Blue Cross Blue Shield of Michigan Foundation

Financial Statements as of and for the
Years Ended December 31, 2020 and 2019, and
Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Blue Cross Blue Shield of Michigan Foundation (the Foundation), which comprise the balance sheets as of December 31, 2020 and 2019; 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2020 and 2019, 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.

Emphasis of Matter

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. Portions of certain expenses represent allocations made from Blue Cross Blue Shield of Michigan Mutual Insurance Company.

Deloitte & Touche LLP

April 21, 2021

BLUE CROSS BLUE SHIELD OF MICHIGAN FOUNDATION

BALANCE SHEETS
AS OF DECEMBER 31, 2020 AND 2019
($ in thousands, except for share and per share data)

	2020	2019
ASSETS		
Cash and cash equivalents	$ 369	$ 550
Investments	56,069	56,703
Accounts receivable — investments sold	-	2,571
Accrued investment income	27	-
Other assets	76	65
TOTAL	$56,541	$59,889
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Grants payable	$ 1,957	$ 2,041
Agency grants payable	63	136
Accounts payable — affiliates	493	342
Other liabilities	115	200
Total liabilities	2,628	2,719
NET ASSETS:		
Common stock, $100 par value — 2 shares authorized, issued, and outstanding	-	-
Without donor restrictions	52,203	55,647
With donor restrictions	1,710	1,523
Total net assets	53,913	57,170
TOTAL	$56,541	$59,889

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, 2020 AND 2019
(In thousands)

	2020	2019
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
Revenue:		
Investment revenue (expense)	$ 196	$ (142)
Net realized and unrealized (loss) gain on investments	(706)	8,277
Net assets released from restrictions	225	252
Total (loss) revenue without donor restrictions	(285)	8,387
Expenses:		
Grants	1,329	1,538
Supporting activities	1,830	1,447
Total unrestricted expenses	3,159	2,985
TOTAL (DECREASE) INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(3,444)	5,402
NET ASSETS WITH DONOR RESTRICTIONS:		
Investment income — net	17	17
Net realized and unrealized gain on investments	395	341
Net assets released from restrictions	(225)	(252)
Total increase in net assets with donor restrictions	187	106
TOTAL (DECREASE) INCREASE IN NET ASSETS	(3,257)	5,508
TOTAL NET ASSETS — Beginning of year	57,170	51,662
TOTAL NET ASSETS — End of year	$ 53,913	$ 57,170

See notes to financial statements.

BLUE CROSS BLUE SHIELD OF MICHIGAN FOUNDATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In thousands)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
(Decrease) increase in net assets	$ (3,257)	$ 5,508
Reconciliation of (decrease) increase in net assets to net cash used in operating activities:		
Depreciation	-	3
Net gain on sale of investments	(118)	(407)
Unrealized loss (gain) on investments	436	(8,205)
Changes in:		
Accrued investment income	(27)	-
Other assets	(11)	(30)
Grants payable	(84)	(750)
Agency grants payable	(73)	136
Accounts payable — parent and affiliates	151	(194)
Other liabilities	(85)	92
Net cash used in operating activities	(3,068)	(3,847)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(18,239)	(3,218)
Proceeds from sales of investments	21,126	7,283
Net cash provided by investing activities	2,887	4,065
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(181)	218
CASH AND CASH EQUIVALENTS — Beginning of year	550	332
CASH AND CASH EQUIVALENTS — End of year	$ 369	$ 550

See notes to financial statements.

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 or 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 liability section of the Balance Sheets.

Investments — The Foundation's investments in equity securities are carried at fair value. The investment portfolio is actively managed by external investment managers with broad authority to buy and sell securities without prior approval from the Foundation.

Beginning in 2019, in accordance with Accounting Standards Update No. 2016-01, *Financial Instruments – Overall (subtopic 825-10), Recognition and Measurement of Financial Assets and Financial Liabilities*, equity securities are no longer classified as trading and instead are classified as equity securities, and continue to be carried at fair value.

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 and its investment managers classify 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 money market funds that mature within three months or less of acquisition and have minimal credit or liquidity risk. Valuation is based on unadjusted quoted prices and are classified as Level 1.

