

AUDITED FINANCIAL STATEMENTS

Blue Cross Blue Shield of Massachusetts Foundation, Inc.
for Expanding Healthcare Access
Years Ended December 31, 2023 and 2022
With Report of Independent Auditors

Ernst & Young LLP



Blue Cross Blue Shield of Massachusetts Foundation, Inc.
for Expanding Healthcare Access

Audited Financial Statements

Years Ended December 31, 2023 and 2022

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Report of Independent Auditors

The Board of Directors
Blue Cross Blue Shield of Massachusetts Foundation, Inc. for Expanding Healthcare Access

Opinion

We have audited the financial statements of Blue Cross Blue Shield of Massachusetts Foundation, Inc. for Expanding Healthcare Access (the Foundation), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes (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 at December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our 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.

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 of 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 of 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.

Ernst + Young LLP

April 4, 2024

Blue Cross Blue Shield of Massachusetts Foundation, Inc.
for Expanding Healthcare Access

Statements of Financial Position
(Dollars in Thousands)

	December 31	
	2023	2022
Assets		
Cash and cash equivalents	\$ 7,296	\$ 5,301
Investments	96,544	92,169
Investments receivable	64	44
Pledges receivable	93	263
Federal excise tax recoverable	54	187
Prepaid expenses	9	37
Total assets	\$ 104,060	\$ 98,001
Liabilities		
Grants payable	\$ 1,760	\$ 1,731
Accounts payable and accrued expenses	181	134
Due to Blue Cross and Blue Shield of Massachusetts, Inc.	434	625
Deferred federal excise tax liability	163	116
Total liabilities	2,538	2,606
Net assets – without donor restrictions	101,522	95,395
Total liabilities and net assets	\$ 104,060	\$ 98,001

See accompanying notes.

Blue Cross Blue Shield of Massachusetts Foundation, Inc.
for Expanding Healthcare Access

Statements of Activities and Changes in Net Assets
(Dollars in Thousands)

	Year Ended December 31	
	2023	2022
Revenues and other support:		
Contributions	\$ 311	\$ 429
Contributions in-kind	924	794
Investment income, net of expenses	1,038	1,024
Net unrealized and realized gains (losses) on investments	11,928	(19,934)
Total net revenues (losses) and other support	14,201	(17,687)
Expenses:		
Grants	3,650	3,701
Professional services	1,949	1,654
Salaries and benefits	2,001	1,871
Conferences, conventions, and meetings	194	73
Federal excise tax expense (benefit)	179	(262)
General and administrative expense	101	108
Total expenses	8,074	7,145
Excess (deficiency) of revenues and other support over expenses and change in net assets	6,127	(24,832)
Net assets at the beginning of year	95,395	120,227
Net assets at the end of year	\$ 101,522	\$ 95,395

See accompanying notes.

Blue Cross Blue Shield of Massachusetts Foundation, Inc.
for Expanding Healthcare Access

Statements of Cash Flows
(Dollars in Thousands)

	Year Ended December 31,	
	2023	2022
Operating activities		
Excess (deficiency) of revenues and other support over expenses and change in net assets	\$ 6,127	\$ (24,832)
Changes in net assets and liabilities:		
Investments receivable	(20)	(11)
Pledges receivable	170	(103)
Due to Blue Cross and Blue Shield of Massachusetts, Inc.	(191)	50
Accounts payable and accrued expenses	47	(27)
Grants Payable	29	1,731
Prepaid expenses	28	(37)
Federal excise tax recoverable	133	(79)
Deferred federal excise tax liability	47	(313)
Net unrealized and realized (gains) losses on investments	(11,928)	19,934
Net cash used in operating activities	(5,558)	(3,687)
Investing activities		
Proceeds from sales of investment securities	16,822	16,369
Purchases of investment securities	(9,269)	(12,182)
Net cash provided by investing activities	7,553	4,187
Net increase in cash and cash equivalents	1,995	500
Cash and cash equivalents at the beginning of year	5,301	4,801
Cash and cash equivalents at the end of year	\$ 7,296	\$ 5,301
Supplemental disclosure of cash flow information		
Cash paid for excise taxes	\$ —	\$ 130

See accompanying notes.

