2018 ANNUAL REPORT

Ensuring professional competency through excellence in testing.

Message from the President

The Board of Directors joins me in presenting the 2018 Annual Report summarizing the work and independent audit results of the National Board of Chiropractic Examiners financial position as of 12/31/18. With this online publication, we affirm that the fiduciary and organizational responsibilities of our board of director positions have been fulfilled.

The board of directors in an abundance of transparency holds themselves accountable each year by submitting to annual independent third-party audits. Financials presented in the annual report each year are available to all (https://bit.ly/2Zubwrj).

We are proud to report that the NBCE's strategic decision to implement computer-based testing (CBT) has been achieved. In 2018, through a dedicated project planning process, CBT needs were defined, vendors were evaluated, a final exam delivery system was selected, and implementation was initiated. Laying that groundwork ensured a successful launch of CBT in early 2019. Additionally, we used the now finely-tuned project planning process to select a vendor and customize a state-of-the art customer management system designed to accommodate needs of examinees, colleges and state regulatory boards.

These achievements could not have been possible without the guidance of our stakeholders and dedication of the team of professionals and staff at the Greeley headquarters. The expanded list of noteworthy contributors includes state regulatory boards, voting delegates and alternates, chief examiners, proctors, and exam administrators. The Board of Directors joins me in thanking all parties involved in this process for their dedication to maintaining the NBCE's excellent reputation in exam development and administration. We are inspired by the collaborative efforts of so many in our never-ending efforts of building a better organization, and for that we thank you all.

As my final term with the NBCE board of directors nears its end, I trust that my willingness to accept feedback, my desire to continually improve upon the NBCE products, and my sincere appreciation of your single and collective efforts leaves our organization and the chiropractic profession in a better place.

Best wishes for continued success in all future years.

Salvatore D. LaRusso, D.C.

NBCE President

NBCE BOARD OF DIRECTORS

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President

Dr. Steven Conway

Vice President

Dr. John Nab

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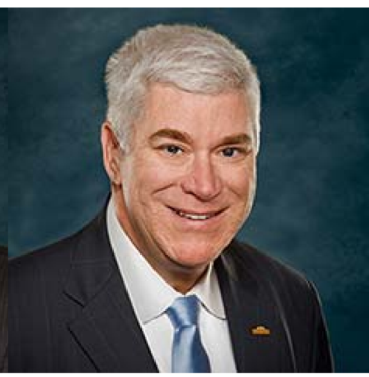
Secretary and District I Director

Dr. Michael Fedorczyk

District III Director



Dr. John McGinnis

District V Director

Dr. LeRoy Otto

District II Director

Dr. Cynthia Tays

District IV Director

Dr. Farrel Grossman

At-Large Director

Dr. Kirk Shilts

FCLB-Appointed Director

Dr. Carol Winkler

FCLB-Appointed Director

Dr. Norman Ouzts

Executive Vice President

2018 NBCE ACCOMPLISHMENTS

Based on evaluation and planning in 2018, the NBCE successfully administered Part I in CBT format in January 2019. The NBCE tested 1,160 examinees in its inaugural administration, with over 90% examinee satisfaction in the exam delivery and administration.

- Evaluation of our CBT delivery plan.
  - Redefined project objectives and goals that opened us up to new vendors and technologies.
  - Researched different CBT delivery solutions, and the companies that provide them, which allowed us to tap into the expertise and best practices of high-stakes CBT testing.
  - Analyzed all delivery options with a fresh perspective; the NBCE collaborated with testing experts at Prometric Testing Center.
- Planning for success. Looking at the supporting technology and resources that will make CBT successful.
  - Researched and identified a vendor to provide an Examinee Management System that would integrate with Prometric's exam scheduling tool.
  - Restructured exam administration practices and procedures to support CBT delivery on chiropractic college campuses.
  - Developed shorter Part I and Part II exams to double the number of CBT exams hosted on college campuses within a two-day testing window.

- *Part I and Part II Decision Consistency Studies.* Decision consistency studies were conducted, evaluating the reliability between the previous 90-question exam versus a shorter 50-question version. The study used Classical Test Theory, Item Response Theory (IRT), and Bayesian methods and identified the reliability of classifying examinees into mastery/non-mastery conditions for the 90-item test compared to the reliability yielded by the 50-item test. The most important finding of this study is that all three analytic methods showed high classification reliability of the shorter model, which supports NBCE's decision to shorten the test.
- *IRT Scoring of Part IV.* The Part IV exam was moved to IRT Scoring. For that, the Department of Psychometrics and Research constructed IRT item banks for case management and technique. The transition was timely and proved to be successful.
- *Psychometric Evaluation of Digital Diagnostic Imaging (DIM).* Restructured DIM to include 20 exam stations, administered digitally. First administered in November 2018, this change was supported by a study of classification reliability and consistency of the new DIM, which compared favorably against a previous version of the exam.
- *IRT Scoring of Part III.* Changed the Part III exam to the IRT method of scoring. The Part III exam includes traditional multiple-choice questions (TMCQ) and extended multiple-choice questions (EMCQ; cases). The model used to score the items is a variation of the Graded Response model, which controls for local independence in items. The model was peer-reviewed, presented, and validated during the 2018 National Council on Measurement in Education (NCME) meeting in New York.
- *Part IV Equating.* Redesigned the Part IV equating process—it was suggested that all domains of the Part IV would follow a different equating design. Specifically, a set of common linking items (between 20 and 30%) will be shared between the two test forms. This assures form equivalence by eliminating between-form differences in difficulty.

