

**McGladrey & Pullen**

Certified Public Accountants

# **The American Academy of Neurology and Affiliates**

Consolidated Financial Report  
December 31, 2008

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# McGladrey & Pullen

Certified Public Accountants

## Independent Auditor's Report

To the Board of Directors  
The American Academy of Neurology and Affiliates

We have audited the accompanying consolidated statements of financial position of The American Academy of Neurology and Affiliates (American Academy of Neurology Professional Association, American Academy of Neurology Foundation and AAN Enterprises, Inc.) as of December 31, 2008 and 2007, and the related consolidated statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The American Academy of Neurology and Affiliates as of December 31, 2008 and 2007, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*McGladrey & Pullen, LLP*

Minneapolis, Minnesota  
May 29, 2009

The American Academy of Neurology and Affiliates

Consolidated Statements of Financial Position  
December 31, 2008 and 2007

Assets	2008	2007
<b>Current Assets</b>		
Cash and cash equivalents	\$ 16,682,173	\$ 11,942,186
Royalty receivable	447,218	2,116,700
Contributions receivable, net (Note 2)	383,476	786,834
Accounts receivable, net	1,671,495	1,760,565
Other receivables	55,000	-
Due from affiliate	136,935	88,081
Inventory	99,902	95,052
Prepaid expenses and other	726,854	619,737
Deferred income tax (Note 10)	108,799	68,450
<b>Total current assets</b>	<u>20,311,852</u>	<u>17,477,605</u>
Property and Equipment, net (Note 3)	<u>517,654</u>	<u>652,131</u>
<b>Other Long-Term Assets</b>		
Investments (Notes 4 and 5)	22,403,145	27,770,433
Note receivable	50,000	-
Contributions receivable, net of current portion (Note 2)	479,974	-
Other receivables	55,000	-
Deferred income tax, net of current portion (Note 10)	217,701	1,350
<b>Total other long-term assets</b>	<u>23,205,820</u>	<u>27,771,783</u>
<b>Total assets</b>	<u>\$ 44,035,326</u>	<u>\$ 45,901,519</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 1,311,741	\$ 1,030,971
Grants payable (Note 6)	1,207,500	751,407
Deferred revenue (Note 7)	7,937,840	6,329,841
Accrued expenses	1,208,550	1,343,404
<b>Total current liabilities</b>	<u>11,665,631</u>	<u>9,455,623</u>
<b>Long-Term Liabilities</b>		
Deferred revenue, net of current portion (Note 7)	3,649,350	-
Grants payable, net of current portion (Note 6)	508,359	175,000
<b>Total long-term liabilities</b>	<u>4,157,709</u>	<u>175,000</u>
<b>Total liabilities</b>	<u>15,823,340</u>	<u>9,630,623</u>
Commitments and Contingencies (Notes 8, 9, 14 and 15)		
<b>Net Assets</b>		
Unrestricted	25,134,258	32,944,079
Temporarily restricted (Notes 11 and 13)	2,518,690	2,846,779
Permanently restricted (Notes 11 and 13)	559,038	480,038
<b>Total net assets</b>	<u>28,211,986</u>	<u>36,270,896</u>
<b>Total liabilities and net assets</b>	<u>\$ 44,035,326</u>	<u>\$ 45,901,519</u>

See Notes to Consolidated Financial Statements.

The American Academy of Neurology and Affiliates

Consolidated Statements of Activities  
Years Ended December 31, 2008 and 2007

	2008			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Support:				
Annual meeting grants and contributions	\$ 1,102,469	\$ 824,974	\$ -	\$ 1,927,443
Project grants and contributions	161,966	690,591	79,000	931,557
<b>Total support</b>	<b>1,264,435</b>	<b>1,515,565</b>	<b>79,000</b>	<b>2,859,000</b>
Revenue:				
Membership	6,363,973	-	-	6,363,973
Annual meeting	8,783,197	-	-	8,783,197
Publications	10,188,096	-	-	10,188,096
Products and services	746,355	-	-	746,355
Special courses	1,454,493	-	-	1,454,493
Management and service fees	86,000	-	-	86,000
Investment income (loss) — operating (Note 4)	(28,338)	(239,117)	-	(267,455)
Other	142,814	-	-	142,814
<b>Total revenue</b>	<b>27,736,590</b>	<b>(239,117)</b>	<b>-</b>	<b>27,497,473</b>
Net assets released from restrictions (Note 12)	1,604,537	(1,604,537)	-	-
<b>Total support and revenue</b>	<b>30,605,562</b>	<b>(328,089)</b>	<b>79,000</b>	<b>30,356,473</b>
Expenses:				
Program services:				
Membership	3,579,485	-	-	3,579,485
Annual meeting	8,488,964	-	-	8,488,964
Projects	3,134,952	-	-	3,134,952
Publications	2,175,857	-	-	2,175,857
Committees	3,164,735	-	-	3,164,735
Products and services	3,255,251	-	-	3,255,251
Special courses	1,579,809	-	-	1,579,809
Grants and awards	2,513,176	-	-	2,513,176
<b>Total program services</b>	<b>27,892,229</b>	<b>-</b>	<b>-</b>	<b>27,892,229</b>
Support services:				
Member development and fund raising	350,473	-	-	350,473
General and administrative	3,374,334	-	-	3,374,334
<b>Total support services</b>	<b>3,724,807</b>	<b>-</b>	<b>-</b>	<b>3,724,807</b>
<b>Total expenses</b>	<b>31,617,036</b>	<b>-</b>	<b>-</b>	<b>31,617,036</b>
<b>Change in net assets before nonoperating investment income (loss)</b>	<b>(1,011,474)</b>	<b>(328,089)</b>	<b>79,000</b>	<b>(1,260,563)</b>
Nonoperating investment income (loss) (Note 4)	(6,798,347)	-	-	(6,798,347)
<b>Change in net assets</b>	<b>(7,809,821)</b>	<b>(328,089)</b>	<b>79,000</b>	<b>(8,058,910)</b>
Net assets, beginning of year	32,944,079	2,846,779	480,038	36,270,896
Net assets, end of year	\$ 25,134,258	\$ 2,518,690	\$ 559,038	\$ 28,211,986

See Notes to Consolidated Financial Statements.