Blue Cross Blue Shield of Massachusetts Foundation, Inc.
for Expanding Healthcare Access

Notes to Financial Statements
(Dollars in Thousands)

December 31, 2023

1. Organization

The accompanying financial statements of Blue Cross Blue Shield of Massachusetts Foundation, Inc. for Expanding Healthcare Access (“BCBSF” or the “Foundation”) present the financial position and results of activities and changes in net assets and cash flows of BCBSF.

BCBSF was incorporated in March 1992, and is a not-for-profit, charitable organization. BCBSF’s mission is to provide and support education and research, foster health care innovation and reform, and develop, promote, and support programs to improve the quality of health care access. BCBSF will achieve its goals through support from a combination of grants, social research, demonstration projects, and advocacy.

Blue Cross and Blue Shield of Massachusetts, Inc. (“BCBSMA”) is the sole member of BCBSF. Several board members of BCBSMA are board members of BCBSF.

2. Summary of Significant Accounting Policies

Class of Net Assets

The Foundation reports its financial position according to two classes of net assets as follows:

- Net assets without donor restrictions are net assets available for use in general operations and not subject to donor-imposed restrictions. Such net assets are available for any purpose consistent with the Foundation’s mission.
- Net assets with donor restrictions are net assets that are subject to donor-imposed restrictions.

The Foundation has no material net assets with donor restrictions.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Blue Cross Blue Shield of Massachusetts Foundation, Inc.
for Expanding Healthcare Access

Notes to Financial Statements (continued)
(Dollars in Thousands)

2. Summary of Significant Accounting Policies (continued)

Investments

Investments in equity securities with readily determinable fair values and all investments in exchange traded funds, equity and mutual funds are carried at fair value determined by quoted market prices in the accompanying Statements of Financial Position. Investments in U.S. limited partnerships and corporations are carried at net asset value (“NAV”) per share as the practical expedient estimate of fair value if: (a) the underlying investment manager’s calculation of NAV is fair value based and (b) the NAV has been calculated as of the Foundation’s fiscal year end date. Accordingly, such carrying values could differ materially from the values that would have been used had a ready market for the investments existed. The net asset values provided by the investment managers are reviewed and evaluated by Foundation personnel for reasonableness.

Gains and losses on investments are recognized in the accompanying Statements of Activities and Changes in Net Assets as increases or decreases in net assets-without donor restrictions unless their use is temporarily or permanently restricted by explicit donor stipulations. Investment transactions are recorded on a trade-date basis. Dividends are reported on the ex-dividend date. In computing realized and unrealized gains or losses, cost has been determined on the specific identification method.

Dividend, interest, and other investment income are reported in the period earned as increases in net assets without donor restrictions.

The Foundation’s investments are managed to guidelines approved by the Board of Directors, which includes limiting the amounts that may be invested in any one issuer. As of December 31, 2023 and 2022, the Foundation had no significant concentrations of risk in the investment portfolio.

BCBSF reported investment income net of investment expense. Investment expenses consist of portfolio management, consulting, and custodial fees of \$303 and \$353 for the years ended December 31, 2023 and 2022, respectively.

Blue Cross Blue Shield of Massachusetts Foundation, Inc.
for Expanding Healthcare Access

Notes to Financial Statements (continued)
(Dollars in Thousands)

2. Summary of Significant Accounting Policies (continued)

Concentration of Credit Risk

Financial instruments which potentially subject the Foundation to concentrations of credit and/or market risk consist of cash, cash equivalents and investments. The Foundation places its temporary cash and money market accounts with creditworthy, high quality financial institutions. A significant portion of these funds are not insured by the Federal Deposit Insurance Corporation.

The Foundation has significant investments in equity securities and U.S. limited partnerships and corporations. Investments are made primarily by investment managers engaged by the Foundation and the investments are monitored by management and the finance and audit committee of the board of directors of the Foundation. The Foundation's portfolio has been diversified in various investment categories in accordance with the Foundation's investment policy.

Liquidity and Availability of Resources

The Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments, while striving to maximize the investment of its available funds. The Foundation has various sources of liquidity at its disposal that are not subject to donor or other contractual restrictions, including cash, equity securities, and investments in U.S. limited partnerships and corporations.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Foundation considers all potential expenditures related to its ongoing activities of grant-making, policy advocacy, and strategic communications, as well as the conduct of functions performed in support of these activities to be general expenditures.

