Federal Awards Reports in Accordance with the Single Audit Act and OMB Circular A-133
December 31, 2014

Minneapolis Medical Research Foundation

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 (the Foundation), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 27, 2015.

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 opinion 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.

Eide Bailly LLP

Minneapolis, Minnesota
February 27, 2015

Independent Auditor's Report on Compliance for Its 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 Its Major Federal Program
We have audited Minneapolis Medical Research Foundation's (the 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, 2014. 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 Nonprofit 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 Its 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 for the year ended December 31, 2014.

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, 2014, and the related notes to the financial statements. We issued our report thereon dated February 27, 2015, which contained unmodified opinions 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.

Eide Bailly LLP

Minneapolis, Minnesota
February 27, 2015

Federal Grantor/Pass-Through/Program Title	Contract/ CFDA No.	Federal Grant No.	Expenditures	Total Expenditures per Award
Direct Awards				
Agency for Healthcare Research and Quality				
Creating Healthy Workplaces: Improving Outcomes for Providers and Patients	93.226	5R18HS018160-03	$ 19,916	$ 19,916
Health Resources and Services Administration				
Indigent Metropolitan AIDS Care Collaborative (i-MAC2)	93.918	2 H76HA00688-13-00	279,358	
Indigent Metropolitan AIDS Care Collaborative (i-MAC2)	93.918	H76HA00688-12-02	298,301	
Minnesota Part D Clinical Consortium (MNDC2)	93.153	4 H12HA24813-03-02	152,342	
Minnesota Part D Clinical Consortium (MNDC2)	93.153	6 H12HA24813-02-02	362,730	1,092,731
Health Resources and Services Administration - Federal Contract				
Scientific Registry of Transplant Recipients (SRTR)	93.RD	HHSH250201000018C	4,177,653	4,177,653
National Institutes of Health - Federal Contracts				
Elite Controller and ART-Treated HIV+ Statin versus ASA Treatment Intervention Study (ECSTATIN)	93.RD	HHSN272201400479P	3,190	
USRDS Coordinating Center - Option Period Three	93.RD	N01-DK-7-5002	472,553	
USRDS Cardiovascular Special Studies Center	93.RD	N01-DK-7-5003	49,442	525,185
National Institutes of Health - Direct Awards				
ASPREE (ASPirin in Reducing Events in the Elderly)	93.866	5U01AG029824-03 REVISED	2,109,137	
ASPREE (ASPirin in Reducing Events in the Elderly) Period Four	93.866	5U01AG029824-04 REVISED	8,719,950	
ASPREE Healthy Aging Biobank	93.866	3U01AG029824-03S1	233,319	
Cyclin D1/CDK4 Complex in Hepatocyte Proliferation	93.847	5R01DK054921-14 REVISED	24,765	
Cyclin D1/CDK4 Complex in Hepatocyte Proliferation	93.847	2R01DK054921-15A1	154,671	
Determinants of Nicotine Reinforcement Thresholds and Demand Demand Elasticity in Rats	93.279	5R01DA026444-05	295,814	
Determining Prevalence of Acute Bilirubin Encephalopathy in Developing Countries	93.865	5R21HD068203-02	34,623	
Early Antigen-Specific B Cell Responses as Makers of Oxycodone Vaccine Efficancy	93.279	5R21DA034487-02	82,690	
Factors Associated with Warfarin Use in Dialysis Patients with Atrial Fibrillation	93.847	7K23DK085378-04	27,910	
Factors Associated with Warfarin Use in Dialysis Patients with Atrial Fibrillation	93.847	5K23DK085378-05	130,637	
Failure Mechanisms of Revision Joint Replacement	93.846	5R01AR042051-17	72,966	
Immunization to Block the Effects of Nicotine	93.279	5R01DA010714-16	119,438	
Methadone Population Pharmacokinetics: Treatment Outcome in Hmong and Non-Hmong	93.279	5K23DA024663-05	30,506	