2007

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 1,043,657	\$ 1,098,500	\$ -	\$ 2,142,157
1,084,413	273,919	66,747	1,425,079
2,128,070	1,372,419	66,747	3,567,236
5,885,701	-	-	5,885,701
8,028,426	-	-	8,028,426
10,478,146	-	-	10,478,146
745,723	-	-	745,723
1,448,592	-	-	1,448,592
85,000	-	-	85,000
561,602	141,711	-	703,313
79,301	-	-	79,301
27,312,491	141,711	-	27,454,202
1,552,620	(1,552,620)	-	-
30,993,181	(38,490)	66,747	31,021,438
3,141,385	-	-	3,141,385
6,876,111	-	-	6,876,111
3,089,979	-	-	3,089,979
2,371,816	-	-	2,371,816
2,807,409	-	-	2,807,409
2,573,558	-	-	2,573,558
1,659,591	-	-	1,659,591
1,259,629	-	-	1,259,629
23,779,478	-	-	23,779,478
707,410	-	-	707,410
3,268,583	-	-	3,268,583
3,975,993	-	-	3,975,993
27,755,471	-	-	27,755,471
3,237,710	(38,490)	66,747	3,265,967
2,023,247	-	-	2,023,247
5,260,957	(38,490)	66,747	5,289,214
27,683,122	2,885,269	413,291	30,981,682
\$ 32,944,079	\$ 2,846,779	\$ 480,038	\$ 36,270,896

The American Academy of Neurology and Affiliates

Consolidated Statements of Cash Flows  
Years Ended December 31, 2008 and 2007

	2008	2007
Cash Flows From Operating Activities		
Change in net assets	\$ (8,058,910)	\$ 5,289,214
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	258,614	163,215
Unrealized loss (gain) on investments	7,742,210	(1,573,967)
Permanently restricted contributions received	(79,000)	(66,747)
Changes in assets and liabilities:		
Royalty receivable	1,669,482	(826,090)
Contributions receivable	(76,616)	78,918
Accounts receivable	89,070	168,802
Note receivable	(50,000)	-
Due from affiliate	(48,854)	(88,081)
Inventory	(4,850)	74,891
Prepaid expenses and other	(107,117)	(127,436)
Other receivables	(110,000)	-
Purchase of student loans	-	(279,560)
Sale of student loans	-	279,560
Deferred income tax	(256,700)	35,800
Accounts payable	280,770	255,736
Grants payable	789,452	(140,498)
Deferred revenue	5,257,349	(47,757)
Accrued expenses	(134,854)	124,820
<b>Net cash provided by operating activities</b>	<b>7,160,046</b>	<b>3,320,820</b>
Cash Flows From Investing Activities		
Purchase of property and equipment	(124,137)	(353,239)
Purchase of investments	(10,612,615)	(2,175,836)
Proceeds from sale of investments	8,237,693	1,601,016
<b>Net cash used in investing activities</b>	<b>(2,499,059)</b>	<b>(928,059)</b>
Cash Flows From Financing Activities		
Permanently restricted contributions received	79,000	122,747
<b>Net increase in cash and cash equivalents</b>	<b>4,739,987</b>	<b>2,515,508</b>
Cash and Cash Equivalents, beginning of year	11,942,186	9,426,678
Cash and Cash Equivalents, end of year	<b>\$ 16,682,173</b>	<b>\$ 11,942,186</b>

See Notes to Consolidated Financial Statements.

## The American Academy of Neurology and Affiliates

### Notes to Consolidated Financial Statements

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#### Note 1. Summary of Significant Accounting Policies

**Nature of organization:** The American Academy of Neurology (the Academy) is a not-for-profit medical specialty society established to promote the best possible care for patients with neurological disorders. The Academy provides excellence in education through diverse programs in clinical aspects of neurology and in basic neuroscience; supports the development of a practice environment that provides ethical, high-quality care for patients with neurological disorders; and supports clinical and basic research.

The American Academy of Neurology Foundation (the Foundation) is a not-for-profit corporation established to promote and administer charitable activities of scientific research and public education in the neurosciences. The Academy is the sole member of the Foundation.

AAN Enterprises, Inc. (AEI) is a for-profit wholly owned subsidiary established to facilitate the development of new products and services for Academy members.

The American Academy of Neurology Professional Association (AANPA) is a not-for-profit wholly owned subsidiary established in 2007 to accelerate the Academy's advocacy work in the area of public health care policy.

**Basis of consolidation:** The consolidated financial statements include the accounts of the Academy and three controlled organizations — the Foundation, AEI and AANPA, and are together referred to herein as the Organization. All significant intercompany balances and transactions have been eliminated.

**Financial statement presentation:** Net assets, support, revenue, expenses, gains and losses are classified based on donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

***Unrestricted:*** Resources over which the Board of Directors has discretionary control.

***Temporarily restricted:*** Those resources subject to donor-imposed restrictions which will be satisfied by actions of the Organization or the passage of time.

***Permanently restricted:*** Those resources subject to a donor-imposed restriction that they be maintained permanently by the Organization.

**Cash and cash equivalents:** The Organization considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents are recorded at cost, which approximates fair value. The Organization has a sweep account that is invested nightly in U.S. Treasuries. The Organization also maintains cash in bank accounts and holds certificates of deposit with varying maturities which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts.

**Receivables:** Accounts, contribution and royalty receivables are stated at net realizable value. Accordingly, the Organization accounts for uncollectible accounts by the reserve method, which is based on management's judgment considering historical information. Payment is required 30 days after receipt of the invoice. Accounts past due more than 90 days are individually analyzed for collectibility. When all collection efforts have been exhausted, the receivable is written off against the reserve.

## The American Academy of Neurology and Affiliates

### Notes to Consolidated Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

**Inventory:** Inventory consists of materials held for resale, and supplies and educational and promotional materials used in various Organization programs. Inventory is valued at the lower of cost (determined on a first-in, first-out basis) or market.

**Property and equipment:** Property and equipment are recorded at original cost. Additions, improvements or major renewals are capitalized. Any gains or losses on property and equipment retirements are reflected in the current-year operations.

Depreciation is computed using the straight-line method at rates based on estimated service lives as follows:

Office furniture and equipment	3 – 10 years
Software	3 years
Leasehold improvements	10 years or life of lease

**Investments:** Investments in marketable securities are recorded at fair value and consist primarily of equity funds and corporate bond funds. Investments in certificates of deposit are recorded at cost. In addition, the Organization's investments include two limited partnerships that are diversified funds of hedge funds, reported at the estimated fair value of the Organization's share of the fund, calculated monthly by the custodian. Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility.

