

Blue Cross Blue Shield of Michigan Foundation

Financial Statements as of and for the
Years Ended December 31, 2021 and 2020, 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 the Blue Cross Blue Shield of Michigan Foundation (the "Foundation"), 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), which comprise the balance sheets as of December 31, 2021 and 2020, 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, 2021 and 2020, 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 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.

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.

Deloitte + Touche LLP

April 27, 2022

BLUE CROSS BLUE SHIELD OF MICHIGAN FOUNDATION

BALANCE SHEETS

AS OF DECEMBER 31, 2021 AND 2020

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

| | 2021 | 2020 |
|--|------------------|------------------|
| ASSETS | | |
| CASH AND CASH EQUIVALENTS | \$ 801 | \$ 369 |
| INVESTMENTS | 56,692 | 56,069 |
| ACCRUED INVESTMENT INCOME | - | 27 |
| OTHER ASSETS | <u>4,404</u> | <u>76</u> |
| TOTAL | <u>\$ 61,897</u> | <u>\$ 56,541</u> |
| | | |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES: | | |
| Grants payable | \$ 2,292 | \$ 1,957 |
| Agency grants payable | 88 | 63 |
| Accounts payable—affiliates | 161 | 493 |
| Other liabilities | <u>203</u> | <u>115</u> |
| Total liabilities | <u>2,744</u> | <u>2,628</u> |
| | | |
| NET ASSETS: | | |
| Common stock, \$100 par value—2 shares authorized, issued, and outstanding | | |
| Without donor restrictions | 57,456 | 52,203 |
| With donor restrictions | <u>1,697</u> | <u>1,710</u> |
| Total net assets | <u>59,153</u> | <u>53,913</u> |
| | | |
| TOTAL | <u>\$ 61,897</u> | <u>\$ 56,541</u> |

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, 2021 AND 2020 (In thousands)

| | 2021 | 2020 |
|--|------------------|------------------|
| NET ASSETS WITHOUT DONOR RESTRICTIONS: | | |
| Revenue: | | |
| Investment revenue | \$ 1,557 | \$ 196 |
| Net realized and unrealized gain (loss) on investments | 7,049 | (706) |
| Net assets released from restrictions | <u>446</u> | <u>225</u> |
| Total revenue (loss) without donor restrictions | <u>9,052</u> | <u>(285)</u> |
| Expenses: | | |
| Grants | 2,142 | 1,329 |
| Supporting activities | <u>1,657</u> | <u>1,830</u> |
| Total unrestricted expenses | <u>3,799</u> | <u>3,159</u> |
| TOTAL INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS | <u>5,253</u> | <u>(3,444)</u> |
| NET ASSETS WITH DONOR RESTRICTIONS: | | |
| Investment income—net | 14 | 17 |
| Net realized and unrealized gain on investments | 419 | 395 |
| Net assets released from restrictions | <u>(446)</u> | <u>(225)</u> |
| Total (decrease) increase in net assets with donor restrictions | <u>(13)</u> | <u>187</u> |
| TOTAL INCREASE (DECREASE) IN NET ASSETS | 5,240 | (3,257) |
| TOTAL NET ASSETS—Beginning of year | <u>53,913</u> | <u>57,170</u> |
| TOTAL NET ASSETS—End of year | <u>\$ 59,153</u> | <u>\$ 53,913</u> |

See notes to financial statements.

BLUE CROSS BLUE SHIELD OF MICHIGAN FOUNDATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In thousands)

| | 2021 | 2020 |
|---|----------------|----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Increase (decrease) in net assets | \$ 5,240 | \$ (3,257) |
| Reconciliation of increase (decrease) in net assets to net cash used in operating activities: | | |
| Net gain on sale of investments | (14,093) | (118) |
| Unrealized loss on investments | 6,627 | 436 |
| Changes in: | | |
| Accrued investment income | 27 | (27) |
| Other assets | (11) | (11) |
| Grants payable | 335 | (84) |
| Agency grants payable | 25 | (73) |
| Accounts payable—affiliates | (332) | 151 |
| Other liabilities | 88 | (85) |
| Net cash used in operating activities | <u>(2,094)</u> | <u>(3,068)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of investments | (45,970) | (18,239) |
| Proceeds from sales of investments | <u>48,496</u> | <u>21,126</u> |
| Net cash provided by investing activities | <u>2,526</u> | <u>2,887</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 432 | (181) |
| CASH AND CASH EQUIVALENTS—Beginning of year | <u>369</u> | <u>550</u> |
| CASH AND CASH EQUIVALENTS—End of year | <u>\$ 801</u> | <u>\$ 369</u> |

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, 2021 AND 2020

(In thousands, except share and per share data)

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 liability section of the Balance Sheets.

Investments—The Foundation's investments in securities are carried at fair value. The investment portfolio is actively managed by BCBSM investment managers with authority to buy and sell securities with oversight by the 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.