Federal Grantor/Pass-Through/Program Title	Contract/ CFDA No.	Federal Grant No.	Expenditures	Total Expenditures per Award
Multivalent Vaccine for Opiate Addiction	93.279	5R01DA026300-05	$ 107,527	
Preclinical Studies of a Heroin/Morphine Vaccine for Opiate Addiction	93.279	5R01DA030715-05	558,197	
Stroke and Cognitive Impairment in Aging Chronic Kidney Disease Patients	93.866	5R01AG037551-04	745,376	
Targeted Anticoagulant Therapy to Reduce Inflammation in Treated HIV Disease	93.839	1R01HL126542-01	17,591	
Treatment to Reduce Inflammation and Improve Immune Recovery Among Older HIV Patients (Losartan to Reduce Inflammation and Fibrosis Endpoints in HIV Trial (LIFE-HIV))	93.866	1R01AG045032-01A1	184,364	$ 13,649,481
United States Department of Justice				
SART Conference 2011 & 2013	16.582	2009-VF-GX-K011	339,313	
Stress Biomarkers Among Patients Undergoing Treatment for Excited Delirium and Severe Pain in the Emergency Department	16.560	2012-R2-CX-K007	162,118	501,431
Total Direct Awards				19,966,397
National Institutes of Health - Pass-Through Awards				
Antidote Therapeutics, Inc./National Institutes of Health				
Lead Optimization and Preclinical Development of Human Nicotine-Specific Mabs	93.279	R01DA038877	8,425	8,425
Arizona State University/National Institutes of Health				
Rational Design and Targeted Selection of DNA-Scaffolded Nicotine Vaccines	93.279	1R01DA03555-01	375,166	375,166
Brigham and Women's Hospital, Inc./National Institutes of Health				
Optimizing Revascularization of Coronary Artery Disease in Chronic Kidney Disease Patients	93.837	1R01HL118314-01A1	41,576	41,576
HealthPartners Institute for Education and Research/National Institutes of Health				
Using Systems Science Methods to Study Cardiac Risk in the Somali Community	93.837	1R01HL118282	28,907	28,907
Mayo Clinic/National Institutes of Health				
Developing a Self-Report Measure of Burden of Treatment	93.361	5R21NR012984-02	25,519	25,519
Oregon Health & Science University/National Institutes of Health				
Buprenorphine to Improve HIV Care Engagement and Outcomes: A Randomized Trial	93.279	R01DA037441	13,761	
Buprenorphine to Improve HIV Care Engagement and Outcomes: A Randomized Trial	93.279	1R01DA037441-01	11,328	25,089

Federal Grantor/Pass-Through/Program Title	Contract/ CFDA No.	Federal Grant No.	Expenditures	Total Expenditures per Award
ResQSystems, Inc. / National Institutes of Health				
Novel Bundled Mechanical and Pharmacological CPR Platform	93.837	1R43HL110517-01A1	$ 52,043	
Reperfusion Injury Protection During Cardiac Arrest: A Novel CPR Method	93.837	1R43HL115937-01	38,744	
Synchronized Automated Valve CPR for Cardiac Arrest	93.837	1R43HL106889-01	816	$ 91,603
National Institutes of Health - Pass-Through Awards				
University of Minnesota/National Institutes of Health				
A Smart Phone App to Improve ART Adherence Among HIV+ Stimulant-using MSM	93.279	7R34DA033833-02	8,460	
Assessing Long Term Outcomes of Living Donation - ALTOLD	93.847	5U01 DK066013-08	45,658	
Assessing Long Term Outcomes of Living Donation (ALTOLD)	93.847	5U01DK066013-07	211,030	
Genomics of Kidney Transplantation - Clinical Component 2013 Year 3	93.855	U19 AI070119-08	82,680	
Genomics of Kidney Transplantation - Lab Component	93.855	5U19AI070119-09	109,786	
Genomics of Kidney Transplantation - Lab Component Year 8 - 2013	93.855	5U19AI070119-08	100,662	
INSIGHT (International Network for Strategic Initiatives in Global HIV Trials)	93.855	U01-AI068641	66,043	
Linking Primary Care, Communities and Families to Prevent Obesity Among Preschool Children: Net-Works	93.865	U01 HD068890	2,234	
Models for Tobacco Product Evaluation	93.077	U19CA157345	260,281	
Osteogenic Repair from Human Pluripotent Stem Cells	93.121	5R01DE022556-03	95,701	
Outcomes & Costs Associated with Frequency of Physician-Patient Visits on Hemodialysis	93.849	5R01DK082415-03	20,435	
Predictors of Health Care Utilization and Costs Attributable to Hip Fractures	93.866	R01AG038415-03	45,893	
Reversing Tissue Fibrosis to Improve Immune Reconstitution in HIV	93.855	1U01AI105872	974	
Reversing Tissue Fibrosis to Improve Immune Reconstitution in HIV	93.855	1U01AI105872-01	820	
Reversing Tissue Fibrosis to Improve Immune Reconstitution in HIV	93.855	5U01AI105872-02	69,451	
SHINE: Stroke Hyperglycemia Insulin Network Effort Trial (UMN NETT)	93.853	U01NS069498	1,455	
Study of Osteoporotic Fractures	93.866	R01AG005394	74,398	
Osteoporotic Fractures in Men	93.866	U01AG02145	54,179	1,250,140

