

UnitedHealthcare Children's Foundation, Inc.
Minneapolis, Minnesota

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended December 31, 2019 and 2018

UnitedHealthcare Children's Foundation, Inc.

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Independent Auditors' Report

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

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, 2019 and 2018, 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, 2019 and 2018, 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.

Baker Tilly Virchow Krause, LLP

Minneapolis, Minnesota
March 9, 2020

UnitedHealthcare Children's Foundation, Inc.

STATEMENTS OF FINANCIAL POSITION
As of December 31, 2019 and 2018

	ASSETS	
	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	\$ 9,302,844	\$ 8,807,227
Contribution receivable, net	222,659	868
Prepaid expenses	72,988	101,416
Inventory	<u>205,267</u>	<u>217,803</u>
TOTAL ASSETS	<u>\$ 9,803,758</u>	<u>\$ 9,127,314</u>
	LIABILITIES AND NET ASSETS	
LIABILITIES		
Accounts and grants payable	\$ 2,281,196	\$ 1,819,497
Deferred revenue	<u>542,705</u>	<u>74,019</u>
Total Liabilities	2,823,901	1,893,516
NET ASSETS		
Net assets without donor restrictions	<u>6,979,857</u>	<u>7,233,798</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 9,803,758</u>	<u>\$ 9,127,314</u>

See accompanying notes to financial statements.

UnitedHealthcare Children's Foundation, Inc.

STATEMENTS OF ACTIVITIES For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
REVENUE		
Contribution revenue	\$ 4,236,099	\$ 4,387,621
Special event revenue, net of costs of direct benefit to donors of \$1,000,220 and \$423,874, respectively	3,287,487	3,552,915
Interest income	<u>147,445</u>	<u>13,330</u>
Total Revenue	<u>7,671,031</u>	<u>7,953,866</u>
EXPENSES		
Program grants and services	5,965,688	5,587,428
Management and general	243,787	152,386
Fundraising	<u>1,715,497</u>	<u>1,517,898</u>
Total Expenses	<u>7,924,972</u>	<u>7,257,712</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(253,941)	696,154
NET ASSETS - Beginning of Year	<u>7,233,798</u>	<u>6,537,644</u>
NET ASSETS - END OF YEAR	<u>\$ 6,979,857</u>	<u>\$ 7,233,798</u>

See accompanying notes to financial statements.

UnitedHealthcare Children's Foundation, Inc.

STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended December 31, 2019 and 2018

	2019				2018			
	Program Grants and Services	Management and General	Fundraising	2019 Total	Program Grants and Services	Management and General	Fundraising	2018 Total
Salaries and wages donated	\$ 918,287	\$ 231,866	\$ -	\$ 1,150,153	\$ 744,000	\$ 152,386	\$ -	\$ 896,386
Grants	3,572,709	-	-	3,572,709	3,606,826	-	-	3,606,826
Events	42,719	-	766,254	808,973	-	-	519,060	519,060
Promotional products	191,067	1	59,660	250,728	91,696	-	200,650	292,346
Professional fees	23,179	-	-	23,179	19,808	-	-	19,808
Information technology	122,592	-	6,730	129,322	189,001	-	7,787	196,788
Bank fees	94,425	-	43,579	138,004	103,522	-	35,692	139,214
Supplies / printing	96,482	11,838	24,331	132,651	65,336	-	28,063	93,399
Consulting	800,423	82	813,803	1,614,308	667,736	-	717,978	1,385,714
Miscellaneous	103,805	-	1,140	104,945	99,503	-	8,668	108,171
Total Expenses	\$ 5,965,688	\$ 243,787	\$ 1,715,497	\$ 7,924,972	\$ 5,587,428	\$ 152,386	\$ 1,517,898	\$ 7,257,712

See accompanying notes to financial statements.

UnitedHealthcare Children's Foundation, Inc.

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets without donor restrictions	\$ (253,941)	\$ 696,154
Adjustments to reconcile change in unrestricted net assets to net cash flows from operating activities		
Change in contributions receivable	(221,791)	39,251
Change in prepaid expenses	28,428	(69,046)
Change in inventory	12,536	(29,700)
Change in accounts and grants payable	461,699	182,804
Change in deferred revenue	<u>468,686</u>	<u>40,434</u>
Net Cash Flows From Operating Activities	<u>495,617</u>	<u>859,897</u>
Net Change in Cash and Cash Equivalents	495,617	859,897
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>8,807,227</u>	<u>7,947,330</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 9,302,844</u>	<u>\$ 8,807,227</u>

See accompanying notes to financial statements.

UnitedHealthcare Children's Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2019 and 2018

NOTE 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% of the available funds at any time. During a 12-month period, individual grants are limited to the lesser of \$5,000 or 85% 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, 2019 or 2018.

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, 2019 and 2018.

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
As of and for the Years Ended December 31, 2019 and 2018

NOTE 1 - Summary of Significant Accounting Policies (Continued)

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, 2019 or 2018.

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, 2019 and 2018, 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 \$542,705 and \$74,019 as of December 31, 2019 and 2018, respectively, relating to conditional contributions for special events occurring in 2020.

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, 2019 and 2018, respectively, are approximately \$2,423,000 and \$2,422,000 and are excluded from these financial statements.

Grants Payable

The liability for grants payable is an estimated amount of grants that relates to 2019 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 \$625,000 at December 31, 2019 and 2018, 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, 2019 and 2018. 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 As of and for the Years Ended December 31, 2019 and 2018

NOTE 1 - Summary of Significant Accounting Policies (Continued)

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 Pronouncement Adopted in Current Year

During June 2018, FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The amendments were effective for fiscal years beginning after December 15, 2018. The Foundation has adopted this new guidance on a modified prospective basis in accordance with the standards for all contributions received in 2019.

Subsequent Events

In preparing these financial statements, the Foundation has considered events and transactions for potential disclosure through March 9, 2020, which is the date that the financial statements were available to be issued.

NOTE 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, 2019 and 2018 are as follows:

	2019	2018
Cash and cash equivalents	\$ 9,302,844	\$ 8,807,227
Contributions receivable	<u>222,659</u>	<u>868</u>
Total	<u>\$ 9,525,503</u>	<u>\$ 8,808,095</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
As of and for the Years Ended December 31, 2019 and 2018

NOTE 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 \$1,150,000 and \$896,000 for the years ended December 31, 2019 and 2018, 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 \$1,564,000 and \$1,191,000 for the year ended December 31, 2019 and 2018, respectively and is included in consulting expense on the statement of functional expenses. This amount is also owed to UnitedHealth Group at December 31, 2019 and 2018 and is included in accounts payable on the statement of financial position.

During 2019 and 2018, 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. Contributions revenues recognized from UnitedHealth Group employees and the corresponding UnitedHealth Group match was approximately \$2,731,000 and \$2,753,000 for the years ended December 31, 2019 and 2018, 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, 2019 and 2018 there was \$9,124,791 and \$5,277,346 in the savings account, respectively.