In 2008, the Organization requested withdrawal of its investment in one of the hedge fund investments. A portion of the fund was paid to the Organization in 2008. The remaining amount is still being held in the hedge fund and is expected to be returned to the Organization over a five-year period beginning in 2009. At December 31, 2008, the Organization's share of the fund, approximately \$1,442,000, was included in investments in the statements of financial position.

**Grants payable:** Grants payable consist of awards and grants approved for various research projects and fellowships.

**Grants and contributions:** Grants and contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Contributions are recognized at fair value when the donor makes a promise to give to the Organization that is, in substance, unconditional. Conditional promises to give are recorded when the condition has been satisfied.

Grants and contributions that are restricted by the donor are reported as increases in unrestricted net assets only if the restrictions are satisfied during the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily restricted net assets. When a restriction is satisfied, temporarily restricted net assets are released to unrestricted net assets.

**Revenue recognition:** Revenue related to the annual meeting, special courses, publications, and sale of products and services is recognized at the time the events take place or the services are performed. Revenue that is received for future periods is recorded as deferred revenue and recognized in the period to which the service relates.

Membership dues are recognized as revenue over the period to which the dues relate. Dues represent services rendered on a calendar year basis. Dues collected in advance are recorded as deferred revenue until they are earned.

## The American Academy of Neurology and Affiliates

### Notes to Consolidated Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

**Allocation of expenses:** The Organization's costs of providing its various services have been classified on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program and support services benefited. Expenses are charged directly to programs and support services where possible. Remaining expenses are allocated based on actual time spent on programs and support services.

**Tax-exempt status:** The Academy and the Foundation are organized and operate on a not-for-profit basis, and their tax-exempt status has been recognized by the Internal Revenue Service under Section 501(c)(3). They are classified as organizations which are not private foundations under the Internal Revenue Code, and charitable contributions by donors are tax deductible. The Academy and Foundation are subject to unrelated business income taxes under the Internal Revenue Code for federal and state tax purposes.

AANPA is organized on a not-for-profit basis, and their tax-exempt status has been recognized by the Internal Revenue Service under Section 501(c)(6). AANPA is subject to unrelated business income taxes under the Internal Revenue Code for federal and state tax purposes.

AEI is a for-profit corporation and subject to federal and state taxes on all net income. The Organization provides for income taxes in accordance with Statement of Financial Accounting Standards (SFAS) No. 109. In accordance with SFAS No. 109, the asset and liability approach is used to determine deferred income taxes. The asset and liability approach requires recognition of deferred tax liabilities and assets for the expected future consequences of temporary differences between the financial reporting basis and the tax basis of assets and liabilities. A valuation allowance is provided when it is more likely than not that a deferred tax asset will not be realized.

**Other concentrations:** The Organization has a potential credit risk in contributions receivable, since the balance is due from a limited number of individuals and corporate contributors.

The Organization's publications and product and services revenues are primarily from one publisher. The royalty receivable is due from one corporation.

**Use of estimates:** The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Accounting standards not yet adopted:** In July 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109, *Accounting for Income Taxes*. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition of tax benefits, classification on the balance sheet, interest and penalties, accounting in interim periods, disclosure and transition.

## The American Academy of Neurology and Affiliates

### Notes to Consolidated Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

In December 2008, the FASB provided for a deferral of the effective date of FIN 48 for certain nonpublic enterprises to annual financial statements for fiscal years beginning after December 15, 2008. The Organization has elected this deferral and accordingly will be required to adopt FIN 48 in its 2009 annual financial statements. Prior to the adoption of FIN 48, the Organization will continue to evaluate its uncertain tax positions and related income tax contingencies under Statement of Financial Accounting Standards No. 5 (SFAS No. 5), *Accounting for Contingencies*. SFAS No. 5 requires the Organization to accrue for losses it believes are probable and can be reasonably estimated.

Management is currently assessing the impact of FIN 48 on its financial position and results of operations and has not yet determined if the adoption of FIN 48 will have a material effect on its consolidated financial statements.

In February 2008, the FASB issued FASB Staff Position No. 157-2, *Effective Date of FASB Statement No. 157*, which permits a one-year deferral until January 1, 2009, for the implementation of SFAS No. 157 with regard to nonfinancial assets and liabilities that are not recognized or disclosed at fair value in the financial statements on a recurring basis. The adoption of the remaining provisions of SFAS No. 157 is not expected to have a material impact on the Organization's financial position, results of operations or cash flows.

**Reclassifications:** Certain amounts in the 2007 consolidated statement of activities have been reclassified to be consistent with the presentation in 2008. These reclassifications had no impact on changes in net assets as previously reported.

#### Note 2. Contributions Receivable

Contributions receivable at December 31 are as follows:

	2008	2007
Less than one year	\$ 386,276	\$ 787,834
One to five years	500,000	-
	<u>886,276</u>	<u>787,834</u>
Less:		
Discount to present value	(20,026)	-
Allowance for doubtful accounts	(2,800)	(1,000)
Net contributions receivable	<u>\$ 863,450</u>	<u>\$ 786,834</u>

Amounts are presented in the consolidated statements of financial position as follows at December 31:

	2008	2007
Current	\$ 383,476	\$ 786,834
Long-term	479,974	-
	<u>\$ 863,450</u>	<u>\$ 786,834</u>

Contributions expected to be received beyond one year are reflected at the present value of future cash flows at the date of donation using a discount rate of 0.76 percent to 3 percent.

## The American Academy of Neurology and Affiliates

### Notes to Consolidated Financial Statements

#### Note 3. Property and Equipment

Property and equipment consists of the following at December 31:

	2008	2007
Office furniture and equipment	\$ 1,440,375	\$ 1,323,451
Leasehold improvements	433,978	426,765
Total property and equipment	<u>1,874,353</u>	<u>1,750,216</u>
Less accumulated depreciation	(1,356,699)	(1,098,085)
Net property and equipment	<u>\$ 517,654</u>	<u>\$ 652,131</u>

#### Note 4. Investments

Investments consist of the following at December 31:

	2008	2007
Money market mutual fund	\$ 3,575	\$ 1,772
Certificates of deposit	2,000,000	-
Corporate bond funds	7,458,834	7,632,748
Equity securities	-	2,073
Equity funds	10,171,060	16,505,007
Funds of hedge funds	2,769,676	3,628,833
	<u>\$ 22,403,145</u>	<u>\$ 27,770,433</u>

Investments in the corporate bond funds, equity securities and equity funds are recorded at fair market value. The certificates of deposit are recorded at cost, and the funds of hedge funds are recorded at the estimated fair value of the Organization's share of the fund, calculated monthly by the custodian.