Federal Grantor/Pass-Through/Program Title	Contract/ CFDA No.	Federal Grant No.	Expenditures	Total Expenditures per Award
University of Minnesota/Leidos Biomedical Research, Inc./National Institutes of Health				
Anti-Influenza Hyperimmune Intravenous Immunoglobulin (FLU-IVIG) International	93.RD	13XS134 TO3	$ 2,349	$ 2,349
Virginia Polytechnic Institute and State University/National Institutes of Health				
Novel Nanovaccines Against Nicotine Addiction	93.279	1U01DA036850-01	108,519	108,519
Wake Forest University/National Institutes of Health				
ACCORDION Main 2	93.RD	HHSN268201100027C	928,075	928,075
Other Pass-Through Awards				
Advanced Circulatory Systems/U.S. Army Medical Research Acquisition Activity				
NICCET: Regulation of Cerebral and Systemic Perfusion Following Traumatic Brain Injury	12.RD	W81XWH-11-2-0094	5,850	
Use of a Novel Ventilation Device to Enhance Blood Flow During CPR	12.420	W81XWH-07-C-0018	501	6,351
Bilimetrix/Agency for International Development				
Development and Application of a Point-of-Care Assay for Plasma Bilirubin	98.001	AID.OAA-F-13-00072	8,310	8,310
Johns Hopkins School of Public Health/U.S. Army Medical Research Acquisition Activity				
The Major Extremity Trauma Research Consortium (METRC2)	12.RD	W81XWH-10-2-0090	186,320	186,320
Mayo Clinic/Agency for Healthcare Research and Quality				
Translating Information on Comparative Effectiveness into Practice	93.226	5R18HS018339-04	2,354	2,354
Minnesota Department of Health/Centers for Disease Control				
Community HIV Health Education and Risk Reduction (HERR)	93.940	55922	75,146	
HIV Counseling, Testing, and Referral (CTR) Program	93.940	U62/CCU523491	58,002	133,148
Minnesota Department of Health/Health Resources and Services Administration				
Benefits Counselling Services for HIV Positive Individuals	93.917	GRK%47874	88,420	88,420

Federal Grantor/Pass-Through/Program Title	Contract/ CFDA No.	Federal Grant No.	Expenditures	Total Expenditures per Award
Stetson University/Department of Justice				
SANE DNA Training Grant - Stetson University	16.560	2010-NE-BX-K261	$ 28,524	$ 28,524
University of Minnesota/Agency for Healthcare Research and Quality				
Promoting Self-Management in Stroke Survivors Using Health IT	93.226	1R21HS021794-01	7,525	7,525
University of Minnesota/U.S. Army Medical Research and Material Command				
Combat Casualty Consortium	12.420	W81XWH-11-2-0185	50,611	50,611
University of New Mexico Health Sciences Center/Agency for Healthcare Research and Quality				
Minimizing Stress, Maximizing Success of the Electronic Health Record	93.226	1R18HS02206501A1	8,636	8,636
Total Research and Development				23,371,964
Other Programs				
Hennepin County/Department of Health and Human Services/Office of the Secretary				
Safer Sex Program - Part of the Federally Funded "It's Your Future" Teen Pregnancy Prevention Program (Amendment 6)	93.297	1 TP1AH000071-01-00	98,786	98,786
Total All Programs				$ 23,470,750

(a) Total Department of Defense: $243,283
(b) Total Department of Justice: $529,955
(c)Total Department of Health and Human Services: $22,697,512

Note A – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Foundation, and is presented on the modified accrual basis of accounting (modified for subrecipients). The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. The Foundation received federal awards both directly from federal agencies and indirectly through pass-through entities. Federal financial assistance provided to a subrecipient is treated as an expenditure when it is paid to the subrecipient.

