National Board of
Chiropractic Examiners
and Subsidiary

Consolidated Financial Statements
and Supplementary Information

December 31, 2019 and 2018

National Board of Chiropractic Examiners and Subsidiary

Table of Contents

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BROCK AND COMPANY
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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, 2019 and 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, 2019 and 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.

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 5, 2020

National Board of Chiropractic Examiners and Subsidiary

Consolidated Statements of Financial Position

December 31	**2019**	2018
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 6,489,654**	7,386,733
Accounts receivable	**4,505**	12,014
Accrued interest receivable	**3,007**	1,961
Prepaid expenses and other current assets	**188,562**	215,965
Total current assets	**6,685,728**	7,616,673
Property and Equipment, at cost		
Land and improvements	**1,920,616**	1,920,616
Buildings and improvements	**6,219,898**	5,916,294
Office furniture and equipment	**2,177,107**	2,233,897
Vehicles	**76,530**	76,530
Artwork and decorations	**111,142**	111,142
	10,505,293	10,258,479
Less accumulated depreciation	**(5,044,763)**	(4,764,777)
Net property and equipment	**5,460,530**	5,493,702
Other Long-Term Assets		
Software, net of accumulated amortization of $912,801 and $998,463, respectively	**855,325**	718,782
Certificates of deposit	**721,225**	480,311
Deposits	**576**	576
Board designated assets		
Cash and cash equivalents	**2,901,408**	1,111,989
Cash and cash equivalents, computer based testing	**-**	257,114
Investments	**18,915,044**	17,569,011
Accrued interest receivable	**125,196**	123,690
Investment in 5401 building, net	**1,520,138**	1,583,365
Total Board designated assets	**23,461,786**	20,645,169
Total other long-term assets	**25,038,912**	21,844,838
Total assets	**$ 37,185,170**	34,955,213

The accompanying Notes are an integral part of these financial statements

	2019	2018
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	**$ 42,118**	157,445
Accrued wages payable	**113,640**	112,342
Accrued compensated absences	**143,906**	138,257
Accrued property taxes payable	**201,289**	173,995
Accrued F4CP 2020 Olympics Project assistance	**400,000**	-
Accrued other liabilities	**1,679**	1,889
Deferred revenue	**2,903,505**	2,707,935
Total current liabilities	**3,806,137**	3,291,863
Long-Term Liabilities		
Security deposits	**7,000**	7,000
Total liabilities	**3,813,137**	3,298,863
Net Assets		
Unrestricted		
Board designated	**23,461,786**	20,645,169
Net investment in property and equipment	**5,460,530**	5,493,702
Undesignated	**4,449,717**	5,517,479
Total net assets	**33,372,033**	31,656,350
Total liabilities and net assets	**$ 37,185,170**	$ 34,955,213

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	**2019**	2018
Revenues and Gains		
Revenues		
Examination fees	**$ 13,631,469**	$ 11,970,895
Other services	**109,274**	118,771
Total revenues	**13,740,743**	12,089,666
Gain on insurance settlement	**-**	298,174
Total revenues and gains	**13,740,743**	12,387,840
Expenses and Losses		
Operating expenses		
Program services	**10,611,240**	8,775,396
Management and general	**2,933,546**	2,536,944
Total expenses and losses	**13,544,786**	11,312,340
Change in Net Assets Before Investment Income	**195,957**	1,075,500
Investment Income		
Interest income	**778,889**	689,028
Net realized and unrealized gains (losses) on investments	**846,573**	(521,885)
Investment expenses	**(85,006)**	(78,785)
Net loss on rental activities of 5401 Building	**(20,730)**	(5,521)
Net investment income	**1,519,726**	82,837
Change in Net Assets	**1,715,683**	1,158,338
Net Assets, Beginning of Year	**31,656,350**	30,498,012
Net Assets, End of Year	**$ 33,372,033**	$ 31,656,350