- *Forensic Data Analysis.* The NBCE collaborated with Caveon Data Forensics to assess test security threats and to conduct post-administration forensic analysis. NBCE's Department of Psychometrics and Research now conducts the following data analyses for test security measures on all exams:

  - Bivariate relationship analysis independent of item order
  - Response pattern analysis, independent of whether the items were answered correctly
  - Time at item analysis (valid attempt)
  - Return to an item analysis
  - Overall test sites variability analysis

- *ACC Survey.* The NBCE responded to a request from the Association of Chiropractic Colleges (ACC) to conduct a survey collecting chiropractors' opinion on the return on investment of their chiropractic education. The LifeStyle survey was constructed, and conducted, and the data was analyzed and reported to the ACC.
- *Creation of NBCE IRB.* The Institutional Review Board (IRB) committee was established at the NBCE to ensure the organization's adherence to federal and state regulations. These laws mandate that research involving human participants be reviewed and approved by the IRB, thus documenting compliance with the policies of the Office of Human Research Protections. All NBCE research and survey projects now receive a thorough IRB review before project implementation.
- *Research Papers.* The following research was presented or submitted/accepted during the year of 2018:

  - Himelfarb, I., Shotts, B.L., & Fang G.L. (2018). Two-level alternating direction model for polytomous items violating local independence. Paper presented at the National Council on Measurement in Education (NCME). NY, NY.

  - Himelfarb, I., & Shotts, B.L. (2018). In search for model for tests with items violating local independence. Paper presented at World Chiropractic Federation annual convention. London, UK.

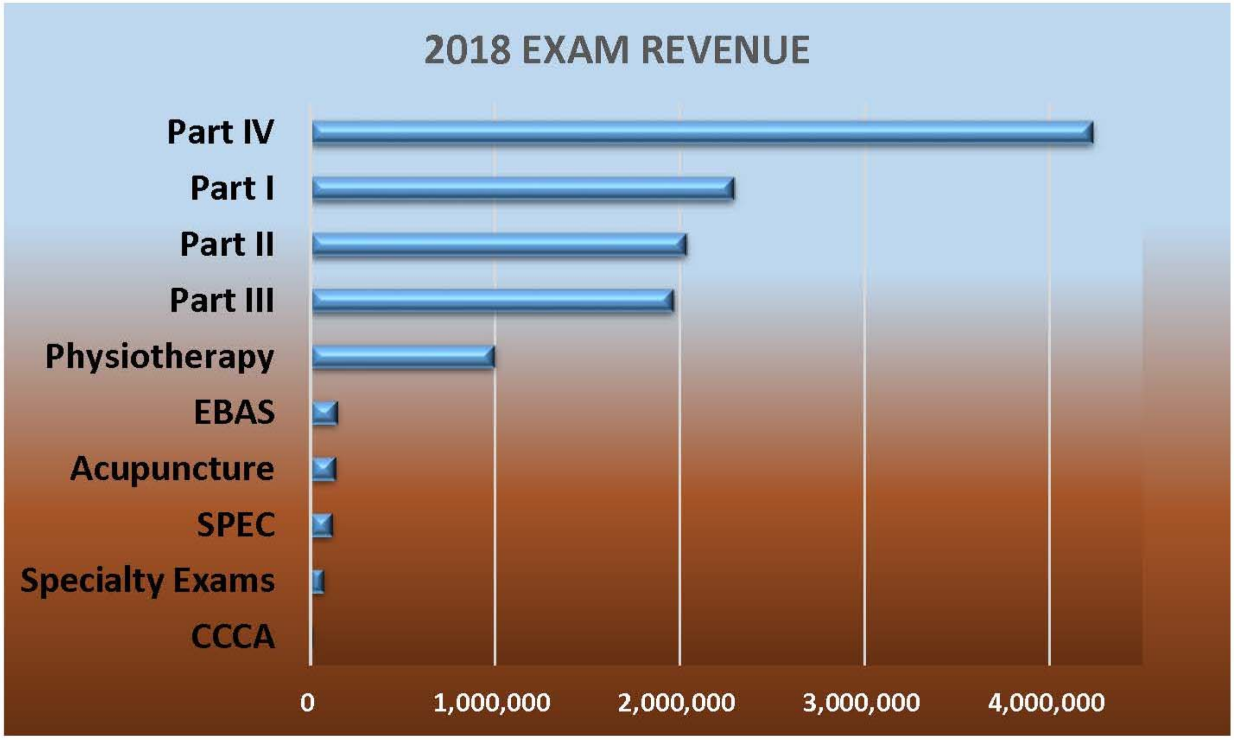
  - Himelfarb, I., Shotts, B.L., & Smith, M. (2018). Part I and Part II exams: Reduction and decision consistency studies. Workshop conducted at World Chiropractic Federation annual convention. London, UK.

