

**UNITED COUNCIL FOR
NEUROLOGIC SUBSPECIALTIES**

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020



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**UNITED COUNCIL FOR NEUROLOGIC SUBSPECIALTIES
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YEARS ENDED DECEMBER 31, 2021 AND 2020**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
United Council for Neurologic Subspecialties
Minneapolis, Minnesota

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of United Council for Neurologic Subspecialties, which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Council for Neurologic Subspecialties as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of United Council for Neurologic Subspecialties and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about United Council for Neurologic Subspecialties' ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

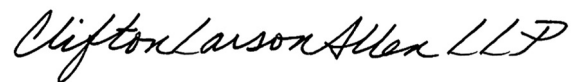
- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 United Council for Neurologic Subspecialties' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about United Council for Neurologic Subspecialties' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the grant expense and total funds raised but does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

CliftonLarsonAllen LLP

Minneapolis, Minnesota
August 3, 2022

UNITED COUNCIL FOR NEUROLOGIC SUBSPECIALTIES
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,583,419	\$ 2,323,983
Investments Held with Others	1,022,524	-
Accounts Receivable, Net	5,075	2,175
Prepaid Expenses and Other	6,398	3,097
Total Current Assets	<u>2,617,416</u>	<u>2,329,255</u>
PROPERTY AND EQUIPMENT, NET	<u>16,839</u>	<u>38,095</u>
Total Assets	<u><u>\$ 2,634,255</u></u>	<u><u>\$ 2,367,350</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 146,953	\$ 163,271
Deferred Revenue	220,040	224,380
Total Current Liabilities	<u>366,993</u>	<u>387,651</u>
NET ASSETS		
Without Donor Restrictions	2,175,509	1,887,946
With Donor Restrictions	91,753	91,753
Total Net Assets	<u>2,267,262</u>	<u>1,979,699</u>
Total Liabilities and Net Assets	<u><u>\$ 2,634,255</u></u>	<u><u>\$ 2,367,350</u></u>

See accompanying Notes to Financial Statements.

UNITED COUNCIL FOR NEUROLOGIC SUBSPECIALTIES
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Certification Fees	\$ 700,020	\$ -	\$ 700,020	\$ 726,100	\$ -	\$ 726,100
Accreditation Fees	451,000	-	451,000	421,000	-	421,000
Membership Dues and Seat Fees	16,500	-	16,500	16,500	-	16,500
Net Investment Income	87,594	-	87,594	14,348	-	14,348
Other Income	81	-	81	187	-	187
Total Support and Revenue	1,255,195	-	1,255,195	1,178,135	-	1,178,135
EXPENSES						
Program Services	572,217	-	572,217	495,597	-	495,597
Support Services - General and Administrative	395,415	-	395,415	333,430	-	333,430
Total Expenses	967,632	-	967,632	829,027	-	829,027
CHANGE IN NET ASSETS	287,563	-	287,563	349,108	-	349,108
Net Assets - Beginning of Year	1,887,946	91,753	1,979,699	1,538,838	91,753	1,630,591
NET ASSETS - END OF YEAR	<u>\$ 2,175,509</u>	<u>\$ 91,753</u>	<u>\$ 2,267,262</u>	<u>\$ 1,887,946</u>	<u>\$ 91,753</u>	<u>\$ 1,979,699</u>

See accompanying Notes to Financial Statements.

UNITED COUNCIL FOR NEUROLOGIC SUBSPECIALTIES
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021

	<u>Certification</u>	<u>Program Accreditation</u>	<u>Total Program</u>	<u>General and Administrative</u>	<u>Total Expenses</u>
EXPENSES					
Salaries and Benefits	\$ 280,606	\$ 111,626	\$ 392,232	\$ 257,489	\$ 649,721
Management Fee and Contracted Services	66,499	26,619	93,118	59,283	152,401
Professional Services	33,409	2,055	35,464	8,809	44,273
Travel	-	-	-	2,431	2,431
Lodging	-	-	-	1,088	1,088
Food and Beverage	-	-	-	2,565	2,565
Decorator and Space Rental	175	-	175	3,476	3,651
Postage	5,541	-	5,541	-	5,541
Telephone	-	-	-	1,472	1,472
Insurance	-	-	-	11,595	11,595
Software Maintenance	9,500	17,501	27,001	21,324	48,325
Credit Card and Bank Fees	11,233	6,863	18,096	3,742	21,838
Depreciation	-	-	-	21,256	21,256
Office Supplies	-	65	65	885	950
Other Expenses	525	-	525	-	525
Total Expenses	<u>\$ 407,488</u>	<u>\$ 164,729</u>	<u>\$ 572,217</u>	<u>\$ 395,415</u>	<u>\$ 967,632</u>

See accompanying Notes to Financial Statements.

