



Financial Statements  
December 31, 2012

# Minneapolis Medical Research Foundation

# Minneapolis Medical Research Foundation

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December 31, 2012 (With Comparative Totals for December 31, 2011)

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## Independent Auditor's Report

The Board of Directors  
Minneapolis Medical Research Foundation  
Minneapolis, Minnesota

We have audited the accompanying financial statements of Minneapolis Medical Research Foundation (Foundation), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities and changes in net assets, and cash flows for the year 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.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Audit Standards*, issued by the Comptroller General of the United States. 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 auditor's 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 Minneapolis Medical Research Foundation as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**

We have previously audited the Foundation's 2011 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 19, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011 is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated March 18, 2013, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Minneapolis, Minnesota  
March 18, 2013

Minneapolis Medical Research Foundation

Statements of Financial Position

December 31, 2012 (With Comparative Totals for December 31, 2011)

	<u>2012</u>	<u>2011</u>
Assets		
Cash and cash equivalents	\$ 3,207,088	\$ 2,884,992
Investments	23,888,691	19,169,357
Receivables		
Contract and grant	4,659,764	5,401,702
Promises to give	357,035	29,207
Prepaid expenses	248,313	363,198
Beneficial interest in perpetual trusts	962,332	919,011
Property and equipment, net	1,968,223	2,201,721
	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 35,291,446</u>	<u>\$ 30,969,188</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 798,307	\$ 801,812
Accrued expenses	1,549,116	1,227,112
Deferred revenue	102,422	146,397
	<u>                    </u>	<u>                    </u>
Total liabilities	<u>2,449,845</u>	<u>2,175,321</u>
Net Assets		
Unrestricted		
Investment in property and equipment	1,968,223	2,201,721
Undesignated	1,889,649	722,458
Designated - other	4,273,980	3,801,495
Designated for investigator directed research and education	5,513,603	4,707,839
	<u>                    </u>	<u>                    </u>
Total unrestricted	13,645,455	11,433,513
Temporarily restricted	5,597,429	5,115,650
Permanently restricted	13,598,717	12,244,704
	<u>                    </u>	<u>                    </u>
Total net assets	<u>32,841,601</u>	<u>28,793,867</u>
	<u>                    </u>	<u>                    </u>
Total liabilities and net assets	<u>\$ 35,291,446</u>	<u>\$ 30,969,188</u>

**Minneapolis Medical Research Foundation**  
 Statements of Activities and Changes in Net Assets  
 Year Ended December 31, 2012  
 (With Comparative Totals for the Year Ended December 31, 2011)

	2012			Total	2011
	Unrestricted	Temporarily Restricted	Permanently Restricted		
<b>Contributions, Gains, and Other Support</b>					
U.S. Government contracts and grants	\$ -	\$ 20,667,818	\$ -	\$ 20,667,818	\$ 19,379,147
Other contracts and grants	-	11,562,216	-	11,562,216	10,025,536
Contributions	137,932	1,258,111	-	1,396,043	1,198,532
Investment income	542,229	-	324,465	866,694	483,174
Other	15,848	121,564	-	137,412	185,188
Change in fair value of perpetual trusts	-	-	43,321	43,321	(50,146)
Net assets released from restrictions	33,357,555	(33,127,930)	(229,625)	-	-
Total contributions, gains, and other support	<u>34,053,564</u>	<u>481,779</u>	<u>138,161</u>	<u>34,673,504</u>	<u>31,221,431</u>
<b>Operating Expenses</b>					
Research and education	30,324,725	-	-	30,324,725	29,218,690
General and administrative	2,189,167	-	-	2,189,167	2,062,860
Fundraising	1,890	-	-	1,890	15,798
Total operating expenses	<u>32,515,782</u>	<u>-</u>	<u>-</u>	<u>32,515,782</u>	<u>31,297,348</u>
Gain (Loss) from Operations	1,537,782	481,779	138,161	2,157,722	(75,917)
Change in Unrealized Gains and Losses on Investments	674,160	-	1,215,852	1,890,012	(703,141)
Change in Net Assets	2,211,942	481,779	1,354,013	4,047,734	(779,058)
Net Assets, Beginning of Year	11,433,513	5,115,650	12,244,704	28,793,867	29,572,925
Net Assets, End of Year	<u>\$ 13,645,455</u>	<u>\$ 5,597,429</u>	<u>\$ 13,598,717</u>	<u>\$ 32,841,601</u>	<u>\$ 28,793,867</u>

See Notes to Financial Statements

# Minneapolis Medical Research Foundation

Statements of Cash Flows

Year Ended December 31, 2012

(With Comparative Totals for the Year Ended December 31, 2011)

