

UnitedHealthcare Children's Foundation, Inc.

Financial Statements

December 31, 2021 and 2020

UnitedHealthcare Children's Foundation, Inc.

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Independent Auditors' Report

To the Board of Trustees of
UnitedHealthcare Children's Foundation, Inc.

Opinion

We have audited the financial statements of UnitedHealthcare Children's Foundation, Inc. (the Foundation), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expense and cash flows for the years then ended, and the related notes to 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 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 (GAAP).

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 Auditors' 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 GAAP, 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 within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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.

Baker Tilly US, LLP

Minneapolis, Minnesota
April 15, 2022

UnitedHealthcare Children's Foundation, Inc.

Statements of Financial Position

December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Assets		
Cash and cash equivalents	\$ 11,794,531	\$ 10,153,954
Contribution receivable, net	103,695	282,440
Prepaid expenses	54,365	81,937
Inventory	250,361	203,947
	<u> </u>	<u> </u>
Total assets	<u>\$ 12,202,952</u>	<u>\$ 10,722,278</u>
Liabilities and Net Assets		
Liabilities		
Accounts and grants payable	\$ 2,008,315	\$ 2,060,605
Deferred revenue	838,345	1,009,814
	<u> </u>	<u> </u>
Total liabilities	2,846,660	3,070,419
Net Assets		
Net assets without donor restrictions	9,356,292	7,651,859
	<u> </u>	<u> </u>
Total liabilities and net assets	<u>\$ 12,202,952</u>	<u>\$ 10,722,278</u>

See notes to financial statements

UnitedHealthcare Children's Foundation, Inc.

Statements of Activities

Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Revenue		
Contribution revenue	\$ 4,368,889	\$ 4,643,982
Special event revenue, net of costs of direct benefit to donors of \$982,502 and \$757,610, respectively	4,447,995	3,144,496
Interest income	11,295	33,915
	<u>8,828,179</u>	<u>7,822,393</u>
Expenses		
Program grants and services	5,231,008	5,379,456
Management and general	417,564	168,253
Fundraising	1,475,174	1,602,682
	<u>7,123,746</u>	<u>7,150,391</u>
Change in net assets without donor restrictions	1,704,433	672,002
Net Assets, Beginning	<u>7,651,859</u>	<u>6,979,857</u>
Net Assets, Ending	<u><u>\$ 9,356,292</u></u>	<u><u>\$ 7,651,859</u></u>

See notes to financial statements

UnitedHealthcare Children's Foundation, Inc.

Statements of Functional Expenses
Years Ended December 31, 2021 and 2020

	2021				2020			
	Program Grants and Services	Management and General	Fundraising	2021 Total	Program Grants and Services	Management and General	Fundraising	2020 Total
Salaries and wages donated	\$ 776,392	\$ 137,601	\$ 284,637	\$ 1,198,630	\$ 700,480	\$ 126,250	\$ 312,170	\$ 1,138,900
Grants	3,531,189	-	-	3,531,189	3,318,295	-	-	3,318,295
Events	-	-	367,056	367,056	640	-	402,668	403,308
Promotional products	109,020	-	34,029	143,049	206,141	31	52,801	258,973
Professional fees	21,975	-	-	21,975	21,010	-	-	21,010
Information technology	96,304	-	11,539	107,843	170,630	-	8,268	178,898
Bank fees	99,708	-	68,504	168,212	97,671	-	48,501	146,172
Supplies / printing	17,369	4,567	1,022	22,958	61,545	503	583	62,631
Consulting	511,794	275,396	707,338	1,494,528	714,662	41,456	766,705	1,522,823
Miscellaneous	67,257	-	1,049	68,306	88,382	13	10,986	99,381
Total expenses	<u>\$ 5,231,008</u>	<u>\$ 417,564</u>	<u>\$ 1,475,174</u>	<u>\$ 7,123,746</u>	<u>\$ 5,379,456</u>	<u>\$ 168,253</u>	<u>\$ 1,602,682</u>	<u>\$ 7,150,391</u>

See notes to financial statements

UnitedHealthcare Children's Foundation, Inc.