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.

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.

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. This security is 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.

Liquidity—As of December 31, 2021 and 2020, the Foundation had \$56,112 and \$54,728 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 \$801 and \$369, short-term investments of \$54,994 and \$54,359 and other assets—investments sold of \$317 and \$0, as of December 31, 2021 and 2020, 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, gates or redemption limits may reduce the total amount of investments immediately available to cover grants and administrative expenses.

Other Assets—As of December 31, 2021, other assets include \$4,000 of loss recovery receivable associated with investment portfolio losses recorded in 2020. The recovery was recorded in net realized and unrealized gain (loss) on investments in the Statements of Activities and Changes in Net Assets in 2021.

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, 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 August 2018, the FASB issued ASU 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 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* defers the effective date of ASU 2016-13 to January 1, 2023. The Foundation continues to evaluate the effects the adoption of ASU 2016-13 will have on the financial statements and related disclosures.

2. INVESTMENTS

Investments at December 31, 2021 and 2020 are as follows:

| | 2021 | 2020 |
|--|------------------|------------------|
| Mutual funds | \$ - | \$ 4,035 |
| Exchange traded funds | 38,730 | 6,382 |
| Limited liability companies | 5,211 | 15,586 |
| Commingled fixed income investment trust | - | 14,951 |
| International equity funds | 12,558 | 12,414 |
| Limited partnerships | <u>193</u> | <u>2,701</u> |
| Total investments | <u>\$ 56,692</u> | <u>\$ 56,069</u> |

The Foundation recognized net unrealized losses of \$6,627 and net unrealized losses of \$436 at December 31, 2021 and 2020, 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, 2021 and 2020, the Foundation sold \$48,813 and \$18,555 of investments, which resulted in gross realized gains of \$10,095 and \$1,987 and gross realized losses of \$2 and \$1,869, respectively.

As of December 31, 2021, the Foundation's investment portfolio includes \$5,211 of investments in limited liability companies, \$0 of investments in a commingled fixed income investment trust, and \$12,558 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, 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.

The Foundation entered into investment transactions that were not settled as of December 31, 2021. There was \$317 included in other assets in the Balance Sheets, 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. 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.

The Foundation's assets recorded at fair value at December 31, 2021 and 2020, 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 |
| 2021 | | | | |
| Cash equivalents | <u>\$ 675</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 675</u> |
| Exchange traded fund | \$38,730 | \$ - | \$ - | \$38,730 |
| International equity mutual fund | <u>5,221</u> | <u>-</u> | <u>-</u> | <u>5,221</u> |
| Total investments measured at fair value | <u>\$43,951</u> | <u>\$ -</u> | <u>\$ -</u> | 43,951 |
| Total investments measured at NAV | | | | <u>12,741</u> |
| Total investments | | | | <u>\$56,692</u> |

| | 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 |
| 2020 | | | | |
| Cash equivalents | <u>\$ 23</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 23</u> |
| Mutual fund | \$ 4,035 | \$ - | \$ - | \$ 4,035 |
| Exchange traded fund | 6,382 | - | - | 6,382 |
| International equity mutual fund | <u>5,754</u> | <u>-</u> | <u>-</u> | <u>5,754</u> |
| Total investments measured at fair value | <u>\$16,171</u> | <u>\$ -</u> | <u>\$ -</u> | 16,171 |
| Total investments measured at NAV | | | | <u>39,898</u> |
| Total investments | | | | <u>\$56,069</u> |

There were no transfers into or out of Level 3 and no purchases or issues of Level 3 assets in 2021 and 2020.

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, 2021 and 2020, \$1,307 and \$1,733, 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, 2021 and 2020, the Foundation had \$161 and \$493, 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, 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, 2021:

| | Program Service Expenses | Management & General Expenses | Total Expenses |
|-------------------------|-----------------------------|----------------------------------|-------------------|
| Grants | \$ 2,142 | \$ - | \$ 2,142 |
| Salaries and wages | 980 | 494 | 1,474 |
| Other employee benefits | 9 | 3 | 12 |
| Accounting fees | - | 51 | 51 |
| Office expense | 3 | 6 | 9 |
| Information technology | 12 | 6 | 18 |
| Occupancy | 35 | 17 | 52 |
| Travel | 18 | 6 | 24 |
| Contractors | 9 | - | 9 |
| Grants review panel | 8 | - | 8 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total expenses | <u>\$ 3,216</u> | <u>\$ 583</u> | <u>\$ 3,799</u> |

The table below presents expenses by both their nature and function for the year ended 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 |
| | <u>7</u> | <u>-</u> | <u>7</u> |
| Total expenses | <u>\$ 2,408</u> | <u>\$ 751</u> | <u>\$ 3,159</u> |

6. SUBSEQUENT EVENTS

Management has evaluated all events subsequent to the balance sheet date of December 31, 2021, through April 27, 2022, 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*.

* * * * *