	2012	2011
Operating Activities		
Change in net assets	\$ 4,047,734	\$ (779,058)
Charges and credits to change in net assets not affecting cash		
Depreciation	546,954	525,372
Change in unrealized gains and losses on investments	(1,890,012)	703,141
Realized gains on investments	(338,040)	(30,575)
Change in value of perpetual trusts	(43,321)	50,146
Changes in assets and liabilities		
Contract and grant receivables	741,938	(546,618)
Pledge receivables	(327,828)	(2,910)
Prepaid expenses	114,885	(179,326)
Accounts payable, accrued expenses, and deferred revenue	274,524	(60,698)
Net Cash from (used for) Operating Activities	3,126,834	(320,526)
Investing Activities		
Purchase of investments	(5,033,131)	(1,659,731)
Proceeds from the sale of investments	2,541,849	1,999,290
Purchase of property and equipment	(313,456)	(201,066)
Net Cash from (used for) Investing Activities	(2,804,738)	138,493
Net Increase (Decrease) in Cash and Cash Equivalents	322,096	(182,033)
Cash and Cash Equivalents, Beginning of Year	2,884,992	3,067,025
Cash and Cash Equivalents, End of Year	\$ 3,207,088	\$ 2,884,992

**Note 1 - Organization and Significant Accounting Policies****Organization**

Minneapolis Medical Research Foundation (Foundation) is a Minnesota nonprofit corporation and has been recognized by the Internal Revenue Service as exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). On January 1, 2012, Hennepin Healthcare System, Inc. (HHS) (Note 6) became the sole member of the Foundation. HHS is a public corporation and subsidiary of Hennepin County, Minnesota, and operates and conducts business as Hennepin County Medical Center (HCMC). The Foundation is organized to engage in charitable, educational and scientific activities in support of HCMC, in the pursuit of its research and educational missions. A major portion of the Foundation's contributions and support is derived from restricted basic and clinical research grants and contracts that are awarded to the Foundation annually from private donors and federal agencies such as the Department of Health and Human Services.

**Basis of Accounting**

The Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Net assets and contributions, gains and other support are classified based on donor imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted – Resources over which the Board of Directors has discretionary control. Designated amounts represent those contributions the Board has set aside for a particular purpose.

Temporarily Restricted – Those resources subject to donor imposed restrictions that will be satisfied by actions of the Foundation or passage of time.

Permanently Restricted – Those resources subject to donor imposed restrictions that are maintained permanently by the Foundation.

**Comparative Financial Information**

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2011, from which the summarized information was derived.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less.

**Investments and Investment Income**

Investments in equity securities and bonds with readily determinable fair values are measured at fair value in the statements of financial position. Investment income or loss (including realized gains and losses on investments, interest, and dividends) is included in the gain (loss) from operations. Unrealized gains and losses on investments are excluded from the gain (loss) from operations unless the investments are trading securities.

**Fair Value Measurements**

The Foundation has determined the fair value of certain assets and liabilities in accordance with generally accepted accounting principles, which provides a framework for measuring fair value.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques should maximize the use of observable inputs and minimize the use of unobservable inputs.

A fair value hierarchy has been established, which prioritizes the valuation inputs into three broad levels. Level 1 inputs consist of quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset or liability. Level 3 inputs are unobservable inputs related to the asset or liability.

**Concentrations of Credit Risk**

The Foundation's cash balances are maintained in various bank deposit accounts. At times the balances of these deposits are in excess of federally insured limits.

**Promises to Give**

Unconditional promises to give expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities and changes in net assets. Management determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At December 31, 2012, no allowance has been recorded, as management believes all pledges are collectible. At December 31, 2012, all promises to give are expected to be collected within one year.

**Property and Equipment**

Property and equipment acquisitions in excess of \$5,000 are capitalized and recorded at cost. Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method. The estimated useful lives of property and equipment are as follows:

Furniture and equipment	3-20 years
Building and leasehold improvements	5-20 years

Gifts of long-lived assets such as buildings or equipment are reported at fair value at the time of the gift and are reported as additions to unrestricted net assets, and are excluded from the gain (loss) from operations, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted net assets. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when donated or when acquired long-lived assets are placed in service.

**Beneficial Interest in Perpetual Trusts**

The Foundation has been named as an irrevocable beneficiary of several perpetual trusts held and administered by independent trustees. Perpetual trusts provide for the distribution of the net income of the trusts to the Foundation; however, the Foundation will never receive the assets of the trusts. At the date the Foundation receives notice of a beneficial interest, a permanently restricted contribution is recorded in the statement of activities and changes in net assets, and a beneficial interest in perpetual trust is recorded in the statement of financial position at the fair value of the underlying trust assets. Thereafter, beneficial interests in the trusts are reported at the fair value of the trusts' assets in the statement of financial position, with trust distributions and changes in fair value recognized in the statement of activities and changes in net assets.

**Temporarily and Permanently Restricted Net Assets**

Temporarily restricted net assets are those whose use by the Foundation has been limited by donors to a specific time period or purpose, primarily for research and education. Permanently restricted net assets have been restricted by donors to be maintained by the Foundation in perpetuity, the income from which is expendable to support research and education.

In 2012, temporarily restricted net assets were released from donor restrictions by incurring expenditures or satisfying the restricted purposes in the amount of \$33,127,930. These amounts are included in net assets released from restrictions in the accompanying financial statements.

The Foundation uses the total return concept to manage endowments unless donor restrictions state otherwise. This systematic formula is used to determine the portion of gains and losses that can be expended and the portion of gains and losses to be preserved to protect permanently restricted principal from loss of purchasing power. During 2012, the Foundation's total return policy allocated 4% of permanently restricted net assets, based on a twelve month trailing average, to be used for operations. During 2012, \$229,625 of investment return was released under this policy. At December 31, 2012, the fair market value of all permanently restricted endowment gifts exceeded the aggregate original value of the gifts (Note 8).

