

**THE MCKNIGHT ENDOWMENT FUND
FOR NEUROSCIENCE**

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2010 AND 2009

**THE MCKNIGHT ENDOWMENT FUND FOR NEUROSCIENCE
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LarsonAllen[®] LLP

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INDEPENDENT AUDITORS' REPORT

Board of Directors
The McKnight Endowment Fund
for Neuroscience
Minneapolis, Minnesota

We have audited the accompanying statements of assets and unrestricted net assets resulting from cash transactions of The McKnight Endowment Fund for Neuroscience (the Fund) as of December 31, 2010 and 2009, and the related statements of revenues collected, expenses paid and changes in unrestricted net assets for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1 to the financial statements, these statements were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and unrestricted net assets of the Fund as of December 31, 2010 and 2009, and its revenue collected, expenses paid and changes in unrestricted net assets for the years then ended in conformity with the basis of accounting described in Note 1.

LarsonAllen LLP
LarsonAllen LLP

Minneapolis, Minnesota
April 11, 2011



(1)

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**THE MCKNIGHT ENDOWMENT FUND FOR NEUROSCIENCE
STATEMENTS OF ASSETS AND UNRESTRICTED NET ASSETS
RESULTING FROM CASH TRANSACTIONS
DECEMBER 31, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
ASSETS, CASH	<u>\$ 10,828</u>	<u>\$ 4,323</u>
UNRESTRICTED NET ASSETS	<u>\$ 10,828</u>	<u>\$ 4,323</u>

See accompanying Notes to Financial Statements.

**THE MCKNIGHT ENDOWMENT FUND FOR NEUROSCIENCE
STATEMENTS OF REVENUES COLLECTED, EXPENSES PAID, AND
CHANGES IN UNRESTRICTED NET ASSETS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

	2010	2009
REVENUES COLLECTED		
Grants Received	\$ 3,992,000	\$ 4,578,000
EXPENSES PAID		
Program:		
Neuroscience of Brain Disorders Awards	1,499,278	1,799,136
Scholars Awards	1,275,000	1,500,000
Technological Innovations in Neuroscience Awards	699,954	800,000
Neuroscience Conference	259,892	247,833
Total Program Expenses Paid	3,734,124	4,346,969
Administrative Expenses	251,371	259,079
Total Expenses Paid	3,985,495	4,606,048
REVENUES COLLECTED IN (DEFICIENCY) EXCESS OF EXPENSES PAID	6,505	(28,048)
Unrestricted Net Assets at Beginning of Year	4,323	32,371
UNRESTRICTED NET ASSETS AT END OF YEAR	\$ 10,828	\$ 4,323

See accompanying Notes to Financial Statements.

THE MCKNIGHT ENDOWMENT FUND FOR NEUROSCIENCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

The McKnight Endowment Fund for Neuroscience (the Fund) is an independent charitable organization established by The McKnight Foundation (the Foundation) to support innovative research in neuroscience through three competitive annual awards.

Basis of Accounting

The financial statements of the Fund are maintained on a cash basis, and the statements of revenues collected, expenses paid and changes in unrestricted net assets and the statements of assets and unrestricted net assets resulting from cash transactions reflect only cash received and disbursed. Therefore, grants receivable and payable, accounts payable, and accrued income and expenses, which may be material in amount, are not reflected in the accompanying financial statements, which are not intended to present financial position and results of activities in conformity with accounting principles generally accepted in the United States of America.

Financial Statement Presentation

Net assets and revenues, gain and losses are classified based on donor imposed restrictions. There are no donor imposed restrictions, and the board of directors has discretionary control over the resources. Accordingly, net assets of the Fund and changes therein are classified and reported as unrestricted.

Tax Exempt Status

The Fund is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Effective January 1, 2009, the Fund adopted a policy that clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements. The policy prescribes a recognition threshold and measurement principles for the financial statement recognition and measurement of tax positions taken or expected to be taken on a tax return that are not certain to be realized. The implementation of this policy had no impact on the Fund's financial statements.

The Fund files as a tax exempt organization. The Fund's 2007, 2008, and 2009 tax years are available for examination by the IRS.

Functional Allocation of Expenses

The costs of providing programs and services have been summarized on a functional basis. Accordingly, certain costs have been allocated between program and the administrative services.

THE MCKNIGHT ENDOWMENT FUND FOR NEUROSCIENCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

In preparing these financial statements, the Fund has evaluated events and transactions for potential recognition of disclosure through April 11, 2011, the date the financial statements were available to be issued.

In conjunction with approving a new 12-year grant to the Fund during 2009 for the years 2011-2023, in May 2011 the Foundation will be cancelling the remaining \$3,480,000 owed to the Fund as of December 31, 2010.

NOTE 2 CASH BALANCE

At December 31, 2010 and 2009, cash was maintained in a checking account that, at times, exceeded federally insured limits. The Fund has not experienced any losses in such accounts.

NOTE 3 RELATED-PARTY TRANSACTIONS

The Foundation has agreed to provide grants to the Fund annually through 2023 for the purposes of funding and administering neuroscience awards. During 2010 and 2009, \$3,992,000 and \$4,578,000, respectively, of grants were received from the Foundation. The Foundation, which the Fund relies upon for grant funding, has the ability to appoint two of the 11 members of the Fund's Board of Directors.

Pursuant to an administrative services agreement with the Foundation, the Fund reimbursed the Foundation \$100,000 for each of the years ended December 31, 2010 and 2009, for administrative services.

NOTE 4 GRANT COMMITMENTS

At December 31, 2010, the Fund's Board of Directors had approved grants of \$3,900,000 to be paid through 2013. Payments of approved grants are expected to be funded by proceeds of grants from the Foundation.