative instruments – The accounting and reporting standards related to derivative instruments and hedging activities requires that every derivative instrument be recorded on the 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 7 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 2 assets or liabilities. The fair value of the IRSA is the estimated amount the Blood Bank would receive or pay to terminate the agreement at the reporting date, taking into consideration the current interest rates and creditworthiness of counterparties.

Debt issuance costs – The Blood Bank recorded debt issuance costs in connection with the financing obtained through the issuance of notes payable (see Note 6). The debt issuance costs are presented in the statement of financial position as net of notes payable, net of current portion, and are amortized through the term of the notes payable using a method that approximates the effective interest method. Amortization expense of debt issuance costs for the year ended June 30, 2024, amounted to \$52,082.

San Diego Blood Bank

Notes to Financial Statements

Deferred revenue – The Blood Bank has a monthly prepayment agreement with one customer. Deferred revenue of \$413,440 as of June 30, 2024, represents the cash collected prior to year end for the July 2024 prepayment, net of the customer’s balance in accounts receivable as of June 30, 2024.

Revenue recognition

Blood and blood components, and research and cell therapy – 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 assesses 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.

Government grants and contracts – 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.

Contributions – Contributions received are recorded as without donor restrictions or 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 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. Unconditional promises to give amounted to \$22,500 as of June 30, 2024. No conditional promises to give were recorded as of June 30, 2024.

San Diego Blood Bank Notes to Financial Statements

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 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 statements of activities. The donation of blood does not qualify for recognition as the value of blood donated cannot be reliably measured. In-kind contributions for the year ended June 30, 2024, amounted to \$25,479 and is included in the contributions line on the accompanying statement of activities.

Lease Accounting – Under Topic 842, the Blood Bank determines whether the arrangement is or contains a lease at inception. Operating and finance leases will be recognized on the statement of financial position as right-of-use (ROU) assets and lease liabilities. ROU assets represent the Blood Bank's right to use an underlying asset for the lease term, and lease liabilities represent the Blood Bank's obligation to make lease payments arising from the lease. Lease liabilities and their corresponding ROU assets are recorded based on the present value of lease payments over the expected remaining lease term. For this purpose, the Blood Bank considers only payments that are fixed and determinable at the time of commencement. The lease ROU assets also include adjustments for prepayments and lease incentives. The interest rate implicit in the Blood Bank's lease contracts is typically not readily determinable. As a result, the Blood Bank elected the practical expedient to utilize the risk-free rate, a rate for a U.S. Treasury security for a similar term, as permitted by Topic 842. Lease liabilities may include options to extend or terminate the lease when it is reasonably certain that the Blood Bank will exercise that option. The Blood Bank has elected the short-term lease recognition exemption for certain leases which are less than 12 months in duration. This means ROU assets or lease liabilities will not be recognized for those leases that qualify.

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.

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.

The 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.

San Diego Blood Bank

Notes to Financial Statements

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, 2024, rental income was received by a tenant in the corporate building, which produced taxable income resulting in related federal and state taxes of approximately \$92,000. The remainder of tax expense reported on the statement of functional expenses relates primarily to property taxes. 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 statements of activities, when applicable. Management has determined that the Blood Bank has no uncertain tax positions at June 30, 2024, and therefore, no amounts have been accrued.

Recently adopted accounting standard – In June 2016, the FASB issued (ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (CECL), which requires the establishment of an allowance for estimated credit losses on financial assets, including trade, and other receivables and contract assets, at each reporting date. Under this method an allowance is recorded based upon historical experience, expected future economic condition, and management’s evaluation of outstanding accounts receivable at the end of each year. The Blood Bank adopted the new standard on July 1, 2023, using the modified-retrospective approach, which did not have a significant effect on the financial statements as of and for the year ended June 30, 2024. Therefore, there was no cumulative effect to beginning retained earnings as it was determined to be immaterial.

Subsequent events – Subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are issued. The Blood Bank recognizes in the financial statements the effects of all significant subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The Blood Bank’s financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date and before the financial statements are available to be issued.

