

**UnitedHealthcare Children's Foundation, Inc.**  
Minneapolis, Minnesota

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended December 31, 2017 and 2016

# 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, 2017 and 2016, 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, 2017 and 2016, 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  
April 16, 2018

**UnitedHealthcare Children's Foundation, Inc.**

STATEMENTS OF FINANCIAL POSITION  
As of December 31, 2017 and 2016

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	<i>ASSETS</i>	
	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 7,947,330	\$ 7,373,102
Contribution receivable, net	40,119	36,570
Prepaid expenses	32,370	20,323
Inventory	<u>188,103</u>	<u>266,609</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 8,207,922</u></b>	<b><u>\$ 7,696,604</u></b>
	<b><i>LIABILITIES AND NET ASSETS</i></b>	
<b>LIABILITIES AND NET ASSETS</b>		
Accounts and grants payable	\$ 1,636,693	\$ 1,760,565
Deferred revenue	33,585	105,183
Unrestricted net assets	<u>6,537,644</u>	<u>5,830,856</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 8,207,922</u></b>	<b><u>\$ 7,696,604</u></b>

See accompanying notes to financial statements.

**UnitedHealthcare Children's Foundation, Inc.**

STATEMENTS OF ACTIVITIES  
For the Years Ended December 31, 2017 and 2016

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	<u>2017</u>	<u>2016</u>
<b>REVENUE</b>		
Contribution revenue	\$ 4,741,097	\$ 4,754,089
Special event revenue, net of costs of direct benefit to donors of \$296,623 and \$285,642, respectively	2,914,499	2,240,288
Interest income	<u>13,107</u>	<u>13,342</u>
Total Revenue	<u>7,668,703</u>	<u>7,007,719</u>
<b>EXPENSES</b>		
Program grants and services	5,480,876	4,982,772
Management and general	97,564	65,223
Fundraising	<u>1,383,475</u>	<u>1,105,820</u>
Total Expenses	<u>6,961,915</u>	<u>6,153,815</u>
<b>CHANGE IN UNRESTRICTED NET ASSETS</b>	706,788	853,904
NET ASSETS - Beginning of Year	<u>5,830,856</u>	<u>4,976,952</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 6,537,644</u>	<u>\$ 5,830,856</u>

**UnitedHealthcare Children's Foundation, Inc.**

STATEMENTS OF CASH FLOWS  
For the Years Ended December 31, 2017 and 2016

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	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in unrestricted net assets	\$ 706,788	\$ 853,904
Adjustments to reconcile change in unrestricted net assets to net cash flows from operating activities		
Change in contributions receivable	(3,549)	(5,790)
Change in prepaid expenses	(12,047)	(8,851)
Change in inventory	78,506	20,499
Change in accounts and grants payable	(123,872)	(597,590)
Change in deferred revenue	<u>(71,598)</u>	<u>65,183</u>
Net Cash Flows From Operating Activities	<u>574,228</u>	<u>327,355</u>
<b>Net Change in Cash and Cash Equivalents</b>	574,228	327,355
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>7,373,102</u>	<u>7,045,747</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 7,947,330</u>	<u>\$ 7,373,102</u>

See accompanying notes to financial statements.

**UnitedHealthcare Children's Foundation, Inc.**

STATEMENTS OF FUNCTIONAL EXPENSES  
For the Years Ended December 31, 2017 and 2016