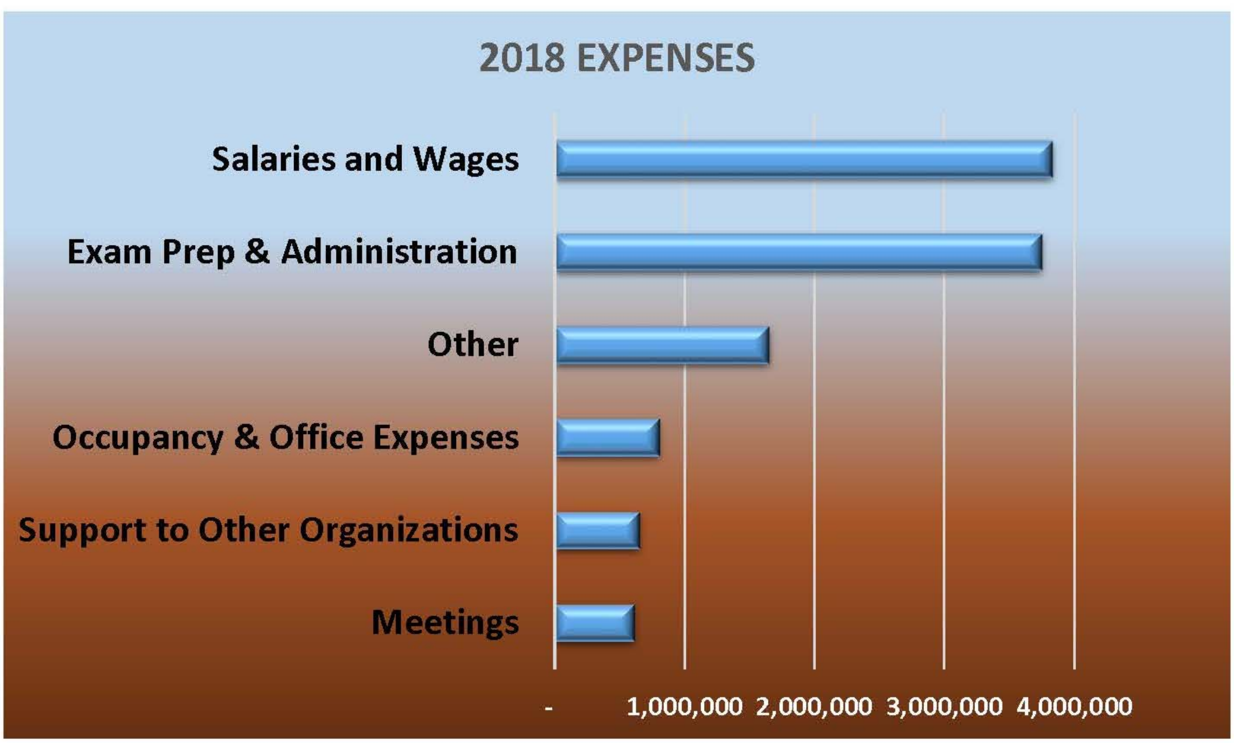
  - Himelfarb, I. (accepted). The art and science of measurement: A brief introduction of history and modern practices in testing. *Journal of Chiropractic Education.*

- The IT Department created an extensive five-year plan to guide IT priorities for the next five years and beyond.
- To improve communications with examinees, the IT and Communications Departments created a notification system that allows fast, relevant notifications to examinees via text or email, based on preferences.
- As part of a five-year best practices update, the board of directors requested a search for a new, independent CPA auditing firm. The new CPA firm, Brock and Company, found the NBCE consolidated financial statements fairly presented the financial position of the NBCE and its subsidiaries as of December 31, 2018.

- The Part IV Department updated examinee orientation videos for both diagnostic imaging and OSCE.
- In January, the NBCE hosted the 16th annual student leadership forum. This year's participants represented nine chiropractic colleges, including three national student organizations, and two winners of the 2018 NBCE Essay Scholarship Competition.
- The NBCE continued its scholarship program in 2018 and provided five student awards of $2,000 each. Winners were Alexa Beloyianis, Ryan Burdick, Samuel Feinberg, Maithy Ta, and Hudson Taylor. In 2019, student scholarship awards increase to $2,500 each.
- At the May 2018 meeting, the NBCE presented Dr. Donna Craft with the Paul M. Tullio Award for Distinguished Service to the NBCE. Dr. Craft served on the board of directors from 2003-2016, including four years as an At-Large Director and nine years as District II Director. She was NBCE President from 2014-2016.
- The NBCE sponsored research awards to the Association of Chiropractic Colleges Research Agenda Conference Awards ($11,000) and the World Federation of Chiropractic/Association of Chiropractic Colleges Research Awards ($5,000).
- Student organizations receiving annual conference sponsorships included SACA, SICA, and SABCA.
- The NBCE continued its donation to the Foundation for Chiropractic Progress and sponsored a one-year membership to all candidates who completed NBCE Parts I, II, III, and IV in 2018.
- The NBCE implemented electronic transcript delivery to state licensing boards. This significantly reduces the time required for licensing boards to receive candidate transcripts.
- Test committee and other exam selection, preparation, and administration meetings in 2018 included:
    - Written Exam Administrators, January
    - Student Leadership Forum, January
    - Part I Test Committee, April
    - Part II Test Committee, June
    - Part IV Test Committee Meeting, June
    - Part IV Digital DIM Training, July
    - Part III Test Committee, August
    - Physiotherapy Test Committee, August
- NBCE board and/or staff participated in several technical and administrative educational conferences, including:
    - American Chiropractic Association Annual Meeting
    - American Chiropractic Association National Chiropractic Legislative Conference
    - American Collaborative for Integrative Health
    - American Council on Education
    - Association of Chiropractic Colleges Research Agenda Conference
    - Association of Standardized Patient Educators Conference
    - Association of Test Publishers
    - Association on Higher Education and Disability Annual Conference
    - Chiropractic Board of Clinical Nutrition Conference
    - Chiropractic Summit Conference
    - Congress of Chiropractic State Associations
    - Federation of Associations of Regulatory Boards
    - International Chiropractors Association Annual Meeting
    - National Council on Measurement in Education
    - Society for Human Resource Management Annual Conference
    - Wisconsin State Assembly and Senate Hearings
    - World Federation of Chiropractic

