

INTERNATIONAL FEDERATION OF CLINICAL NEUROPHYSIOLOGY

(Expressed in U.S. dollars)

Financial Statements

Year Ended December 31, 2012

INTERNATIONAL FEDERATION OF CLINICAL NEUROPHYSIOLOGY
(Expressed in U.S. dollars)

Index to Financial Statements

Year Ended December 31, 2012

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Revenues and Expenses	4
Statement of Changes in Net Assets	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 10

INDEPENDENT AUDITOR'S REPORT

To the Members of International Federation of Clinical Neurophysiology

We have audited the accompanying financial statements of International Federation of Clinical Neurophysiology, which comprise the statement of financial position as at December 31, 2012 and the statements of revenues and expenses, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Independent Auditor's Report to the Members of International Federation of Clinical Neurophysiology
(continued)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of International Federation of Clinical Neurophysiology as at December 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 2 to the financial statements which describes that International Federation of Clinical Neurophysiology adopted Canadian accounting standards for not-for-profit organizations on January 1, 2012 with a transition date of January 1, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statements of financial position as at December 31, 2011 and January 1, 2011 and the statements of revenues and expenses, changes in net assets and cash flows for the year ended December 31, 2011 and related disclosures.

Report on Other Legal and Regulatory Requirements

As required under the Canada Corporations Act we report that, in our opinion, these standards have been applied on a basis consistent with that of the preceding year.

Burnaby, British Columbia
March 20, 2013


Chartered Accountants

INTERNATIONAL FEDERATION OF CLINICAL NEUROPHYSIOLOGY

(Expressed in U.S. dollars)

Statement of Financial Position

December 31, 2012

	<i>December 31, 2012</i>	<i>December 31, 2011</i>	<i>January 1, 2011</i>
ASSETS			
CURRENT			
Cash and cash equivalents	\$ 573,946	\$ 442,018	\$ 185,001
Amounts recoverable	-	9,481	5,044
	573,946	451,499	190,045
INVESTMENTS (Cost \$3,026,689) (Note 4)	3,375,440	3,072,672	2,845,969
RESTRICTED CASH (Note 5)	60,000	60,000	60,000
	\$ 4,009,386	\$ 3,584,171	\$ 3,096,014
LIABILITIES AND NET ASSETS			
CURRENT			
Accrued liabilities	\$ 7,500	\$ 7,500	\$ 7,500
NET ASSETS - page 5	4,001,886	3,576,671	3,088,514
LIABILITIES AND NET ASSETS	\$ 4,009,386	\$ 3,584,171	\$ 3,096,014

ON BEHALF OF THE BOARD

 _____ Director

 _____ Director

See notes to financial statements

INTERNATIONAL FEDERATION OF CLINICAL NEUROPHYSIOLOGY*(Expressed in U.S. dollars)***Statement of Revenues and Expenses****Year Ended December 31, 2012**

	2012	2011
REVENUE		
Elsevier royalties	\$ 511,184	\$ 538,841
Investment income <i>(Note 4)</i>	139,832	97,227
Unrealized investment gains (losses)	94,861	(29,063)
Delegate dues	67,117	66,642
International congress refund	-	228,462
	<u>812,994</u>	<u>902,109</u>
EXPENSES		
Exco expenses	129,568	104,335
Scholarships	80,000	50,000
Secretariat	44,347	44,511
External financial advisor	42,954	38,085
AO Chapter	25,000	-
NA chapter	25,000	25,000
Special workshops	11,520	-
Accounting	9,862	8,871
Legal	8,271	14,887
Editorial support	3,532	12,996
Bank charges and interest	2,917	3,128
Insurance	2,673	2,701
Loss on foreign exchange	1,076	9,438
Journal subscriptions	1,059	-
EU chapter	-	50,000
LA chapter	-	50,000
	<u>387,779</u>	<u>413,952</u>
EXCESS OF REVENUE OVER EXPENSES - page 5	<u>\$ 425,215</u>	<u>\$ 488,157</u>

INTERNATIONAL FEDERATION OF CLINICAL NEUROPHYSIOLOGY

(Expressed in U.S. dollars)