**Grant and Contract Receivables and Revenues**

Grant and contract receivables and revenues, excluding revenues and expenses from contracts with subrecipients, are recorded when earned. A receivable is recorded and funds are earned when eligible expenditures are incurred, as defined in each grant or contract.

**Gain (Loss) from Operations**

Gain (loss) from operations excludes unrealized gains and losses on investments other than trading securities, transfers of assets to and from related parties for other than goods and services, and contributions of long-lived assets.

**Donor-restricted Gifts**

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When donor stipulated time restrictions or purpose restrictions are met or accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

**Functional Expenses**

The costs of services provided and expenses are allocated to research and education and supporting services based on identification of both direct and indirect expenses.

**Subrecipient Accounting**

The Foundation acts as a pass-through agency for various organizations (subrecipients) receiving awards. The majority of subrecipients receiving these awards do not bill for their services in a timely manner resulting in the Foundation having an unrecorded payable (due to the subrecipient) and an unrecorded receivable (due from the sponsor) at year end with no impact on the change in net assets line in the statements of activities. To accurately estimate the receivable and payable for subrecipients, the Foundation would have to wait for an unknown period of time for subrecipient bills to be received. Since the offsetting payable and receivable have no impact in the change in net assets, management has elected to accrue for subrecipient bills submitted through its fiscal year end. Any subrecipient bills received after year end are recorded in the next reporting period.

**Advertising Costs**

The Foundation expenses advertising costs as incurred.

**Income Taxes**

The Foundation is exempt from income taxes as a nonprofit corporation under Internal Revenue Service Code Section 501(c)(3) and is an organization that is not a private foundation under the Internal Revenue Code. The Foundation is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Foundation is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. The Foundation has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990T) with the IRS.

The Foundation believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Foundation would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

**Reclassifications**

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

**Note 2 - Investments and Investment Income**

The composition of investments at December 31, 2012 is shown in the following table. Investments are stated at fair value.

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Mutual funds - equities			
Large cap	\$ 6,578,168	\$ -	\$ -
Small cap	2,400,541	-	-
International	3,495,876	-	-
Alternative	1,831,925	-	-
Mutual funds - bonds			
Fixed income core	4,481,349	-	-
Short-term fixed income	5,100,832	-	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total investments	<u>\$ 23,888,691</u>	<u>\$ -</u>	<u>\$ -</u>

**Investment Income**

Investment income and gains and losses on investments and cash and cash equivalents consist of the following for the year ended December 31, 2012:

	Amount
Investment income	
Interest income	\$ 528,654
Realized gains on investments	338,040
	\$ 866,694
Other changes in net assets	
Change in unrealized gains and losses on investments	\$ 1,890,012

**Note 3 - Property and Equipment**

A summary of property and equipment at December 31, 2012 follows:

	Cost	Accumulated Depreciation
Building and leasehold improvements	\$ 6,998,120	\$ 5,917,147
Furniture and equipment	3,917,046	3,029,796
	\$ 10,915,166	\$ 8,946,943
Net property and equipment		\$ 1,968,223

**Note 4 - Leases**

The Foundation leases a total of 66,802 square feet of space for its activities. The location of the space includes 8,839 square feet in the Parkside Building for Berman Center activities and 57,963 square feet in the Shapiro Building for research and general administrative activities.

The 57,963 square feet in the Shapiro Building is leased from a related party, Hennepin Healthcare System, Inc. All space in the Shapiro Building is leased on a month-to-month basis.

The 8,839 square feet in the Parkside Building for Berman Center activities lease ends September 30, 2014 and the annual base rent is \$83,971.

Total lease and rental payments for building space, certain equipment and parking lot space for the year ended December 31, 2012 was \$827,371 and is included in facility costs in the accompanying schedule of operating expense by natural classification. All leases have been recorded as operating leases. Minimum future lease payments for operating leases with measurable terms are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2013	\$ 83,971
2014	<u>62,978</u>
Total minimum lease payments	<u><u>\$ 146,949</u></u>

**Note 5 - Pension Plan**

The Foundation has a defined contribution pension plan under which employees become participants upon reaching age 21 and completion of one year of service. The Foundation makes contributions of 9.5% of annual compensation up to \$250,000 with an additional 5.7% contribution on compensation over the Social Security wage base up to \$250,000 of compensation. Contributions are deposited with the plan trustee who invests the plan assets. Contributions made by the Foundation under this plan for the year ended December 31, 2012 was \$961,020. The Foundation also offers a tax-deferred employee savings plan, but makes no contributions to this plan.

