Blue Shield of California Foundation

Financial Statements

December 31, 2025
(With Comparative Totals for 2024)

armanino

TABLE OF CONTENTS

	Page No.
Independent Auditor's Report	1 - 2
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 13

INDEPENDENT AUDITOR'S REPORT

To the Audit Committee
Blue Shield of California Foundation

Opinion

We have audited the accompanying financial statements of Blue Shield of California Foundation (the "Foundation"), which comprise the statement of financial position as of December 31, 2025, and the related statements of activities and cash flows for the year then ended and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Blue Shield of California Foundation as of December 31, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Blue Shield of California Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 these 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 Blue Shield of California Foundation's ability to continue as a going concern within 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 generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, 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 Blue Shield of California 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 Blue Shield of California 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.

Report on Summarized Comparative Information

We have previously audited Blue Shield of California Foundation's 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 9, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Los Angeles, California

July 8, 2026

Blue Shield of California Foundation
Statement of Financial Position
December 31, 2025
(With Comparative Totals for 2024)
(In thousands)

	2025	2024
ASSETS		
Cash and cash equivalents	$ 1,903	$ 4,507
Investments	80,385	76,007
Prepaid expenses and other assets	166	228
Total assets	$ 82,454	$ 80,742
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 945	$ 545
Grants payable	78	725
Deferred excise tax liability	147	79
Total liabilities	1,170	1,349
Net assets		
Without donor restrictions		
Undesignated	35,751	39,523
Board-designated	45,533	39,870
Total without donor restrictions	81,284	79,393
Total liabilities and net assets	$ 82,454	$ 80,742

The accompanying notes are an integral part of these financial statements.

Blue Shield of California Foundation
Statement of Activities
For the Year Ended December 31, 2025
(With Comparative Totals for 2024)
(In thousands)

	2025	2024
Revenues, gains, and other support		
Contributions	$ 20,000	$ 20,126
In-kind contributions	8,398	8,113
Investment return, net	7,325	5,665
Other revenue	16	7
Total revenues, gains, and other support	35,739	33,911
Functional expenses		
Grantmaking	19,585	17,071
Program	11,264	10,798
General and administrative	2,999	2,766
Total functional expenses	33,848	30,635
Change in net assets without donor restrictions	1,891	3,276
Net assets without donor restrictions, beginning of year	79,393	76,117
Net assets without donor restrictions, end of year	$ 81,284	$ 79,393

The accompanying notes are an integral part of these financial statements.

Blue Shield of California Foundation
Statement of Cash Flows
For the Year Ended December 31, 2025
(With Comparative Totals for 2024)
(In thousands)

	2025	2024
Cash flows from operating activities		
Change in net assets	$ 1,891	$ 3,276
Adjustments to reconcile change in net assets to net cash used in operating activities		
Donated marketable securities	(20,000)	(20,126)
Proceeds from immediate sale of donated marketable securities	19,678	19,023
Net realized and unrealized gains on investments	(5,348)	(3,530)
Deferred excise taxes	68	25
Changes in operating assets and liabilities		
Prepaid expenses and other assets	62	(113)
Accounts payable and accrued expenses	400	(355)
Grants payable	(647)	445
Net cash used in operating activities	(3,896)	(1,355)
Cash flows from investing activities		
Purchases of investments	(21,809)	(26,104)
Proceeds from sales and maturities of investments	23,101	25,400
Net cash provided by (used in) investing activities	1,292	(704)
Net decrease in cash and cash equivalents	(2,604)	(2,059)
Cash and cash equivalents, beginning of year	4,507	6,566
Cash and cash equivalents, end of year	$ 1,903	$ 4,507
Supplemental disclosure of cash flow information		
Cash paid during the year for excise taxes	$ 277	$ 273

The accompanying notes are an integral part of these financial statements.

Blue Shield of California Foundation
Notes to Financial Statements
December 31, 2025
(In thousands)

1. NATURE OF OPERATIONS

Blue Shield of California Foundation (the "Foundation"), a California public benefit corporation, was founded in 1981 as California Physicians Service Foundation (doing business as Blue Shield of California Foundation). The Foundation's mission is to build lasting and equitable solutions that make California the healthiest state and end domestic violence. The strategic direction of the Foundation is rooted in our knowledge that well-being depends upon much more than traditional healthcare services and crisis intervention. The Foundation's work is focused on moving further forward to help improve the lives of those who struggle the most in order to create a California that is full of possibility for all.

The Foundation is supported by contributions received from California Physicians Service, doing business as Blue Shield of California ("Blue Shield"), a related party (see Notes 7 and 8).

Program activities

The Foundation makes grants and contributions to organizations operating for charitable, scientific, or educational purposes. These grants are made directly to organizations whose charitable work is related to ending domestic violence, and ensuring access to health care for all Californians.