Mutual Funds — Consist of actively traded, exchange-listed equity securities and equity mutual funds. Valuation is based on unadjusted quoted prices for these securities or funds in an active market and are classified as Level 1.

Limited Liability Companies — Consist of interests in limited liability companies providing large cap U.S. equity exposure. Valuation is recorded at NAV based on the underlying investments held by the limited liability companies. These securities are not required to be classified in the fair value hierarchy.

Commingled Fixed Income Investment Trust — Underlying assets in the trust consist of corporate notes and bonds, collateralized mortgage obligations, asset backed and mortgage backed fixed income securities, commercial paper, government and agency bonds, public and private debt obligations issued

by corporate and non-corporate entities and other fixed income commingled investment vehicles. Valuation is recorded at NAV based on the underlying investments held by the trust. These securities are not required to be classified in the fair value hierarchy.

International Equity Funds — Consist of an international equity mutual fund and an investment in a commingled investment vehicle that holds underlying international equity securities with readily determinable market prices. The mutual 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. These securities are not required to be classified in the fair value hierarchy.

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.

Exchange Traded Funds — Consist of actively traded exchange-listed equity securities and equity 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.

Liquidity — As of December 31, 2020 and 2019, the Foundation had $54,728 and $58,301 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 $369 and $550, short-term investments of $54,359 and $55,180 and accounts receivable – investments sold of $0 and $2,571, as of December 31, 2020 and 2019, respectively. 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 may reduce the total amount of investments immediately available to cover grants and administrative expenses. As of December 31, 2020, one of the Foundation's investments - Wolverine Flagship Fund Limited - is subject to lock-up provision preventing any redemptions until September 1, 2021. After September 1, 2021, the Foundation can obtain a total redemption on 60 days' notice. In addition, quarterly redemptions from Alphadyne International Fund are subject to a 25% limit and 60 days' notice, quarterly redemptions from HBK Multi-Strategy Offshore Fund are subject to a 25% limit and 90 days' notice, and prior to September 1, 2021, quarterly redemptions from Palestra Capital Hedge Fund require 60 days' notice and are subject to a 3% penalty. After September 1, 2021, the Foundation can effectuate partial or total redemptions from Palestra on 60 days' notice without penalty. In 2019, 0.0% of the Foundation's holdings were subject to lock-up provisions and the Foundation could liquidate all holdings within 365 days.

Software — Purchased software is stated at cost, net of depreciation. Depreciation is recorded using the straight-line method over the estimated useful life of the asset, which is three years. Capitalized software costs were $17 and $17, offset by accumulated depreciation of $17 and $17, resulting in a net book value of $0 and $0 as of December 31, 2020 and 2019, respectively. Depreciation expense was $0 and $3 for the years ended December 31, 2020 and 2019, respectively

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 U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent 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 January 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-01, *Financial Instruments-Overall (Subtopic 825-10), Recognition and Measurement of Financial Assets and Financial Liabilities*. This guidance requires equity investments, not accounted for under the equity method of accounting or those that result in the consolidation of the investee, to be measured at fair value with changes in value recognized in net income. The guidance simplifies impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment. The guidance also removes the requirement to disclose fair value of financial instruments measured at amortized cost for entities that are not public business entities. This guidance became effective January 1, 2019. The adoption of ASU No. 2016-01 did not have a material impact on the financial statements and related disclosures.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. The guidance in ASU No. 2016-15 adds or clarifies guidance on the classification of eight types of cash receipts and payments in the statement of cash flows. The update was issued with the intent of reducing diversity in practice with respect to eight types of cash flows. This guidance became effective January 1, 2019. The adoption of ASU No. 2016-15 did not have a material impact on the financial statements and related disclosures.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The guidance in ASU No. 2018-08 provides clarity when evaluating whether transactions should be accounted for as contributions or as an exchange transaction, as well as determining whether a contribution is conditional. This guidance became effective January 1, 2019 for contributions received and effective on January 1, 2020 for contributions made, and was applied using a modified prospective basis. The adoption of ASU No. 2018-08 did not have a material impact on the financial statements and related disclosures.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*. The ASU adds, modifies and deletes certain disclosures related to Fair Value contained in Topic 820. This guidance was effective beginning January 1, 2020, with early adoption permitted. The Foundation adopted the provisions of ASU 2018-13 on January 1, 2020. The adoption of ASU 2018-13 did not have a material impact on the financial statements and related disclosures.