**Note 6 - Related Party Transactions**

The Foundation received contributions of \$1,943,562 for the year ended December 31, 2012 from related parties which are included in contributions in the statements of activities and changes in net assets. At December 31, 2012, the Foundation had receivables of \$430,151 due from related parties. The composition of the related party activity is as follows:

	<u>Revenue</u>	<u>Receivables</u>
Hennepin County	\$ 680,213	\$ 16,320
Hennepin Health Foundation	47,215	9,314
Hennepin Healthcare System	<u>1,216,134</u>	<u>404,517</u>
	<u>\$ 1,943,562</u>	<u>\$ 430,151</u>

The Foundation incurred expenses related to services provided by HHS which are included in the appropriate operating expenses in the statement of activities and changes in net assets. At December 31, 2012, the Foundation had accrued expenses and payables to HHS in the amount of \$753,611. Expenses related to HHS services for the year ended December 31, 2012 are as follows:

	<u>Amount</u>
Physician salaries and fringe benefits	\$ 2,290,173
Other salaries and fringe benefits	505,910
Rent	617,451
Miscellaneous expenses	367,455
Purchased services	362,185
Supplies	<u>48,459</u>
	<u>\$ 4,191,633</u>

**Note 7 - Beneficial Interest in Perpetual Trusts**

The Foundation is named as a beneficiary of two perpetual trusts that are both held by a third party. The Foundation will receive a percentage of the income generated by the trust funds. The value of the Foundation's interest in the trusts at December 31, 2012 totaled \$962,332. During the year ended December 31, 2012, the value of perpetual trusts increased \$43,321.

The composition of beneficial interest in perpetual trusts at December 31, 2012 is shown in the following table. Cash and cash equivalents are stated at cost and investments are stated at fair value.

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Cash and cash equivalents (at cost)	\$ 31,939	\$ -	\$ -
Fixed income			
Domestic mutual funds	193,069	-	-
International mutual funds	72,872	-	-
Corporate obligations	69,743	-	-
Preferred securities	5,905	-	-
Equities			
Consumer discretionary	13,706	-	-
Consumer staples	11,026	-	-
Energy	13,112	-	-
Financials	19,718	-	-
Healthcare	10,846	-	-
Industrials	12,441	-	-
Information technology	21,555	-	-
Materials	10,589	-	-
Telecommunication services	5,286	-	-
International equities	12,696	-	-
Domestic mutual funds	215,962	-	-
International mutual funds	115,961	-	-
Complementary strategies	57,254	-	-
Real assets			
Real asset funds	68,652	-	-
Total investments	<u>\$ 962,332</u>	<u>\$ -</u>	<u>\$ -</u>

**Note 8 - Endowments**

The Foundation's endowment consists of eight individual funds established for a variety of purposes. Its entire endowment is classified as permanently restricted. In accordance with its Investment Policy Statement (IPS), gifts to endowments are accepted with the understanding that investment gains and losses are permanently restricted except for the portion of the endowment used annually in accordance with its spending rate, unless donor restrictions state otherwise.

**Interpretation of Relevant Law**

The Board of Directors of the Foundation has interpreted the Minnesota Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, (c) gains and losses from investments, less the portion of the endowment used annually in accordance with its spending rate, and (d) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with Minnesota UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Foundation and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Foundation
- (7) The investment policies of the Foundation

The amount appropriated for expenditure is classified as unrestricted unless temporarily restricted for purpose of the donor.

Endowment net assets is composed entirely of donor-restricted endowment funds. Changes in the endowment net assets for the fiscal year ended December 31, 2012 are as follows:

	<u>Amount</u>
Endowment net assets, beginning of year	\$ 12,244,704
Investment income	324,465
Change in value of perpetual trusts	43,321
Appropriation of endowment assets for expenditure	(229,625)
Change in unrealized gains and losses on investments	<u>1,215,852</u>
Endowment net assets, end of year	<u><u>\$ 13,598,717</u></u>

**Fund Values**

The fair value of the Foundation's endowment equals or exceeds the level required by donor stipulation or law. In accordance with the Foundation's IPS policy, gains and losses from investments for endowments are permanently restricted except for the portion used annually in accordance with its spending rate. The fair value of permanently restricted endowment gifts was greater than the aggregate original value of all gifts to the endowment by \$1,252,047 at December 31, 2012.

**Return Objectives and Risk Parameters**

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that match or exceed the sum of inflation rate plus the annual spending rate and the annual administrative fee. Investments are measured by appropriate benchmarks and monitored quarterly. Portfolios with multiple asset classes are measured against a composite benchmark, which reflects the target asset allocation. Investment risks are considered within the context of all managed assets and the need to meet specific objectives as determined by the Investment Committee. Volatility and risk will be controlled through asset allocation strategies and the selection of Investment Managers of mutual funds.

**Strategies Employed for Achieving Objectives**

To satisfy its long-term objectives, the Foundation relies on a balanced asset allocation model in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

**Spending Policy and How the Investment Objectives Relate to Spending Policy**

The Foundation's annual spending rate for its endowments is 4% of an endowment's twelve month trailing average fund balance except where donor stipulations state otherwise. The objective of the Foundation's investment return is to match or exceed the sum of the inflation rate plus the annual spending rate and the annual administrative fee. The Foundation's policy reflects a commitment to endowment growth by balancing the re-investment of annual earnings with the operating needs of the organization. Accordingly, over the long-term, the Foundation expects the current policy to allow its endowment to grow at a rate of return that equals or exceeds the various benchmarks that are representative of the asset allocation model identified. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts, changes in inflation, and investment return.