Note B – Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Nonprofit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Foundation's summary of significant accounting policies is presented in Note 1 in the Foundation's basic financial statements.

Note C – Subrecipients of Grant Awards

Of the federal expenditures presented in the accompanying schedule of expenditures of federal awards, the Foundation provided federal awards to subrecipients as follows:

Federal Catalog Number	Federal Grant Number	Description of Federal Grants	Amount Provided to Subrecipients
12.RD	W81XWH-10-2-0090	The Major Extremity Trauma Research Consortium (METRC2)	$ 52,724
93.153	4 H12HA24813-03-02	Minnesota Part D Clinical Consortium (MNDC2)	100,955
93.153	6 H12HA24813-02-02	Minnesota Part D Clinical Consortium (MNDC2)	275,891
93.279	5K23DA024663-05	Methadone Population Pharmacokinetics: Treatment Outcome	3,927
93.279	5R01DA010714-16	Immunization to Block the Effects of Nicotine	9,281
93.279	5R01DA030715-05	Preclinical Studies of a Heroin/Morphine Vaccine for Opiate Addiction	363,788
93.847	2R01DK054921-15A1	Cyclin D1/CDK4 Complex in Hepatocyte Proliferation	14,821
93.847	5U01DK066013-07	Assessing Long Term Outcomes of Living Donation (ALTOLD)	79,976
93.865	5R21HD068203-02	Determining Prevalence of Acute Bilirubin Encephalopathy	23,194
93.866	1R01AG045032-01A1	Treatment to Reduce Inflammation and Improve Immune Recovery	104,318
93.866	5R01AG037551-04	Stroke and Cognitive Impairment in Aging	180,944
93.866	3U01AG029824-03S1	ASPREE Healthy Aging Biobank	225,581
93.866	5U01AG029824-03	ASPREE (ASPirin in Reducing Events in the Elderly)	2,035,133
93.866	5U01AG029824-04	ASPREE (ASPirin in Reducing Events in the Elderly) Supplement 2	7,724,854
93.918	2 H76HA00688-13-00	Indigent Metropolitan AIDS Care Collaborative (i-MAC2)	47,014
93.918	H76HA00688-12-02	Indigent Metropolitan AIDS Care Collaborative (i-MAC2)	67,132
93.RD	N01-DK-7-5002	USRDS Coordinating Center - Option Period Three	15,439
93.RD	N01-DK-7-5003	USRDS Cardiovascular Special Studies Center	24,819
93.RD	HHSH250201000018C	Scientific Registry of Transplant Recipients (SRTR)	587,530
93.RD	HHSN268201100027C	ACCORDION Main 2	612,008
		Total	$ 12,449,329

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
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 OMB Circular A-133 §.510(a):	No

Identification of Major Programs

Name of Federal Program	CFDA Number
Research and Development Cluster	12.XXX, 16.XXX, 93.XXX

Dollar threshold used to distinguish between type A and type B programs:	$704,123
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

No findings reported in the current year.

Section III – Federal Award Findings and Questioned Costs

No findings reported in the current year.

No findings reported in the prior year.

Financial Statements
December 31, 2014 and 2013

Minneapolis Medical Research Foundation

CPAs & BUSINESS ADVISORS

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 (the Foundation), which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities and changes in net assets, and cash flows 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 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 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 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.

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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, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued a report dated February 27, 2015, 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.