Investment income (loss), which includes earnings on the sweep and demand deposit accounts, consists of the following:

	Years Ended December 31	
	2008	2007
Interest and dividends	\$ 968,234	\$ 1,152,593
Change in unrealized gain (loss)	(7,742,210)	1,573,967
Realized loss on sale of investments	(291,826)	-
Total investment income (loss)	<u>\$ (7,065,802)</u>	<u>\$ 2,726,560</u>
Operating investment income (loss)	\$ (267,455)	\$ 703,313
Nonoperating investment income (loss)	(6,798,347)	2,023,247
Total investment income (loss)	<u>\$ (7,065,802)</u>	<u>\$ 2,726,560</u>

## The American Academy of Neurology and Affiliates

### Notes to Consolidated Financial Statements

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#### Note 4. Investments (Continued)

The unrealized and realized gains (losses) are included in investment income on the consolidated statements of activities.

The Academy maintains long-term investments through long-term investment holdings. These investments are separated from the Academy's general checking and savings accounts. All investment returns on these investments are considered nonoperating. All investment income in AANPA, the Foundation and AEI is considered available for current operations.

The credit and liquidity crisis in the United States and throughout the global financial system has resulted in substantial volatility in the financial markets and banking system. These and other economic events have had a significant adverse impact on investment portfolios. As a result, the Academy's investment portfolio may have incurred a significant decline in fair value since December 31, 2008.

#### Note 5. Fair Value of Financial Instruments

Effective January 1, 2008, the Organization adopted SFAS No. 157, *Fair Value Measurements*, which provides a framework for measuring fair value under generally accepted accounting principles. SFAS No. 157 applies to all financial instruments that are being measured and reported on a fair value basis. SFAS No. 157 requires new disclosure that establishes a framework for measuring fair value in GAAP and expands disclosure about fair value measurements. This statement enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The adoption of SFAS No. 157 did not have a significant effect on the consolidated financial statements of the Organization.

The statement requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

In determining the appropriate levels, the Organization performs a detailed analysis of the assets and liabilities that are subject to SFAS No. 157. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

The table below presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy.

	Level 1	Level 2	Level 3	Total Fair Value
Equity funds	\$ 10,171,060	\$ -	\$ -	\$ 10,171,060
Corporate bond funds	7,458,834	-	-	7,458,834
Money market mutual fund	3,575	-	-	3,575
Funds of hedge funds	-	1,420,394	1,349,282	2,769,676
Total assets	<u>\$ 17,633,469</u>	<u>\$ 1,420,394</u>	<u>\$ 1,349,282</u>	<u>\$ 20,403,145</u>

## The American Academy of Neurology and Affiliates

### Notes to Consolidated Financial Statements

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#### Note 5. Fair Value of Financial Instruments (Continued)

Financial instruments classified as Level 3 in the fair value hierarchy represent the Organization's investments in financial instruments in which management has used at least one significant unobservable input in the valuation model. The following table presents a reconciliation of activity for the Level 3 financial instruments:

Beginning balance, January 1, 2008	\$ 3,628,833
Sales	(1,800,000)
Unrealized loss	(484,491)
Realized gain	4,940
Ending balance, December 31, 2008	<u>\$ 1,349,282</u>

Unrealized and realized gains and losses are reflected as investment income in the consolidated statements of activities.

#### Note 6. Grants Payable

Grants payable include the following at December 31:

	2008	2007
Amounts due:		
One year or less	\$ 1,207,500	\$ 751,407
One to five years	517,500	180,128
Discount to present value	(9,141)	(5,128)
Net grants payable	<u>\$ 1,715,859</u>	<u>\$ 926,407</u>
Current portion of grants payable	\$ 1,207,500	\$ 751,407
Long-term portion of grants payable	508,359	175,000
Net grants payable	<u>\$ 1,715,859</u>	<u>\$ 926,407</u>

Grants expected to be paid beyond one year are reflected at the present value of future cash flows using a discount rate of approximately 1 percent to 3 percent.

## The American Academy of Neurology and Affiliates

### Notes to Consolidated Financial Statements

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#### Note 7. Deferred Revenue

Deferred revenue consists of the following at December 31:

	2008	2007
Future-year dues	\$ 3,963,522	\$ 3,797,310
Conference revenues	2,332,750	1,820,700
Publication bonus amortized over contract term	4,561,687	-
Advertising for future periods	105,131	103,573
Other	624,100	608,258
Total deferred revenue	<u>11,587,190</u>	<u>6,329,841</u>
Current portion of deferred revenue	(7,937,840)	(6,329,841)
Long-term portion of deferred revenue	<u>\$ 3,649,350</u>	<u>\$ -</u>

#### Note 8. Lease Commitment

The Organization leases space in St. Paul and Rochester, Minnesota, and Rochester, New York, with varying terms through 2012. Total rent expense for these leases, including maintenance and operating costs, for the years ended December 31, 2008 and 2007, totaled approximately \$927,300 and \$947,500, respectively. Future minimum lease payments required under the noncancelable operating leases are as follows at December 31, 2008:

Years ending December 31:	
2009	\$ 405,692
2010	407,143
2011	406,431
2012	226,672
Total minimum lease payments	<u>\$ 1,445,938</u>

#### Note 9. Retirement Plan

The Academy has a defined contribution retirement plan for its employees who meet certain service requirements. The Academy makes monthly contributions to the plan of 10.5 percent of the base salaries of qualifying participants. Retirement plan expenses were approximately \$558,600 and \$526,600 for the years ended December 31, 2008 and 2007, respectively.

AEI has established a 401(k) plan for its employees who meet certain service requirements. AEI makes monthly contributions to the money purchase plan of 10.5 percent of the gross salaries of qualifying participants. Retirement plan contributions were approximately \$74,300 and \$31,200 for the years ended December 31, 2008 and 2007, respectively.

#### Note 10. Deferred Income Tax

The Organization is subject to income tax on any management fees received from AEI, net of any related expenses. All of AEI's income sources are subject to tax. Income tax expense was \$(61,800) and \$25,500 for the years ended December 31, 2008 and 2007, respectively.

