

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

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended December 31, 2013 and 2012

# UnitedHealthcare Children's Foundation, Inc.

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INDEPENDENT AUDITORS' REPORT

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To the Board of Directors  
UnitedHealthcare Children's Foundation, Inc.  
Minneapolis, 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, 2013 and 2012, 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, 2013 and 2012, 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 14, 2014

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

STATEMENTS OF FINANCIAL POSITION  
As of December 31, 2013 and 2012

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	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
<b>ASSETS</b>		
Cash and cash equivalents	\$ 7,717,141	\$ 7,650,137
Contributions receivable, net	<u>4,110,807</u>	<u>3,653,570</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 11,827,948</u></b>	<b><u>\$ 11,303,707</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES AND NET ASSETS</b>		
Accounts and grants payable	\$ 1,090,315	\$ 1,198,936
Unrestricted net assets	<u>10,737,633</u>	<u>10,104,771</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 11,827,948</u></b>	<b><u>\$ 11,303,707</u></b>

See accompanying notes to financial statements.

## UnitedHealthcare Children's Foundation, Inc.

### STATEMENTS OF ACTIVITIES For the Years Ended December 31, 2013 and 2012

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	<u>2013</u>	<u>2012</u>
<b>REVENUE</b>		
Contribution revenue	\$ 6,644,637	\$ 5,462,515
Interest income	<u>7,360</u>	<u>4,567</u>
Total Revenue	<u>6,651,997</u>	<u>5,467,082</u>
<b>EXPENSES</b>		
Program grants and services	4,807,965	3,612,561
Management and general	130,186	27,478
Fundraising	<u>1,080,984</u>	<u>670,279</u>
Total Expenses	<u>6,019,135</u>	<u>4,310,318</u>
<b>CHANGE IN UNRESTRICTED NET ASSETS</b>	632,862	1,156,764
UNRESTRICTED NET ASSETS - Beginning of Year	<u>10,104,771</u>	<u>8,948,007</u>
<b>UNRESTRICTED NET ASSETS - END OF YEAR</b>	<u>\$ 10,737,633</u>	<u>\$ 10,104,771</u>

See accompanying notes to financial statements.

## UnitedHealthcare Children's Foundation, Inc.

### STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2013 and 2012

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	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in unrestricted net assets	\$ 632,862	\$ 1,156,764
Adjustments to reconcile change in unrestricted net assets to net cash flows from operating activities		
Allowance for doubtful accounts	(20,000)	(62,000)
Change in contributions receivable	(437,237)	(404,525)
Change in accounts and grants payable	<u>(108,621)</u>	<u>426,554</u>
Net Cash Flows Provided By Operating Activities	<u>67,004</u>	<u>1,116,793</u>
<b>Net Increase in Cash and Cash Equivalents</b>	67,004	1,116,793
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>7,650,137</u>	<u>6,533,344</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 7,717,141</u>	<u>\$ 7,650,137</u>

See accompanying notes to financial statements.

## UnitedHealthcare Children's Foundation, Inc.

### STATEMENTS OF FUNCTIONAL EXPENSES For the Years Ended December 31, 2013 and 2012

	Program Grants and Services	Management and General	Fundraising	2013 Total	Program Grants and Services	Management and General	Fundraising	2012 Total
Salaries and wages donated	\$ 541,000	\$ 126,500	\$ 244,600	\$ 912,100	\$ 363,994	\$ 27,346	\$ 194,321	\$ 585,661
Grants	3,162,042	-	-	3,162,042	2,782,036	-	-	2,782,036
Events	-	-	642,117	642,117	-	-	441,137	441,137
Promotional products	432,362	24	19,749	452,135	243,735	-	-	243,735
Uncollected pledge expense	111,639	-	-	111,639	95,711	-	-	95,711
Software	-	-	-	-	17,476	-	-	17,476
Professional fees	17,154	-	-	17,154	17,632	-	-	17,632
Information technology	36,890	-	-	36,890	14,062	-	-	14,062
Bank fees	37,335	-	-	37,335	26,968	-	-	26,968
Supplies/printing	10,111	923	-	11,034	5,613	-	-	5,613
Consultants	458,519	553	156,473	615,545	43,750	-	-	43,750
Miscellaneous	913	2,186	18,045	21,144	1,584	132	34,821	36,537
<b>Total Expenses</b>	<b>\$ 4,807,965</b>	<b>\$ 130,186</b>	<b>\$ 1,080,984</b>	<b>\$ 6,019,135</b>	<b>\$ 3,612,561</b>	<b>\$ 27,478</b>	<b>\$ 670,279</b>	<b>\$ 4,310,318</b>

See accompanying notes to financial statements.

# UnitedHealthcare Children's Foundation, Inc.

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2013 and 2012

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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 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, 2013 and 2012

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

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#### *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 \$160,000 and \$180,000 for the years ended December 31, 2013 and 2012, 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, 2013 and 2012, respectively, are approximately \$3,442,000 and \$2,055,200 and 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, 2013 and 2012. 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 2010 and thereafter 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, 2013 and 2012

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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.

#### *Subsequent Events*

In preparing these financial statements, the Foundation has considered events and transactions for potential disclosure through March 14, 2014 which is the date that the financial statements were available to be issued.

#### *New Accounting Pronouncements*

In April 2013, the Financial Accounting Standards Board issued Accounting Standards Update 2013-06, which will be effective for the Foundation's 2015 financial statements. The amendments in this Update require a recipient not-for-profit entity to recognize all services received from personnel of an affiliate that directly benefit the recipient not-for-profit entity. Those services should be measured at the cost recognized by the affiliate for the personnel providing those services. However, if measuring a service received from personnel of an affiliate at cost will significantly overstate or understate the value of the service received, the recipient not-for-profit entity may elect to recognize that service received at either (1) the cost recognized by the affiliate for the personnel providing that service or (2) the fair value of that service. The Foundation is currently evaluating the impact that the adoption of this standard will have on its financial statements, but do not believe the impact to be material.

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

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UnitedHealthcare provides certain administrative, overhead, and accounting services at no charge to the Foundation. The fair value of these services was approximately \$912,000 and \$586,000 for the years ended December 31, 2013 and 2012, 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 \$1,705,000 and \$1,498,000 for the years ended December 31, 2013 and 2012, 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.

During the year ended December 31, 2013, the Foundation transferred its cash equivalents, consisting of money market funds, to an Optum Bank savings account consisting of cash. Optum Bank is a related party under common control of UnitedHealth Group. At December 31, 2013 there was \$6,506,815 in the savings account.

# UnitedHealthcare Children's Foundation, Inc.

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2013 and 2012

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### **NOTE 3 - Fair Value of Financial Instruments**

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#### *Fair Value Hierarchy*

Fair value is defined in the accounting 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 assets 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 are 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.

Financial instruments measured and reported at fair value are classified and disclosed in one of the following three categories.

Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. This includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data.

Level 3 - Inputs are unobservable for the asset or liability. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances.

#### *Valuation Techniques and Inputs*

Level 1 - Level 1 assets include investments in cash equivalents, consisting of money market funds, for which quoted prices are readily available.

There were no changes in fair value valuation methodologies used by the Foundation in 2013 or 2012.

As of December 31, 2013, there were no assets measured at fair value on a recurring basis based on the three-tier hierarchy.

The following table presents information about the Foundation's assets measured at fair value on a recurring basis as of December 31, 2012 based on the three-tier hierarchy:

	<u>Level 1</u>
ASSETS	
Cash equivalents	<u>\$ 7,581,496</u>