

McGladrey & Pullen

Certified Public Accountants

July 29, 2009

McGladrey & Pullen, LLP

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Mr. Tim Engel
United Council for Neurologic Subspecialties
1080 Montreal Avenue
St. Paul, MN 55116

Dear Tim:

In accordance with your request, we are attaching the accompanying PDF file, which contains an electronic final version of the financial statements of United Council for Neurologic Subspecialties as of December 31, 2008 and 2007. We understand that your request for the electronic copy has been made as a matter of convenience. You understand that electronic transmissions are not entirely secure and that it is possible for confidential financial information to be intercepted by others.

These financial statements and our report(s) on them are not to be modified in any manner. This final version supersedes all prior drafts. Any preliminary draft version of the financial statements previously provided to you in an electronic format should be deleted from your computer, and all printed copies of any superseded preliminary draft versions should likewise be destroyed.

Professional standards and our firm policies require that we perform certain additional procedures whenever our reports are included, or we are named as accountants, auditors or "experts," in a document used in a public or private offering of equity or debt securities. Accordingly, as provided for and agreed to in the terms of our arrangement letter, United Council for Neurologic Subspecialties will not include our reports, or otherwise make reference to us, in any public or private securities offering without first obtaining our consent. Any request to consent is also a matter for which separate arrangements will be necessary. After obtaining our consent, United Council for Neurologic Subspecialties also agrees to provide us with printer's proofs or masters of such offering documents for our review and approval before printing, and with a copy of the final reproduced material for our approval before it is distributed. In the event our auditor/client relationship has been terminated when United Council for Neurologic Subspecialties seeks such consent, we will be under no obligation to grant such consent or approval.

Thank you for the opportunity to serve you.

Sincerely,



Sharon A. Meyer, Partner
612.376.9361

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Attachment

McGladrey & Pullen

Certified Public Accountants

United Council for Neurologic Subspecialties

Financial Report
December 31, 2008

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Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
United Council for Neurologic Subspecialties

We have audited the accompanying statements of financial position of United Council for Neurologic Subspecialties (UCNS) as of December 31, 2008 and 2007, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of UCNS' 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 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 financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of UCNS as of December 31, 2008 and 2007, and the changes in its net assets and its 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
July 15, 2009

United Council for Neurologic Subspecialties

Statements of Financial Position

December 31, 2008 and 2007

Assets	2008	2007
Current Assets		
Cash and cash equivalents	\$ 445,488	\$ 343,172
Prepaid expenses and other	1,850	7,010
Total current assets	\$ 447,338	\$ 350,182
Liabilities and Net Assets		
Current Liabilities		
Accounts payable (Note 4)	\$ 95,392	\$ 40,311
Refunds due to parent organizations (Note 2)	89,671	73,584
Deferred revenue	85,600	63,780
Total current liabilities	270,663	177,675
Net Assets		
Unrestricted	176,675	172,507
Total liabilities and net assets	\$ 447,338	\$ 350,182

See Notes to Financial Statements.

United Council for Neurologic Subspecialties

Statements of Activities

Years Ended December 31, 2008 and 2007

	2008	2007
Revenue and support:		
Net operating support assessments (Note 2)	\$ 106,029	\$ 290,526
Accreditation fees	75,250	31,375
Membership dues (Note 3)	12,000	8,300
Interest income	6,404	13,331
Certification fees	433,350	339,800
Total revenue and support	633,033	683,332
Expenses:		
Program services	311,440	298,078
Support services	317,425	235,170
Total expenses	628,865	533,248
Increase in net assets	4,168	150,084
Net assets — beginning of year	172,507	22,423
Net assets — end of year	\$ 176,675	\$ 172,507

See Notes to Financial Statements.