## The American Academy of Neurology and Affiliates

### Notes to Consolidated Financial Statements

#### Note 10. Deferred Income Tax (Continued)

Deferred income tax consists of the following components as of December 31:

	2008	2007
Deferred tax assets:		
Net operating loss	\$ 900	\$ 6,600
Accrued vacation	13,400	9,200
Depreciation	4,200	(5,300)
Charitable contribution	-	18,900
Deferred revenue	308,000	40,400
	<u>326,500</u>	<u>69,800</u>
Less: current portion	(108,799)	(68,450)
Deferred tax asset — noncurrent	<u>\$ 217,701</u>	<u>\$ 1,350</u>

The deferred tax asset was calculated using a combined federal and state rate of 39 percent at December 31, 2008 and 2007. Net state operating losses totaling \$105,363 will expire in varying amounts through December 31, 2023.

The provision for income taxes charged to operations consists of the following at December 31:

	2008	2007
Current tax (benefit) expense	\$ 194,700	\$ (10,300)
Deferred tax expense	(256,500)	35,800
Total	<u>\$ (61,800)</u>	<u>\$ 25,500</u>

The income tax provision differs from the amount of income tax determined by applying the U.S. federal income tax rate to pretax income for the years ended December 31, 2008 and 2007, due to the following:

	2008	2007
Computed "expected" tax benefit/provision	\$ (45,500)	\$ 44,400
Increase (decrease) in income taxes resulting from:		
Nondeductible meals and entertainment expenses	6,800	6,600
State income taxes, net of federal tax benefit	(6,700)	6,500
Effect of income taxed at lower rates	(16,400)	(32,000)
Income tax benefit	<u>\$ (61,800)</u>	<u>\$ 25,500</u>

## The American Academy of Neurology and Affiliates

### Notes to Consolidated Financial Statements

#### Note 11. Net Assets

**Unrestricted Board-designated:** Included in unrestricted net assets is \$834,097 in funds pledged by the Academy to the Foundation in support of Clinical Research Training Fellowships.

**Temporarily restricted:** Temporarily restricted net assets are available for the following purposes as of December 31:

	2008	2007
Annual meeting and other programs	\$ 1,018,450	\$ 1,356,181
Education, research and award funds	1,197,396	1,386,302
Clinical Research Training Fellowship	153,972	-
Potamkin Prize	103,736	104,296
Brain PAC	45,136	-
	<u>\$ 2,518,690</u>	<u>\$ 2,846,779</u>

**Permanently restricted:** Permanently restricted net assets as of December 31 are restricted to investments in perpetuity, the income from which is expendable to support the following activities:

	2008	2007
Multiple Sclerosis Endowment	\$ 320,230	\$ 314,980
General Research Endowment	49,300	49,300
Viste Patient Advocate Endowment	66,208	65,758
Association of Indian Neurologists in America	50,000	50,000
Wolf Graham Endowment	50,000	-
Sleep Endowment	23,300	-
	<u>\$ 559,038</u>	<u>\$ 480,038</u>

#### Note 12. Net Assets Released From Restrictions

Net assets were released from donor restrictions by the Organization incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors as follows:

	Years Ended December 31	
	2008	2007
Education, research and award funds	\$ 137,656	\$ 282,874
Potamkin Prize	100,000	100,000
Clinical Research Training Fellowship	24,676	111,273
Annual meeting and other programs	1,290,205	1,058,473
Brain PAC	52,000	-
	<u>\$ 1,604,537</u>	<u>\$ 1,552,620</u>

## The American Academy of Neurology and Affiliates

### Notes to Consolidated Financial Statements

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#### Note 13. Endowment

In August 2008, the FASB issued FASB Staff Position (FSP) FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*. The FSP provided guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). It also established disclosure requirements for both donor-restricted and board-designated endowment funds. The state of Minnesota's version of UPMIFA became effective on August 1, 2008. The Foundation adopted FSP FAS 117-1 during 2008. The adoption of FSP FAS 117-1 did not have an impact on the beginning net asset classification.

The Organization's donor-restricted endowment consists of six individual funds established to support research and awards and, as required by generally accepted accounting principles, net assets associated with those endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Organization has interpreted UPMIFA as requiring the presentation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization 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, and (c) 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. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors when making a determination to appropriate or accumulate donor-restricted funds:

1. The duration and preservation of the fund
2. The purposes of the Organization 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 Organization
7. The investment policies of the Organization

## The American Academy of Neurology and Affiliates

### Notes to Consolidated Financial Statements

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#### Note 13. Endowment (Continued)

Changes in endowment net assets for the fiscal years ended December 31, 2008 and 2007, consisted of the following:

	Temporarily Restricted	Permanently Restricted	Total
Balance, December 31, 2006	\$ 41,530	\$ 413,291	\$ 454,821
Investment income (loss)	36,652	-	36,652
Contributions	-	66,747	66,747
Appropriation of endowment funds	(1,000)	-	(1,000)
Balance, December 31, 2007	77,182	480,038	557,220
Investment income (loss)	(71,089)	-	(71,089)
Contributions	-	79,000	79,000
Appropriation of endowment funds	(2,000)	-	(2,000)
Balance, December 31, 2008	\$ 4,093	\$ 559,038	\$ 563,131

The Organization 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 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 is intended to produce a real return, net of inflation and investment management costs, of at least 8 percent over the long term. Actual returns in any given year may vary from this amount. To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objective within prudent risk constraints.

The Organization has a policy of appropriating for distribution each year 4.5 percent of its endowment fund's moving average fair value over the prior 12 months through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow at an average of the long-term rate of inflation. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity for a specific term as well as to provide additional real growth through new gifts and investment return. From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2008 or 2007.

#### Note 14. Commitments

As of December 31, 2008, the Organization had signed commitments with various hotels for the upcoming annual meetings. At December 31, 2008, the Organization was liable for approximately \$6,014,000 if the Organization cancels the agreements. The Organization has obtained insurance to cover the 2009 annual meeting.

## The American Academy of Neurology and Affiliates

### Notes to Consolidated Financial Statements

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#### Note 15. Related Party

United Council for Neurologic Subspecialties (the Council) began operations May 1, 2003, as a not-for-profit which provides certification and accreditation with the goal of enhancing the quality of training for physicians in neurological subspecialties and improving the quality of patient care. The Council was formed by parent organizations of the American Academy of Neurology, American Neurology Association, Association of University Professors of Neurology, Child Neurology Society, and Professors of Child Neurology. The Academy provided operating support to the Council in the amount of \$173,793 and \$196,930 for 2008 and 2007, respectively, which is net of excess profits to be returned to the Academy of \$79,633 and \$65,590 for 2008 and 2007, respectively.

