

UnitedHealthcare Children's Foundation, Inc.
Minneapolis, Minnesota

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended December 31, 2011 and 2010

UnitedHealthcare Children's Foundation, Inc.

TABLE OF CONTENTS

Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Statements of Functional Expenses	5
Notes to Financial Statements	6 - 9

INDEPENDENT AUDITORS' REPORT

Board of Directors
UnitedHealthcare Children's Foundation, Inc.
Minneapolis, Minnesota

We have audited the accompanying statements of financial position of UnitedHealthcare Children's Foundation, Inc. (the "Foundation") as of December 31, 2011 and 2010, and the related statements of activities, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of the Foundation's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of UnitedHealthcare Children's Foundation, Inc. as of December 31, 2011 and 2010, and the change in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Baker Tilly Virchow Krause, LLP

Minneapolis, Minnesota
March 15, 2012

UnitedHealthcare Children's Foundation, Inc.

STATEMENTS OF FINANCIAL POSITION
As of December 31, 2011 and 2010

ASSETS

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and cash equivalents	\$ 6,533,344	\$ 5,770,713
Contributions receivable, net	<u>3,187,045</u>	<u>2,914,927</u>
TOTAL ASSETS	<u>\$ 9,720,389</u>	<u>\$ 8,685,640</u>

LIABILITIES AND NET ASSETS

LIABILITIES AND NET ASSETS		
Accounts and grants payable	\$ 772,382	\$ 459,542
Unrestricted net assets	<u>8,948,007</u>	<u>8,226,098</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 9,720,389</u>	<u>\$ 8,685,640</u>

See accompanying notes to financial statements.

UnitedHealthcare Children's Foundation, Inc.

STATEMENTS OF ACTIVITIES For The Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
REVENUE		
Contribution revenue	\$ 4,615,569	\$ 4,062,803
Interest income	2,909	5,014
Other revenue	-	<u>42,745</u>
Total Revenue	<u>4,618,478</u>	<u>4,110,562</u>
EXPENSES		
Program grants and services	3,375,342	2,002,342
Management and general	114,000	106,512
Fundraising	<u>407,227</u>	<u>477,440</u>
Total Expenses	<u>3,896,569</u>	<u>2,586,294</u>
CHANGE IN UNRESTRICTED NET ASSETS	721,909	1,524,268
UNRESTRICTED NET ASSETS - Beginning of Year	<u>8,226,098</u>	<u>6,701,830</u>
UNRESTRICTED NET ASSETS - END OF YEAR	<u>\$ 8,948,007</u>	<u>\$ 8,226,098</u>

See accompanying notes to financial statements.

UnitedHealthcare Children's Foundation, Inc.

STATEMENTS OF CASH FLOWS For The Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in unrestricted net assets	\$ 721,909	\$ 1,524,268
Adjustments to reconcile change in unrestricted net assets to net cash flows from operating activities		
Allowance for doubtful accounts	53,000	57,000
Change in contributions receivable	(325,118)	(285,046)
Change in accounts and grants payable	<u>312,840</u>	<u>228,542</u>
Net Cash Flows Provided By Operating Activities	<u>762,631</u>	<u>1,524,764</u>
Net Increase in Cash and Cash Equivalents	762,631	1,524,764
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>5,770,713</u>	<u>4,245,949</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 6,533,344</u>	<u>\$ 5,770,713</u>

See accompanying notes to financial statements.

UnitedHealthcare Children's Foundation, Inc.

STATEMENTS OF FUNCTIONAL EXPENSES
For The Years Ended December 31, 2011 and 2010

	Program Grants and Services	Management and General	Fundraising	2011 Total	Program Grants and Services	Management and General	Fundraising	2010 Total
Salaries and wages donated	\$ 309,850	\$ 111,400	\$ 95,850	\$ 517,100	\$ 210,109	\$ 98,885	\$ 56,099	\$ 365,093
Grants	2,577,507	-	-	2,577,507	1,383,612	-	-	1,383,612
Events	-	-	279,813	279,813	-	-	420,084	420,084
Promotional products	213,502	-	-	213,502	164,660	-	-	164,660
Uncollected pledge expense	199,485	-	-	199,485	166,914	-	-	166,914
Professional fees	16,342	-	-	16,342	15,637	-	-	15,637
Facilities (donated)	7,150	2,600	2,150	11,900	8,607	4,322	1,257	14,186
Information technology	28,406	-	-	28,406	46,467	-	-	46,467
Bank fees	15,720	-	-	15,720	996	-	-	996
Supplies/printing	6,777	-	-	6,777	1,342	3,042	-	4,384
Consultants	478	-	-	478	-	-	-	-
Miscellaneous	125	-	29,414	29,539	3,998	263	-	4,261
Total Expenses	\$ 3,375,342	\$ 114,000	\$ 407,227	\$ 3,896,569	\$ 2,002,342	\$ 106,512	\$ 477,440	\$ 2,586,294

See accompanying notes to financial statements.