2018 NBCE Financials-at-a-Glance





National Board of Chiropractic Examiners and Subsidiary

Consolidated Financial Statements and Supplementary Information

December 31, 2018 and 2017

National Board of Chiropractic Examiners and Subsidiary

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BROCK AND COMPANY
Certified Public Accountants
Business Advisors
A PROFESSIONAL CORPORATION

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(970) 223 -7855 (303) 530 -9343 (970) 223 -3926 Fax
www.brockcpas.com

Independent Auditor's Report

Board of Directors
National Board of Chiropractic Examiners and Subsidiary
Greeley, Colorado

We have audited the accompanying consolidated financial statements of the National Board of Chiropractic Examiners and Subsidiary, which comprise the consolidated statements of financial position as of December 31, 2018, and the related consolidated statements of activities and net assets, functional expenses, and cash flows for the year then ended, and related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated 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 consolidated financial statements based on our audit. We conducted our audit 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

BOULDER FORT COLLINS LITTLETON LONGMONT NORTHGLENN

Independent Auditor's Report (continued)

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the National Board of Chiropractic Examiners and Subsidiary as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The consolidated financial statements of the National Board of Chiropractic Examiners and Subsidiary as of December 31, 2017, were audited by other auditors whose opinion dated April 11, 2018 on those statements expressed an unmodified opinion on those statements.

Supplementary Information

Our audit of the consolidated financial statements was conducted for the purpose of forming an opinion on those statements as a whole. The supplementary information presented on page 17 of this report is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Brock and Company, CPAs, P.C.

Certified Public Accountants

Fort Collins, Colorado
March 6, 2019

National Board of Chiropractic Examiners and Subsidiary

Consolidated Statements of Financial Position

December 31	**2018**	2017
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 7,386,733**	$ 6,462,446
Accounts receivable	**12,014**	11,110
Accrued interest receivable	**1,961**	1,894
Prepaid expenses and other current assets	**215,965**	204,070
Total current assets	**7,616,673**	6,679,520
Property and Equipment, at cost		
Land and improvements	**1,920,616**	1,920,615
Buildings and improvements	**5,916,294**	5,808,443
Office furniture and equipment	**2,233,897**	2,228,595
Vehicles	**76,530**	76,530
Artwork and decorations	**111,142**	111,142
	10,258,479	10,145,325
Less accumulated depreciation	**(4,764,777)**	(4,571,645)
Net property and equipment	**5,493,702**	5,573,680
Other Long-Term Assets		
Software, net of accumulated amortization of $998,463 and $763,403, respectively	**718,782**	760,599
Certificates of deposit	**480,311**	878,558
Deposits	**576**	3,015
Board designated assets		
Cash and cash equivalents	**1,111,989**	621,059
Cash and cash equivalents, computer based testing	**257,114**	1,000,000
Investments	**17,569,011**	16,304,064
Accrued interest receivable	**123,690**	125,782
Investment in 5401 building, net	**1,583,365**	1,596,928
Total Board designated assets	**20,645,169**	19,647,833
Total other long-term assets	**21,844,838**	21,290,005
Total assets	**$ 34,955,213**	$ 33,543,205

The accompanying Notes are an integral
part of these financial statements

	2018	2017
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	**$ 157,445**	$ 204,741
Accrued wages payable	**112,342**	110,657
Accrued compensated absences	**138,257**	131,561
Accrued property taxes payable	**173,995**	175,128
Accrued other liabilities	**1,889**	1,838
Deferred revenue	**2,707,935**	2,406,210
Total current liabilities	**3,291,863**	3,030,135
Long-Term Liabilities		
Security deposits	**7,000**	15,058
Total liabilities	**3,298,863**	3,045,193
Net Assets		
Unrestricted		
Board designated	**20,645,169**	19,647,833
Net investment in property and equipment	**5,493,702**	5,573,680
Undesignated	**5,517,479**	5,276,499
Total net assets	**31,656,350**	30,498,012
Total liabilities and net assets	**$ 34,955,213**	$ 33,543,205

The accompanying Notes are an integral part of these financial statements

National Board of Chiropractic Examiners and Subsidiary

Consolidated Statements of Activities and Net Assets

Years ended December 31	**2018**	2017
Revenues and Gains		
Revenues		
Examination fees	**$ 11,970,895**	$ 12,093,655
Other services	**118,771**	164,424
Total revenues	**12,089,666**	12,258,079
Gain on insurance settlement	**298,174**	-
Total revenues and gains	**12,387,840**	12,258,079
Expenses and Losses		
Operating expenses		
Program services	**8,926,992**	9,403,704
Management and general	**2,385,348**	2,715,703
Total operating expenses	**11,312,340**	12,119,407
Loss on sale of equipment	**-**	757
Total expenses and losses	**11,312,340**	12,120,164
Change in Net Assets Before Investment Income	**1,075,500**	137,915
Investment Income		
Interest income	**689,028**	586,020
Net realized and unrealized gains (losses) on investments	**(521,885)**	79,223
Investment expenses	**(78,785)**	(74,095)
Net loss on rental activities of 5401 Building	**(5,520)**	(14,033)
Net investment income	**82,838**	577,115
Change in Net Assets	**1,158,338**	715,030
Net Assets, Beginning of Year	**30,498,012**	29,782,982
Net Assets, End of Year	**$ 31,656,350**	$ 30,498,012