**Note 9 - Professional Liability Insurance**

The Foundation purchases comprehensive liability coverage on a claims-made basis from Midwest Medical Insurance Company covering claims of up to \$5,000,000 per occurrence or \$7,000,000 in the aggregate, subject to certain deductible and self-retention amounts. Should these claims-made policies not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, will be uninsured. The Foundation has obtained coverage through January 1, 2014.

**Note 10 - Concentrations**

The Foundation receives a substantial amount of its support and revenue from U.S. Government contracts and grants. A significant reduction in the level of support from the U.S. Government may have an effect on the Foundation's ability to continue its programs and activities.

**Note 11 - Subsequent Events**

The Foundation has evaluated subsequent events through March 18, 2013, the date which the financial statements were available to be issued.



Supplementary Information  
December 31, 2012

# Minneapolis Medical Research Foundation



## Independent Auditor's Report on Supplementary Information

The Board of Directors  
Minneapolis Medical Research Foundation  
Minneapolis, Minnesota

We have audited the financial statements of Minneapolis Medical Research Foundation as of and for the year ended December 31, 2012, and our report thereon dated March 18, 2013, which expressed an unmodified opinion on those financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on page 19 is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Minneapolis, Minnesota  
March 18, 2013

Minneapolis Medical Research Foundation  
Schedule of Operating Expenses by Natural Classification  
Year Ended December 31, 2012

	Research and Education					Total	General and Administrative	Fundraising	Total
	Research and Education Site 1	Research and Education Site 2	Facility Costs Site 1	Facility Costs Site 2	Grants Administration				
Operating Expenses									
Salaries	\$ 1,477,458	\$ 9,454,825	\$ 181,968	\$ 191,663	\$ 605,149	\$ 11,911,063	\$ 1,270,126	\$ 1,313	\$ 13,182,502
Fringe benefits	455,855	2,867,603	57,822	64,152	198,282	3,643,714	392,263	440	4,036,417
Supplies, forms, and reproduction	514,856	351,710	14,007	2,566	9,238	892,377	71,659	-	964,036
Purchased services	161,272	1,676,181	69,685	4,434	7,085	1,918,657	81,368	-	2,000,025
Subcontracts	518,047	8,113,333	-	-	-	8,631,380	-	-	8,631,380
Depreciation	45,254	179,981	192,931	39,975	6,052	464,193	82,761	-	546,954
Travel and education	39,045	928,355	3,986	6,313	17,118	994,817	5,824	-	1,000,641
Facility costs	401,111	509,807	30,593	30,921	7,184	979,616	98,073	-	1,077,689
Legal, consulting, and audit	-	-	1,650	-	-	1,650	103,949	-	105,599
Animal care	161,868	1,961	-	-	-	163,829	-	-	163,829
Insurance	-	-	-	-	-	-	61,998	-	61,998
Miscellaneous	11,747	685,489	4,623	8,911	12,659	723,429	21,146	137	744,712
Total operating expenses	<u>\$ 3,786,513</u>	<u>\$ 24,769,245</u>	<u>\$ 557,265</u>	<u>\$ 348,935</u>	<u>\$ 862,767</u>	<u>\$ 30,324,725</u>	<u>\$ 2,189,167</u>	<u>\$ 1,890</u>	<u>\$ 32,515,782</u>



Single Audit Reports  
December 31, 2012

# Minneapolis Medical Research Foundation

Minneapolis Medical Research Foundation

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December 31, 2012

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**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with  
*Government Auditing Standards***

To the Board of Directors  
Minneapolis Medical Research Foundation  
Minneapolis, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Minneapolis Medical Research Foundation (Foundation), which comprise the statements of financial position as of December 31, 2012, and the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 18, 2013.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not yet been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Minneapolis, Minnesota  
March 18, 2013



**Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

To the Board of Directors  
Minneapolis Medical Research Foundation  
Minneapolis, Minnesota

**Report on Compliance for Each Major Federal Program**

We have audited Minneapolis Medical Research Foundation's (Foundation) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Foundation's major federal program for the year ended December 31, 2012. The Foundation's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the compliance for the Foundation's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Minneapolis Medical Research Foundation's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the Foundation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major Federal program identified above for the year ended December 31, 2012.

## **Report on Internal Control over Compliance**

Management of the Foundation is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Foundation's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of the Foundation as of and for the year ended December 31, 2012, and have issued our report thereon dated March 18, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in cursive script that reads "Eide Sully LLP".

Minneapolis, Minnesota  
March 18, 2013

Minneapolis Medical Research Foundation  
Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2012

Federal Grantor/Pass-Through/Program Title	Contract/ CFDA No.	Federal Grant No.	Expenditures	
Direct Awards				
Agency for Healthcare Research and Quality Creating Healthy Workplaces: Improving Outcomes for Providers and Patients	93.226	5R18HS018160-03	\$ 200,209	\$ 200,209
Centers for Disease Control Influenza Viral Shedding among HIV-Infected Persons	93.RD	200-2010-36765	18,293	
The Study to Understand the Natural History of HIV/AIDS in the Era of Effective Therapy (SUN Study)	93.RD	200-2010-37373	419,021	437,314
Department of the Army/U.S. Army Medical Research Acquisition Activity Strategies to Address Infection Prevention and Treatment in the Reduced Milieu of Irrigated Open Wound	12.420	W81XWH-10-1-0695	9,255	9,255
Health Resources and Services Administration Indigent Metropolitan AIDS Care Collaborative (i-MAC2)	93.918	6 H76HA00688-10-03	361,976	
Indigent Metropolitan AIDS Care Collaborative (i-MAC2)	93.918	6 H76HA00688-11-01	192,440	
Minnesota Part D Clinical Consortium (MNDC2)	93.153	1 H12HA24813-01-00	75,187	
Scientific Registry of Transplant Recipients (SRTR)	93.RD	HSHS250201000018C	4,431,800	5,061,403
National Institutes of Health - Federal Contracts United States Renal Data System - Coordinating Center (Renewal)	93.RD	N01-DK-7-5002	1,876,374	
United States Renal Data System - Cardiovascular Special Studies Center (Renewal)	93.RD	N01-DK-7-5003	349,459	2,225,833

