

**Blue Cross Blue Shield of Michigan Foundation**  
Planned Scope, Timing, and Results of the 2025 Audit



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April 15, 2026

Mr. James Haveman  
Chair, Finance Committee  
Blue Cross Blue Shield of Michigan Foundation  
600 E. Lafayette Boulevard, MC X520  
Detroit, MI 48226-2998

Dear Members of the Finance Committee of Blue Cross Blue Shield of Michigan Foundation:

We have been engaged to perform, and have performed, an audit of the financial statements of Blue Cross Blue Shield of Michigan Foundation (the "Foundation") as of and for the year ending December 31, 2025 (the "financial statements"), in accordance with auditing standards generally accepted in the United States of America ("generally accepted auditing standards").

We have prepared the following comments related to the planned scope, timing and results of our audit to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process for which management of the Foundation is responsible.

This report is intended solely for the information and use of the Finance Committee, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Yours truly,


cc: The Management of Blue Cross Blue Shield of Michigan Foundation

# Planned Scope of the Audit

We planned and performed our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether caused by error or fraud.

## Significant Risks

We have identified a significant risk, which is also a fraud risk. A significant risk is a risk of material misstatement for which the assessment of inherent risk is close to the upper end of the spectrum of inherent risk due to the degree to which inherent risk factors affect the combination of the likelihood of misstatement occurring and the magnitude of the potential misstatement should that misstatement occur. The significant risk we identified during our risk assessment procedures and our related procedures are as follows:

	Areas of Significant Risk	Description of Significant Risk	Planned Procedures
	<b>Management override of controls</b>	The risk of management override of controls is pervasive. Because of the unpredictable nature of this risk, it poses a risk of material misstatement resulting from fraud and is thus an area of audit focus.	<ul style="list-style-type: none"> <li>• Test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements by obtaining an understanding of the Foundation’s financial reporting process and controls over journal entries, making inquiries of individuals involved in the financial reporting process, and selecting journal entries and other adjustments for testing.</li> <li>• Review accounting estimates for bias and evaluate whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud.</li> <li>• For significant transactions that are outside the normal course of business, or that otherwise appear to be unusual, evaluate whether the business rationale (or the lack thereof) of the transactions suggest that they may have been entered into to engage in fraudulent financial reporting or to conceal misappropriation of assets.</li> </ul>

## Internal Control

We did not adopt a control-reliance strategy in the performance of our audit of the financial statements.

## Materiality

Materiality is the amount we use as our basis for planning the scope of our audit of the Foundation’s financial statements and is the amount of misstatement we judge to be material to the financial statements on which we are reporting. The determination of materiality is a complex issue requiring consideration of qualitative and quantitative factors and is a matter of professional judgment taking into account our knowledge of the entity, our assessment of engagement risk, and the reporting requirements for the financial statements. Our consideration of materiality is influenced by our perception of the needs of users of the Foundation’s financial statements.

## Internal Audit Function

We did not use the work of the internal audit function.

# Timing of the Audit

We completed the performance of our audit in accordance with the following estimated timetable:

Activity	2025			2026			
	O	N	D	J	F	M	A
Discuss the planned scope and timing	•						
Establish the audit scope, plan, and terms of engagement	•	•					
Perform audit procedures on significant risk areas, as well as significant and complex transactions					•	•	
Perform final audit procedures					•	•	•
Issue audit reports							•
Communicate internal control-related matters (if any)							•
Communicate the results of our audit and provide year-end required communications							•

## Our Responsibility under Generally Accepted Auditing Standards

Our responsibility under generally accepted auditing standards has been described in our engagement letter dated June 24, 2025. As described in that letter, our responsibilities under generally accepted auditing standards include forming and expressing an opinion about whether the financial statements that have been prepared by management with the oversight of the Finance Committee are presented, in all material respects, in accordance with accounting principles generally accepted in the United States of America (“generally accepted accounting principles”). The audit of the financial statements does not relieve management or the Finance Committee of their responsibilities. We considered internal control over financial reporting in order to design audit procedures that were appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an

opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over financial reporting.

### **Ethical Requirements**

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 audit. Ethical requirements consist of the *AICPA Code of Professional Conduct* together with rules of state boards of accountancy and applicable regulatory agencies that are more restrictive.

### **Significant Accounting Policies**

The Foundation's significant accounting policies are set forth in Note 1 to the Foundation's 2025 financial statements. We are not aware of any significant changes in previously adopted accounting policies or their application during the year ended December 31, 2025.

We have evaluated the significant qualitative aspects of the Foundation's accounting practices, including accounting policies, accounting estimates and financial statement disclosures and concluded that the policies are appropriate, adequately disclosed, and consistently applied by management.

### **Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are ordinarily based on knowledge and experience about past and current events and on assumptions about future events. We did not identify any particularly sensitive accounting estimates in the Foundation's 2025 financial statements as a part of our audit.

### **Significant Unusual Transactions**

A significant unusual transaction is a significant transaction that is outside the normal course of business for the Foundation or that otherwise appears to be unusual due to its timing, size, or nature. We did not identify any significant unusual transactions in the Foundation's 2025 financial statements as part of our audit.