UNITED COUNCIL FOR NEUROLOGIC SUBSPECIALTIES
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020

	<u>Certification</u>	<u>Program Accreditation</u>	<u>Total Program</u>	<u>General and Administrative</u>	<u>Total Expenses</u>
EXPENSES					
Salaries and Benefits	\$ 221,305	\$ 103,803	\$ 325,108	\$ 208,484	\$ 533,592
Management Fee and Contracted Services	52,950	24,846	77,796	58,820	136,616
Professional Services	35,712	1,006	36,718	17,279	53,997
Travel	3,114	-	3,114	110	3,224
Food and Beverage	216	14	230	1,165	1,395
Decorator and Space Rental	200	-	200	809	1,009
Postage	447	-	447	25	472
Telephone	-	-	-	839	839
Insurance	-	-	-	13,278	13,278
Software Maintenance	-	25,850	25,850	6,738	32,588
Credit Card and Bank Fees	16,884	7,888	24,772	5,046	29,818
Depreciation	-	1,313	1,313	20,723	22,036
Office Supplies	49	-	49	114	163
Total Expenses	<u>\$ 330,877</u>	<u>\$ 164,720</u>	<u>\$ 495,597</u>	<u>\$ 333,430</u>	<u>\$ 829,027</u>

See accompanying Notes to Financial Statements.

UNITED COUNCIL FOR NEUROLOGIC SUBSPECIALTIES
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 287,563	\$ 349,108
Adjustments to Reconcile Change in Net Assets to Net		
Cash Provided by Operating Activities:		
Depreciation	21,256	22,036
Net Realized/Unrealized Gains on Investments Held With Others	(85,217)	-
(Increase) Decrease in Current Assets:		
Accounts Receivable	(2,900)	4,642
Prepaid Expenses and Other	(3,301)	(997)
Increase (Decreases) in Current Liabilities:		
Accounts Payable and Accrued Expenses	(16,318)	17,000
Deferred Revenue	(4,340)	26,380
Net Cash Provided by Operating Activities	<u>196,743</u>	<u>418,169</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property, Equipment, and Software	-	(10,500)
Purchase of Investments Held with Others	<u>(937,307)</u>	<u>-</u>
Net Cash Used by Investing Activities	<u>(937,307)</u>	<u>(10,500)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(740,564)	407,669
Cash and Cash Equivalents - Beginning	<u>2,323,983</u>	<u>1,916,314</u>
CASH AND CASH EQUIVALENTS - ENDING	<u><u>\$ 1,583,419</u></u>	<u><u>\$ 2,323,983</u></u>

See accompanying Notes to Financial Statements.

UNITED COUNCIL FOR NEUROLOGIC SUBSPECIALTIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

United Council for Neurologic SubsPECIALTIES (UCNS) began operations on 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 Institute, 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:

Without Donor Restrictions – Those resources not subject to donor-imposed restrictions. The board of directors has discretionary control over these resources.

With Donor Restrictions – Those resources subject to donor-imposed restrictions which will be satisfied by action of UCNS or the passage of time.

Cash and Cash Equivalents

UCNS considers all highly liquid debt instruments with original maturities of 12 months or less to be cash equivalents. UCNS maintains cash in bank accounts which, at times, may exceed federally insured limits. UCNS has not experienced any losses in such accounts.

Receivables

Accounts receivable are stated at net realizable value. Accordingly, the Organization accounts for uncollectible accounts by the reserve method, which is based on management's judgement considering historical information. Individual accounts past due more than 90 days are individually analyzed for collectability. When all collection efforts have been exhausted, the receivable is written off against the reserve. The Organization has determined no allowance for doubtful accounts is necessary at December 31, 2021. The Organization had \$-0- in allowance recorded at December 31, 2020.

