

**THE MCKNIGHT ENDOWMENT FUND
FOR NEUROSCIENCE**

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

**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 financial statements of The McKnight Endowment Fund for Neuroscience (the Fund) (a nonprofit organization), which comprise the statements of assets and unrestricted net assets resulting from cash transactions – cash basis as of December 31, 2017 and 2016, and the related statements of revenues collected, expenses paid, and changes in unrestricted net assets – cash basis 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 the cash basis of accounting described in Note 1; determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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' 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 audit 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 Fund'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.

Board of Directors
The McKnight Endowment Fund for Neuroscience

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, assets and unrestricted net assets of The McKnight Endowment Fund for Neuroscience as of December 31, 2017 and 2016, 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.

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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
June 6, 2018

**THE MCKNIGHT ENDOWMENT FUND FOR NEUROSCIENCE
STATEMENTS OF ASSETS AND UNRESTRICTED NET ASSETS
RESULTING FROM CASH TRANSACTIONS – CASH BASIS
DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
ASSETS, CASH	<u>\$ 18,752</u>	<u>\$ 20,858</u>
UNRESTRICTED NET ASSETS	<u>\$ 18,752</u>	<u>\$ 20,858</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 – CASH BASIS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017	2016
REVENUES COLLECTED		
Grants Received	\$ 3,718,000	\$ 3,762,000
EXPENSES PAID		
Program:		
Memory and Cognitive Disorders Awards	1,198,550	1,200,000
Scholars Awards	1,350,000	1,349,388
Technological Innovations in Neuroscience Awards	600,000	600,000
Neuroscience Conference	315,637	355,226
Total Program Expenses Paid	3,464,187	3,504,614
Administrative Expenses	255,919	254,033
Total Expenses Paid	3,720,106	3,758,647
REVENUES COLLECTED IN EXCESS (DEFICIT) OF EXPENSES PAID	(2,106)	3,353
Unrestricted Net Assets – Beginning of Year	20,858	17,505
UNRESTRICTED NET ASSETS – END OF YEAR	\$ 18,752	\$ 20,858

See accompanying Notes to Financial Statements.

THE MCKNIGHT ENDOWMENT FUND FOR NEUROSCIENCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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 and an annual conference.

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, 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 unrestricted.

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, 2017 and 2016.

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 basis. Accordingly, certain costs have been allocated between program and the administrative services.

Subsequent Events

In preparing these financial statements, the Fund has evaluated events and transactions for potential recognition of disclosure through June 6, 2018, the date the financial statements were available to be issued.

THE MCKNIGHT ENDOWMENT FUND FOR NEUROSCIENCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 2 CASH BALANCE

At December 31, 2017 and 2016, 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 2017 and 2016, \$3,718,000 and \$3,762,000, 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 ten members of the Fund's board of directors.

Included within administrative expenses, the Fund reimbursed the Foundation \$100,000 for each of the years ended December 31, 2017 and 2016 for administrative services pursuant to an administrative services agreement with the Foundation.

NOTE 4 GRANT COMMITMENTS

At both December 31, 2017 and 2016, the Fund's board of directors had approved grants of \$4,050,000 to be paid through 2018, 2019, and 2020, 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, 2017 and 2016 were \$3,148,550 and \$3,149,388, respectively.

NOTE 5 NEUROSCIENCE CONFERENCE COMMITMENTS

As of December 31, 2017, the Fund has signed a contract for the 2018 Neuroscience Conference. At December 31, 2017, the Fund was liable for up to \$142,000 if the Fund cancels the conference.