

# Blue Cross Blue Shield of Michigan Foundation

Financial Statements as of and for the  
Years Ended December 31, 2024 and 2023, and Independent  
Auditor's Report

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
Blue Cross Blue Shield of Michigan Foundation  
Detroit, Michigan

### **Opinion**

We have audited the financial statements of Blue Cross Blue Shield of Michigan Foundation (the "Foundation"), which comprise the balance sheets as of December 31, 2024 and 2023, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

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

### **Emphasis of Matter**

As discussed in Note 4 to the financial statements, certain expenses represent allocations made from the Blue Cross Blue Shield of Michigan Mutual Insurance Company. The accompanying financial statements have been prepared from the separate records maintained by the Foundation and may not necessarily be indicative of the conditions that would have existed, or the changes in its net assets if the Foundation had been operated as an unaffiliated entity. Our opinion is not modified with respect to this matter.

### **Responsibilities of Management for the Financial Statements**

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

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

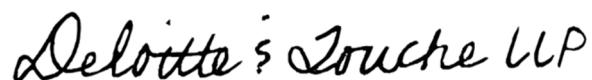
### **Auditor's Responsibilities for the Audit of the Financial Statements**

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 the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation'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.

A handwritten signature in black ink that reads "Deloitte & Touche LLP". The signature is written in a cursive, flowing style.

April 16, 2025

# BLUE CROSS BLUE SHIELD OF MICHIGAN FOUNDATION

## BALANCE SHEETS

AS OF DECEMBER 31, 2024 AND 2023

(\$ in thousands, except for share and per share data)

	2024	2023
<b>ASSETS</b>		
Cash and cash equivalents	\$ 574	\$ 242
Investments	56,016	54,650
Accounts receivable	—	1
Accounts receivable—affiliates	13	32
Other assets	127	117
<b>TOTAL</b>	<b>\$ 56,730</b>	<b>\$ 55,042</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES:</b>		
Grants payable	\$ 1,390	\$ 1,630
Agency grants payable	—	50
Accounts payable—affiliates	156	1
Other liabilities	100	110
<b>Total liabilities</b>	<b>1,646</b>	<b>1,791</b>
<b>NET ASSETS:</b>		
Common stock, \$100 par value—2 shares authorized, issued, and outstanding	—	—
Without donor restrictions	53,500	51,859
With donor restrictions	1,584	1,392
<b>Total net assets</b>	<b>55,084</b>	<b>53,251</b>
<b>TOTAL</b>	<b>\$ 56,730</b>	<b>\$ 55,042</b>

See notes to financial statements.

# BLUE CROSS BLUE SHIELD OF MICHIGAN FOUNDATION

## STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023 (In thousands)

	2024	2023
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
Revenue:		
Investment revenue	\$ 1,640	\$ 1,133
Net realized and unrealized gain on investments	2,945	5,838
Contributions	—	18
Net assets released from restrictions	136	215
Total revenue without donor restrictions	4,721	7,204
Expenses:		
Grants	1,438	1,525
Supporting activities	1,642	1,604
Total unrestricted expenses	3,080	3,129
TOTAL INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	1,641	4,075
NET ASSETS WITH DONOR RESTRICTIONS:		
Investment income—net	18	18
Net realized and unrealized gain on investments	310	288
Net assets released from restrictions	(136)	(215)
Total increase in net assets with donor restrictions	192	91
TOTAL INCREASE IN NET ASSETS	1,833	4,166
TOTAL NET ASSETS—Beginning of year	53,251	49,085
TOTAL NET ASSETS—End of year	\$ 55,084	\$ 53,251

See notes to financial statements.

# BLUE CROSS BLUE SHIELD OF MICHIGAN FOUNDATION

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023 (In thousands)

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 1,833	\$ 4,166
Reconciliation of increase in net assets to net cash used in operating activities:		
Net (gain) loss on sale of investments	(192)	\$ 150
Unrealized (gain) on investments	(3,056)	\$ (6,268)
Changes in:		
Accounts receivable	1	(1)
Accounts receivable—affiliates	19	(32)
Other assets	(10)	\$ (13)
Grants payable	(240)	\$ (355)
Agency grants payable	(50)	\$ (147)
Accounts payable—affiliates	155	\$ (282)
Other liabilities	(10)	\$ 20
Net cash used in operating activities	(1,550)	\$ (2,762)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(9,393)	\$ (189)
Proceeds from sales of investments	11,275	\$ 1,763
Net cash provided by investing activities	1,882	\$ 1,574
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	332	\$ (1,188)
CASH AND CASH EQUIVALENTS—Beginning of year	242	\$ 1,430
CASH AND CASH EQUIVALENTS—End of year	\$ 574	\$ 242

See notes to financial statements.