UnitedHealthcare Children's Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2011 and 2010

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 primarily funded by UnitedHealth Group Incorporated 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.

UnitedHealthcare Children's Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2011 and 2010

NOTE 1 - Summary of Significant Accounting Policies (continued)

Contributions Receivable

Unconditional promises to give made to the Foundation are recorded in the year the pledge is made. 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.

An allowance for uncollectible promises to give is determined based on the Foundation's historical collections experience. Contributions receivable are shown net of an allowance for uncollectible contributions of \$242,000 and \$189,000 for the years ended December 31, 2011 and 2010, 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, 2011 and 2010, respectively, of approximately \$2,614,600 and \$2,027,900 are excluded from these financial statements.

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, 2011 and 2010. The Foundation's tax returns are subject to review and examination by federal and state authorities. The tax returns for the current year as well as fiscal years 2008 through 2010 are open to 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, 2011 and 2010

NOTE 1 - Summary of Significant Accounting Policies (continued)

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 best estimates of management.

Fair Value of Financial Instruments

The Foundation's short-term financial instruments consist of the following: cash and cash equivalents, contributions receivable and accounts and grants payable. The carrying values of these short-term financial instruments approximate their estimated fair values based on the instruments short-term nature.

The fair values for investments recorded at fair value on a recurring basis are included in Note 3.

Reclassification

For comparability, certain 2010 amounts have been reclassified to conform with classifications adopted in 2011. The reclassifications have no effect on net assets or change in net assets as previously reported.

Subsequent Events

In preparing these financial statements, the Foundation has considered events and transactions for potential disclosure through March 15, 2012 which is the date that the financial statements were available to be issued.

NOTE 2 - Related Party Transactions

UnitedHealthcare provides certain administrative, overhead, and accounting services at no charge to the Foundation. The fair value of these services was approximately \$529,000 and \$379,300 for the years ended December 31, 2011 and 2010, respectively. The Foundation has recorded these amounts as contribution revenue and program, general and administrative and fundraising expense on the statements of activities.

UnitedHealthcare also provides a dollar for dollar match for any employee contribution to the Foundation. UnitedHealthcare match contributions totaled approximately \$1,375,000 and \$1,184,000 for the years ended December 31, 2011 and 2010, respectively.

At year end, substantially all of contributions receivable are from UnitedHealthcare and its employees. Employee contributions are generally collected by UnitedHealthcare through their payroll deduction program.

UnitedHealthcare Children's Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2011 and 2010

NOTE 3 - Fair Value of Financial Instruments

The Foundation follows current accounting guidance on fair value measurements. Fair value is defined in the guidance as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Under this guidance, a three-level hierarchy is used for fair value measurements, which is based on the transparency of information, such as the pricing source, used in the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- Level 1 - Inputs are quoted market prices in active markets for identical assets or liabilities.
- Level 2 - Inputs that are observable market based inputs or unobservable inputs that are corroborated by market data.
- Level 3 - Inputs are unobservable that are not corroborated by market data.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The table below presents the balances of assets and liabilities measured at fair value on a recurring basis as of December 31, 2011:

	<u>Level 1</u>
ASSETS	
Cash equivalents	<u>\$ 6,157,053</u>

The table below presents the balances of assets and liabilities measured at fair value on a recurring basis as of December 31, 2010:

	<u>Level 1</u>
ASSETS	
Cash equivalents	<u>\$ 5,809,901</u>

There were no changes in fair value valuation methodologies used by the Foundation in 2011 or 2010. The following methods and assumptions were used to estimate the fair value for each class of financial instrument measured at fair value:

Cash equivalents - The fair value of cash equivalents, consisting of money market funds, is classified as Level 1 as these funds are traded in an active market.