Other program-related costs relate to the Foundation's charitable activities, which include support in strengthening economic stability and mobility, aligning systems with community priorities, and breaking the cycle of domestic violence.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

The Foundation's financial statements have been prepared using the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Net assets and changes therein are classified as follows:

- *Without donor restrictions* - Net assets without donor restrictions consist of all resources of the Foundation which have not been specifically restricted by a donor.
- *With donor restrictions* - Net assets with donor restrictions consist of cash and other assets received with donor stipulations that limit the use of donated assets. These stipulations may expire with time or may be satisfied by the actions of the Foundation according to the intentions of the donor. The Foundation did not have any net assets with donor restrictions as of December 31, 2025.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Cash and other assets received as donations are reported at fair value when the unconditional promise to give has been communicated. Donations are classified as restricted support if they are received with a donor restriction. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions.

In-kind donations

In-kind donations consist of salaries and benefits, office space, and other donated facilities received from Blue Shield, an affiliate of the Foundation. Donated services received from Blue Shield employees are recorded at the values recognized by Blue Shield. Donated use of office space is valued based on the Foundation's proportional share of rent and common area maintenance charges paid by Blue Shield.

All gifts-in-kind received by the Foundation for the year ended December 31, 2025, were considered without donor restrictions and able to be used by the Foundation as determined by the board of trustees and management.

Cash and cash equivalents

Cash equivalents consist of short-term, highly liquid investments with original maturities of three months or less at the time of purchase.

Investments

The Foundation's investments are stated at fair value based on quoted prices in active markets. Any related changes in the fair value of investments are reflected in investment return (loss), net in the statement of activities. Purchases and sales are recorded on a trade date basis and interest and dividend income is accrued as earned.

Fair value measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e. the exit price) in an orderly transaction between market participants at the measurement date. The Foundation determines the fair values of its assets and liabilities based on a fair value hierarchy that includes three levels of inputs that may be used to measure fair value (Level 1, Level 2 and Level 3).

- *Level 1* - inputs are quoted market prices (unadjusted) in active markets for identical assets or liabilities the Foundation has the ability to access at the measurement date. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements (continued)

- *Level 2* - inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.
- *Level 3* - inputs are unobservable inputs for the asset or liability.

Unobservable inputs reflect the Foundation's own assumptions about the assumptions market participants would use in pricing the asset or liability (including risk assumptions). Unobservable inputs are developed based on the best information available in the circumstances and may include the Foundation's own data.

The categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Grants

Grants are recognized as expenses when the unconditional promise to give to an individual program or award is approved by the board of trustees. The board of trustees has approved a President's Discretionary Fund wherein the Foundation's President directs the awards. Discretionary funds are not recognized as grant expenses until the President directs the award and the grant becomes unconditional. Conditional grants are expensed and considered payable in the period in which the grant becomes unconditional, that is when the related barrier(s) have been overcome and/or the right of return or right of release has been met. Grants scheduled for payment in excess of one year are measured at the present value of future payments. The discounts on these amounts are computed using an appropriate discount rate commensurate with the risks involved. As of December 31, 2025, the Foundation did not have any grants scheduled for payment in excess of one year.

The Foundation occasionally makes conditional grants to organizations. There are no unpaid conditional grant awards as of December 31, 2025, and the Foundation has no other conditional grants.

Income taxes

The Foundation is a nonprofit organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code (the "Code") and Section 23701d of the Revenue and Taxation Code of the State of California. The Foundation has been determined by the Internal Revenue Service to be a private foundation within the meaning of Section 509(a) of the Code. The Foundation is exempt from both federal and state income taxes, but is subject to federal excise tax on its net investment income. For the year ended December 31, 2025, the Foundation had a federal excise tax expense of $388, comprised of $321 of current excise tax expense and $67 of expenses from deferred excise taxes, included within net investment return in the statement of activities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes (continued)

The Foundation is subject to a flat 1.39% federal excise tax on net investment income, as defined by federal law. Deferred tax items are created when certain income and expense items are accounted for in different time periods for financial statement purposes than for tax purposes. Deferred federal excise taxes result from unrealized gains/(losses) on investments. The financial statements reflect deferred taxes at the 1.39% rate, resulting in a deferred excise tax liability of $147 as of December 31, 2025.

The Foundation assesses tax positions taken or expected to be taken against more likely than not recognition threshold and measurement attributes for financial statement recognition. Based on an analysis prepared by the Foundation, it was determined that the tax positions taken or expected to be taken had no material effect on the recorded tax assets and liabilities of the Foundation.

Functional allocation of expenses

Expenses have been charged directly to grantmaking, program, and general and administrative classifications based on direct expenses incurred. Any expenses not directly chargeable are allocated to grantmaking, program or general and administrative classifications based on management's analysis of what classification was benefited by the expense. Management's analysis primarily includes estimates of employee time incurred.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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.