The accompanying Notes are an integral part of these financial statements

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National Board of Chiropractic Examiners and Subsidiary

Consolidated Statements of Functional Expenses

Years ended December 31	2018		
	Program Services	Management and General	Total
Compensation and employee benefits			
Salaries and wages	$ 2,252,322	$ 672,771	$ 2,925,093
Employee benefits	399,027	119,190	518,217
Payroll taxes and workers' compensation	174,772	52,205	226,977
Retirement benefits	127,437	38,066	165,503
	2,953,558	882,232	3,835,790
Exam programming expenses			
Administration	2,745,588	-	2,745,588
Preparation	274,238	-	274,238
Printing	210,770	-	210,770
Training	191,777	-	191,777
Development	95,187	-	95,187
Practice analysis	92,356	-	92,356
Exam security forensics	4,500	-	4,500
EBAS expenses	137,904	-	137,904
	3,752,320	-	3,752,320
Support to other organizations			
FCLB financial assistance	632,092	-	632,092
Assistance to other organizations	21,500	-	21,500
	653,592	-	653,592
Occupancy and office expenses			
Utilities and building maintenance	250,035	74,686	324,721
Office equipment and supplies	220,300	65,804	286,104
Property taxes	110,902	33,126	144,028
Telephone	38,050	11,365	49,415
	619,287	184,981	804,268
Meetings			
Meetings, board of directors	-	417,743	417,743
Meeting functions	-	128,789	128,789
Meetings, executive vice president and staff	46,049	19,735	65,784
	46,049	566,267	612,316
Other			
Depreciation and amortization	523,724	87,867	611,591
Professional services	-	382,824	382,824
Miscellaneous	3,844	210,612	214,456
Postage and shipping	126,630	37,825	164,455
Professional relations	151,596	-	151,596
Insurance	81,581	24,369	105,950
Auto expenses	14,811	8,371	23,182
	902,186	751,868	1,654,054
Total operating expenses	$ 8,926,992	$ 2,385,348	$ 11,312,340

The accompanying Notes are an integral part of these financial statements

2017		
Program Services	Management and General	Total
$ 2,297,353	$ 849,706	$ 3,147,059
443,739	164,122	607,861
181,897	67,277	249,174
116,362	43,038	159,400
3,039,351	1,124,143	4,163,494
2,939,077	-	2,939,077
263,735	-	263,735
293,923	-	293,923
338,441	-	338,441
109,681	-	109,681
12,369	-	12,369
3,000	-	3,000
165,726	-	165,726
4,125,952	-	4,125,952
624,111	-	624,111
45,000	-	45,000
669,111	-	669,111
267,656	79,949	347,605
223,954	66,895	290,849
113,212	33,816	147,028
33,131	9,896	43,027
637,953	190,556	828,509
-	389,710	389,710
-	125,935	125,935
49,822	21,353	71,175
49,822	536,998	586,820
528,598	90,983	619,581
-	482,919	482,919
4,155	219,392	223,547
133,198	39,787	172,985
125,305	-	125,305
83,235	24,863	108,098
7,024	6,062	13,086
881,515	864,006	1,745,521
$ 9,403,704	$ 2,715,703	$ 12,119,407

The accompanying Notes are an integral
part of these financial statements

National Board of Chiropractic Examiners and Subsidiary

Consolidated Statements of Cash Flows

Increase (Decrease) in Cash and Cash Equivalents

Years ended December 31	**2018**	2017
Cash Flows from Operating Activities		
Change in net assets	**$ 1,158,338**	$ 715,030
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	**678,141**	689,222
Gain on insurance settlement	**(298,174)**	-
Loss on sale of equipment	**-**	757
Net realized and unrealized investment (gains) losses	**521,885**	(79,223)
Increase (decrease) in assets and liabilities		
Accounts receivable and accrued interest	**(971)**	(3,275)
Prepaid expenses and other assets	**76,491**	(27,249)
Accounts payable	**(155,531)**	(143,069)
Accrued expenses	**(759)**	23,576
Deferred revenue	**301,725**	1,408,350
Net cash provided by operating activities	**2,281,145**	2,584,119
Cash Flows From Investing Activities		
Purchases of property and equipment	**(236,674)**	(561,624)
Cash paid for capitalized software	**(193,243)**	(597,804)
Proceeds from insurance settlement	**207,596**	-
Net change in board designated cash	**254,048**	87,707
Purchases of certificates of deposits	**(235,619)**	-
Maturities of certificates of deposits	**633,866**	612,242
Purchases of investments, board designated	**(2,520,603)**	(2,542,833)
Proceeds from the sale of investments, board designated	**733,771**	1,673,466
Net cash used by investing activities	**(1,356,858)**	(1,328,846)
Net Increase in Cash and Cash Equivalents	**924,287**	1,255,273
Cash and Cash Equivalents, Beginning of Year	**6,462,446**	5,207,173
Cash and Cash Equivalents, End of Year	**$ 7,386,733**	$ 6,462,446

The accompanying Notes are an integral part of these financial statements

Note 1 – Summary of Significant Accounting Policies

Organization. The National Board of Chiropractic Examiners (“NBCE”) was incorporated in 1963, under the laws of the state of Texas, to prepare and administer, to qualified applicants, examinations of superior quality whereby those legal agencies which govern the practice of chiropractic within each state and other countries may accept, at their discretion, those individuals who have successfully completed the examinations of the National Board of Chiropractic Examiners. Additionally, the NBCE provides test and measurement services to the chiropractic profession in areas of demonstrated need.