The Council receives services and facilities from the Academy for a management fee. The total amount of services provided to the Council from the Academy for the years ended December 31, 2008 and 2007, was \$86,000 and \$85,000, respectively. The Council receives services from the Academy for time incurred by Academy employees on Council projects. The total amount of contracted salaries and related benefits provided to the Council by the Academy as of December 31, 2008 and 2007, was approximately \$292,300 and \$189,000, respectively. As of December 31, 2008 and 2007, the Academy has a receivable in the amount of \$57,302 and \$21,853, respectively, from the Council, which is included in receivables due from affiliate.

# McGladrey & Pullen

Certified Public Accountants

## Independent Auditor's Report on the Supplementary Information

To the Board of Directors  
The American Academy of Neurology and Affiliates

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The consolidating information is presented for purposes of additional analysis of the basic consolidated financial statements rather than to present the financial position and changes in net assets or changes in classes of net assets of the individual organizations. The consolidating information has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and, in our opinion, except for the effects of not reporting changes in net assets by net asset classification in the consolidating statements of activities, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

*McGladrey & Pullen, LLP*

Minneapolis, Minnesota  
May 29, 2009

# The American Academy of Neurology and Affiliates

## Consolidating Statement of Financial Position December 31, 2008

	American Academy of Neurology	American Academy of Neurology Foundation	AAN Enterprises, Inc.	AAN Professional Association	Eliminations	Consolidated
<b>Assets</b>						
<b>Current Assets</b>						
Cash and cash equivalents	\$ 6,874,087	\$ 3,248,675	\$ 2,360,871	\$ 4,198,540	\$ -	\$ 16,682,173
Royalty receivable	447,218	-	-	-	-	447,218
Contributions receivable, net	125,000	1,376,948	-	-	(1,118,472)	383,476
Accounts receivable, net	141,816	-	1,545,161	24,517	(39,999)	1,671,495
Other receivables	-	55,000	-	-	-	55,000
Intercompany receivable	3,845,666	32,602	-	-	(3,878,268)	-
Due from affiliate	136,935	-	-	-	-	136,935
Inventory	47,860	-	52,042	-	-	99,902
Other receivables	-	-	-	-	-	-
Prepaid expenses and other	647,767	1,632	12,621	64,834	-	726,854
Deferred income tax	-	-	108,799	-	-	108,799
<b>Total current assets</b>	<b>12,266,349</b>	<b>4,714,857</b>	<b>4,079,494</b>	<b>4,287,891</b>	<b>(5,036,739)</b>	<b>20,311,852</b>
Property and Equipment, net	459,634	-	58,020	-	-	517,654
<b>Other Long-Term Assets</b>						
Investments	20,802,727	1,600,418	-	-	-	22,403,145
Note receivable	50,000	-	-	-	-	50,000
Investment in subsidiary	2,734,882	-	-	-	(2,734,882)	-
Interest in net assets of the Foundation	4,628,578	-	-	-	(4,628,578)	-
Contributions receivable, net of current portion	479,974	920,597	-	-	(920,597)	479,974
Other receivables	-	55,000	-	-	-	55,000
Deferred income tax, net of current portion	-	-	217,701	-	-	217,701
<b>Total other long-term assets</b>	<b>28,696,161</b>	<b>2,576,015</b>	<b>217,701</b>	<b>-</b>	<b>(8,284,057)</b>	<b>23,205,820</b>
<b>Total assets</b>	<b>\$ 41,422,144</b>	<b>\$ 7,290,872</b>	<b>\$ 4,355,215</b>	<b>\$ 4,287,891</b>	<b>\$ (13,320,796)</b>	<b>\$ 44,035,326</b>
<b>Liabilities and Net Assets (Deficit)</b>						
<b>Current Liabilities</b>						
Accounts payable	\$ 937,873	\$ 21,789	\$ 311,539	\$ 80,540	\$ (40,000)	\$ 1,311,741
Grants payable	1,118,472	1,207,500	-	-	(1,118,472)	1,207,500
Intercompany payable	-	728,756	386,448	2,763,063	(3,878,267)	-
Deferred revenue	6,055,145	195,890	241,980	1,444,825	-	7,937,840
Accrued expenses	1,075,587	-	132,963	-	-	1,208,550
<b>Total current liabilities</b>	<b>9,187,077</b>	<b>2,153,935</b>	<b>1,072,930</b>	<b>4,288,428</b>	<b>(5,036,739)</b>	<b>11,665,631</b>
<b>Long-Term Liabilities</b>						
Deferred revenue, net of current portion	3,101,947	-	547,403	-	-	3,649,350
Grants payable, net of current portion	920,597	508,359	-	-	(920,597)	508,359
<b>Total long-term liabilities</b>	<b>4,022,544</b>	<b>508,359</b>	<b>547,403</b>	<b>-</b>	<b>(920,597)</b>	<b>4,157,709</b>
<b>Total liabilities</b>	<b>13,209,621</b>	<b>2,662,294</b>	<b>1,620,333</b>	<b>4,288,428</b>	<b>(5,957,336)</b>	<b>15,823,340</b>
<b>Net Assets (Deficit)</b>						
Unrestricted	24,345,834	1,485,339	-	(45,673)	(651,242)	25,134,258
Temporarily restricted	3,307,651	2,584,201	-	45,136	(3,418,298)	2,518,690
Permanently restricted	559,038	559,038	-	-	(559,038)	559,038
Stockholder's equity	-	-	2,734,882	-	(2,734,882)	-
<b>Total net assets (deficit)</b>	<b>28,212,523</b>	<b>4,628,578</b>	<b>2,734,882</b>	<b>(537)</b>	<b>(7,363,460)</b>	<b>28,211,986</b>
<b>Total liabilities and net assets (deficit)</b>	<b>\$ 41,422,144</b>	<b>\$ 7,290,872</b>	<b>\$ 4,355,215</b>	<b>\$ 4,287,891</b>	<b>\$ (13,320,796)</b>	<b>\$ 44,035,326</b>