Property and Equipment

Property and equipment costing more than \$1,000 are capitalized 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:

Software	3 Years
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UNITED COUNCIL FOR NEUROLOGIC SUBSPECIALTIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments Held With Others

Investment funds held with others are made up of investments held at the American Academy of Neurology Institute for purposes of earning long-term investment income. These funds are pooled with the investments at the American Academy of Neurology Institute. UCNS has the ability to liquidate their investments at any time subject to the redemption restrictions on the individual investments. These investments in marketable securities are recorded at fair value and consist primarily of equity and fixed income funds. In addition, the investments include a limited partnership that is a diversified fund of hedge funds, reported at the estimated fair value of the UCNS'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.

Fair Value Measurement

UCNS categorizes its investments measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Investments valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

Subsequent to initial recognition, UCNS may re-measure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

Deferred Revenue

Deferred revenue consists of accreditation, and certification payments received in the current year for future periods and are considered contract liabilities. As of December 31, 2021, deferred revenue included \$218,000 of deferred accreditation revenue and \$2,040 of deferred exam revenue. As of December 31, 2020, deferred revenue included \$205,000 of deferred accreditation revenue and \$19,380 of deferred exam revenue.

UNITED COUNCIL FOR NEUROLOGIC SUBSPECIALTIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accreditation and Certification Fees

Accreditation fee revenue is recognized over the accreditation time period given to the accredited organization. Accreditation fees received in advance of the accreditation period are included as deferred revenue in the statement of financial position and recognized evenly over the period of accreditation. Certification fees are recognized through a point in time recognition, at the time the exams are provided to the individuals. Revenue received in advance related to certification is included as deferred revenue in the statement of financial position until the time the exam is given.

Membership Dues and Seat Fees

Membership dues and seat fees are recognized as revenue when received.

Functional 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. Personnel costs are allocated based on actual time-coding tracked by employees every pay period. The management fees are allocated based on personnel costs.

Income Taxes

UCNS is exempt from income taxes under Section 501 (c)(6) of the Internal Revenue Code and applicable state statutes, and generally is not subject to income tax.

UCNS follows the income tax standard for uncertain tax positions. No liability is recognized by UCNS as a result of the standard.

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.

Subsequent Events

In preparing these financial statements, UCNS has evaluated events and transactions for potential recognition or disclosure through August 3, 2022, the date the financial statements were available to be issued.

UNITED COUNCIL FOR NEUROLOGIC SUBSPECIALTIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 2 INVESTMENTS HELD WITH OTHERS

Beginning in 2021, the investments of UCNS are pooled with reserve investments at the American Academy of Neurology Institute and are recorded as investments held with others on the statements of financial position. UCNS does not own specific underlying investments within the investment pool. The custodian has allocated investments based on percentage held by UCNS as follows at December 31:

	2021	2020
Cash and Cash Equivalents	\$ 5,227	\$ -
Fixed Income	187,430	-
Non-U.S. Equity	223,144	-
Hedge Fund	115,866	-
U.S. Equity	415,505	-
Private Equity	75,352	-
	<u>\$ 1,022,524</u>	<u>\$ -</u>

Investments in the equity and fixed income funds are recorded at fair market value. The fund of hedge funds is recorded at the estimated fair value of UCNS's share of the fund, calculated monthly by the custodian. UCNS's share of investment income (loss) on the investments held with others, which includes earnings on the checking and savings accounts, totaled \$87,594 and \$-0- for the years ended December 31, 2021 and 2020, respectively.

NOTE 3 FAIR VALUE MEASUREMENT

UCNS uses fair value measurements to record fair value adjustments to certain investments and to determine fair value disclosures. For additional information on how UCNS measures fair value, refer to Note 1 – Summary of Significant Accounting Policies.

In determining the appropriate levels, UCNS performs a detailed analysis of the assets and liabilities. 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 following table presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy at December 31:

	2021			
	Level 1	Level 2	Level 3	Fair Value
Funds Held with Others:				
Investments Held with Others	<u>\$ -</u>	<u>\$ 1,022,524</u>	<u>\$ -</u>	<u>\$ 1,022,524</u>
	2020			
	Level 1	Level 2	Level 3	Fair Value
Funds Held with Others:				
Investments Held with Others	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

UNITED COUNCIL FOR NEUROLOGIC SUBSPECIALTIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	2021	2020
Software	\$ 179,238	\$ 179,238
Less: Accumulated Depreciation	(162,399)	(141,143)
Net Property, Equipment, and Software	<u>\$ 16,839</u>	<u>\$ 38,095</u>

NOTE 5 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for operating support for the following years at December 31:

	2021	2020
Future Operating Deficits	\$ 91,753	\$ 91,753

In the years ended December 31, 2021 and 2020, there were no net assets released from restriction.

