

UnitedHealthcare Children's Foundation, Inc.

Financial Statements

December 31, 2020 and 2019

UnitedHealthcare Children's Foundation, Inc.

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Independent Auditors' Report

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

We have audited the accompanying financial statements of UnitedHealthcare Children's Foundation, Inc. (the Foundation), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility 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; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2020 and 2019, 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.



Minneapolis, Minnesota
April 7, 2021

UnitedHealthcare Children's Foundation, Inc.

Statements of Activities

Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Revenue		
Contribution revenue	\$ 4,643,982	\$ 4,236,099
Special event revenue, net of costs of direct benefit to donors of \$757,610 and \$1,000,220, respectively	3,144,496	3,287,487
Interest income	33,915	147,445
	<u>7,822,393</u>	<u>7,671,031</u>
Total revenue	7,822,393	7,671,031
Expenses		
Program grants and services	5,379,456	5,965,688
Management and general	168,253	243,787
Fundraising	1,602,682	1,715,497
	<u>7,150,391</u>	<u>7,924,972</u>
Total expenses	7,150,391	7,924,972
Change in net assets without donor restrictions	672,002	(253,941)
Net Assets, Beginning	<u>6,979,857</u>	<u>7,233,798</u>
Net Assets, Ending	<u>\$ 7,651,859</u>	<u>\$ 6,979,857</u>

See notes to financial statements

UnitedHealthcare Children's Foundation, Inc.

Statements of Functional Expenses

Years Ended December 31, 2020 and 2019

	2020				2019			
	Program Grants and Services	Management and General	Fundraising	2020 Total	Program Grants and Services	Management and General	Fundraising	2019 Total
Salaries and wages donated	\$ 700,480	\$ 126,250	\$ 312,170	\$ 1,138,900	\$ 918,287	\$ 231,866	\$ -	\$ 1,150,153
Grants	3,318,295	-	-	3,318,295	3,572,709	-	-	3,572,709
Events	640	-	402,668	403,308	42,719	-	766,254	808,973
Promotional products	206,141	31	52,801	258,973	191,067	1	59,660	250,728
Professional fees	21,010	-	-	21,010	23,179	-	-	23,179
Information technology	170,630	-	8,268	178,898	122,592	-	6,730	129,322
Bank fees	97,671	-	48,501	146,172	94,425	-	43,579	138,004
Supplies / printing	61,545	503	583	62,631	96,482	11,838	24,331	132,651
Consulting	714,662	41,456	766,705	1,522,823	800,423	82	813,803	1,614,308
Miscellaneous	88,382	13	10,986	99,381	103,805	-	1,140	104,945
Total expenses	\$ 5,379,456	\$ 168,253	\$ 1,602,682	\$ 7,150,391	\$ 5,965,688	\$ 243,787	\$ 1,715,497	\$ 7,924,972

See notes to financial statements

UnitedHealthcare Children's Foundation, Inc.

Statements of Cash Flows

Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 672,002	\$ (253,941)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Change in contributions receivable	(59,781)	(221,791)
Change in prepaid expenses	(8,949)	28,428
Change in inventory	1,320	12,536
Change in accounts and grants payable	(220,591)	461,699
Change in deferred revenue	467,109	468,686
	<u>851,110</u>	<u>495,617</u>
Net cash flows from operating activities	851,110	495,617
Net change in cash and cash equivalents	851,110	495,617
Cash and Cash Equivalents, Beginning	<u>9,302,844</u>	<u>8,807,227</u>
Cash and Cash Equivalents, Ending	<u><u>\$ 10,153,954</u></u>	<u><u>\$ 9,302,844</u></u>

See notes to financial statements

UnitedHealthcare Children's Foundation, Inc.

Notes to Financial Statements

December 31, 2020 and 2019

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 applications are reviewed and approved by the Board 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, 2020 or 2019.

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, 2020 and 2019.

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 of 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

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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, 2020 or 2019.

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, 2020 and 2019, 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 \$1,009,814 and \$542,705 as of December 31, 2020 and 2019, respectively, relating to conditional contributions for special events occurring in 2021.

Grant Commitments

The Foundation's Board of Directors approves grants 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, 2020 and 2019, respectively, are approximately \$2,259,000 and \$2,423,000 and are excluded from these financial statements.

Grants Payable

The liability for grants payable is an estimated amount of grants that relates to 2020 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 \$600,000 and \$650,000 at December 31, 2020 and 2019, 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, 2020 and 2019. 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.

Subsequent Events

In preparing these financial statements, the Foundation has considered events and transactions for potential disclosure through April 7, 2021, 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, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 10,153,954	\$ 9,302,844
Contributions receivable	282,440	222,659
Total	<u>\$ 10,436,394</u>	<u>\$ 9,525,503</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.

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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 \$1,139,000 and \$1,150,000 for the years ended December 31, 2020 and 2019, 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 \$1,402,000 and \$1,564,000 for the years ended December 31, 2020 and 2019, respectively and is included in consulting expense on the statement of functional expenses. This amount is also owed to UnitedHealth Group at December 31, 2020 and 2019 and is included in accounts payable on the statement of financial position.

During 2020 and 2019, 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 \$2,882,000 and \$2,731,000 for the years ended December 31, 2020 and 2019, 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, 2020 and 2019 there was \$7,444,540 and \$9,124,791 in the savings account, respectively.