# The American Academy of Neurology and Affiliates

## Consolidating Statement of Activities Year Ended December 31, 2008

	American Academy of Neurology	American Academy of Neurology Foundation	AAN Enterprises, Inc.	AAN Professional Association	Eliminations	Consolidated
<b>Support:</b>						
Annual meeting grants and contributions	\$ 2,039,000	\$ 1,927,443	\$ -	\$ -	\$ (2,039,000)	\$ 1,927,443
Project grants and contributions	659,500	1,504,991	-	97,135	(1,330,069)	931,557
<b>Total support</b>	<b>2,698,500</b>	<b>3,432,434</b>	<b>-</b>	<b>97,135</b>	<b>(3,369,069)</b>	<b>2,859,000</b>
<b>Revenue:</b>						
Membership	3,726,632	453,680	-	2,183,661	-	6,363,973
Annual meeting	8,897,197	-	-	-	(114,000)	8,783,197
Publications	7,027,577	-	3,484,846	-	(324,327)	10,188,096
Products and services	518,140	-	263,703	61,812	(97,300)	746,355
Special courses	1,454,493	-	-	-	-	1,454,493
Management and service fees	1,347,000	785,954	56,300	-	(2,103,254)	86,000
Investment income (loss) — operating	192,212	(515,394)	39,920	21,871	(6,064)	(267,455)
Other	79,095	-	103,719	-	(40,000)	142,814
<b>Total revenue</b>	<b>23,242,346</b>	<b>724,240</b>	<b>3,948,488</b>	<b>2,267,344</b>	<b>(2,684,945)</b>	<b>27,497,473</b>
<b>Total support and revenue</b>	<b>25,940,846</b>	<b>4,156,674</b>	<b>3,948,488</b>	<b>2,364,479</b>	<b>(6,054,014)</b>	<b>30,356,473</b>
<b>Expenses:</b>						
<b>Program services:</b>						
Membership	3,578,731	-	-	754	-	3,579,485
Annual meeting	8,488,964	-	-	-	-	8,488,964
Projects	1,891,677	-	-	1,243,275	-	3,134,952
Publications	354,364	-	2,340,820	-	(519,327)	2,175,857
Committees	2,642,056	-	-	532,429	(9,750)	3,164,735
Products and services	2,752,454	-	143,308	359,489	-	3,255,251
Special courses	1,579,809	-	-	-	-	1,579,809
Grants and awards	485,569	5,211,676	-	-	(3,184,069)	2,513,176
<b>Total program services</b>	<b>21,773,624</b>	<b>5,211,676</b>	<b>2,484,128</b>	<b>2,135,947</b>	<b>(3,713,146)</b>	<b>27,892,229</b>
<b>Support services:</b>						
Member development and fund raising	451,346	393,553	-	70,920	(565,346)	350,473
General and administrative	3,258,647	337,885	1,536,405	16,919	(1,775,522)	3,374,334
<b>Total support services</b>	<b>3,709,993</b>	<b>731,438</b>	<b>1,536,405</b>	<b>87,839</b>	<b>(2,340,868)</b>	<b>3,724,807</b>
<b>Total expenses</b>	<b>25,483,617</b>	<b>5,943,114</b>	<b>4,020,533</b>	<b>2,223,786</b>	<b>(6,054,014)</b>	<b>31,617,036</b>
<b>Change in net assets before nonoperating income (loss)</b>	<b>457,229</b>	<b>(1,786,440)</b>	<b>(72,045)</b>	<b>140,693</b>	<b>-</b>	<b>(1,260,563)</b>
<b>Nonoperating income (loss):</b>						
Investment income (loss)	(6,798,347)	-	-	-	-	(6,798,347)
Unrealized loss from AEI	(72,045)	-	-	-	72,045	-
<b>Total nonoperating income (loss)</b>	<b>(6,870,392)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>72,045</b>	<b>(6,798,347)</b>
<b>Decrease in interest in net assets of the Foundation</b>	<b>(1,786,440)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,786,440</b>	<b>-</b>
<b>Change in net assets</b>	<b>(8,199,603)</b>	<b>(1,786,440)</b>	<b>(72,045)</b>	<b>140,693</b>	<b>1,858,485</b>	<b>(8,058,910)</b>
Net assets, beginning of year	36,412,126	6,415,018	2,806,927	(141,230)	(9,221,945)	36,270,896
Net assets, end of year	\$ 28,212,523	\$ 4,628,578	\$ 2,734,882	\$ (537)	\$ (7,363,460)	\$ 28,211,986

# The American Academy of Neurology and Affiliates

## Consolidating Statement of Financial Position December 31, 2007

	American Academy of Neurology	American Academy of Neurology Foundation	AAN Enterprises, Inc.	AAN Professional Association	Eliminations	Consolidated
<b>Assets</b>						
<b>Current Assets</b>						
Cash and cash equivalents	\$ 5,971,428	\$ 2,930,051	\$ 1,409,274	\$ 1,631,433	\$ -	\$ 11,942,186
Royalty receivable	2,116,700	-	-	-	-	2,116,700
Contributions receivable, net	-	1,401,834	-	-	(615,000)	786,834
Accounts receivable, net	66,001	-	1,709,064	-	(14,500)	1,760,565
Intercompany receivable	1,476,444	-	-	-	(1,476,444)	-
Due from affiliate	88,081	-	-	-	-	88,081
Inventory	41,452	-	53,600	-	-	95,052
Prepaid expenses and other	445,918	2,141	69,433	102,245	-	619,737
Deferred income tax	-	-	68,450	-	-	68,450
<b>Total current assets</b>	<b>10,206,024</b>	<b>4,334,026</b>	<b>3,309,821</b>	<b>1,733,678</b>	<b>(2,105,944)</b>	<b>17,477,605</b>
Property and Equipment, net	567,736	-	84,395	-	-	652,131
<b>Other Long-Term Assets</b>						
Investments	25,601,073	2,169,360	-	-	-	27,770,433
Investment in subsidiary	2,806,927	-	-	-	(2,806,927)	-
Interest in net assets of the Foundation	6,415,018	-	-	-	(6,415,018)	-
Contributions receivable, net of current portion	-	1,622,090	-	-	(1,622,090)	-
Deferred income tax, net of current portion	-	-	1,350	-	-	1,350
<b>Total other long-term assets</b>	<b>34,823,018</b>	<b>3,791,450</b>	<b>1,350</b>	<b>-</b>	<b>(10,844,035)</b>	<b>27,771,783</b>
<b>Total assets</b>	<b>\$ 45,596,778</b>	<b>\$ 8,125,476</b>	<b>\$ 3,395,566</b>	<b>\$ 1,733,678</b>	<b>\$ (12,949,979)</b>	<b>\$ 45,901,519</b>
<b>Liabilities and Net Assets (Deficit)</b>						
<b>Current Liabilities</b>						
Accounts payable	\$ 871,964	\$ 22,763	\$ 150,744	\$ -	\$ (14,500)	\$ 1,030,971
Grants payable	615,000	751,407	-	-	(615,000)	751,407
Intercompany payable	-	720,038	212,330	544,076	(1,476,444)	-
Deferred revenue	4,854,186	41,250	103,573	1,330,832	-	6,329,841
Accrued expenses	1,221,412	-	121,992	-	-	1,343,404
<b>Total current liabilities</b>	<b>7,562,562</b>	<b>1,535,458</b>	<b>588,639</b>	<b>1,874,908</b>	<b>(2,105,944)</b>	<b>9,455,623</b>
<b>Long-Term Liabilities</b>						
Grants payable, net of current portion	1,622,090	175,000	-	-	(1,622,090)	175,000
<b>Total long-term liabilities</b>	<b>1,622,090</b>	<b>175,000</b>	<b>-</b>	<b>-</b>	<b>(1,622,090)</b>	<b>175,000</b>
<b>Total liabilities</b>	<b>9,184,652</b>	<b>1,710,458</b>	<b>588,639</b>	<b>1,874,908</b>	<b>(3,728,034)</b>	<b>9,630,623</b>
<b>Net Assets (Deficit)</b>						
Unrestricted	31,211,213	1,355,270	-	(141,230)	518,826	32,944,079
Temporarily restricted	4,720,875	4,579,710	-	-	(6,453,806)	2,846,779
Permanently restricted	480,038	480,038	-	-	(480,038)	480,038
Stockholder's equity	-	-	2,806,927	-	(2,806,927)	-
<b>Total net assets (deficit)</b>	<b>36,412,126</b>	<b>6,415,018</b>	<b>2,806,927</b>	<b>(141,230)</b>	<b>(9,221,945)</b>	<b>36,270,896</b>
<b>Total liabilities and net assets (deficit)</b>	<b>\$ 45,596,778</b>	<b>\$ 8,125,476</b>	<b>\$ 3,395,566</b>	<b>\$ 1,733,678</b>	<b>\$ (12,949,979)</b>	<b>\$ 45,901,519</b>