	Program Grants and Services	Management and General	Fundraising	2017 Total	Program Grants and Services	Management and General	Fundraising	2016 Total
Salaries and wages donated	\$ 590,926	\$ 88,498	\$ 8,855	\$ 688,279	\$ 461,275	\$ 54,426	\$ -	\$ 515,701
Grants	3,496,912	-	-	3,496,912	3,146,965	-	-	3,146,965
Events	-	-	259,221	259,221	-	-	235,397	235,397
Promotional products	153,848	-	344,094	497,942	244,191	136	196,851	441,178
Professional fees	19,192	-	-	19,192	18,600	-	-	18,600
Information technology	234,864	-	17,884	252,748	52,315	-	2,509	54,824
Bank fees	136,181	-	5,560	141,741	140,117	-	-	140,117
Supplies / printing	53,102	1,028	112,498	166,628	87,291	570	38,968	126,829
Consulting	704,748	2,450	603,956	1,311,154	749,562	-	619,651	1,369,213
Miscellaneous	91,103	5,588	31,407	128,098	82,456	10,091	12,444	104,991
<b>Total Expenses</b>	<b>\$ 5,480,876</b>	<b>\$ 97,564</b>	<b>\$ 1,383,475</b>	<b>\$ 6,961,915</b>	<b>\$ 4,982,772</b>	<b>\$ 65,223</b>	<b>\$ 1,105,820</b>	<b>\$ 6,153,815</b>

# UnitedHealthcare Children's Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2017 and 2016

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## **NOTE 1 - Summary of Significant Accounting Policies**

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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:

**Unrestricted net assets** - Net assets that are not subject to donor-imposed stipulations. They are those resources over which the Board of Directors has discretionary control.

**Temporarily restricted net assets** - Net assets subject to donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Foundation pursuant to those stipulations. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Foundation currently has no temporarily restricted net assets.

**Permanently restricted net assets** - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. The Foundation currently has no permanently restricted net assets.

### *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 stuffed animals and books 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, 2017 and 2016

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### **NOTE 1 - Summary of Significant Accounting Policies (Continued)**

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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. No restricted contributions have been received to date.

Contributions receivable are shown net of an allowance for uncollectible contributions. 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, 2017 and 2016, respectively.

#### *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, 2017 and 2016, respectively, are approximately \$2,414,000 and \$2,530,000 and are excluded from these financial statements.

#### *Grants Payable*

The liability for grants payable is an estimated amount of grants that relates to 2017 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 at December 31, 2017 and 2016.

#### *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, 2017 and 2016. The Foundation's tax returns are subject to review and examination by federal and state authorities.

#### *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.

# UnitedHealthcare Children's Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2017 and 2016

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## **NOTE 1 - Summary of Significant Accounting Policies (Continued)**

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### *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 and the best estimates of management.

### *Reclassifications*

Certain amounts appearing in the 2016 financial statements have been reclassified to conform to the 2017 presentation. The reclassifications have no effect on reported amounts of total net assets or change in total net assets.

### *Recent Accounting Pronouncement*

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers. This new guidance outlines a single comprehensive model for entities to use in accounting for revenue from contracts with customers. ASU 2014-09 is effective date for fiscal years beginning after December 15, 2018. Early application is permitted for fiscal years beginning after December 15, 2016. The Foundation is assessing the impact this new standard will have on its financial statements.

In August 2016, FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The new guidance improves and simplifies the current net asset classification requirements and information presented in financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. ASU 2016-14 is to be applied retroactively with transition provisions. The Foundation is assessing the impact this standard 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 16, 2018, which is the date that the financial statements were available to be issued.

# UnitedHealthcare Children's Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2017 and 2016

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## **NOTE 2 - Related Party Transactions**

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UnitedHealth Group provides certain administrative, overhead, and accounting services at no charge to the Foundation. The fair value of these services was approximately \$648,000 and \$458,000 for the years ended December 31, 2017 and 2016, 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 \$984,000 and \$954,000 for the year ended December 31, 2017 and 2016 respectively and is included in consulting expense on the statement of functional expenses. This amount is also owed to UnitedHealth Group at December 31, 2017 and 2016 and is included in accounts payable on the statement of financial position.

At December 31, 2017 and 2016, substantially all of contributions receivable are 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 \$3,102,000 and \$3,166,000 for the years ended December 31, 2017 and 2016, 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 ended December 31, 2017 and 2016 there was \$5,264,016 and \$5,250,909 in the savings account, respectively.