The Blood Bank has evaluated subsequent events through October 9, 2024, which is the date the financial statements were available to be issued.

San Diego Blood Bank

Notes to Financial Statements

Note 2 – Liquidity and Availability

The following reflects the Blood Bank's financial assets as of the statements of financial position dates, reduced by amounts not available for general use due to contractual or donor-imposed restrictions within one year of the statements of financial position dates.

Cash and cash equivalents	\$ 1,460,159
Accounts receivable, net of provision for credit losses of \$113,943	6,748,254
Promises to give	<u>22,500</u>
Less: assets unavailable for general expenditures within one year	
Net assets with donor restrictions	(828,312)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 7,402,601</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 6 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 statements of cash flows which identifies the sources and uses of the Blood Bank's cash.

San Diego Blood Bank

Notes to Financial Statements

Note 3 – Property and Equipment

Property and equipment consist of the following at June 30, 2024:

Building and improvements	\$ 18,557,843
Land	6,565,063
Equipment, furniture, and fixtures	8,206,218
Vehicles	4,325,175
Data processing equipment	2,765,749
Software	818,496
Construction in progress	<u>981,227</u>
Total property and equipment	42,219,771
Less accumulated depreciation	<u>(18,712,167)</u>
Property and equipment, net	<u><u>\$ 23,507,604</u></u>

Note 4 – Leases

The Company leases operating and office facilities under non-cancellable operating leases expiring at various dates through February 2029.

The Blood Bank's lease expense for the year ended June 30, 2024, is as follows:

Operating lease expense	\$ 822,200
Variable lease expense	<u>200,528</u>
Total lease expense	<u><u>\$ 1,022,728</u></u>

Components of ROU assets and lease liabilities on the statement of financial position are as follows as of June 30, 2024:

ROU assets	\$ 2,486,262
Accumulated amortization	<u>(920,984)</u>
Total ROU assets, net	<u><u>\$ 1,565,278</u></u>

The Blood Bank's weighted average remaining lease term and discount rate are as follows:

Weighted-average remaining lease term	2.60
Weighted-average risk-free rate	3.21%

San Diego Blood Bank Notes to Financial Statements

Future minimum lease payments under these leases are as follows:

Year Ending June 30

2025	\$	783,477
2026		650,548
2027		370,813
2028		92,759
2029		1,910
Total undiscounted cash flows	\$	1,899,507
Less present value discount		(192,564)
Total lease liabilities	\$	1,706,943

Supplemental cash flow information related to leases, as of June 30, 2024, is as follows:

Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$	777,800
ROU assets obtained in exchange for operating lease liabilities	\$	218,035

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 excess with other nonmember centers. BCA provides technology partnering for product development, clinical trials, and 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 approximately 37 current, unrelated nonprofit blood banks that have voting memberships in BCA at June 30, 2024. The Blood Bank owns approximately 3% of BCA. The investment in BCA was recorded at the equity method of \$690,894 at June 30, 2024.

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, 2024, the Blood Bank owned approximately 10% of NBC. The investment in NBC was recorded at the equity method of \$56,833 at June 30, 2024.

Investment in Excellos – As a result of the agreement entered into on and effective as of November 5, 2021, the Blood Bank owns 19.6% of Excellos as of June 30, 2024. 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, adjusted for impairment, if any, and observable price changes.

San Diego Blood Bank

Notes to Financial Statements

Note 6 – Notes Payable and Line of Credit

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 maturity 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. The agreement is subject to certain covenants.

The Blood Bank has a line of credit (LOC) with a financial institution that has a maximum commitment amount of \$4,000,000 at a variable interest rate of Prime Rate plus 0.25%, with a floor of 2.50%. The actual interest rate for the year ended June 30, 2024, was 7.08%. There was an outstanding amount of \$250,000 on the LOC at June 30, 2024. The LOC is secured by commercial property at 3636 Gateway Center Ave, San Diego, California, and matures August 1, 2027. The agreement is subject to certain covenants.