Minneapolis Medical Research Foundation  
Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2012

Federal Grantor/Pass-Through/Program Title	Contract/ CFDA No.	Federal Grant No.	Expenditures
Direct Awards			
National Institutes of Health - Direct Awards			
ASPirin in Reducing Events in the Elderly - BIOBANK	93.866	3U01AG029824-02S1	\$ 6,347
ASPREE (ASPirin in Reducing Events in the Elderly)	93.866	5U01AG029824-02 REVISED	6,494,304
Cyclin D1/CDK4 Complex in Hepatocyte Proliferation	93.847	5R01DK054921-14	256,701
Determinants of Nicotine Reinforcement Thresholds and Demand Elasticity in Rats	93.279	5R01DA026444-04	296,646
Determining Prevalence of Acute Bilirubin Encephalopathy in Developing Countries	93.865	1R21HD068203-01A1	85,484
Early Antigen-Specific B Cell Responses as Makers of Oxycodone Vaccine Efficacy	93.279	1R21DA034487-01	56,976
Failure Mechanisms of Revision Joint Replacement	93.846	5R01AR042051-16	138,557
Immunization to Block the Effects of Nicotine	93.279	5R01DA010714-16	357,373
Methadone Population Pharmacokinetics: Treatment Outcome in Hmong and Non-Hmong	93.279	5K23DA024663-05	98,378
Multivalent Vaccine for Opiate Addiction	93.279	5R01DA026300-05	445,463
Preclinical Studies of a Heroin/Morphine Vaccine for Opiate Addiction	93.279	5R01DA030715-03	748,721
Stroke and Cognitive Impairment in Aging Chronic Kidney Disease Patients	93.866	5R01AG037551-02	346,223
The Minnesota Heart Failure Consortium: A Regional Clinical Center	93.837	5U01HL084861-05 REVISED	\$ 101,279
U.S. Department of Justice			
SART Conference 2011 & 2013	16.582	2009-VF-GX-K011	104,641
Stress Biomarkers Among Patients Undergoing Treatment for Excited Delirium and Severe Pain in the Emergency Department	16.560	2012-R2-CX-K007	13,670
Total Direct Awards			17,484,777

Minneapolis Medical Research Foundation  
Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2012

Federal Grantor/Pass-Through/Program Title	Contract/ CFDA No.	Federal Grant No.	Expenditures	
National Institutes of Health - Pass Through Awards				
Advanced Circulatory Systems/National Institutes of Health				
Intrathoracic Pressure Regulator for Resuscitation	93.837	R44HL082088-03A2	\$ 6,603	
Non-Invasive Extra-Corporeal Circulator for Prolonged Resuscitation	93.837	1R43HL097479-01 REVISED	(146)	\$ 6,457
Massachusetts General/National Institutes of Health				
ARRA - Laser Adjuvants for Nicotine Vaccines	ARRA 93.701	5RC1DA028378-02	(249)	(249)
Mayo Clinic/National Institutes of Health				
Developing a Self-Report Measure of Burden of Treatment	93.361	1R21NR012984-01A1	4,091	4,091
Medical University of South Carolina/National Institutes of Health				
Prevention of Postrape Drug Abuse: Replication Study	93.279	5R01DA023099-05	108,622	108,622
University of Arkansas/National Institutes of Health				
Active Immunization for Treating Methamphetamine Abuse	93.279	5U01DA023900-04	(748)	
Active Immunization for Treating Methamphetamine Abuse	93.279	5 U01 DA023900-05	60,654	59,906
University of British Columbia/National Institutes of Health				
Secondary Prevention of Small Subcortical Strokes (SPS3)	93.853	7U01NS038529-11	9,304	9,304
Wake Forest University/National Institutes of Health				
ACCORDION (ACCORD Follow-On Study)	93.RD	HHSN268201100027C	797,562	797,562

Minneapolis Medical Research Foundation  
Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2012