# BLUE CROSS BLUE SHIELD OF MICHIGAN FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

(In thousands, except share and per share data)

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### 1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Organization**—Blue Cross Blue Shield of Michigan Foundation (the Foundation) is a Michigan nonprofit corporation and a wholly owned subsidiary of Blue Care Network of Michigan (BCN), which is a wholly owned subsidiary of Blue Cross Blue Shield of Michigan Mutual Insurance Company (BCBSM). Neither BCN nor BCBSM exercise control over the Foundation, therefore, the Foundation is not consolidated in the financial statements of these entities.

The Foundation was organized to improve individual and community health through the support of research and innovative health programs designed to provide high quality, appropriate access to efficient health care for the residents of Michigan.

**Basis of Presentation**—The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (US GAAP).

**Cash Equivalents**—Cash equivalents, which are carried at fair value, are composed of short-term investments that mature within three months or less from the date of acquisition and have minimal credit or liquidity risk. If applicable, cash overdrafts are reported in the other liabilities section of the Balance Sheets.

**Investments**—The Foundation's investments in securities are carried at fair value. The investment portfolio is actively managed by Bricktown Capital, LLC (Bricktown), a wholly owned subsidiary of BCBSM, with authority to buy and sell securities with oversight by the Foundation's Finance Committee to ensure investment activities adhere to the Foundation's Investment Policy.

Realized gains and losses on sales of securities are determined based on the specific identification method, and both realized and unrealized gains and losses are included in the Statements of Activities and Changes in Net Assets.

**Fair Value Measurements**—The fair value of an asset is the amount at which that asset could be bought or sold in a current transaction between willing parties, that is, other than in a forced liquidation or sale. The fair value of a liability is the amount at which that liability could be incurred or settled in a current transaction between willing parties, that is, other than in a forced liquidation or sale.

Fair values are based on quoted market prices when available. The Foundation obtains quoted or other observable inputs for the determination of fair value for actively traded securities. For securities not actively traded, the Foundation determines fair value using discounted cash flow analyses, incorporating inputs such as nonbinding broker quotes, benchmark yields, and credit spreads. In instances where there is little or no market activity for the same or similar instruments, the Foundation estimates fair value using methods, models, and assumptions that management believes market participants would use to determine a current transaction price. These valuation techniques involve some level of management estimation and judgment. Where appropriate, adjustments are included to reflect the risk inherent in a particular methodology, model, or input used. The Foundation's financial assets and liabilities carried at fair value have been classified, for disclosure purposes, based on a hierarchy defined by the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*. ASC 820 defines fair value as the price that would be received for an asset or paid to transfer a liability (exit price) in the most advantageous market for the asset or liability in an orderly transaction between market participants. An asset's or a liability's classification is based on the lowest-level input that is significant to its measurement. For example, a Level 3 fair value measurement may include inputs that are both observable (Level 1 and Level 2) and unobservable (Level 3).

**Fair Value Classification of Investments**—The Foundation classifies fair value balances on these investments based on the hierarchy defined below:

**Level 1**—Quoted prices in active markets for identical assets or liabilities as of the reporting date.

**Level 2**—Inputs other than Level 1 that are observable, either directly or indirectly, such as: (a) quoted prices for similar assets or liabilities, (b) quoted prices in markets that are not active, or (c) other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities as of the reporting date.

**Level 3**—Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets and liabilities.

Certain securities that do not have readily determined fair values are measured at fair value using methods, models, and assumptions that management deems appropriate.

Certain securities do not have readily determined fair values; however, the securities' underlying investments are measured at fair value. The Foundation uses the net asset value per share as a practical expedient (NAV) for valuation purposes on these securities. Securities measured using NAV are not required to be classified into the fair value hierarchy levels.

The following techniques were used to estimate the fair value and determine the classification of assets and liabilities pursuant to the valuation hierarchy:

**Cash Equivalents**—Consist of short-term investments and have minimal credit or liquidity risk. Valuation is based on unadjusted quoted prices and are classified as Level 1.

**Exchange Traded Funds**—Consist of actively traded exchange-listed equity securities and equity exchange traded funds (ETFs). The price of an ETF's shares will change throughout the trading day as the shares are bought and sold on the market. Valuation is based on unadjusted quoted prices for these securities or funds in an active market and are classified as Level 1.

**Limited Partnerships**—Consist of interests in hedge funds structured as limited partnerships. Valuation is recorded at NAV based on information provided by the fund managers along with audited financial information. These securities are not required to be classified in the fair value hierarchy.

**International Equity Funds**—Consist of an international equity fund and an investment in a commingled investment vehicle that holds underlying international equity securities with readily determinable market prices. The equity fund valuation is based on unadjusted quoted prices and are classified as Level 1. For the commingled international equity fund, valuation is recorded at NAV based on the underlying investments in the vehicle. This security is not required to be classified in the fair value hierarchy.