Forthcoming Accounting Pronouncements — In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as modified by ASU No. 2018-19, *Codification Improvements to Topic 326 Financial Instruments-Credit Losses,* and ASU No. 2019-04, *Codification Improvements to Topic 326 Financial Instruments-Credit Losses,* and ASU No. 2019-05, *Financial Instruments-Credit Losses (Topic 326) Targeted Transition Relief,* as modified by ASU No. 2019-11, *Codification Improvements to Topic 326, Financial Instruments – Credit Losses*. The guidance in ASU No. 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 No. 2019-10 defers the effective date of ASU No. 2016-13 to January 1, 2023. The Foundation continues to evaluate the effects the adoption of ASU No. 2016-13 will have on the financial statements and related disclosures.

2. INVESTMENTS

Investments at December 31, 2020 and 2019, by investment strategy, are as follows:

	2020	2019
Mutual fund	$ 4,035	$ 3,052
Exchange traded fund	6,382	-
Limited liability companies	15,586	19,665
Commingled fixed income investment trust	14,951	15,371
International equity funds	12,414	12,765
Limited partnerships	2,701	5,850
Total investments	$ 56,069	$ 56,703

The Foundation recognized net unrealized losses of $436 and net unrealized gains of $8,205 at December 31, 2020 and 2019, respectively, relating to trading investments still held at year end.

Realized Gains/Losses — In the ordinary course of business, sales will produce realized gains and losses. The Foundation will sell securities at a loss for a number of reasons, including, but not limited to: (i) changes in the investment environment; (ii) expectations that the fair value could deteriorate further; (iii) desire to reduce exposure to an issuer or an industry; or (iv) a change in credit quality.

During the years ended December 31, 2020 and 2019, the Foundation sold $18,555 and $7,283 of investments, which resulted in gross realized gains of $1,987 and $407 and gross realized losses of $1,869 and $0, respectively.

As of December 31, 2020, the Foundation's investment portfolio includes $15,586 of investments in limited liability companies, $14,951 of investments in a commingled fixed income investment trust, and $6,660 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, 2019, the Foundation's investment portfolio included $19,665 of investments in limited liability companies, $15,371 of investments in a commingled fixed income investment trust, and $6,928 of investments in a commingled international equity fund that could be redeemed with 30 days' notice. The portfolio also included $3,668 of holdings in a limited partnership that could be redeemed with 60 days, and $2,182 of holdings in a limited partnership in which the Foundation could redeem 25 percent per quarter with 45 days' notice. None of the investments had unfunded commitments.

The Foundation entered into investment transactions that were not settled as of December 31, 2019. There was $2,571 in accounts receivable – investments sold in the Balance Sheets, for investments sold on account. As these amounts were pending settlement, they have been excluded from proceeds from sales of investments on the statement of cash flows. There were no unsettled investment transactions as of December 31, 2020.

3. FAIR VALUE MEASUREMENTS

Fair values of the Foundation's securities are based on quoted market prices, where available. These fair values are obtained from either the custodian banks or third-party pricing services, which generally use Level 1 or Level 2 inputs for the determination of fair value.

The Foundation obtains one quoted price for each security, either from the custodian banks or third-party pricing services, which are derived through recently reported trades for identical or similar securities, making adjustments through the reporting date based upon available market observable information. For securities not actively traded, either the custodian banks or third-party pricing services may use quoted market prices of comparable instruments or discounted cash flow analyses, incorporating inputs that are currently observable in the markets for similar securities. Inputs that are often used in the valuation methodologies include, but are not limited to, broker quotes, benchmark yields, credit spreads, default rates, and prepayment speeds. As the Foundation is responsible for the determination of fair value, management performs periodic analysis on the prices received from third parties to determine whether the prices are reasonable estimates of fair value.

In certain circumstances, it may not be possible to derive pricing model inputs from observable market activity, and therefore, such inputs are estimated internally. Such securities would be designated Level 3. The fair values of these securities are estimated using a discounted cash flow model that incorporates inputs such as credit spreads, default rates, and benchmark yields.