Federal Grantor/Pass-Through/Program Title	Contract/ CFDA No.	Federal Grant No.	Expenditures
University of Minnesota/National Institutes of Health			
Angiotensin II Blockade for Chronic Allograft Nephropathy	93.847	5U01DK060706	\$ (12)
Assessing Long Term Outcomes of Living Donation (ALTOLD)	93.847	2U01DK066013-06	66,928
Baker - UMN KL 2	93.389	1KL2RR033182-01	39,633
Diabetes and Periodontics Trial	93.855	U01 DE018902	(780)
Diabetes and Periodontics Trial	93.121	1104160	90,586
Diabetes and Periodontics Trial	93.121	58291-2-1096644	157,818
Genomics of Kidney Transplantation - Clinical Component	93.855	5U19AI070119-05	(86)
Genomics of Kidney Transplantation - Clinical Component	93.855	2U19AI070119-06	24,877
Genomics of Kidney Transplantation - Clinical Component 2012 Year 2	93.855	5U19AI070119-07	42,036
Genomics of Kidney Transplantation - Lab Component	93.855	5U19AI070119-05	(207)
Genomics of Kidney Transplantation - Lab Component	93.855	2U19AI070119-06	77,415
Genomics of Kidney Transplantation - Lab Component Year 7 2012	93.855	5U19AI070119-07	66,353
INSIGHT (International Network for Strategic Initiatives in Global HIV Trials)	93.855	UM1-AI068641	42,311
INSIGHT (International Network for Strategic Initiatives in Global HIV Trials)	93.855	U01-AI068641	17,723
Linking Primary Care, Communities and Families to Prevent Obesity Among Preschool Children: NET-Works	93.865	5U01HD068890-02	5,874
Live Unrelated Kidney Donor and Sibling Follow-up Study (LURDS)	93.849	U01-DK066013	3,872
Models for Tobacco Product Evaluation	93.077	U19CA157345	46,418
Osteogenic Repair from Human Pluripotent Stem Cells	93.121	5R01DE022556-02	28,551
Outcomes and Costs Associated with Frequency of Physician-Patient Visits on Hemodialysis	93.847	1R01DK082415-01-A2	(557)
Outcomes and Costs Associated with Frequency of Physician-Patient Visits on Hemodialysis	93.849	5R01DK082415-02	61,621
Outcomes and Costs Associated with Frequency of Physician-Patient Visits on Hemodialysis	93.849	5R01DK082415-03	59,214
Portion Size Effects on Body Weight: Free Living Setting	93.847	1R01DK081714-01A2	(148)
Portion Size Effects on Body Weight: Free Living Setting	93.847	5R01DK081714-02	478
Portion Size Effects on Body Weight: Free Living Setting	93.847	5R01DK081714-03	4,287
Predictors of Health Care Utilization and Costs Attributable to Hip Fractures	93.866	1R01AG038415-01A1	28,814
Study of Osteoporotic Fractures	93.866	2R01AG005394-26	55,866
Study of Osteoporotic Fractures	93.866	R01AG005394	23,146 \$ 942,031

Minneapolis Medical Research Foundation  
Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2012

Federal Grantor/Pass-Through/Program Title	Contract/ CFDA No.	Federal Grant No.	Expenditures	
Other Pass Through Awards				
Advanced Circulatory Systems/Department of Defense Application of an Impedance Threshold Device (ITD) for Rapid Triage and Treatment of Hemorrhage-Induced Hypotension	12.420	W81XWH-10-1-0019	\$ 1,682	\$ 1,682
Advanced Circulatory Systems/US Army Medical Research Acquisition Activity NICCET: Regulation of Cerebral and Systemic Perfusion Following Traumatic Brain Injury	12.RD	W81XWH-11-2-0094	113,327	
Substantial Equivalence Evaluation of the ResQVent	12.420	W81XH-07-C-0018	972	114,299
Advanced Circulatory Systems/National Science Foundation Induction of Therapeutic Hypothermia with an Esophageal Cooling Device	47.041	IIP-1142664	10,447	10,447
Hennepin County/Health Resources and Services Administration Treatment Adherence/Inreach Services	93.914	A0110015-SR	10,342	10,342
Hennepin County/Department of Health and Human Services/Office of the Secretary Safer Sex Program - Part of Federally Funded "It's Your Future" Teen Pregnancy Prevention Program	93.297	1 TP1AH000071-01-00	53,233	53,233
Johns Hopkins School of Public Health/US Army Medical Research Acquisition Activity The Major Extremity Trauma Research Consortium (METRC2)	12.RD	W81XWH1020090	96,716	96,716
John Hopkins University/Agency for Healthcare Research and Quality ARRA - Comparative Effectiveness Studies to Improve Patient Outcomes in ESRD (DECIDE)	ARRA 93.226	HHSA-290-2005-0034-I	285,819	285,819

Minneapolis Medical Research Foundation  
Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2012