Statement of Changes in Net Assets

Year Ended December 31, 2012

	2012	2011
NET ASSETS - BEGINNING OF YEAR	\$ 3,576,671	\$ 3,088,514
Excess of revenue over expenses - page 4	<u>425,215</u>	<u>488,157</u>
NET ASSETS - END OF YEAR - page 3	<u>\$ 4,001,886</u>	<u>\$ 3,576,671</u>

INTERNATIONAL FEDERATION OF CLINICAL NEUROPHYSIOLOGY*(Expressed in U.S. dollars)***Statement of Cash Flows****Year Ended December 31, 2012**

	2012	2011
OPERATING ACTIVITIES		
Excess of revenue over expenses - page 4	\$ 425,215	\$ 488,157
Item not affecting cash:		
Unrealized investment gains (losses)	<u>(94,861)</u>	29,063
	330,354	517,220
Change in non-cash working capital:		
Amounts recoverable	<u>9,480</u>	(4,438)
Cash flow from operating activities	<u>339,834</u>	512,782
INVESTING ACTIVITY		
Purchase of investments	<u>(207,907)</u>	(255,765)
INCREASE IN CASH FLOW	131,927	257,017
Cash and cash equivalents - beginning of year	<u>502,018</u>	245,001
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 633,945</u>	<u>\$ 502,018</u>
CASH AND CASH EQUIVALENTS CONSISTS OF:		
Cash and cash equivalents	\$ 573,946	\$ 442,018
Restricted cash	<u>60,000</u>	60,000
	<u>\$ 633,946</u>	<u>\$ 502,018</u>

See notes to financial statements

INTERNATIONAL FEDERATION OF CLINICAL NEUROPHYSIOLOGY

(Expressed in U.S. dollars)

Notes to Financial Statements

Year Ended December 31, 2012

1. OPERATIONS

International Federation of Clinical Neurophysiology (the "Organization") was registered in Marseille, France in 1953 as a non-profit organization, involved in the education and dissemination of clinical neurophysiology. The Organization was incorporated on May 10, 2005 under the Canada Corporations Act as a non-profit organization under the Income Tax Act and as such is exempt from income taxes.

2. ADOPTION OF ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS

Effective January 1, 2012, the Organization adopted the requirements of the Canadian Institute of Chartered Accountants (CICA) Handbook – Accounting, electing to adopt the new accounting framework: Canadian accounting standards for not-for-profit organizations (ASNPO). These are the Organization's first financial statements prepared in accordance with ASNPO which has been applied retrospectively. The accounting standards set out in the significant accounting policies note have been applied in preparing the financial statements for the year ended December 31, 2012, the comparative information for the year ended December 31, 2011 and the opening ASNPO statement of financial position at January 1, 2011, the Organization's date of transition.

The Organization issued financial statements for the year ended December 31, 2011 using generally accepted accounting principles prescribed by CICA Handbook – Accounting XFI. The adoption of ASNPO had no impact on the previously reported assets, liabilities and net assets of the Organization, and accordingly; no adjustments have been recorded in the comparative statement of financial position, statement of revenues and expenses, statement of net assets and the cash flow statement. Certain of the Organization's disclosures included in the financial statements reflect the new disclosure requirements of ASNPO.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations.

These financial statements are expressed in U.S. dollars. Accounts in other currencies have been translated into U.S. dollars. Monetary assets and liabilities have been translated at the year end exchange rate of 1.0051 (2011 - 0.9833) U.S. dollars. Non-monetary assets have been translated at the rate of exchange prevailing at the date of transaction. Revenues and expenditures have been translated at the average annual rate of exchange during the year of 1.0006 (2011 - 1.0114) U.S. dollars. Foreign exchange gains and losses on monetary assets and liabilities are included in the determination of earnings.

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INTERNATIONAL FEDERATION OF CLINICAL NEUROPHYSIOLOGY

(Expressed in U.S. dollars)

Notes to Financial Statements

Year Ended December 31, 2012

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

Investment income is recognized as revenue when earned using the accrual method of accounting. Interest on fixed income investments is recognized over the terms of these investments using the effective interest method.