### **Uncorrected Misstatements**

Our audit of the financial statements was designed to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. There were no uncorrected misstatements or disclosure items passed identified during our audit.

### **Material Corrected Misstatements**

Our audit of the financial statements was designed to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. There were no material misstatements that were brought to the attention of management as a result of our audit procedures.

### **Disagreements with Management**

We have not had any disagreements with management related to matters that are material to the Foundation's 2025 financial statements.

### **Our Views about Significant Matters That Were the Subject of Consultation with Other Accountants**

We are not aware of any consultations that management may have had with other accountants about auditing and accounting matters during 2025.

**Significant Findings or Issues Arising from the Audit Discussed, or Subject of Correspondence, with Management**

Throughout the year, routine discussions were held, or were the subject of correspondence, with management. In our judgment, such discussions or correspondence did not involve significant findings or issues requiring communication to the Finance Committee.

**Significant Difficulties Encountered in Performing the Audit**

In our judgment, we received the full cooperation of the Foundation's management and staff and had unrestricted access to the Foundation's senior management in the performance of our audit.

**Management's Representations**

We have made specific inquiries of the Foundation's management about the representations embodied in the financial statements. In addition, we have requested that management provide to us the written representations the Foundation is required to provide to its independent auditors under generally accepted auditing standards. We have attached to this letter, as Appendix A, a copy of the representation letter we obtained from management.

**Form and Content of the Auditor's Report**

We have included the following emphasis of matter paragraph in our auditor's report related to expense allocations made from Blue Cross Blue Shield of Michigan to the Foundation:

As disclosed 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 results of operations if the Foundation had been operated as an unaffiliated entity. Our opinion is not modified with respect to this matter.



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April 15, 2026

Deloitte & Touche LLP  
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We are providing this letter in connection with your audits of the financial statements of Blue Cross Blue Shield of Michigan Foundation (the "Foundation"), a Michigan nonprofit stock corporation and wholly owned subsidiary of Blue Care Network ("BCN"), which is a wholly owned subsidiary of Blue Cross Blue Shield of Michigan Mutual Insurance Foundation ("BCBSM"), which comprise the balance sheets as of December 31, 2025 and 2024, 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 (the "financial statements"), for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position, changes in net assets, and cash flows of the Foundation in accordance with accounting principles generally accepted in the United States of America (GAAP).

We confirm that we are responsible for the following:

- a. The preparation and fair presentation in the financial statements of financial position, change in net assets, and cash flows in accordance with GAAP.
- b. 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.
  - To prevent and detect fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit.

1. The financial statements referred to above are fairly presented in accordance with GAAP.



The BCBSM Foundation, a 501(c)(3) nonprofit organization, and Blue Cross Blue Shield of Michigan, a nonprofit corporation, are independent licensees of the Blue Cross and Blue Shield Association.

2. The Foundation has provided to you all relevant information and access as agreed in the terms of the audit engagement letter.
3. The Foundation has made available to you:
  - a. All minutes of the meetings of Board of Directors, Finance Committee, and Grants Committee or summaries of actions of recent meetings for which minutes have not yet been prepared.
  - b. All financial records and related data for all financial transactions of the Foundation and for all funds administered by the Foundation. The records, books, and accounts, as provided to you, record the financial and fiscal operations of all funds administered by the Foundation and provide the audit trail to be used in a review of accountability. Information presented in financial reports is supported by the books and records from which the financial statements have been prepared.
  - c. Contracts and grant agreements (including amendments, if any) and any other correspondence that has taken place with federal agencies.
4. There has been no:
  - a. Action taken by Foundation management that contravenes the provisions of federal laws and Michigan laws and regulations, or of contracts and grants applicable to the Foundation.
  - b. Communications with other regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices or other matters that could have a material effect on the financial statements.
5. The Foundation has disclosed to you the results of management's risk assessment, including the assessment of the risk that the financial statements may be materially misstated as a result of fraud.
6. We have no knowledge of any fraud or suspected fraud affecting the Foundation involving:
  - a. Management.
  - b. Employees who have significant roles in the Foundation's internal control.
  - c. Others, where the fraud could have a material effect on the financial statements.
7. We have no knowledge of any allegations of fraud or suspected fraud affecting the Foundation's financial statements communicated by employees, former employees, analysts, regulators, or others.
8. The methods, significant assumptions, and the data used by us in making the accounting estimates and the related disclosures are appropriate to achieve recognition, measurement, or disclosure that is in accordance with GAAP.