Eide Bailly LLP

Minneapolis, Minnesota
February 27, 2015

	2014	2013
Assets		
Cash and cash equivalents	$ 4,572,198	$ 4,817,681
Investments	26,337,399	26,749,738
Receivables		
Contract and grant	3,099,238	3,721,494
Promises to give	560,405	100,000
Interest	10,477	-
Prepaid expenses	596,681	635,596
Beneficial interest in perpetual trusts	992,902	1,014,480
Property and equipment, net	2,218,102	2,587,499
Total assets	$ 38,387,402	$ 39,626,488
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 472,015	$ 371,995
Accrued expenses	1,321,498	2,148,250
Deferred revenue	721,461	421,615
Total liabilities	2,514,974	2,941,860
Net Assets		
Unrestricted		
Investment in property and equipment	2,218,102	2,587,499
Undesignated	789,684	1,274,840
Designated - other	5,871,431	5,160,972
Designated for investigator directed research and education	7,290,902	6,418,988
Total unrestricted	16,170,119	15,442,299
Temporarily restricted	4,241,387	5,770,046
Permanently restricted	15,460,922	15,472,283
Total net assets	35,872,428	36,684,628
Total liabilities and net assets	$ 38,387,402	$ 39,626,488

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Contributions, Gains, and Other Support				
U.S. Government contracts and grants	$ -	$ 23,470,750	$ -	$ 23,470,750
Other contracts and grants	634,259	9,457,099	-	10,091,358
Contributions	911,253	1,060,424	-	1,971,677
Investment income	632,972	-	395,772	1,028,744
Other	30,753	52,188	-	82,941
Change in fair value of perpetual trusts	-	-	(21,578)	(21,578)
Net assets released from restrictions	35,822,399	(35,569,120)	(253,279)	-
Total contributions, gains, and other support	38,031,636	(1,528,659)	120,915	36,623,892
Operating Expenses				
Research and education	34,375,437	-	-	34,375,437
General and administrative	2,836,665	-	-	2,836,665
Fundraising	1,790	-	-	1,790
Total operating expenses	37,213,892	-	-	37,213,892
Gain (Loss) from Operations	817,744	(1,528,659)	120,915	(590,000)
Change in Unrealized Gains and Losses on Investments	(89,924)	-	(132,276)	(222,200)
Change in Net Assets	727,820	(1,528,659)	(11,361)	(812,200)
Net Assets, Beginning of Year	15,442,299	5,770,046	15,472,283	36,684,628
Net Assets, End of Year	$ 16,170,119	$ 4,241,387	$ 15,460,922	$ 35,872,428

2013			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$ -	$ 21,292,069	$ -	$ 21,292,069
-	11,245,855	-	11,245,855
363,414	849,640	-	1,213,054
615,172	-	499,602	1,114,774
5,176	107,346	-	112,522
-	-	52,148	52,148
33,706,705	(33,322,293)	(384,412)	-
34,690,467	172,617	167,338	35,030,422
31,153,975	-	-	31,153,975
2,540,382	-	-	2,540,382
5,811	-	-	5,811
33,700,168	-	-	33,700,168
990,299	172,617	167,338	1,330,254
806,545	-	1,706,228	2,512,773
1,796,844	172,617	1,873,566	3,843,027
13,645,455	5,597,429	13,598,717	32,841,601
$ 15,442,299	$ 5,770,046	$ 15,472,283	$ 36,684,628

	2014	2013
Operating Activities		
Change in net assets	$ (812,200)	$ 3,843,027
Charges and credits to change in net assets not affecting cash		
Depreciation	514,856	526,089
Change in unrealized gains and losses on investments	222,200	(2,512,773)
Realized gains on investments	(493,646)	(697,450)
Change in value of perpetual trusts	21,578	(52,148)
Changes in assets and liabilities		
Contract and grant receivables	622,256	938,270
Promises to give receivables	(460,405)	257,035
Accrued interest	(10,477)	-
Prepaid expenses	38,915	(387,283)
Accounts payable, accrued expenses, and deferred revenue	(426,886)	492,015
Net Cash from (used for) Operating Activities	(783,809)	2,406,782
Investing Activities		
Purchase of investments	(2,973,817)	(4,094,763)
Proceeds from the sale of investments	3,657,602	4,443,939
Purchase of property and equipment	(145,459)	(1,145,365)
Net Cash from (used for) Investing Activities	538,326	(796,189)
Net Increase (Decrease) in Cash and Cash Equivalents	(245,483)	1,610,593
Cash and Cash Equivalents, Beginning of Year	4,817,681	3,207,088
Cash and Cash Equivalents, End of Year	$ 4,572,198	$ 4,817,681

Note 1 - Principal Activity and Significant Accounting Policies

Organization

Minneapolis Medical Research Foundation (the 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). Hennepin Healthcare System, Inc. (HHS) is the sole member of the Foundation (Note 6). 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.