Notes payable consists of the following at June 30, 2024:

<p>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 compounded 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 which fixed the interest rate of the note at 2.69% per annum. Payments of principal and interest are due monthly. Secured by a deed of trust on real property.</p>	\$ 9,809,376
<p>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 compounded 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 which fixed the interest rate of the note at 3.09% per annum. Payments of principal and interest are due monthly. Secured by a deed of trust on real property.</p>	<u>251,003</u>
Subtotal	10,060,379
Less: unamortized loan issuance costs	(115,592)
Less: current portion	<u>(277,411)</u>
Total	<u><u>\$ 9,667,376</u></u>

San Diego Blood Bank

Notes to Financial Statements

Future principal payments on notes payable as of June 30, 2024, are as follows:

Years Ending June 30:

2025	\$	277,411
2026		260,348
2027		266,803
2028		273,521
2029		281,793
Thereafter		<u>8,700,503</u>
Total		<u>\$ 10,060,379</u>

Note 7 – Interest Rate Swaps

The Blood Bank entered into two interest rate swap agreements with a financial institution in conjunction with the notes payable described in Note 6. In accordance with the agreements, the Blood Bank pays interest at a fixed rate of 2.69% and 3.09% per annum on their tax-exempt and taxable loan, respectively, through the maturity date of September 1, 2031.

The fair value of the interest rate swap agreements of \$1,516,992 is recorded on the statements of financial position as an asset with changes in the fair value of \$1,685 recorded as a change in net assets in the period of the change.

Note 8 – Pension Plan

Effective June 30, 2009, the Blood Bank amended the defined benefit pension plan (the 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 Plan's assets are invested in an annuity contract with an insurance company and a diversified portfolio of stocks and bonds.

Change in benefit obligation	
Benefit obligations - beginning of year	\$ 13,025,875
Interest cost	652,176
Benefit paid	(947,400)
Actuarial loss (gain)	<u>(17,694)</u>
Benefit obligation - end of year	<u>\$ 12,712,957</u>

San Diego Blood Bank

Notes to Financial Statements

The changes in projected benefit obligations and fair value of plan assets are as follows at June 30, 2024:

Change in plan assets	
Plan assets - beginning of year	\$ 11,565,427
Actual return on plan assets	1,392,334
Employer contributions	548,630
Benefits paid	<u>(947,400)</u>
Plan assets - end of year	<u>\$ 12,558,991</u>

The net balance sheet liability is the difference between the Plan's obligation and fair value of assets. If assets exceed the obligation, then there is a net balance sheet asset. On the other hand, if the assets are less than the obligation, there is a net balance sheet liability. As of June 30, 2024, the net balance sheet liability is \$153,966. This represents a decrease of \$1,306,482 compared to the prior year's net balance sheet liability of \$1,460,448, driven by higher-than-expected returns on plan assets and a one-time buyout window offered to certain participants.

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, 2024:

Unrecognized net actuarial loss	<u>\$ 2,257,195</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, 2024:

Discount rate	5.19%
Expected long-term rate of return on plan assets	7.00%
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.

The components of net periodic pension cost are as follows for the year ended June 30, 2024:

Interest cost	\$ 652,176
Expected return on plan assets net of expenses	(653,620)
Deferral of assets loss	<u>171,102</u>
Net periodic pension cost	<u>\$ 169,658</u>

San Diego Blood Bank Notes to Financial Statements

Other changes in amounts included in nonoperating expenses and net assets for the year ended June 30, 2024:

Assumption loss at end of year	\$ 98,590
Asset loss at end of year	<u>(171,102)</u>
Total recognized in nonoperating expenses	<u>\$ (72,512)</u>
Total recognized in net periodic benefit cost	<u>\$ 97,146</u>

Plan assets by category at June 30, 2024:

Equity securities and mutual funds	67%
Debt securities and mutual funds	11%
Other	<u>22%</u>
Total	<u>100%</u>

Investment policy and plan assets – 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 \$360,000 to the Plan during the year ending June 30, 2025.