Blue Cross Blue Shield of Massachusetts Foundation, Inc.
for Expanding Healthcare Access

Notes to Financial Statements (continued)
(Dollars in Thousands)

2. Summary of Significant Accounting Policies (continued)

The following financial assets could readily be made available within one year of the statement of financial position date to meet general expenditures as of December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 7,296	\$ 5,301
Equity securities	37,059	38,914
Investments in U.S. limited partnerships and corporations	59,485	53,255
Investment receivables	64	44
Total assets available	<u>\$ 103,904</u>	<u>\$ 97,514</u>

The Foundation's investment objectives have been aligned to meet the minimum distribution requirements of 5% of the average fair value of its investment assets for the preceding year for charitable and administrative purposes, in accordance with private foundation Internal Revenue Service requirements. As of December 31, 2023 and 2022, the Foundation met the minimum distribution requirement.

Income Taxes

BCBSF is a not-for-profit organization established under Internal Revenue Code Section 501(c)(3). BCBSF is classified as a private foundation under Section 509(a) of the Internal Revenue Code and is subject to federal excise taxes. As a private foundation, BCBSF is subject to a 1.39% tax on net investment income under the provisions of Section 4940 of the Internal Revenue Code.

As of December 31, 2023, there were no positions for which management believes it is reasonably possible that the total amounts of uncertain tax positions will significantly increase or decrease within twelve months of the reporting date.

As of December 31, 2023, the Foundation's filings with the Internal Revenue Service for the calendar tax years of 2020, 2021 and 2022 remain subject to examination.

Blue Cross Blue Shield of Massachusetts Foundation, Inc.
for Expanding Healthcare Access

Notes to Financial Statements (continued)
(Dollars in Thousands)

2. Summary of Significant Accounting Policies (continued)

Contributions In-Kind

The Foundation recognizes contributions in-kind for certain services received at the fair value of those services.

Contributions

A contribution in the form of an unconditional promise to give is recognized as revenue by the Foundation in the period in which the promise is received. Contributions are comprised of cash received from various sources, including BCBSMA and Blue Cross and Blue Shield of Massachusetts HMO Blue, Inc. (collectively, the “Affiliates”), individuals, businesses, and civic and service organizations.

Grants Payable

The grants payable amount represents approved community grants which have yet to be disbursed. Amounts outstanding as of December 31, 2023 are due in the following year.

Functional Expenses

The Foundation’s expenses are allocated based on management’s estimates of time and effort, which correlates to the utilization of each expense category.

New Accounting Pronouncements

The Foundation adopted Accounting Standards Update (“ASU”) 2016-13, Financial Instruments – Credit Losses (Topic 326), and its related amendments, using the modified retrospective transition method. The new standard requires the use of a current expected credit loss impairment model to develop and recognize credit losses for financial instruments at amortized cost when the asset is first originated or acquired, and each subsequent reporting period. The new standard also eliminates the concept of other-than-temporary impairments and changes the criteria for impairment of available-for-sale debt securities. The new standard was effective on January 1, 2023 and was immaterial to the Foundation.

Blue Cross Blue Shield of Massachusetts Foundation, Inc.
for Expanding Healthcare Access

Notes to Financial Statements (continued)
(Dollars in Thousands)

2. Summary of Significant Accounting Policies (continued)

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958) – Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which adds additional presentation and disclosure requirements for certain contributions received by Not-for-Profit Entities. The new guidance was effective on January 1, 2022 and is immaterial to the Foundation.

3. Fair Value of Financial Instruments

BCBSF's financial assets carried at fair value have been classified, for disclosure purposes, based on a hierarchy defined by FASB Accounting Standards Codification ("ASC") No. 820, *Fair Value Measurement* ("ASC 820"). The levels of the fair value hierarchy are as follows:

Level 1 – Values are unadjusted quoted prices for identical assets in active markets accessible at the measurement date.

Level 2 – Inputs include quoted prices for similar assets in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads, and yield curves.

Level 3 – Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect BCBSF's best estimate of what hypothetical market participants would use to determine a transaction price for the asset at the reporting date.