Cash and Cash Equivalents

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

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.

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. 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, 2014 and 2013, no allowance has been recorded, as management believes all pledges are collectible. At December 31, 2014 and 2013, 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 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 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.

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 from operations. Unrealized gains and losses on investments are excluded from the gain from operations unless the investments are trading securities.

Net Assets

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. 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. In 2014 and 2013, temporarily restricted net assets were released from donor restrictions by incurring expenditures or satisfying the restricted purposes in the amount of $35,569,120 and $33,322,293, respectively. These amounts are included in net assets released from restrictions in the accompanying financial statements.
>
> Permanently Restricted – Those resources subject to donor imposed restrictions that are maintained permanently by the Foundation. 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.

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 2014 and 2013, 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 2014 and 2013, $253,279 and $384,412, respectively, of investment return was released under this policy. At December 31, 2014 and 2013, the fair market value of all permanently restricted endowment gifts exceeded the aggregate original value of the gifts (Note 8).

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 may be in excess of federally insured limits.

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 and changes in net assets 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 and changes in net assets. 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.

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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material.

Subsequent Events

The Foundation has evaluated subsequent events through February 27, 2015, the date which the financial statements were available to be issued.

Note 2 - Investments and Investment Income

Assets measured at fair value on a recurring basis at December 31, 2014 and 2013 are as follows:

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
December 31, 2014			
Mutual funds - equities			
Large-cap	$ 6,713,440	$ -	$ -
Small-cap	1,986,570	-	-
International	4,252,618	-	-
Alternative	2,077,500	-	-
Mutual funds - bonds			
Fixed income core	4,371,554	-	-
Short-term fixed income	6,935,717	-	-
Total investments	$ 26,337,399	$ -	$ -
December 31, 2013			
Mutual funds - equities			
Large-cap	$ 7,223,646	$ -	$ -
Small-cap	2,586,297	-	-
International	3,819,484	-	-
Alternative	2,163,465	-	-
Mutual funds - bonds			
Fixed income core	4,309,105	-	-
Short-term fixed income	6,647,741	-	-
Total investments	$ 26,749,738	$ -	$ -

Investment Income

Investment income and gains on investments and cash and cash equivalents consist of the following for the years ended December 31, 2014 and 2013:

	2014	2013
Investment income		
Interest income	$ 535,098	$ 417,324
Realized gains on investments	493,646	697,450
	$ 1,028,744	$ 1,114,774
Other changes in net assets		
Change in unrealized gains and losses on investments	$ (222,200)	$ 2,512,773

Note 3 - Property and Equipment

A summary of property and equipment at December 31, 2014 and 2013 follows:

	2014		2013	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Work in progress	$ 51,677	$ -	$ -	$ -
Building and leasehold improvements	7,164,025	5,994,956	7,175,452	5,775,956
Furniture and equipment	4,305,598	3,308,242	4,261,214	3,073,211
	$ 11,521,300	$ 9,303,198	$ 11,436,666	$ 8,849,167
Net property and equipment		$ 2,218,102		$ 2,587,499

Note 4 - Leases

The Foundation leases a total of 65,167 square feet of space for its activities. The location of the space includes 12,025 square feet in the Parkside Building for Berman Center and General Administrative activities and 53,142 square feet in the Shapiro Building for Research activities.

The 53,142 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 12,025 square feet in the Parkside Building for Berman Center and General Administrative activities lease ends September 30, 2016, and the annual base rent is $134,340.