Cash flows – The following payments from the Plan are expected to be made for benefits as follows:

Years Ending June 30,

2025	\$ 972,500
2026	982,268
2027	999,432
2028	1,028,633
2029	1,010,308
Thereafter	<u>4,882,663</u>
Total	<u>\$ 9,875,804</u>

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

San Diego Blood Bank

Notes to Financial Statements

Note 9 – Restrictions on Net Assets

Net assets with donor restrictions consist of the following at June 30, 2024:

Purpose restrictions	
Fleet of lifesaving vehicles	\$ 405,732
Equipment and software	268,262
Blood collections and drives	130,039
Emergency preparedness	79
Other	<u>1,700</u>
Total purpose restrictions	<u>805,812</u>
Time restrictions	
Blood collections and drives	<u>22,500</u>
Total time restrictions	<u>22,500</u>
Total	<u><u>\$ 828,312</u></u>

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, 2024:

Satisfaction of purpose restrictions	
Fleet of lifesaving vehicles	\$ 242,769
Equipment and software	221,054
Blood collections and drives	16,045
Other	<u>3,700</u>
Total satisfaction of purpose restrictions	<u><u>\$ 483,568</u></u>

Note 10 – Lease Income

The Blood Bank owns the building located at 3636 Gateway Center Avenue, San Diego, California, and leases 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 on 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 November 30, 2029. The Blood Bank leases a portion of its building to a related-party under an operating lease which expires on November 1, 2024. Lease income totaled \$981,558 for the year ended June 30, 2024.

San Diego Blood Bank Notes to Financial Statements

Future minimum lease income as of June 30, 2024, is as follows:

Years Ending June 30:

2025	\$ 849,441
2026	847,602
2027	836,486
2028	825,053
2029	793,593
Thereafter	<u>362,704</u>
Total	<u><u>\$ 4,514,879</u></u>

Note 11 – 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.

Investments – Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Risk is managed through quarterly monitoring of valuations, and regular communication with investees. Due to the level of risk associated with investments, it is reasonably possible that a change in their values could occur in the near term and that such changes could materially affect the investment values reported in the financial statements.

Accounts receivable – Essentially all the Blood Bank’s business is conducted with hospitals in Southern California. Substantially all the accounts receivable balance was due from hospitals and was unsecured at June 30, 2024.

Revenue from government contracts – During the year ended June 30, 2024, the Blood Bank had one grantor that comprised 100% of total revenue from government contracts.

Contributions – During the year ended June 30, 2024, the Blood Bank had three donors that comprised 33% of total contributions.

Labor subject to collective bargaining agreements – The Blood Bank’s nurses are covered under a collective bargaining agreement that expired on September 30, 2023. As of the date of these financial statements, renegotiations for a new agreement are currently in progress. Nurses represent approximately 3% of the total labor force of the Blood Bank.

San Diego Blood Bank

Notes to Financial Statements

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 \$227,822 to these retirement plans for the year ended June 30, 2024, which is included in salaries, related costs, and benefits on the 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.

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

Grant disallowances – The Blood Bank is a grant recipient from one organization which is subject to audit. Management believes that any liability or disallowance which may result from an audit would not be material.

Note 13 – Related-party Transactions

Activity related to Excellos, in which the Blood Bank owns a 19.6% interest as of June 30, 2024, includes revenue related to product sales, services, lease income, and royalty income. The Blood Bank recognized \$789,573 of revenue related product sales, services, and lease income during the year ended June 30, 2024, of which \$38,295 was a receivable as of June 30, 2024.

In addition, the Blood Bank recognized a receivable of \$7,881 as of June 30, 2024, for various expenses paid on behalf of Excellos.

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 \$155,868 of royalty income during the year ended June 30, 2024, of which \$75,932 was a receivable as of June 30, 2024.

The Blood Bank has one additional related-party customer, a board member who is employed by one of the Blood Bank's customers. The Blood Bank recognized \$4,140,945 of revenue related to this customer during the year ended June 30, 2024. The Blood Bank has deferred revenue of \$413,440 on the statement of financial position as of June 30, 2024 related to this customer.