**Liquidity**—As of December 31, 2024 and 2023, the Foundation had \$55,038 and \$53,533 respectively, of financial assets available within one year to meet its cash needs to cover grants and administrative expenses. These assets include cash and cash equivalents of \$574 and \$242, short-term investments of \$54,431 and \$53,258 and other assets of \$33 as of December 31, 2024 and 2023. A portion of investments are subject to donor restrictions and are unavailable for general expenditure. Additionally, income from the investments held related to the contribution is also limited to the specified purposes and, therefore, is not available for general expenditure.

As part of the Foundation's liquidity management, the Foundation structures its investment portfolio to provide sufficient liquidity to cover grants and administrative expenses as they come due. Investments with lock-up provisions, gates or redemption limits may reduce the total amount of investments immediately available to cover grants and administrative expenses.

**Grants Payable**—Grants payable are recorded as of the date of approval. Grants subsequently canceled or adjusted are recorded as reductions of grant expense in the year of cancellation or adjustment.



**Agency Grants Payable**—Periodically, the Foundation enters into certain collaborative agreements with community partner entities to jointly fund certain grant programs within the community. In these arrangements, the Foundation receives monies from these organizations in an agency capacity and transfers those assets to a grantee that is specified by the community partner entity. These agency transactions are reported on the balance sheet as agency grants payable to the specified grantee rather than as a contribution to the Foundation.

**Common Stock**—In the event of dissolution, the sole stockholder, BCN, is entitled to the original subscription price of the stock. All other assets, after all obligations have been met, must be distributed to one or more organizations described in Section 501(c)(3) of the Internal Revenue Code. The Foundation authorized 2 shares of \$100 per share par common stock of which 2 shares are issued and outstanding.

**Net Assets without Donor Restrictions**—Net assets without donor restrictions are those not limited by donor-imposed restrictions and are available for the designated purposes of the Foundation. These funds are available for and used in the Foundation’s regular activities entirely at the discretion of the Board of Directors.

**Net Assets with Donor Restrictions**—Net assets with donor restrictions consist of monies received in 2017 in support of grants to be awarded by the Foundation to qualified recipients for use in the Upper Peninsula of Michigan. Any earnings on these funds are also restricted and included in net assets with donor restrictions. As the funds are paid, amounts are released from restrictions. Monies that are received in the same year that the restriction has been met are not reported in net assets with donor restrictions but are reported as contributions without donor restrictions.

**Income Tax Status**—The Internal Revenue Service has determined that the Foundation meets the applicable requirements of Sections 501(c)(3) and 509(a)(3) of the Internal Revenue Code and is generally exempt from federal income taxes under Section 501(a).

**Use of Estimates**—The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Accounting Standards Adopted**—In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as modified by ASU 2018-19, Codification Improvements to Topic 326 Financial Instruments—Credit Losses and ASU 2019-04, Codification Improvements to Topic 326 Financial Instruments—Credit Losses and ASU 2019-05, Financial Instruments—Credit Losses (Topic 326) Targeted Transition Relief, as modified by ASU 2019-11, Codification Improvements to Topic 326, Financial Instruments—Credit Losses. The guidance in ASU 2016-13 amends the reporting of credit losses for assets held at amortized cost basis, eliminating the probable initial recognition threshold, and replacing it with a current estimate of all expected credit losses. Estimated credit losses are recognized as a credit loss allowance reflected in a valuation account that is deducted from the amortized cost basis of the financial asset to present the net amount expected to be collected. The guidance also addresses available-for-sale securities, whereby credit losses remain measured on an incurred loss basis with the presentation of the credit losses using an allowance rather than as a write-down. ASU 2019-10, Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842) Effective Dates deferred the effective date of ASU 2016-13 to January 1, 2023. The adoption of ASU 2016-13 did not have a material impact on the financial statements and related disclosures.

## 2. INVESTMENTS

Investments at December 31, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Exchange traded funds	\$ 38,447	\$ 37,590
Limited partnerships	\$ 3,479	3,736
International equity funds	<u>\$ 14,090</u>	<u>13,324</u>
Total investments	<u>\$ 56,016</u>	<u>\$ 54,650</u>

**Unrealized Losses**—The Foundation recognized net unrealized losses of \$3,056 and \$6,268 at December 31, 2024 and 2023, respectively, relating to investments still held at year end.

During the years ended December 31, 2024 and 2023, the Foundation sold \$11,275 and \$1,672 of investments, which resulted in gross realized gains of \$192 and \$0 and gross realized losses of \$0 and \$150, respectively.

As of December 31, 2024, the Foundation's investment portfolio includes \$3,479 of investments in limited partnerships and \$14,090 of investments in a commingled international equity fund that can be redeemed with 30 days' notice. None of the investments have unfunded commitments.