Total lease and rental payments for building space, certain equipment and parking lot space for the years ended December 31, 2014 and 2013 was $966,408 and $935,983, respectively, and is included in facility costs in the accompanying schedule of operating expenses by natural classification. All leases have been recorded as operating leases. Minimum future lease payments for operating leases with measurable terms are as follows:

Years Ending December 31,	Amount
2015	$ 134,340
2016	100,755
Total minimum lease payments	$ 235,095

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 $245,000 with an additional 5.7% contribution on compensation over the Social Security wage base up to $245,000 of compensation. Contributions are deposited with the plan trustee who invests the plan assets. Contributions made by the Foundation under this plan for the years ended December 31, 2014 and 2013 were $927,091 and $1,008,243. 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 $2,731,167 and $2,064,246, respectively, for the years ended December 31, 2014 and 2013 from related parties which is included in revenue in the statements of activities and changes in net assets. At December 31, 2014 and 2013, the Foundation had receivables of $759,261 and $360,124, respectively, due from related parties. The composition of the related party activity is as follows:

	2014		2013	
	Revenue	Receivables	Revenue	Receivables
Hennepin County	$ 872,928	$ 20,001	$ 795,898	$ 14,692
Hennepin Health Foundation	109,461	46,290	22,949	7,418
Hennepin Healthcare System	1,748,778	692,970	1,245,399	338,014
	$ 2,731,167	$ 759,261	$ 2,064,246	$ 360,124

The Foundation incurred expenses related to services provided by HHS which are included in the appropriate operating expenses in the statements of activities and changes in net assets. At December 31, 2014 and 2013 , the Foundation had accrued expenses and payables to HHS in the amount of $426,352 and $858,648, respectively. Expenses related to HHS services for the years ended December 31, 2014 and 2013 are as follows:

	2014	2013
Physician and other salaries	$ 2,131,062	$ 2,202,763
Physician and other fringe benefits	480,629	468,484
Rent	630,916	693,573
Purchased services	478,449	477,295
Miscellaneous expenses	296,041	392,484
Supplies	167,003	56,447
Training and education	14,334	3,795
	$ 4,198,434	$ 4,294,841

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, 2014 and 2013 totaled $992,902 and $1,014,480. During the years ended December 31, 2014 and 2013, the value of perpetual trusts decreased $21,578 and increased $52,148, respectively.

The composition of beneficial interest in perpetual trusts at December 31, 2014 and 2013 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)
December 31, 2014			
Cash and cash equivalents (at cost)	$ 30,886	$ -	$ -
Fixed income			
Domestic mutual funds	113,339	-	-
International mutual funds	53,890	-	-
Corporate obligations	57,508	-	-
Preferred securities	17,070	-	-
Equities			
Consumer discretionary	20,624	-	-
Consumer staples	9,958	-	-
Energy	7,835	-	-
Financials	29,268	-	-
Healthcare	17,015	-	-
Industrials	17,688	-	-
Information technology	24,508	-	-
Materials	7,163	-	-
International equities	13,942	-	-
Domestic mutual funds	282,922	-	-
International mutual funds	145,821	-	-
Complementary strategies	73,877	-	-
Real assets			
Real asset funds	68,511	-	-
Accruals			
Accrued income	1,077	-	-
Total investments	$ 992,902	$ -	$ -

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
December 31, 2013			
Cash and cash equivalents (at cost)	$ 25,293	$ -	$ -
Fixed income			
Domestic mutual funds	137,800	-	-
International mutual funds	58,813	-	-
Corporate obligations	66,174	-	-
Preferred securities	16,370	-	-
Equities			
Consumer discretionary	16,974	-	-
Consumer staples	7,989	-	-
Energy	8,710	-	-
Financials	24,602	-	-
Healthcare	14,272	-	-
Industrials	13,713	-	-
Information technology	23,442	-	-
Materials	6,189	-	-
International equities	12,093	-	-
Domestic mutual funds	284,668	-	-
International mutual funds	151,122	-	-
Complementary strategies	78,655	-	-
Real assets			
Real asset funds	67,601	-	-
Total investments	$ 1,014,480	$ -	$ -

Note 8 - Endowments

The Foundation's endowment consists of six 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 are composed entirely of donor-restricted endowment funds. Changes in the endowment net assets for the fiscal years ended December 31, 2014 and 2013 are as follows:

	2014	2013
Endowment net assets, beginning of year	$ 15,472,283	$ 13,598,717
Investment income	385,711	499,602
Change in value of perpetual trusts	(21,578)	52,148
Appropriation of endowment assets for expenditure	(253,279)	(232,026)
Endowments released from permanent restriction	-	(152,386)
Change in unrealized gains and losses on investments	(132,276)	1,706,228
Accrued interest	10,061	-
Endowment net assets, end of year	$ 15,460,922	$ 15,472,283

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 $3,180,132 and $3,179,975, respectively, at December 31, 2014 and 2013.