Investments in limited partnerships and corporations are excluded from the fair value hierarchy. These investments are included in investments on the Statements of Financial Position. Included in net unrealized and realized gains on investments in the statements of activities and changes in net assets are changes in net unrealized gains (losses) on these investments of \$1,433 and (\$15,554) for the years ended December 31, 2023 and 2022, respectively.

Blue Cross Blue Shield of Massachusetts Foundation, Inc.
for Expanding Healthcare Access

Notes to Financial Statements (continued)
(Dollars in Thousands)

3. Fair Value of Financial Instruments (continued)

The value of the Foundation's investments measured at fair value for the years ended December 31, 2023 and 2022 are as follows:

	December 31, 2023			
	Level 1	Level 2	Level 3	Total
Common stock	\$ 37,059	\$ –	\$ –	\$ 37,059
	\$ 37,059	\$ –	\$ –	37,059
Limited partnerships and corporations valued at NAV				59,485
				\$ 96,544

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Common stock	\$ 38,914	\$ –	\$ –	\$ 38,914
	\$ 38,914	\$ –	\$ –	38,914
Limited partnerships and corporations valued at NAV				53,255
				\$ 92,169

The amortized cost, gross unrealized gains (losses), and fair value of common stock investments recorded at fair value as of December 31, 2023 and 2022 are as follows:

	December 31, 2023			
	Cost	Gross Unrealized		Fair Value
		Gains	Losses	
Common stock	\$ 39,389	\$ 1,485	\$ (3,815)	\$ 37,059

	December 31, 2022			
	Cost	Gross Unrealized		Fair Value
		Gains	Losses	
Common stock	\$ 44,998	\$ 92	\$ (6,176)	\$ 38,914

Blue Cross Blue Shield of Massachusetts Foundation, Inc.
for Expanding Healthcare Access

Notes to Financial Statements (continued)
(Dollars in Thousands)

3. Fair Value of Financial Instruments (continued)

The following table shows gross unrealized losses and fair values of equities and the length of time that individual securities have been in a continuous unrealized loss position:

	Less Than 12 Months		12 Months or More		Total		Number of Securities
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	
At December 31, 2023							
Common stock	\$ -	\$ -	\$ 26,051	\$ (3,815)	\$ 26,051	\$ (3,815)	5
At December 31, 2022							
Common stock	\$ 16,351	\$ (1,823)	\$ 13,967	\$ (4,353)	\$ 30,318	\$ (6,176)	7

Realized gains or losses on investments are determined on the basis of specific identification of the investment sold. Investment income is recognized as revenue when earned.

Gross realized investment gains and (losses) are as follows:

	2023	2022
Gross gains	\$ 8,115	\$ 5,944
Gross losses	(1,376)	(3,068)
Net realized investment gains	<u>\$ 6,739</u>	<u>\$ 2,876</u>

4. Related-Party Transactions

The Affiliates made no capital contributions to the Foundation in 2023 or 2022. In 2023 and 2022, BCBSMA provided BCBSF funding of \$924 and \$794 respectively, in the form of contributions in-kind. BCBSMA contributions in-kind represent salaries and benefits, facility costs, and other operating expenses. Total operating costs charged by BCBSMA to the Foundation were \$3,317 and \$2,912 for the years ended December 31, 2023 and 2022, respectively.

Blue Cross Blue Shield of Massachusetts Foundation, Inc.
for Expanding Healthcare Access

Notes to Financial Statements (continued)
(Dollars in Thousands)

5. Functional Expenses

The following expenses were incurred for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Program services	\$ 7,794	\$ 7,299
Federal excise taxes	179	(262)
General and administrative	101	108
Total expenses	<u>\$ 8,074</u>	<u>\$ 7,145</u>

Program services represent expenses incurred to originate, administer, and evaluate the Foundation's grants and direct charitable activities.

General and administrative expense are expenses for governing and operating the Foundation, not associated specifically with the Foundation's program activities.

6. Reclassification of Prior Year Presentation

Certain prior year amounts have been reclassified to conform to the current year presentation.

7. Subsequent Events

The Foundation's management evaluated subsequent events through April 4, 2024, the date the financial statements were available to be issued.

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