Federal Grantor/Pass-Through/Program Title	Contract/ CFDA No.	Federal Grant No.	Expenditures	
Mayo Clinic/Agency for Healthcare Research and Quality				
Translating Information on Comparative Effectiveness into Practice	93.226	5R18HS018339-02	\$ (126)	
Translating Information on Comparative Effectiveness into Practice	93.226	5R18HS018339-03	36,183	
Translating Information on Comparative Effectiveness into Practice	93.226	5R18HS018339-04	29,357	
Translation of Comparative Effectiveness of Depression Medications Into Practice (i-Adapt)	93.715	1R18HS019214-01	32,112	
Translation of Comparative Effectiveness of Depression Medications Into Practice (i-Adapt) Year 2	93.715	1R18HS019214-01 Revised	22,387	\$ 119,913
Minnesota Department of Health/Centers for Disease Control				
HIV Counseling, Testing, and Referral (CTR) Program	93.940	U62/CCU523491	55,351	
Community HIV Health Education and Risk Reduction (HERR)	93.940	B23406	71,722	127,073
Minnesota Department of Health/Health Resources and Services Administration				
Benefits Counseling Services for HIV Positive Individuals	93.917	GRK%47874	42,503	42,503
Rutgers, the State University of New Jersey/Department of Defense				
Raising the Bar for Preclinical Assessment of Bone Regeneration	12.420	W81XWH-08-2-0034	32,476	32,476
Stetson University/Department of Justice				
SANE DNA Training Grant - Stetson University	16.560	2010-NE-BX-K261	100,269	100,269
University of Minnesota/U.S. Army Medical Research and Material Command				
Combat Casualty Consortium	12.420	W81XWH-11-2-0185	55,671	55,671
University of California San Francisco/Agency for Healthcare Research and Quality				
ARRA - RCT of US Versus CT for Patients in the ED with Suspected Renal Colic (STONE)	ARRA 93.715	R01 HS019312-01	67,031	
RCT of US versus CT for Patients in the ED with Suspected Renal Colic (STONE)	93.715	R01 HS019312	18,903	<u>85,934</u>
Total Research and Development				20,548,878

Minneapolis Medical Research Foundation  
 Schedule of Expenditures of Federal Awards  
 Year Ended December 31, 2012

<u>Federal Grantor/Pass-Through/Program Title</u>	<u>Contract/ CFDA No.</u>	<u>Federal Grant No.</u>	<u>Expenditures</u>
Other Programs			
University of Minnesota/Minnesota Department of Health and Human Services/U.S. Department of Agriculture			
Minnesota Food Support Nutrition Education Program	10.561	MN DHS/443954 / A3000012889	\$ (718)
Minnesota Food Support Nutrition Education Program	10.561	MN DHS 37549 / 3000005633	119,658
Total All Programs			<u><u>\$ 20,667,818</u></u>

**Note 1 - Summary of Significant Accounting Policies**

**Basis of Presentation**

The Schedule of Expenditures of Federal Awards includes all federal grants to and contracts with the Foundation that had activity during the year ended December 31, 2012, including vendor credits and insurance recoveries on closed grants or contracts. This schedule has been prepared on the accrual basis of accounting with the exception of invoices received from subrecipients after December 31, 2012.

**Note 2 - Subrecipients**

Of the Federal expenditures presented in the accompanying Schedule of Expenditures of Federal Awards, the Foundation provided federal awards to subrecipients as follows for the year ended December 31, 2012:

Federal Catalog Number	Federal Grant Number	Description of Federal Grants	Amount Provided to Subrecipients
93.RD	N01-DK-7-5002	USRDS Coordinating Center	\$ 19,317
93.RD	N01-DK-7-5003	USRDS Cardiovascular Special Studies Center	70,140
93.RD	HSHS250201000018C	Scientific Registry of Transplant Recipients	791,592
93.279	5R01DA010714-16	Immunization to Block the Central Effects of Nicotine	24,672
93.279	5R01DA026300-05	Multivalent Vaccine for Opiate Addiction	111,096
93.846	5R01AR042051-16	Failure Mechanisms of Revision Joint Replacement	73,439
93.279	5R01DA026444-04	Nicotine Reinforcement Thresholds	2,323
93.226	5R18HS018160-03	Creating Healthy Workplaces: Improving Outcomes	136,734
93.RD	200-2010-36765	Influenza Viral Shedding Among HIV Infected Persons	18,340
93.279	5R01DA030715-03	Preclinical Studies of a Heroin/Morphine Vaccine	306,516
93.RD	HHSN268201100027C	ACCORDION (ACCORD Follow-on Study)	537,213
12.RD	W81XWH1020090	Major Extremity Trauma Research (METRC2)	35,729
93.918	6 H76HA00688-10-03	Indigent Metropolitan AIDS Care Collaborative (i-MAC2)	111,539
93.866	5R01AG037551-02	Stroke & Cognitive Impairment	71,334
93.389	1KL2RR033182-01	Baker KL2	4,588
93.RD	200-2010-37373	Natural History of HIV and AIDS	220,364
93.866	5U01AG029824-02	ASPREE (ASPIrin in Reducing Events in the Elderly)	5,774,238
93.865	1R21HD068203-01A1	Determine Acute Bilirubin Encephalopathy	54,114
93.153	1H12HA24813-01-00	MN Part D Clinical Consortium (MNDC2)	41,208
			\$ 8,404,496

**A. Summary of Auditor's Results**

*Financial Statements*

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weakness identified	No
Significant deficiency	No
Noncompliance material to the financial statements noted	No

Federal Awards

Internal control over major programs:	
Material weakness identified	No
Significant deficiency noted	No
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 Section .510(a)	No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
12.XXX, 16.XXX, 47.XXX, 93.XXX	Research and Development Cluster

Dollar threshold used to distinguish between Type A and Type B programs	\$620,035
Auditee qualified as a low risk auditee	Yes

**B. Findings – Financial Statements Audit**

None.

**C. Findings and Questioned Costs – Major Federal Award Programs Audit**

None.

**D. Prior Year Findings and Questioned Costs**

None.