

**THE MCKNIGHT ENDOWMENT FUND  
FOR NEUROSCIENCE**

**FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2011 AND 2010**

**THE MCKNIGHT ENDOWMENT FUND FOR NEUROSCIENCE  
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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, 2011 and 2010, 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 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 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, 2011 and 2010, 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.

A handwritten signature in cursive script that reads 'CliftonLarsonAllen LLP'.

**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
April 17, 2012

**THE MCKNIGHT ENDOWMENT FUND FOR NEUROSCIENCE  
STATEMENTS OF ASSETS AND UNRESTRICTED NET ASSETS  
RESULTING FROM CASH TRANSACTIONS  
DECEMBER 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b>ASSETS, CASH</b>	<u>\$ 10,868</u>	<u>\$ 10,828</u>
<b>UNRESTRICTED NET ASSETS</b>	<u>\$ 10,868</u>	<u>\$ 10,828</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, 2011 AND 2010**

	2011	2010
<b>REVENUES COLLECTED</b>		
Grants Received	\$ 3,689,000	\$ 3,992,000
<b>EXPENSES PAID</b>		
Program:		
Neuroscience of Brain Disorders Awards	899,962	1,499,278
Memory and Cognitive Disorders Awards	400,000	-
Scholars Awards	1,274,949	1,275,000
Technological Innovations in Neuroscience Awards	600,000	699,954
Neuroscience Conference	265,940	259,892
Total Program Expenses Paid	3,440,851	3,734,124
Administrative Expenses	248,109	251,371
Total Expenses Paid	3,688,960	3,985,495
<b>REVENUES COLLECTED IN EXCESS OF EXPENSES PAID</b>	40	6,505
Unrestricted Net Assets at Beginning of Year	10,828	4,323
<b>UNRESTRICTED NET ASSETS AT END OF YEAR</b>	\$ 10,868	\$ 10,828

See accompanying Notes to Financial Statements.

**THE MCKNIGHT ENDOWMENT FUND FOR NEUROSCIENCE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011 AND 2010**

**NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Business**

The McKnight Endowment Fund for Neuroscience (the Fund) is a private foundation incorporated under the laws of Minnesota. 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.

The Fund follows 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 2008, 2009, and 2010 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, 2011 AND 2010**

**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 17, 2012, the date the financial statements were available to be issued.

**NOTE 2 CASH BALANCE**

At December 31, 2011 and 2010, 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 2011 and 2010, \$3,689,000 and \$3,992,000, 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, 2011 and 2010 for administrative services.

**NOTE 4 GRANT COMMITMENTS**

At December 31, 2011, the Fund's Board of Directors had approved grants of \$3,875,000 to be paid through 2014. Payments of approved grants are expected to be funded by proceeds of grants from the Foundation.