9. Management has identified and disclosed to you all laws and regulations that have a direct and material effect on the determination of financial statement amounts.
10. Our basis for allocating functional expenses is as follows:

Salaries and benefits are allocated based on estimates of time spent on programs. Office expenses, information technology, occupancy, travel, dues and subscriptions, and other expenses are allocated based on their impact to programs. Expenses that are deemed not to have an impact on programs are allocated 100 percent to management and general expenses.
11. The Foundation's net assets are properly classified as net assets with donor restrictions or net assets without donor restrictions based on the existence or absence of donor-imposed restrictions. Also, the Foundation has maintained an appropriate composition of net assets in amounts needed to comply with all donor restrictions. We believe that any reclassification between net asset classes is correct.
12. The Foundation has income earned from investments and has determined the Foundation does not have any potential unrelated business income tax items.
13. The Foundation has informed you that the annual report comprises the Presidents' Letter and Letter of the Executive Director and Board Chair. The Foundation's final version of the annual report will be provided to you when available and prior to its issuance. The Foundation expects to issue the annual report and make it available to users electronically on or about May 15, 2026.
14. The Foundation has properly recorded all investments in equity securities on the balance sheets at fair value with changes in the fair value recognized in earnings.
15. We have disclosed to you all significant cyber security incidents and/or breaches in which an actual or potentially adverse effect on an information system, network, or the information residing therein occurred or there was a loss of assets. While no incident occurred, we considered the cyber incident or breach to be significant if such incident or breach merited the attention of those charged with governance.
16. The Foundation has provided to you:
  - a. A corporate entity tree that identifies the legal names of the Foundation's affiliates, including affiliates as defined in AICPA Interpretation 1.224.010, *Client Affiliates*, together with the ownership relationship among such entities.
17. The Foundation is in compliance with the provisions of Internal Revenue Code (IRC) Section 501(c)(3) and 509(a)(3) and is exempt from federal tax under IRC Sec. 501(a), as evidenced by a determination letter, dated December 1, 1981, and all information returns have been filed on a timely basis with the appropriate regulatory bodies.
18. The Foundation is a wholly owned subsidiary of Blue Care Network (BCN) of Michigan, 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, in accordance with FASB ASC 810, *Consolidation*.

Except where otherwise stated below, immaterial matters less than \$310,000 collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to, or disclosure in, the financial statements.

19. There are no transactions that have not been properly recorded and reflected in the financial statements.
20. The Foundation has no plans or intentions that may affect the carrying value or classification of assets and liabilities.
21. Regarding related parties:
  - a. We have disclosed to you the identity of all the Foundation's related parties and all the related-party relationships and transactions of which we are aware.
  - b. To the extent applicable, related parties and all the related-party relationships and transactions, including sales, purchases, loans, transfers, leasing arrangements, and guarantees (written or oral) have been appropriately identified, properly accounted for, and disclosed in the financial statements.
22. In preparing the financial statements in accordance with GAAP, management uses estimates. All estimates have been disclosed in the financial statements for which known information available prior to the issuance of the financial statements indicates that both of the following criteria are met:
  - a. It is reasonably possible that the estimate of the effect on the financial statements of a condition, situation, or set of circumstances that existed at the date of the financial statements will change in the near term due to one or more future confirming events.
  - b. The effect of the change would be material to the financial statements.
23. There are no:
  - a. Instances of identified or suspected noncompliance with laws, regulations, or provisions of contracts or grant agreements whose effects should be considered when preparing the financial statements, or other instances that warrant the attention of those charged with governance.
  - b. Known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and that have not been disclosed to you and accounted for and disclosed in accordance with GAAP.
  - c. Known actual or likely instances of abuse that have occurred that could be quantitatively or qualitatively material to the financial statements.

24. The Foundation has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral.
25. The Foundation has complied with all aspects of contractual agreements that may affect the financial statements.
26. No events have occurred after December 31, 2025, but before April 15, 2026, the date the financial statements were available to be issued, that require consideration as adjustments to, or disclosures in, the financial statements.
27. We have identified significant assumptions and factors affecting investments in Note 1 to the Financial Statements. The assumptions are reflective of management's intent and ability to carry out specific courses of action and the significant assumptions used are consistent with the Entity's plans and past experience.
28. With regard to the fair value measurements and disclosures of certain assets, liabilities, and specific components of equity, such as investments:
  - a. The measurement methods, including the related assumptions, used in determining fair value were appropriate, consistent with market participant assumptions where available without undue cost and effort, and were consistently applied in accordance with GAAP.
  - b. The completeness and adequacy of the disclosures related to fair values are in accordance with GAAP.
  - c. No events have occurred after December 31, 2025, but before April 15, 2026, the date the financial statements were available to be issued that require adjustment to the fair value measurements and disclosures included in the financial statements.

*Audrey Harvey*

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Audrey J. Harvey, Executive Director & CEO  
Vice President, Blue Cross Blue Shield of Michigan Foundation  
Blue Cross Blue Shield of Michigan

*Tiffany Albert*

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Tiffany A. Albert, President  
Blue Cross Blue Shield of Michigan Foundation  
Senior Vice President, Community Relations  
Blue Cross Blue Shield of Michigan

*James Haveman*

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James K. Haveman  
Treasurer, Blue Cross Blue Shield of Michigan Foundation

*David Smith*

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Dave Smith, Director of Financial Reporting  
Blue Cross Blue Shield of Michigan

cc: The Finance Committee of the Board of Directors of the Blue Cross Blue Shield of Michigan Foundation