As of December 31, 2023, the Foundation's investment portfolio includes \$3,736 of investments in limited partnerships and \$13,324 of investments in a commingled international equity fund that can be redeemed with 30 days' notice. None of the investments have unfunded commitments.

The Foundation entered into investment transactions that were not settled. As of both December 31, 2024 and 2023, there was \$33 in other assets, for investments sold. As these amounts were pending settlement, they have been excluded from proceeds from sales of investments on the statement of cash flows.

### 3. FAIR VALUE MEASUREMENTS

The Foundation's assets recorded at fair value at December 31, 2024 and 2023, are as follows:

	Fair Value Measurements Using			
	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
<b>2024</b>				
Cash equivalents	\$ 532	\$ —	\$ —	\$ 532
Exchange traded funds	\$ 38,447	\$ —	\$ —	\$ 38,447
International equity funds	\$ 5,128	\$ —	\$ —	\$ 5,128
Total investments measured at fair value	\$ 43,575	\$ —	\$ —	\$ 43,575
Total investments measured at NAV				12,441
Total investments				\$ 56,016
	Fair Value Measurements Using			
	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
<b>2023</b>				
Cash equivalents	\$ 219	\$ -	\$ -	\$ 219
Exchange traded funds	\$ 37,590	\$ -	\$ -	\$ 37,590
International equity funds	5,059	-	-	5,059
Total investments measured at fair value	\$ 42,649	\$ -	\$ -	\$ 42,649
Total investments measured at NAV				12,001
Total investments				\$ 54,650

There were no transfers into or out of Level 3 and no purchases or issues of Level 3 assets in 2024 and 2023.

### 4. RELATED PARTY TRANSACTIONS

On a routine basis, the Foundation conducts business transactions with BCBSM and its subsidiaries. These transactions include management, treasury, administrative, and professional services, including computer operations and accounting services. Additionally, the Foundation receives monies from BCBSM in an agency capacity to make payments for grant awards being administered by the Foundation and co-funded by BCBSM and the Foundation. These amounts are reported as part of agency grants payable.

For the years ended December 31, 2024 and 2023, \$1,542 and \$636, respectively, were billed from BCBSM and its subsidiaries and are included in supporting activities in the Statements of Activities and Changes in Net Assets. As of December 31, 2024 and 2023, the Foundation had \$156 and \$1, respectively, in accounts payable—affiliates. As of December 31, 2024 and 2023, the Foundation had \$13 and \$32, respectively, in accounts receivable—affiliates.

The accompanying financial statements present the financial position, results of operations, and changes in net assets and cash flows for the Foundation and are not necessarily indicative of what the financial position, results of operations, and changes in net assets and cash flows would have been if the Foundation had been operated as an unaffiliated corporation during the periods presented.

All outstanding shares of the Foundation are owned by BCN. In addition, the Foundation, BCBSM, and several of BCBSM's subsidiaries have common officers and board members.

## 5. CLASSIFICATION OF EXPENSES

The financial statements include certain categories of expenses that are attributable to more than one program or supporting function, and therefore, requires an allocation. Salaries and benefits are allocated based on estimates of time spent on each program. Office expense, information technology, occupancy, travel, dues and subscriptions, and other expenses are allocated based on their impact to the programs.

The table below presents expenses by both their nature and function for the year ended December 31, 2024:

	<u>Program Service Expenses</u>	<u>Management &amp; General Expenses</u>	<u>Total expenses</u>
Grants	\$ 1,438	\$ -	\$ 1,438
Salaries and wages	974	490	1,464
Other employee benefits	7	2	9
Accounting fees	-	47	47
Office expense	7	5	12
Information technology	11	5	16
Occupancy	32	16	48
Travel	25	8	33
Contractors	5	-	5
Grants review panel	7	-	7
Miscellaneous	1	-	1
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Total expenses	<u>\$ 2,507</u>	<u>\$ 573</u>	<u>\$ 3,080</u>

The table below presents expenses by both their nature and function for the year ended December 31, 2023:

	<u>Program Service Expenses</u>	<u>Management &amp; General Expenses</u>	<u>Total expenses</u>
Grants	\$ 1,525	\$ -	\$ 1,525
Salaries and wages	876	547	1,423
Other employee benefits	10	3	13
Accounting fees	-	48	48
Office expense	8	6	14
Information technology	8	5	13
Occupancy	32	21	53
Travel	20	9	29
Contractors	7	-	7
Grants review panel	4	-	4
	<u>          </u>	<u>          </u>	<u>          </u>
Total expenses	<u>\$ 2,490</u>	<u>\$ 639</u>	<u>\$ 3,129</u>

#### 6. SUBSEQUENT EVENTS

Management has evaluated all events subsequent to the balance sheet date of December 31, 2024, through April 16, 2025, the date the financial statements were available to be issued, and has determined that there are no subsequent events that require disclosure under FASB ASC 855, *Subsequent Events*.

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