

AUDITED FINANCIAL STATEMENTS

Blue Cross Blue Shield of Massachusetts Foundation, Inc.
for Expanding Healthcare Access
Years Ended December 31, 2024 and 2023
With Report of Independent Auditors

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

Audited Financial Statements

Years Ended December 31, 2024 and 2023

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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, 2024 and 2023, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes (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, 2024 and 2023, 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.



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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 3, 2025

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

Statements of Financial Position
(Dollars in Thousands)

	December 31	
	2024	2023
Assets		
Cash and cash equivalents	\$ 4,772	\$ 7,296
Investments	102,457	96,544
Investments receivable	47	64
Pledges receivable	178	93
Federal excise tax recoverable	-	54
Prepaid expenses	-	9
Total assets	<u>\$ 107,454</u>	<u>\$ 104,060</u>
Liabilities		
Grants payable	\$ 1,210	\$ 1,760
Accounts payable and accrued expenses	207	181
Due to Blue Cross and Blue Shield of Massachusetts, Inc.	439	434
Deferred federal excise tax liability	208	163
Federal tax liability	8	-
Total liabilities	<u>2,072</u>	<u>2,538</u>
Net assets – without donor restrictions	<u>105,382</u>	<u>101,522</u>
Total liabilities and net assets	<u>\$ 107,454</u>	<u>\$ 104,060</u>

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	
	2024	2023
Revenues and other support:		
Contributions	\$ 892	\$ 311
Contributions in-kind	965	924
Investment income, net of expenses	1,217	1,038
Net unrealized and realized gains on investments	9,148	11,928
Total net revenues gains and other support	12,222	14,201
Expenses:		
Grants	3,924	3,650
Professional services	1,848	1,949
Salaries and benefits	2,050	2,001
Conferences, conventions, and meetings	217	194
Federal excise tax expense	147	179
General and administrative expense	176	101
Total expenses	8,362	8,074
Excess of revenues and other support over expenses and change in net assets	3,860	6,127
Net assets at the beginning of year	101,522	95,395
Net assets at the end of year	\$ 105,382	\$ 101,522

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,	
	2024	2023
Operating activities		
Excess of revenues and other support over expenses and change in net assets	\$ 3,860	\$ 6,127
Changes in net assets and liabilities:		
Investments receivable	17	(20)
Pledges receivable	(85)	170
Due to Blue Cross and Blue Shield of Massachusetts, Inc.	5	(191)
Accounts payable and accrued expenses	26	47
Grants Payable	(551)	29
Prepaid expenses	9	28
Federal excise tax recoverable	54	133
Deferred federal excise tax liability	45	47
Federal tax liability	8	-
Net unrealized and realized gains on investments	(9,148)	(11,928)
Net cash used in operating activities	(5,760)	(5,558)
Investing activities		
Proceeds from sales of investment securities	8,936	16,822
Purchases of investment securities	(5,700)	(9,269)
Net cash provided by investing activities	3,236	7,553
Net increase in cash and cash equivalents	(2,524)	1,995
Cash and cash equivalents at the beginning of year	7,296	5,301
Cash and cash equivalents at the end of year	\$ 4,772	\$ 7,296
Supplemental disclosure of cash flow information		
Cash paid for excise taxes	\$ 40	\$ -

See accompanying notes.

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

Notes to Financial Statements
(Dollars in Thousands)

December 31, 2024

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, 2024 and 2023, 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 \$244 and \$303 for the years ended December 31, 2024 and 2023, 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, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 4,772	\$ 7,296
Equity securities	38,688	37,059
Investments in U.S. limited partnerships and corporations	63,769	59,485
Investment receivables	47	64
Total assets available	<u>\$ 107,276</u>	<u>\$ 103,904</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, 2024 and 2023, 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, 2024, 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, 2024, the Foundation's filings with the Internal Revenue Service for the calendar tax years of 2021, 2022 and 2023 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, 2024 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)

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 on these investments of \$2,500 and \$1,433 for the years ended December 31, 2024 and 2023, 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, 2024 and 2023 are as follows:

	December 31, 2024			
	Level 1	Level 2	Level 3	Total
Common stock	\$ 38,688	\$ –	\$ –	\$ 38,688
	<u>\$ 38,688</u>	<u>\$ –</u>	<u>\$ –</u>	
Limited partnerships and corporations valued at NAV				<u>63,769</u>
				<u>\$ 102,457</u>

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

The amortized cost, gross unrealized gains (losses), and fair value of common stock investments recorded at fair value as of December 31, 2024 and 2023 are as follows:

	December 31, 2024			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Common stock	\$ 40,247	\$ 2,284	\$ (3,843)	\$ 38,688

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

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:

	<u>Less Than 12 Months</u>		<u>12 Months or More</u>		<u>Total</u>		
	<u>Fair Value</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>	<u>Gross Unrealized Losses</u>	<u>Number of Securities</u>
At December 31, 2024							
Common stock	\$ 593	\$ (17)	\$ 19,287	\$ (3,826)	\$ 19,880	\$ (3,843)	5
At December 31, 2023							
Common stock	\$ —	\$ —	\$ 19,360	\$ (3,815)	\$ 19,360	\$ (3,815)	4

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:

	<u>2024</u>	<u>2023</u>
Gross gains	\$ 5,902	\$ 8,115
Gross losses	(25)	(1,376)
Net realized investment gains	<u>\$ 5,877</u>	<u>\$ 6,739</u>

4. Related-Party Transactions

The Affiliates made no capital contributions to the Foundation in 2024 or 2023. In 2024 and 2023, BCBSMA provided BCBSF funding of \$965 and \$924 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 \$3,326 and \$3,317 for the years ended December 31, 2024 and 2023, 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>2024</u>	<u>2023</u>
Program services	\$ 8,039	\$ 7,794
Federal excise taxes	147	179
General and administrative	176	101
Total expenses	<u>\$ 8,362</u>	<u>\$ 8,074</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 3, 2025, the date the financial statements were available to be issued.