Comparative financial information

The financial statements include certain prior year summarized comparative information in total, but not by net asset classification. Such summarized information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2024, from which the summarized information was derived.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent events

The Foundation has evaluated subsequent events through July 8, 2026, the date the financial statements were available to be issued. No subsequent events have occurred that would have a material impact on the presentation of the Foundation's financial statements.

3. LIQUIDITY AND FUNDS AVAILABLE

The Foundation maintains assets in a three-tier platform based upon the anticipated timing of planned expenditures. This includes liquidity management where financial assets are available for grants, general expenditures, liabilities, and other obligations. None of the Foundation's financial assets are subject to donor-imposed stipulations, redemption restrictions, or other contractual limitations on the ability to liquidate funds. The Foundation's financial assets are considered highly liquid and available for expenditure as needed; however, based on the Foundation's investment policies, approximately $46,000 held in investments is designated by the board of trustees for operating reserves intended to support the Foundation in years beyond 2025.

The following schedule reflects the Foundation's financial assets available to meet general expenditures within one year of December 31, 2025:

Cash and cash equivalents	$ 1,903
Investments	80,385
Less: board-designated operating reserves	(45,533)
	$ 36,755

The board-designated operating reserves of $45,533 as of December 31, 2025, represent funds intended to be maintained for over five years for purposes of providing operational support should the Foundation experience reduced funding. In 2025, the board of trustees approved the release of $4,000 from operating reserves to support Foundation activities in 2026 and 2027.

4. INVESTMENTS

The cost and fair value of investments consisted of the following:

	Cost	Fair Value
Money market funds	$ 14	$ 14
Domestic mutual funds	51,886	50,594
Domestic equity securities	17,946	29,777
	$ 69,846	$ 80,385

4. INVESTMENTS (continued)

Investment return during the year consisted of the following:

Interest and dividends	$ 2,375
Net realized and unrealized gains	5,348
Investment fees	(10)
Excise tax expense	(388)
	$ 7,325

5. FAIR VALUE MEASUREMENTS

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of December 31, 2025:

	Level 1	Level 2	Level 3	Fair Value
Money market funds	$ 14	$ -	$ -	$ 14
Domestic mutual funds	50,594	-	-	50,594
Domestic equity securities	29,777	-	-	29,777
	$ 80,385	$ -	$ -	$ 80,385

6. GRANTS PAYABLE

Grants awarded, but unpaid, are expected to be paid during the year ending December 31, 2026.

7. CONCENTRATIONS

Financial instruments

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash and cash equivalents and short-term investments. Risks associated with cash and cash equivalents are mitigated by banking with creditworthy institutions. Such balances with any one institution may, at times, be in excess of federally insured amounts. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the near term could materially affect the amounts reported in the statement of financial position.

7. CONCENTRATIONS (continued)

Contributions

For the year ended December 31, 2025, all contributions were received from Blue Shield, a related party (see Note 8).

8. RELATED PARTY TRANSACTIONS

In 2025, Blue Shield provided the Foundation with a total of $20,000 in donated support. This support has no donor restrictions and is used primarily to fund research, policy, and community grantmaking of the Foundation. Total donated support from Blue Shield included occupancy and personnel costs for which Blue Shield received no compensation and are recognized as contributions and expenses in the statement of activities for the year ended December 31, 2025.

Occupancy and personnel costs provided to the Foundation was comprised of the following:

Labor, at Blue Shield cost which approximates fair value	$	6,367
Benefits, at Blue Shield cost which approximates fair value		1,353
Occupancy and other, at fair value		678
	$	8,398

The Foundation occasionally makes grants to organizations where a member of the board of trustees is also an interested party related to the recipient organization. Foundation policy requires trustees to disclose any real or perceived conflicts of interest and the recusal of any conflicted trustees from board votes on proposed Foundation grant awards. The Foundation's board has complied with this policy during 2025.

During 2025, six grants totaling $2,320 were awarded to organizations in which Foundation trustees are interested parties. Of this amount, $0 was unpaid as of December 31, 2025.

Non-grant payments to organizations in which Foundation trustees are interested parties was comprised of the following:

Purpose		
Memberships	$	17
Marketing services		32
Honoraria services		1
	$	50

9. FUNCTIONAL EXPENSES

Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated are compensation and benefits, which are allocated on the basis of estimates of time and effort; occupancy costs, which are allocated on a square footage basis; and professional services and other costs, which are allocated mainly based on actual usage.

The table below presents expenses by both their nature and their function for the year ended December 31, 2025:

	Grantmaking	Program	General and Administrative	Total
Grants awarded	$ 19,585	$ -	$ -	$ 19,585
In-kind labor and benefits contributed services	-	5,526	2,193	7,719
In-kind occupancy and other contributed services	-	495	183	678
Professional services	-	4,501	171	4,672
Other	-	742	452	1,194
	$ 19,585	$ 11,264	$ 2,999	$ 33,848