United Council for Neurologic Subspecialties

Statements of Cash Flows

Years Ended December 31, 2008 and 2007

	2008	2007
Cash Flows From Operating Activities		
Increase in net assets	\$ 4,168	\$ 150,084
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Changes in assets and liabilities:		
Prepaid expenses and other	5,160	(5,742)
Accounts payable	55,081	3,834
Refunds due to parent organizations	16,087	(72,626)
Deferred revenue	21,820	43,080
Net cash provided by operating activities	<u>102,316</u>	<u>118,630</u>
Net increase in cash and cash equivalents	102,316	118,630
Cash and Cash Equivalents — beginning of year	343,172	224,542
Cash and Cash Equivalents — end of year	<u>\$ 445,488</u>	<u>\$ 343,172</u>

See Notes to Financial Statements.

United Council for Neurologic Subspecialties

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

Nature of organization: United Council for Neurologic Subspecialties (UCNS) began operations May 1, 2003, as a nonprofit 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.

UCNS was formed by five organizations, including the American Academy of Neurology, American Neurological Association, Association of University Professors of Neurology, Child Neurology Society, and Professors of Child Neurology.

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

Unrestricted net assets: Resources presently available for support of the operations of UCNS over which the Board of Directors has discretionary control.

Cash and cash equivalents: UCNS considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents. UCNS has a sweep account that is invested nightly in U.S. Treasuries. UCNS maintains cash in bank accounts which exceed federally insured limits. To date, UCNS has not experienced any losses in such accounts.

Refunds due to parent organizations: Refunds consist of amounts due to parent organizations as a result of UCNS generating changes in net assets in excess of limits established by the Board of Directors.

Deferred revenue: Deferred revenue consists of dues, accreditation and certification payments received in the current year for future periods.

Operating support assessments: Operating support consists of amounts contributed by parent organizations for operating needs.

Accreditation and certification fees: Accreditation and certification fees are recognized as revenue in the period to which the fees relate. Fees collected in advance are recorded as deferred until they are earned.

Application fees for accreditation and certification are nonrefundable and recognized as revenue when received.

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

Allocation of expenses: UCNS' 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 allocated based on management's best estimates, unless a direct relationship exists between the expense and a particular functional category.

Tax-exempt status: UCNS is exempt from federal income taxes under Section 501(c)(6) of the Internal Revenue Code and applicable state statutes.

United Council for Neurologic Subspecialties

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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.

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

Recent accounting pronouncements: In July 2006, the 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 Statement 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.

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. UCNS has elected this deferral and accordingly will be required to adopt FIN 48 in its 2009 annual financial statements. Prior to adoption of FIN 48, UCNS will continue to evaluate its uncertain tax positions and related income tax contingencies under Statement No. 5, *Accounting for Contingencies*. Statement No. 5 requires UCNS 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 financial statements.

Note 2. Refunds Due to Parent Organizations

In October 2005, the Board of Directors of UCNS approved a policy that would return a portion of operating support assessments to parent organizations. When UCNS generates a change in net assets in excess of the budgeted change in net assets, the lesser of 95 percent of the change in net assets or 95 percent of parent organizations' contributions exclusive of seat fees (dues) will be returned to parent organizations. The amount to be returned is based on the percentage of support contributed by each parent organization exclusive of seat fees (dues).

During 2006, the Board of Directors passed a resolution to reinvest the excess profits generated by UCNS. This is included in net operating support assessments in the 2007 statement of activities. In March 2008, the Board of Directors passed a resolution to exclude this amount from the calculation of refunds due to parent organizations at December 31, 2007.

United Council for Neurologic Subspecialties

Notes to Financial Statements

Note 2. Refunds Due to Parent Organizations (Continued)

The following schedule shows the amount of refunds due in 2008 and 2007 to each of the parent organizations:

