

THE MCKNIGHT ENDOWMENT FUND FOR NEUROSCIENCE
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021



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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of The McKnight Endowment Fund for Neuroscience (the Fund) (a nonprofit organization), which comprise the statements of assets and net assets without restrictions – cash basis as of December 31, 2022 and 2021, and the related statements of revenues, expenses, and changes in net assets without restrictions – cash basis and functional expenses – cash basis for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and net assets without restrictions of The McKnight Endowment Fund for Neuroscience as of December 31, 2022 and 2021, and its revenues and expenses for the years then ended in accordance with the cash basis of accounting as described in Note 1.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The McKnight Endowment Fund for Neuroscience and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting, and for 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' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 McKnight Endowment Fund for Neuroscience's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The McKnight Endowment Fund for Neuroscience's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
May 17, 2023

**THE MCKNIGHT ENDOWMENT FUND FOR NEUROSCIENCE
STATEMENTS OF ASSETS AND NET ASSETS WITHOUT RESTRICTIONS – CASH BASIS
DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
ASSETS, CASH	<u>\$ 24,431</u>	<u>\$ 31,388</u>
NET ASSETS WITHOUT RESTRICTIONS	<u>\$ 24,431</u>	<u>\$ 31,388</u>

See accompanying Notes to Financial Statements.

**THE MCKNIGHT ENDOWMENT FUND FOR NEUROSCIENCE
STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS WITHOUT RESTRICTIONS – CASH BASIS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022	2021
REVENUES		
Grants Received	\$ 3,766,000	\$ 3,600,000
EXPENSES		
Program:		
Memory and Cognitive Disorders Awards Program	1,101,000	1,128,500
Scholars Awards Program	1,447,612	1,454,224
Technological Innovations in Neuroscience Awards Program	620,000	620,000
Pecot Awards	82,500	82,500
Annual Neuroscience Conference	377,176	164,673
Total Program Expenses	3,628,288	3,449,897
Administrative Expenses	144,669	143,895
Total Expenses	3,772,957	3,593,792
CHANGE IN NET ASSETS	(6,957)	6,208
Net Assets Without Restrictions – Beginning of Year	31,388	25,180
NET ASSETS WITHOUT RESTRICTIONS – END OF YEAR	\$ 24,431	\$ 31,388

See accompanying Notes to Financial Statements.

**THE MCKNIGHT ENDOWMENT FUND FOR NEUROSCIENCE
STATEMENTS OF FUNCTIONAL EXPENSES – CASH BASIS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022		
	Program	Management and General	Total
Awards	\$ 3,203,112	\$ -	\$ 3,203,112
Board and Committee Fees	44,500	21,000	65,500
Meeting and Travel Expenses	374,253	1,034	375,287
Professional Services	2,475	100,000	102,475
Annual Audit and Tax Return	-	9,570	9,570
Computer Services	-	11,891	11,891
Communication	3,500	485	3,985
Other Expenses	448	689	1,137
Total Expenses	<u>\$ 3,628,288</u>	<u>\$ 144,669</u>	<u>\$ 3,772,957</u>
	2021		
	Program	Management and General	Total
Awards	\$ 3,207,500	\$ -	\$ 3,207,500
Board and Committee Fees	73,500	21,000	94,500
Meeting and Travel Expenses	150,091	1,139	151,230
Professional Services	13,806	100,000	113,806
Annual Audit and Tax Return	-	9,450	9,450
Computer Services	-	11,891	11,891
Communication	5,000	341	5,341
Other Expenses	-	74	74
Total Expenses	<u>\$ 3,449,897</u>	<u>\$ 143,895</u>	<u>\$ 3,593,792</u>

See accompanying Notes to Financial Statements.

THE MCKNIGHT ENDOWMENT FUND FOR NEUROSCIENCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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 four competitive annual awards and an annual conference.

Basis of Accounting

The financial statements of the Fund are maintained on a cash basis, and the statements of revenues, expenses, and changes in net assets without restrictions – cash basis and the statements of assets and net assets without restrictions – cash basis 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, gains, 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 without restrictions.

Tax-Exempt Status

The Fund is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Fund is classified as a private foundation as defined in Section 509(a) and 4940 of the IRC and as such is subject to certain minimum distribution requirements. No taxes were paid during the years ended December 31, 2022 and 2021.

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.

Functional Allocation of Expenses

The costs of providing programs and services have been summarized on a functional and natural basis. Specifically identifiable expenses have been allocated to program and management and general, respectively. Other expenses, not specifically identifiable, have been allocated to program and management and general expenses based upon best estimates of management.

**THE MCKNIGHT ENDOWMENT FUND FOR NEUROSCIENCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

**NOTE 1 NATURE OF BUSINESS AND 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 May 17, 2023, the date the financial statements were available to be issued.

NOTE 2 LIQUIDITY AND AVAILABILITY

Because its records are maintained on a cash basis, the Fund's only financial asset is cash held in a checking account. To meet its current financial obligations, the Fund receives its annual funding of approximately \$3.8 million from the Foundation in four to six installments per year, as needed.

NOTE 3 CASH BALANCE

At December 31, 2022 and 2021, cash was maintained in a checking account that, at times during the years then ended, exceeded federally insured limits. The Fund has not experienced any losses in such accounts.

NOTE 4 RELATED PARTY TRANSACTIONS

The Foundation has approved grant funding to the Fund annually through 2032 for the purposes of funding and administering neuroscience awards. The Foundation, upon which the Fund solely relies for grant funding, has the ability to appoint three of the eleven members of the Fund's board of directors. During 2022 and 2021, \$3,766,000 and \$3,600,000 of grants were received by the Fund, respectively. The Foundation grants to be received by the Fund are as follows as of December 31:

	<u>2022</u>	<u>2021</u>
Less Than One Year	\$ 3,800,550	\$ 3,875,000
One Year to Five Years	16,402,700	1,391,800
Greater Than Five Years	17,796,750	-
Total	<u>\$ 38,000,000</u>	<u>\$ 5,266,800</u>

Pursuant to an administrative agreement, the Fund reimbursed the Foundation \$100,000 for each of the years ended December 31, 2022 and 2021 for administrative services provided by the Foundation.

During the year, payments have been made to board members for their services as board members.

THE MCKNIGHT ENDOWMENT FUND FOR NEUROSCIENCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 5 GRANT COMMITMENTS

At both December 31, 2022 and 2021, the Fund's board of directors had approved grants of \$2,032,500 and \$4,000,000 to be paid through 2022, 2023, and 2024, respectively. Payments of approved grants are expected to be funded by proceeds of grants from the Foundation. Grant payments, net of returned grant funds, during the years ended December 31, 2022 and 2021 were \$3,203,112 and \$3,207,500, respectively.

NOTE 6 NEUROSCIENCE CONFERENCE COMMITMENTS

In 2022, the Fund has signed a contract for the 2023 Neuroscience Conference. The Fund will be liable for up to approximately \$192,000 if the conference is cancelled before the scheduled conference date. Subsequent to year end, the Fund has signed a contract for the 2024 Neuroscience Conference. The Fund will be liable for up to approximately \$211,000 if the conference is canceled before the scheduled conference date.



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