The Organization is the sole member of Ethics and Boundaries Assessment Services, LLC (“EBAS”). EBAS was formed in the state of Delaware as of July 1, 2013. EBAS develops and administers ethics and boundary examinations to individuals in regulated professions to evaluate their understanding of ethical behavior in their professional role and appropriate boundaries that are to be maintained.

Consolidation. The accompanying consolidated financial statements include the accounts of NBCE and its wholly-owned subsidiary, EBAS. All significant intercompany transactions have been eliminated in consolidation. Collectively, NBCE and EBAS are hereafter referred to as the “Organization”. The consolidated entities are not a separate legal entity.

Basis of Presentation. The accounting and reporting policies of the Organization conform with accounting principles generally accepted in the United States of America (“GAAP”), as codified in the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”).

Use of Estimates in the Preparation of Financial Statements. The preparation 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.

Changes in Accounting Principles. Commencing on January 1, 2018, the Organization adopted the provisions of FASB ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update modifies the presentation of net assets and requires the presentation of expenses by both natural and functional classifications and certain disclosures regarding liquidity and availability of resources. The change in accounting principle has been retroactively applied to all periods presented.

Net Asset Classification. The Organization distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions. The Organization complies with established standards for external reporting by not-for-profit organizations, which requires that resources be classified for reporting purposes into two net asset categories according to externally (donor) imposed restrictions.

Note 1 – Summary of Significant Accounting Policies (continued)

Net assets are classified as follows:

Net Assets Without Donor Restrictions. Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

Net Assets With Donor Restrictions. Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. The Organization does not generally received contributions, and thus, has no net assets with donor restrictions as of December 31, 2018 and 2017.

Cash and Cash Equivalents. The Organization considers highly liquid investments with maturity of three months or less when purchased to be cash equivalents. The Board of Directors of the NBCE has designated certain assets for future use. Accordingly, the board designated cash and cash equivalents have been classified as long-term, and excluded from cash and cash equivalents for the purpose of the consolidated statements of cash flows. Net cash inflows or outflows of these designated funds are reflected as changes resulting from investing activities.

Property and Equipment. Property and equipment are stated at cost less accumulated depreciation. A summary by classification of the method and life guidelines used to depreciate cost is as follows:

Building and improvements	20 - 40 years
Office furniture and equipment	3 - 10 years
Vehicles	5 - 7 years
Artwork and decorations	25 years

Expenditures for maintenance, repairs and minor replacements are charged to operations, and expenditures for major replacements and betterments are capitalized. Depreciation expense in 2018 and 2017 was $443,081 and $451,922, respectively.

Prepaid Expenses. Prepaid expenses consist primarily of insurance premiums paid in advance of the coverage period, and certain other service contracts paid in advance of the service period. These costs will be recognized as an expense on a straight-line basis over the period of coverage and service period.

Note 1 – Summary of Significant Accounting Policies (continued)

Capitalized Software . The Company follows the provisions of ASC 350-40, *Internal-Use Software* , for capitalizing software costs. Costs incurred during the application development stage are capitalized and costs incurred during the preliminary project and the post-implementation stages are expensed as incurred. Capitalized software costs are amortized using a straight-line method over the estimated useful life of approximately three years. Amortization begins when the products are ready for their intended use. Amortization expense in 2018 and 2017 was $235,060 and $237,300, respectively.

Long-lived Assets. The Organization reviews long-lived assets for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. The Organization performs undiscounted operating cash flow analyses to determine if an impairment exists. If an impairment is determined to exist, any related impairment loss is calculated based on fair value. Management has determined that no indicators of impairment existed as of December 31, 2018 and 2017.

Board Designated Assets. The general purpose for the Board designated assets is to provide funds for exceptional, non-ordinary, unforeseen emergencies; as well as the growth and development of future services for the chiropractic profession. These funds can be used for emergency operations, project development, legal expenses, support of other chiropractic organizations, and other needs as determined by the Board of Directors. The Board of Directors must approve all Board designated asset expenditures.

The NBCE is committed to a high degree of fiduciary responsibility and after considerable evaluation and research has established a long range goal for the board designated assets to be set at an amount (excluding real property assets) equal to two years current operating expenses.

The Board designated assets will continue to be funded annually via 8% of the operating income determined at the time the annual audit is performed.

Revenue Recognition. Examination fees are collected in advance and recorded as deferred revenues. As the exams are administered, revenues are recognized and deferred revenues are reduced.

Income Taxes . NBCE is a not-for-profit corporation exempt from federal income tax under Section 501(c)(6) of the Internal Revenue Code, except for activities that create unrelated business taxable income. The Organization is not a private foundation. EBAS is a single member limited liability company, with NBCE as the sole member, and accordingly, is classified as a disregarded entity for income tax purposes. EBAS revenues, expenditures and activities are attributed to NBCE for reporting with the Internal Revenue Service.

Note 1 – Summary of Significant Accounting Policies (continued)

The Organization has no income from business unrelated to its exempt purpose, and accordingly no liability for federal income taxes has been recorded in the accompanying financial statements.