The primary market risks are exposures to (i) changes in interest rates that affect our investment income and interest expense and the fair value of fixed-rate financial investments and debt and (ii) changes in equity prices that affect our equity investments.

An increase in the market interest rates decreases the market value of fixed-rate investments and fixed-rate debt. Conversely, a decrease in market interest rates increases the market value of fixed-rate investments and fixed-rate debt.

The Foundation manages exposure to market interest rates by diversifying investments across fixed-income market sectors and across various maturities. Future increases in prevailing interest rates could have an adverse effect on the Foundation's financial results.

The Foundation's assets recorded at fair value at December 31, 2020 and 2019, are as follows:

	Fair Value Measurements Using			
2020	**Quoted Prices In Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total Fair Value**
Cash equivalents	$ 23	$ -	$ -	$ 23
Mutual fund	$ 4,035	$ -	$ -	$ 4,035
Exchange traded fund	6,382	-	-	6,382
International equity mutual fund	5,754	-	-	5,754
Total investments measured at fair value	$ 16,171	$ -	$ -	16,171
Total investments measured at NAV				39,898
Total investments				$ 56,069
2019				
Cash equivalents	$ 395	$ -	$ -	$ 395
Mutual fund	$ 3,052	$ -	$ -	$ 3,052
International equity mutual fund	5,837	-	-	5,837
Total investments measured at fair value	$ 8,889	$ -	$ -	8,889
Total investments measured at NAV				47,814
Total investments				$ 56,703

Transfers between levels may occur due to changes in the availability of market observable inputs. Transfers in and/or out of any level are assumed to occur at the end of the period.

There were no assets or liabilities measured at fair value on a nonrecurring basis as of December 31, 2020 and 2019, and there were no transfers into or out of Level 1, Level 2, or Level 3.

4. RELATED-PARTY TRANSACTIONS

On a routine basis, the Foundation conducts business transactions with BCBSM. 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.

For the years ended December 31, 2020 and 2019, $1,733 and $1,162, respectively, were billed from BCBSM and are included in supporting activities in the Statements of Activities and Changes in Net Assets. As of December 31, 2020, and 2019, the Foundation had $493 and $342, respectively, in accounts payable - affiliates due to BCBSM.

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, BCN, Blue Cross Complete of Michigan LLC, owned by BCBSM through a joint venture, and COBX CO., a subsidiary of a BCBSM wholly owned affiliate, Emergent Holdings, Inc., have some 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 at December 31, 2020:

	Program Service Expenses	Management & General Expenses	Total Expenses
Grants	$ 1,329	$ -	$ 1,329
Salaries and wages	951	653	1,604
Other employee benefits	9	2	11
Accounting fees	-	44	44
Office expense	3	2	5
Information technology	20	10	30
Occupancy	68	32	100
Travel	17	8	25
Contractors	4	-	4
Grants review panel	7	-	7
Total expenses	$ 2,408	$ 751	$ 3,159

The table below presents expenses by both their nature and function at December 31, 2019:

	Program Service Expenses	Management & General Expenses	Total Expenses
Grants	$ 1,538	$ -	$ 1,538
Salaries and wages	698	531	1,229
Other employee benefits	24	6	30
Accounting fees	-	42	42
Office expense	5	1	6
Information technology	7	6	13
Occupancy	55	40	95
Travel	13	10	23
Contractors	3	-	3
Grants review panel	5	-	5
Dues and subscriptions	1	-	1
Total expenses	$ 2,349	$ 636	$ 2,985

6. CONTINGENCY

COVID-19 — At the date of these financial statements, the long-term financial effects of the COVID-19 pandemic are still uncertain. The United States and global markets have experienced significant volatility and disruption in the past year due to the inherent uncertainty caused by the pandemic. The extent and duration of this uncertainty and market volatility may have an adverse impact on the Foundation's investment portfolio and ability to administer grants. Accordingly, the extent to which COVID-19 may impact the Foundation's financial position and changes in net assets and cash flows is uncertain.

7. SUBSEQUENT EVENTS

Management has evaluated all events subsequent to the balance sheet date of December 31, 2020, through April 21, 2021, 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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