Statements of Cash Flows

Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 1,704,433	\$ 672,002
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Change in contributions receivable	178,745	(59,781)
Change in prepaid expenses	27,573	(8,949)
Change in inventory	(46,414)	1,320
Change in accounts and grants payable	(52,291)	(220,591)
Change in deferred revenue	(171,469)	467,109
	<u>1,640,577</u>	<u>851,110</u>
Net cash flows from operating activities	1,640,577	851,110
	<u>1,640,577</u>	<u>851,110</u>
Net change in cash and cash equivalents	1,640,577	851,110
	<u>10,153,954</u>	<u>9,302,844</u>
Cash and Cash Equivalents, Beginning	10,153,954	9,302,844
	<u>10,153,954</u>	<u>9,302,844</u>
Cash and Cash Equivalents, Ending	<u>\$ 11,794,531</u>	<u>\$ 10,153,954</u>

See notes to financial statements

UnitedHealthcare Children's Foundation, Inc.

Notes to Financial Statements

December 31, 2021 and 2020

1. Summary of Significant Accounting Policies

UnitedHealthcare Children's Foundation, Inc. (the Foundation) was created to enhance the lives of children, 16 years of age or younger, by awarding grants to those needing medically appropriate health care treatment and/or services that are not fully covered by their current health insurance or other funding. Currently, the Foundation is funded by UnitedHealth Group Incorporated (UnitedHealth Group) and its employees, as well as contributions from individuals and corporations.

The Foundation limits its fund grants to 85 percent of the available funds at any time. During a 12-month period, individual grants are limited to the lesser of \$5,000 or 85 percent of available funds. Generally, grants are paid within one year. The grant recipients are required to submit applications and financial information. The grant applications are reviewed and approved by the Regional Boards of Directors.

A summary of the Foundation's significant accounting policies follows:

Financial Statement Presentation

Net assets, support, revenue, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation are classified and reported as follows:

Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations.

With Donor Restrictions - Net assets subject to donor-imposed stipulations that will be met by action of the Foundation and/or passage of time. Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Foundation to expend the income generated by the assets in accordance with the provisions of additional donor imposed stipulations or a Board approved spending policy. The Foundation does not have any net assets with donor restriction as of December 31, 2021 or 2020.

Board Designated Net Assets

The Foundation's Board of Directors has the ability to designate identified amounts of net assets without restrictions to be used by management for specific future projects or activities. These designations can be modified or removed by the Board of Directors at any time. There are no board designated net assets at December 31, 2021 and 2020.

Cash and Cash Equivalents

The Foundation defines cash and cash equivalents as highly liquid, short-term investments with a maturity at the date of acquisition of three months or less. Cash on deposit in excess of FDIC insurance coverages is subject to the usual banking risks of funds in excess of those limits.

Inventory

Inventory, which consists primarily of children's bicycles, plush animals, books and games used for awareness and fundraising activities, are stated at the lower of cost or market, with cost determined on the first-in, first-out basis.

UnitedHealthcare Children's Foundation, Inc.

Notes to Financial Statements
December 31, 2021 and 2020

Contribution Revenue and Contributions Receivable

Contribution revenues are recorded when the unconditional contribution is made to the Foundation. Current contributions receivable are expected to be collected during the next year and are recorded at net realizable value. Except for contributions relating to special events which are disclosed below, the Foundation has no conditional contributions as of December 31, 2021 or 2020.

Contributions receivable are shown net of an allowance for uncollectible contributions, if applicable. The allowance for uncollectible promises to give is determined based on the Foundation's historical collections experience. There was no allowance for uncollectible contributions deemed necessary as of December 31, 2021 and 2020, respectively.

Special Event Revenue

Special event revenue consists of registration fees and sponsorships for the Foundation's various fundraising events held. The Foundation considers all special event revenue received to be conditional contributions to be recognized upon the occurrence of the specified event. Thus, contributions received prior to the event are deferred and recognized when the contribution becomes unconditional (i.e. the event has occurred). Special event revenue is recognized net of the costs that are a direct benefit to the donors. The Foundation has recorded deferred revenue of \$838,345 and \$1,009,814 as of December 31, 2021 and 2020, respectively, relating to conditional contributions for special events occurring in 2022.