	American Academy of Neurology	American Neurological Association	Association of University Professors of Neurology	Child Neurology Society
Refund recognized in 2008:				
2008 contributions exclusive of seat fees	\$ 173,793	\$ 14,907	\$ 3,500	\$ 3,500
Total refund to parent organizations	\$ 89,671	\$ 89,671	\$ 89,671	\$ 89,671
Percent of contributions	88.80%	7.62%	1.79%	1.79%
2008 refund	<u>\$ 79,633</u>	<u>\$ 6,830</u>	<u>\$ 1,604</u>	<u>\$ 1,604</u>
Refund recognized in 2007:				
2007 contributions exclusive of seat fees	\$ 194,239	\$ 16,661	\$ 3,500	\$ 3,500
Total refund to parent organizations	\$ 73,584	\$ 73,584	\$ 73,584	\$ 73,584
Percent of contributions	89.13%	7.65%	1.61%	1.61%
2007 refund	<u>\$ 65,594</u>	<u>\$ 5,626</u>	<u>\$ 1,182</u>	<u>\$ 1,182</u>

The net operating support assessment, as recorded in the statement of activities, is calculated as follows:

	Years Ended December 31	
	2008	2007
Contributions from prior-year refunds not taken	\$ -	\$ 146,210
Contributions	195,700	217,900
Refunds due to parent organizations	(89,671)	(73,584)
Net operating support assessment	<u>\$ 106,029</u>	<u>\$ 290,526</u>

Note 3. Membership Dues

UCNS received dues from organizations in the following amounts for the years ended December 31:

	2008	2007
American Academy of Neurology	\$ 1,500	\$ 1,500
American Neurological Association	1,500	1,500
Association of University Professors of Neurology	1,500	1,500
Child Neurology Society	1,500	1,500
Professors of Child Neurology	1,500	1,500
Other	4,500	800
	<u>\$ 12,000</u>	<u>\$ 8,300</u>

United Council for Neurologic Subspecialties

Notes to Financial Statements

Note 4. Related-Party Transaction

UCNS receives services and facilities from the American Academy of Neurology (the Academy) for a management fee. The total amount of services provided to UCNS from the Academy as of December 31, 2008 and 2007, was approximately \$86,000 and \$85,000, respectively. UCNS receives services from the Academy for time incurred by Academy employees on UCNS projects. The total amount of contracted salaries and related benefits as of December 31, 2008 and 2007, was approximately \$293,700 and \$189,000, respectively. As of December 31, 2008 and 2007, UCNS owed the Academy \$57,302 and \$21,853, respectively, which is included in accounts payable in the statements of financial position.

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report on the Supplementary Information

To the Board of Directors
United Council for Neurologic Subspecialties

Our audit was made for the purpose of forming an opinion on the basic financial statements for the years ended December 31, 2008 and 2007, taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information for the years ended December 31, 2008 and 2007, has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

McGladrey & Pullen, LLP

Minneapolis, Minnesota
July 15, 2009

United Council for Neurologic Subspecialties

Statement of Functional Expenses
Year Ended December 31, 2008

	Support Services	Program Services	Total Expenses
Expenses:			
Management fee and contracted services	\$ 218,240	\$ 161,417	\$ 379,657
Professional services	36,705	103,048	139,753
Creative development expenses	18,756	1,066	19,822
Travel	17,019	26,491	43,510
Lodging	7,314	9,295	16,609
Food and beverage	5,426	6,409	11,835
Printing and copying	1,091	317	1,408
Audio and visual expenses	3,959	867	4,826
Postage	233	670	903
Telephone	476	1,247	1,723
Miscellaneous	8,206	532	8,738
Office supplies	-	81	81
Total expenses	\$ 317,425	\$ 311,440	\$ 628,865

United Council for Neurologic Subspecialties

Statement of Functional Expenses
Year Ended December 31, 2007

	Support Services	Program Services	Total Expenses
Expenses:			
Management fee and contracted services	\$ 137,216	\$ 137,390	\$ 274,606
Professional services	30,394	80,925	111,319
Creative development expenses	11,001	3,941	14,942
Travel	16,960	42,452	59,412
Lodging	17,039	20,321	37,360
Food and beverage	10,399	10,429	20,828
Printing and copying	629	-	629
Audio and visual expenses	3,592	864	4,456
Dues and subscriptions	585	-	585
Postage	643	874	1,517
Telephone	803	750	1,553
Miscellaneous	5,395	77	5,472
Office supplies	514	55	569
Total expenses	\$ 235,170	\$ 298,078	\$ 533,248