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 12 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, 2016.

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.

Supplementary Information
December 31, 2014 and 2013

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 years ended December 31, 2014 and 2013, and our report thereon dated February 27, 2015, which expressed an unmodified opinion on those financial statements, appears on page 1. Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on pages 18 and 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 audits 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.

Eide Bailly LLP

Minneapolis, Minnesota
February 27, 2015

	Research and Education								
	Research and Education Site 1	Research and Education Site 2	Facility Costs Site 1	Facility Costs Site 2	Grants Administration	Total	General and Administrative	Fundraising	Total
Operating Expenses									
Salaries	$ 1,670,819	$ 8,859,522	$ 195,708	$ 189,901	$ 1,011,533	$ 11,927,483	$ 1,616,324	$ 1,352	$ 13,545,159
Fringe benefits	506,533	2,588,792	57,996	61,407	310,764	3,525,492	507,240	438	4,033,170
Supplies, forms, and reproduction	588,389	376,220	18,485	2,177	15,189	1,000,460	68,903	-	1,069,363
Purchased services	743,593	1,494,245	93,365	14,654	6,289	2,352,146	89,239	-	2,441,385
Subcontracts	287,890	12,449,257	-	-	-	12,737,147	-	-	12,737,147
Depreciation	7,762	125,637	216,234	49,198	15,557	414,388	100,468	-	514,856
Travel and education	50,769	652,869	4,385	12,672	17,943	738,638	12,508	-	751,146
Facility costs	413,267	480,685	27,865	31,299	22,252	975,368	218,981	-	1,194,349
Legal, consulting, and audit	-	-	5,335	-	-	5,335	135,237	-	140,572
Animal care	230,722	1,146	-	-	-	231,868	-	-	231,868
Insurance	-	-	-	-	-	-	61,600	-	61,600
Miscellaneous	28,957	410,465	10,912	5,943	10,835	467,112	26,165	-	493,277
Total operating expenses	$ 4,528,701	$ 27,438,838	$ 630,285	$ 367,251	$ 1,410,362	$ 34,375,437	$ 2,836,665	$ 1,790	$ 37,213,892

	Research and Education								
	Research and Education Site 1	Research and Education Site 2	Site 1 Facility Costs	Site 2 Facility Costs	Grants Administration	Total	General and Administrative	Fundraising	Total
Direct Expenses									
Salaries	$ 1,536,548	$ 9,470,774	$ 191,237	$ 188,766	$ 928,625	$ 12,315,950	$ 1,486,705	$ 4,393	$ 13,807,048
Fringe benefits	455,175	2,758,446	58,591	60,884	282,821	3,615,917	469,265	1,418	4,086,600
Supplies, forms, and reproduction	437,285	265,293	13,130	2,717	9,264	727,689	68,544	-	796,233
Purchased services	171,573	1,994,860	74,925	5,646	11,004	2,258,008	78,197	-	2,336,205
Subcontracts	378,831	8,577,067	-	-	-	8,955,898	-	-	8,955,898
Depreciation	14,723	141,194	213,647	49,641	13,566	432,771	93,318	-	526,089
Travel and education	48,103	872,373	6,806	7,969	26,898	962,149	15,539	-	977,688
Facility costs	424,700	553,621	37,170	28,582	28,599	1,072,672	161,630	-	1,234,302
Legal, consulting, and audit	-	-	2,145	-	-	2,145	83,928	-	86,073
Animal care	191,316	1,129	-	-	-	192,445	-	-	192,445
Insurance	-	-	-	-	-	-	60,066	-	60,066
Miscellaneous	1,719	579,178	14,617	10,304	12,513	618,331	23,190	-	641,521
Total operating expenses	$ 3,659,973	$ 25,213,935	$ 612,268	$ 354,509	$ 1,313,290	$ 31,153,975	$ 2,540,382	$ 5,811	$ 33,700,168