NOTE 6 PARENT ORGANIZATION SUPPORT

UCNS established a "Policy on Financial Contributions from Parent Organizations (Policy). Each of the five parents shall pay an annual contribution (seat fee) toward the support of UCNS in such an amount as the UCNS board shall establish. The Policy also allows UCNS to assess parent organizations an annual operating support assessment. Any assessment received from the parents, including seat fees, is considered grants to support UCNS. There has been no parent organization assessment for the years ended December 31, 2021 and 2020.

NOTE 7 MEMBER DUES AND SEAT FEES

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

	2021	2020
American Academy of Neurology Institute	\$ 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
Subtotal Seat Fees	<u>7,500</u>	<u>7,500</u>
Subspecialty Membership Dues	9,000	9,000
Total Membership Dues and Seat Fees	<u>\$ 16,500</u>	<u>\$ 16,500</u>

UNITED COUNCIL FOR NEUROLOGIC SUBSPECIALTIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 8 RELATED PARTY TRANSACTION

UCNS purchases various services from American Academy of Neurology (AAN). These services include office space, information technology, financial reporting, and legal services. Total amount of services purchased by UCNS from AAN as of December 31, 2021 and 2020 was approximately \$152,500 and \$137,000, respectively. UCNS leases all its employees from AAN. The total amount of contracted salaries and related benefits as of December 31, 2021 and 2020 was approximately \$649,000 and \$533,000, respectively. UCNS owed the following to the related parties, which are included in accounts payable as of December 31:

	2021	2020
American Academy of Neurology	\$ 116,817	\$ 120,984

NOTE 9 LIQUIDITY

UCNS maintains liquid financial assets sufficient to cover two years of general expenditures. Financial assets are defined as cash and cash equivalents and accounts receivable expected to be received within 12 months. UCNS invests cash exceeding daily requirements in certificates of deposit, money market funds and other short-term investments. Management provides the board an annual projection of cash flow to insure funds are available to meet obligations as incurred.

During the years ended December 31, 2021 and 2020, UCNS's liquid financial assets were defined as follows and were sufficient to meet succeeding years budgeted operating expenses:

	2021	2020
Cash and Cash Equivalents	\$ 111,286	\$ 241,919
Accounts Receivable	5,075	2,175
Short-Term Investments	1,472,133	2,082,064
Investments Held for Others	1,022,524	-
Assets Restricted by Donor	(91,753)	(91,753)
Excess Operating Reserves	<u>\$ 2,519,265</u>	<u>\$ 2,234,405</u>

Based on analyses of its revenue cycles and per its financial policies, UCNS maintains a minimum net assets without donor restrictions reserve calculated using the following criteria: 75% of the three-year average expense budgets; 50% of the three-year average of accreditation and certification revenue; \$500,000 to cover uninsurable losses. The reserve itself consists of these assets without donor restrictions: cash and cash equivalents, accounts receivable, and short-term investments.

UNITED COUNCIL FOR NEUROLOGIC SUBSPECIALTIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 9 LIQUIDITY (CONTINUED)

The purpose of the UCNS Net Assets Without Donor Restrictions Reserve Policy is to build and maintain an adequate level of net assets to support the organization's day-to-day operations in the event of unforeseen shortfalls. The reserve may also be used for one-time, nonrecurring expenses that will build long-term capacity, such as staff development, research and development, or investment in infrastructure. Operating reserves are not intended to replace a permanent loss of funds or eliminate an ongoing budget gap. The organization intends for the operating reserves to be used and replenished within a reasonable period of time.

The reserve policy is calculated as follows for the years ended December 31:

	2021	2020
75% of Three-Year Average Expense Budgets	\$ 718,840	\$ 658,141
50% of Three-Year Average Accreditation and Certification Revenue	565,197	487,402
Uninsurable Losses	500,000	500,000
Operating Reserve Target	<u>\$ 1,784,037</u>	<u>\$ 1,645,543</u>