Grant Commitments

The Foundation's Regional Boards of Directors approves grant applications contingent upon the Foundation receiving detailed supporting financial information. Upon receipt of such information, the grant payable and corresponding program expense is recorded. Contingent grants outstanding at December 31, 2021 and 2020, respectively, are approximately \$2,350,000 and \$2,259,000 and are excluded from these financial statements.

Grants Payable

The liability for grants payable is an estimated amount of grants that relates to 2021 grant expense to be paid in subsequent years. The methods and assumptions used for estimating these amounts are continually reviewed and adjusted as more current information is received. The Foundation's estimated grants payable were \$650,000 and \$600,000 at December 31, 2021 and 2020, respectively.

Income Tax Status

The Internal Revenue Service has determined that the Foundation is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is not subject to federal or state income taxes. However, any unrelated income may be subject to taxation.

The Foundation follows the accounting standards for contingencies in evaluating uncertain tax positions. This guidance prescribes recognition threshold principles for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized. No liability has been recognized by the Foundation for uncertain tax positions as of December 31, 2021 and 2020. The Foundation's tax returns are subject to review and examination by federal and state authorities.

UnitedHealthcare Children's Foundation, Inc.

Notes to Financial Statements
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Estimates and Assumptions

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.

Functional Allocation of Expense

The costs of providing program services and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among programs and supporting services benefited based on actual time spent, such as salaries and wages, events and consulting expenses.

New Accounting Pronouncements Not Yet Effective

During September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU No. 2020-07 improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. The standard will be required to be applied retrospectively for annual periods beginning after June 15, 2021. The Foundation is currently assessing the effect that ASU No. 2020-07 will have on its financial statements.

Subsequent Events

In preparing these financial statements, the Foundation has considered events and transactions for potential disclosure through April 15, 2022, which is the date that the financial statements were available to be issued.

2. Liquidity and Availability

The Foundation's financial assets available within one year of the statement of financial position date for general expenditures such as operating expenses as of December 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 11,794,531	\$ 10,153,954
Contributions receivable	103,695	282,440
Total	<u>\$ 11,898,226</u>	<u>\$ 10,436,394</u>

The Foundation's practice is to structure its financial assets to be available as its general expenditures, liabilities and obligations come due and targets a minimum 60 days of operating expense coverage at any point in time.

UnitedHealthcare Children's Foundation, Inc.

Notes to Financial Statements

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3. Related-Party Transactions

UnitedHealth Group provides certain administrative, overhead and accounting services at no charge to the Foundation. The fair value of these services was approximately \$1,223,000 and \$1,139,000 for the years ended December 31, 2021 and 2020, respectively. The Foundation has recorded these amounts as contribution revenue on the statement of activities and salary and wages donated expense on the statement of functional expense. The Foundation also pays UnitedHealth Group for a portion of the services provided to the Foundation. The total amount of these services billed to the Foundation was approximately \$1,360,000 and \$1,402,000 for the years ended December 31, 2021 and 2020, respectively and is included in consulting expense on the statement of functional expenses. This amount is also owed to UnitedHealth Group at December 31, 2021 and 2020 and is included in accounts payable on the statement of financial position.

During 2021 and 2020, a significant portion of the Foundation's contributions were received from UnitedHealth Group and its employees. Employee contributions are generally collected by UnitedHealth Group through their payroll deduction program and are matched dollar for dollar by UnitedHealth Group. Contribution revenue recognized from UnitedHealth Group employees and the corresponding UnitedHealth Group match was approximately \$2,782,000 and \$2,882,000 for the years ended December 31, 2021 and 2020, respectively. The employee's donation amount can be changed at any time; thus, in accordance with generally accepted accounting standards in the United States of America, donations are recorded when they are remitted to the Foundation.

A portion of the Foundation's cash equivalents are held in a savings account at Optum Bank. Optum Bank is a related party under common control of UnitedHealth Group. At December 31, 2021 and 2020 there was \$9,955,835 and \$7,444,540 in the savings account, respectively.