Royalty and dues revenue are recognized when received, as no reasonable assurance exists regarding measurement and collectability to recognize on an accrual basis.

Cash and Cash Equivalents

Any term deposits or similar contractual instruments that are cashable and have a maturity term of three months or less are classified as cash equivalents. Cash and cash equivalents, including restricted cash, at year-end consist of \$565,526 cash (2011 - \$433,640) and \$68,420 money market funds (2011 - \$68,378).

Investments

Investments consist of publically traded equity investments and publically traded fixed income securities that either do not mature within the next fiscal year, or are intended to be held to maturity and reinvested. These investments have been classified as long term assets.

4. INVESTMENTS

	<u>2012</u>	<u>2011</u>
Fixed income bonds	\$ 1,589,104	\$ 1,295,240
Fixed income preferred shares	349,956	232,826
Equity common shares	1,436,380	1,340,014
Bankers acceptances	-	204,592
	<u>\$ 3,375,440</u>	<u>\$ 3,072,672</u>

Bonds have coupon rates from 1.875% to 6.132% (2011 – 1.875% to 6.132%) and varying maturity dates to 2017. The Organization's investment policy is to invest conservatively in high-grade securities to minimize risk of loss while earning a reasonable rate of return. This policy is accomplished by utilizing the services of an investment broker and holding a diversified portfolio.

Investment income is comprised of the following:

Interest	\$ 50,336	\$ 56,713
Dividends	35,434	23,160
Realized gains	34,495	6,017
Other income	19,567	11,337
	<u>\$ 139,832</u>	<u>\$ 97,227</u>

INTERNATIONAL FEDERATION OF CLINICAL NEUROPHYSIOLOGY

(Expressed in U.S. dollars)

Notes to Financial Statements

Year Ended December 31, 2012

5. RESTRICTED CASH

The Bank of Montreal is withholding \$60,000 as coverage for the organization's Mastercard credit card, as security. This amount is held in an interest-bearing account with the bank.

6. FINANCIAL INSTRUMENTS

All financial instruments are initially recorded at their fair market value, less significant associated transaction costs. Subsequently, publically traded equity investments and all publically traded fixed income securities are measured at their fair value. All loans and receivables are subsequently measured at their amortized cost using the effective interest method, while all other financial instruments are subsequently measured at their fair value. Any unrealized gains or losses associated with subsequent measurement are recognized immediately in net excess of revenue over expenses.

Credit Risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Organization is exposed to credit risk for its investments. Exposures to credit risk and significant changes to the risk exposure from the prior year are as follows:

Investments consist of publically traded equity investments and all publically traded fixed income securities issued by large corporations and financial institutions and held through one investment broker. The diversity of the Organization's portfolio has decreased from the prior year, resulting in a increase in credit risk exposure.

Concentrations of credit risk include:

All the investments are held and managed by one investment broker and the amounts invested for many of the fixed securities exceeds the Canadian Deposit Insurance Corporation's threshold of \$100,000. Therefore any financial difficulties encountered by the broker or unfavorable investment decisions could adversely affect the collectability and valuation of the investments

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Organization is exposed to interest rate risk for its investments. Exposures to interest rate risk are as follows:

Investments consist of publically traded fixed income securities issued by large corporations and financial institutions, the majority of which are tied to set interest rates, minimizing the risk of significant reductions to interest revenue.

Currency Risk

Currency risk is the risk that the Organization's fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates due to volatility caused by external factors. The Organization is exposed to currency risk and its effect on the exchange gain or loss for the year on cash held in U.S. dollar bank accounts and foreign investments.

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INTERNATIONAL FEDERATION OF CLINICAL NEUROPHYSIOLOGY

(Expressed in U.S. dollars)

Notes to Financial Statements

Year Ended December 31, 2012

6. FINANCIAL INSTRUMENTS *(continued)*

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

The Organization is exposed to market risk for its investments as the fair value can be significantly affected by price and valuation changes in the open market. The majority of investments are actively managed by a professional broker and concentrated in low risk equities and fixed income securities, which serves to reduce the overall market risk.