The Organization utilizes the provisions of ASC 740, pertaining to accounting for uncertainty in income taxes. The pronouncement requires the use of a more-likely-than-not recognition criteria before and separate from the measurement of a tax position. An entity shall initially recognize the financial statement effects of a tax position when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. With respect to the Association, this would primarily relate to the determination of unrelated business taxable income, and to the maintenance of its tax exempt status.

Management has evaluated the adopted policies and procedures that have been implemented to provide assurance that income is properly characterized and activities that jeopardize its tax exempt status are within limits established under existing tax code and regulations. Management has determined the effects of uncertain tax positions are not material to the Association for recognition or disclosure in the accompanying financial statements and, accordingly, no income tax liability has been recorded for uncertain income tax positions in the accompanying financial statements.

All income tax years open for examination are subject to taxation at corporate tax rates. At December 31, 2018, the years ended December 31, 2017, 2016, and 2015 are available for examination. Additionally, penalties and interest may be assessed on income taxes that are delinquent. The assessment of uncertain income taxes is subject to estimate, and it is reasonably possible that the estimate may change in the near term and the change may be material.

Concentrations. Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. The Organization has never experienced any losses related to these balances. The Organization's investments subject to credit risk consist primarily of equity investments and debt securities. The credit risk is reduced by maintaining the investments in a variety of funds.

Reclassifications. Certain amounts in the 2017 consolidated financial statements have been reclassified to conform with the reporting for 2018, without affecting the change in net assets.

Subsequent Events. Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through March 6, 2019, which is the date the financial statements were available to be issued.

Note 2 - Liquidity and Availability of Resources

The Organization has the following financial assets, primarily consisting of cash and cash equivalents, available to meet the cash requirements for general expenditures within one year of the statement of financial position dates as of December 31:

	2018	2017
Financial assets, end of year	**$ 26,942,823**	$ 25,404,913
Less certificates of deposits with long-term maturities	**(480,311)**	(878,558)
Less assets designated by the Board for computer based testing	**(257,114)**	(1,000,000)
Less assets designated by the Board under the designated reserve investment policy	**(18,804,690)**	(17,050,905)
Financial assets available to meet cash requirements for general expenditures within one year	**$ 7,400,708**	$ 6,475,450

None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

In addition, the NBCE Board of Directors has a designated reserve investment policy. This policy was established to designate certain assets for the purpose of funding future capital improvements, long-term investments, contingent operating needs of the NBCE, and support of other chiropractic organizations, and continues to be funded by 8% of the operating income. Those assets that have been included within the board designation are clearly indicated in the consolidated statements of financial position.

Note 3 – Investments

Investments are carried at fair value. Certificates of deposit with a maturity of greater than 90 days have been included in other long-term assets as certificates of deposit, and investments which have been designated by action of the Board of Directors have been included with other long-term assets.

Note 3 – Investments (continued)

The following details each major category of investments, and the related cost and fair value at of December 31, 2018:

	Cost	Fair Value	Current Yield
Long-term investments			
Fixed income			
Government bonds	**$ 9,110,170**	**$ 8,722,245**	**2.43% - 2.82%**
Corporate bonds	**7,447,780**	**7,113,107**	**2.64% - 4.29%**
Equities			
Domestic mutual funds	**862,048**	**1,176,449**	**n/a**
International mutual funds	**572,393**	**557,210**	**n/a**
Certificates of deposit	**480,311**	**480,311**	**2.27%**
	$ 18,472,702	**$ 18,049,322**	

The following details each major category of investments, and the related cost and fair value at of December 31, 2017:

	Cost	Fair Value	Current Yield
Long-term investments			
Fixed income			
Government bonds	$ 8,180,456	$ 7,874,188	1.84% - 2.41%
Corporate bonds	7,057,762	6,821,448	1.85% - 3.29%
Equities			
Domestic mutual funds	668,476	1,089,730	n/a
International mutual funds	453,671	518,700	n/a
Certificates of deposit	878,558	878,556	1.54% - 2.00%
	$ 17,238,923	$ 17,182,622	

Note 4 – Fair Value Measurements

Fair Value Measurements. The Organization reports using fair value measurements, which among other things requires enhanced disclosures about investments that are measured and reported at fair value and establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Note 4 – Fair Value Measurements (continued)

The three levels of the fair value hierarchy are described below:

Level 1. Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2. Inputs to the valuation methodology include, quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3. Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurements. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2018 and 2017.

Fixed Income Bonds. The Organization values government and corporate bonds based on current interest rates for instruments with similar characteristics, as estimated by the custodians of the securities.

Equity Mutual Funds. The Organization values domestic and international mutual funds based upon quoted market prices for identical securities in active markets, and published redemption values at the close of business on December 31, 2018 and 2017, respectively.

Certificates of Deposit. The Organization values certificates of deposit at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer. Early withdrawal charges may apply in the event the instruments are liquidated prior to their scheduled maturity date.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Note 4 – Fair Value Measurements (continued)

In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the consolidated financial statements.