# The American Academy of Neurology and Affiliates

## Consolidating Statement of Activities Year Ended December 31, 2007

	American Academy of Neurology	American Academy of Neurology Foundation	AAN Enterprises, Inc.	AAN Professional Association	Eliminations	Consolidated
<b>Support:</b>						
Annual meeting grants and contributions	\$ 2,065,794	\$ 3,218,774	\$ -	\$ -	\$ (3,142,411)	\$ 2,142,157
Project grants and contributions	728,497	2,899,513	-	34,159	(2,237,090)	1,425,079
<b>Total support</b>	<b>2,794,291</b>	<b>6,118,287</b>	<b>-</b>	<b>34,159</b>	<b>(5,379,501)</b>	<b>3,567,236</b>
<b>Revenue:</b>						
Membership	5,584,451	301,250	-	-	-	5,885,701
Annual meeting	8,084,676	-	-	-	(56,250)	8,028,426
Publications	7,251,415	-	3,446,472	-	(219,741)	10,478,146
Products and services	605,901	-	186,822	-	(47,000)	745,723
Special courses	1,448,592	-	-	-	-	1,448,592
Management and service fees	889,479	900,715	44,815	-	(1,750,009)	85,000
Investment income — operating	331,326	298,447	80,315	-	(6,775)	703,313
Other	41,336	-	52,465	-	(14,500)	79,301
<b>Total revenue</b>	<b>24,237,176</b>	<b>1,500,412</b>	<b>3,810,889</b>	<b>-</b>	<b>(2,094,275)</b>	<b>27,454,202</b>
<b>Total support and revenue</b>	<b>27,031,467</b>	<b>7,618,699</b>	<b>3,810,889</b>	<b>34,159</b>	<b>(7,473,776)</b>	<b>31,021,438</b>
<b>Expenses:</b>						
<b>Program services:</b>						
Membership	3,141,385	-	-	-	-	3,141,385
Annual meeting	6,876,111	-	-	-	-	6,876,111
Projects	3,089,979	-	-	-	-	3,089,979
Publications	480,084	-	2,161,732	-	(270,000)	2,371,816
Committees	2,768,815	-	-	38,594	-	2,807,409
Products and services	2,451,158	-	122,400	-	-	2,573,558
Special courses	1,659,591	-	-	-	-	1,659,591
Grants and awards	2,229,590	4,214,790	-	-	(5,184,751)	1,259,629
<b>Total program services</b>	<b>22,696,713</b>	<b>4,214,790</b>	<b>2,284,132</b>	<b>38,594</b>	<b>(5,454,751)</b>	<b>23,779,478</b>
<b>Support services:</b>						
Member development and fund raising	711,102	539,678	-	-	(543,370)	707,410
General and administrative	2,868,103	317,709	1,421,631	136,795	(1,475,655)	3,268,583
<b>Total support services</b>	<b>3,579,205</b>	<b>857,387</b>	<b>1,421,631</b>	<b>136,795</b>	<b>(2,019,025)</b>	<b>3,975,993</b>
<b>Total expenses</b>	<b>26,275,918</b>	<b>5,072,177</b>	<b>3,705,763</b>	<b>175,389</b>	<b>(7,473,776)</b>	<b>27,755,471</b>
<b>Change in net assets before nonoperating income</b>	<b>755,549</b>	<b>2,546,522</b>	<b>105,126</b>	<b>(141,230)</b>	<b>-</b>	<b>3,265,967</b>
<b>Nonoperating income:</b>						
Investment income	2,023,247	-	-	-	-	2,023,247
Unrealized gain from AEI	105,126	-	-	-	(105,126)	-
<b>Total nonoperating income</b>	<b>2,128,373</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(105,126)</b>	<b>2,023,247</b>
Increase in interest in net assets of the Foundation	2,546,522	-	-	-	(2,546,522)	-
<b>Total change in net assets</b>	<b>5,430,444</b>	<b>2,546,522</b>	<b>105,126</b>	<b>(141,230)</b>	<b>(2,651,648)</b>	<b>5,289,214</b>
Net assets, beginning of year	30,981,682	3,868,496	2,701,801	-	(6,570,297)	30,981,682
<b>Net assets, end of year</b>	<b>\$ 36,412,126</b>	<b>\$ 6,415,018</b>	<b>\$ 2,806,927</b>	<b>\$ (141,230)</b>	<b>\$ (9,221,945)</b>	<b>\$ 36,270,896</b>