Investments measured at fair value on a recurring basis have been categorized into the hierarchy as follows at December 31, 2018:

	Level 1	**Level 2**	**Total**
Government bonds	**$ -**	**$ 8,722,245**	**$ 8,722,245**
Corporate bonds	**-**	**7,113,107**	**7,113,107**
Domestic mutual funds	**1,176,449**	**-**	**1,176,449**
International mutual funds	**557,210**	**-**	**557,210**
Certificates of deposit	**-**	**480,311**	**480,311**
	$ 1,733,659	**$ 16,315,663**	**$ 18,049,322**

Investments measured at fair value on a recurring basis have been categorized into the hierarchy as follows at December 31, 2017:

	Level 1	Level 2	Total
Government bonds	$ -	$ 7,874,188	$ 7,874,188
Corporate bonds	-	6,821,448	6,821,448
Domestic mutual funds	1,089,730	-	1,089,730
International mutual funds	518,700	-	518,700
Certificates of deposit	-	878,558	878,558
	$ 1,608,430	$ 15,574,194	$ 17,182,624

Note 5 – Rental Real Estate

NBCE owns a rental real estate property, referred to as 5401 Building, in Greeley, Colorado which is comprised of the following at December 31:

	2018	2017
Land	**$ 230,000**	$ 230,000
Building	**1,884,331**	1,884,331
Building improvements	**404,182**	383,895
	2,518,513	2,498,226
Less accumulated depreciation	**(935,148)**	(901,298)
Net 5401 Building	**$ 1,583,365**	$ 1,596,928

Note 5 – Rental Real Estate (continued)

The building is being depreciated over the estimated life of the building of 40 years and building improvements are being depreciated over the estimated lives ranging from 20-40 years. Depreciation expense associated with this property for the years ended December 31, 2018 and 2017 was $61,050 and $60,593, respectively. The investment in this property has been reflected at cost, net of accumulated depreciation, in the accompanying consolidated statements of financial position as board designated. Revenues principally consist of rental income, and expenses principally consist of depreciation, property taxes, insurance, utilities and repairs.

Rental real estate activities are summarized as follows for the years ended December 31:

	2018	2017
Rental revenues	**$ 125,165**	$ 115,872
Less operating expenses	**(130,685)**	(129,905)
Net loss on rental activities of 5401 Building	**$ (5,520)**	$ (14,033)

Future minimum rental receipts under current leases are as follows as of December 31, 2018:

Year	Amount
2019	$ 89,458
2020	22,181
2021	3,715
	$ 115,354

Note 6 - Accrued Compensated Absences

It is the Organization's policy to permit employees to accumulate a limited amount of earned but unused vacation benefits. Vacation benefits accrued may be carried over into future periods. Additionally, benefits would be paid to employees upon separation from the Organization. As of December 31, 2018 and 2017, the Organization has recorded a liability of $138,257 and $131,561, respectively, for these benefits, representing the Organization's commitment to fund such costs.

Note 7 - Defined Contribution Retirement Plan

The NBCE makes contributions to a qualified 401(k) plan administered by the Principal Financial Group. These accounts are owned by the employees. Contributions made to the employee accounts are based on a percentage of salary, as approved by the Board of Directors. Contributions were made based upon 6% of the employees' wages and were $165,503 and $159,400 during 2018 and 2017, respectively.

Note 8 - EBAS Expenses

During the year ended December 31, 2018 and 2017, EBAS incurred direct expenses of $137,906 and $165,725, respectively, and indirectly benefitted from $262,225 and $246,075, respectively, of expenses incurred by NBCE. Software amortization expense of $5,500 and $9,046 for the years ended December 31, 2018 and 2017, respectively, are included in direct expenses. At December 31, 2018 and 2017, EBAS had cash of $47,901 and $81,784 and owed $1,825,730 and $1,547,459 to NBCE, respectively.

Note 9 – Related Party Transactions

The Organization provides significant support to the Federation of Chiropractic Licensing Boards ("FCLB"), a nonprofit organization that is a related party through the existence of common board members with voting rights. The Organization and the FCLB share a common objective of ensuring that the chiropractic profession is known for its high standards of excellence.

The Organization provided the following support to the FCLB for the years ended December 31:

	2018	2017
Cash payments for financial support	**$ 599,494**	$ 591,884
Office space and other in-kind contributions	**32,598**	32,227
Total support provided to FCLB	**$ 632,092**	$ 624,111

In-kind contributions are recorded at fair market value based on the fair rental value of the property.

Note 10 - Contingencies

During the ordinary course of business, the Organization may be subject to legal claims relating its activities. No amounts have been recorded in the accompanying financial statements for claims or counterclaims. The recognition of contingencies is subject to estimation. It is reasonably possible that estimates may change in the near term.

National Board of Chiropractic Examiners and Subsidiary

Consolidated Schedules of Revenues

Years ended December 31	2018	2017
Examination Fees		
Part IV	**$ 4,236,150**	$ 4,067,115
Part I	**1,968,950**	2,044,655
Part III	**1,967,395**	2,070,395
Part II	**1,751,660**	1,763,470
Physiotherapy	**997,850**	1,031,600
Part I and II subject retakes	**609,685**	669,440
EBAS	**143,100**	146,400
Acupuncture	**132,725**	133,510
Special Purposes Examination for Chiropractic (SPEC)	**115,610**	106,500
State specialty	**65,295**	54,105
Certified Chiropractic Clinical Assistant (CCCA)	**10,700**	16,200
Specialty council	**4,450**	5,450
Refunds	**(32,675)**	(15,185)
	11,970,895	12,093,655
Other Services		
Transcripts	**62,300**	68,550
Internet sample test	**17,380**	18,530
Cancellation fees	**11,970**	29,095
Certificates and plaques	**10,915**	13,605
Miscellaneous	**8,676**	18,909
Hand grading	**6,000**	10,605
Chiropractic College Aptitude Test (CCAT) fees	**1,530**	5,130
	118,771	164,424
Total revenues	**$ 12,089,666**	**$ 12,258,079**

NBCE

NATIONAL BOARD OF
CHIROPRACTIC EXAMINERS