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	2019		
	Program Services	Management and General	Total
Compensation and employee benefits			
Salaries and wages	$ 2,380,767	$ 711,138	$ 3,091,905
Employee benefits	450,506	134,567	585,073
Payroll taxes and workers' compensation	182,582	54,537	237,119
Retirement benefits	129,146	38,576	167,722
	3,143,001	938,818	4,081,819
Exam programming expenses			
Administration	3,471,526	-	3,471,526
Preparation	267,671	-	267,671
Training	130,687	-	130,687
Development	101,324	-	101,324
Practice analysis	36,912	-	36,912
Printing	32,158	-	32,158
Exam security forensics	12,500	-	12,500
EBAS expenses	143,113	-	143,113
	4,195,891	-	4,195,891
Support to other organizations			
RAND CCCIHR gift	1,000,000	-	1,000,000
FCLB financial assistance	687,903	-	687,903
F4CP 2020 Olympics Commercial Project	600,000	-	600,000
Assistance to other organizations	16,000	-	16,000
	2,303,903	-	2,303,903
Occupancy and office expenses			
Utilities and building maintenance	263,224	78,625	341,849
Office equipment and supplies	191,244	57,125	248,369
Property taxes	137,381	41,035	178,416
Telephone	56,529	16,885	73,414
	648,378	193,670	842,048
Meetings			
Meetings, board of directors	-	532,200	532,200
Meeting functions	-	166,856	166,856
Meetings, executive vice president and staff	47,334	20,286	67,620
	47,334	719,342	766,676
Other			
Depreciation and amortization	172,182	413,362	585,544
Miscellaneous	-	252,900	252,900
Public relations	-	220,803	220,803
Professional services	-	160,462	160,462
Insurance	71,133	21,248	92,381
Auto expenses	15,743	8,856	24,599
Postage and shipping	13,675	4,085	17,760
	272,733	1,081,716	1,354,449
Total operating expenses	$ 10,611,240	$ 2,933,546	$ 13,544,786

The accompanying Notes are an integral part of these financial statements

2018		
Program Services	Management and General	Total
$ 2,252,321	$ 672,771	$ 2,925,092
399,028	119,190	518,218
174,773	52,205	226,978
127,436	38,066	165,502
2,953,558	882,232	3,835,790
2,745,588	-	2,745,588
274,237	-	274,237
191,777	-	191,777
95,187	-	95,187
92,356	-	92,356
210,771	-	210,771
4,500	-	4,500
137,904	-	137,904
3,752,320	-	3,752,320
-	-	-
632,092	-	632,092
-	-	-
21,500	-	21,500
653,592	-	653,592
250,035	74,686	324,721
220,300	65,804	286,104
110,902	33,126	144,028
38,050	11,365	49,415
619,287	184,981	804,268
-	417,743	417,743
-	128,789	128,789
46,049	19,735	65,784
46,049	566,267	612,316
523,724	87,867	611,591
3,844	210,612	214,456
-	151,596	151,596
-	382,824	382,824
81,581	24,369	105,950
14,811	8,371	23,182
126,630	37,825	164,455
750,590	903,464	1,654,054
$ 8,775,396	$ 2,536,944	$ 11,312,340

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	2019	2018
Cash Flows from Operating Activities		
Change in net assets	**$ 1,715,683**	$ 1,158,338
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	**675,091**	678,141
Gain on insurance settlement	**-**	(298,174)
Provision for bad debts	**2,370**	-
Net realized and unrealized investment (gains) losses	**(846,573)**	521,885
Increase (decrease) in assets and liabilities		
Accounts receivable and accrued interest	**4,093**	(971)
Prepaid expenses and other assets	**27,403**	76,491
Accounts payable	**(115,327)**	(155,531)
Accrued expenses	**434,031**	(759)
Deferred revenue	**195,570**	301,725
Net cash provided by operating activities	**2,092,341**	2,281,145
Cash Flows From Investing Activities		
Purchases of property and equipment	**(358,321)**	(236,674)
Payments for capitalized software	**(356,914)**	(193,243)
Proceeds from insurance settlement	**-**	207,596
Net change in board designated cash	**(1,533,811)**	254,048
Purchases of certificates of deposits	**(488,454)**	(235,619)
Maturities of certificates of deposits	**247,540**	633,866
Purchases of investments, board designated	**(2,330,281)**	(2,520,603)
Proceeds from the sale of investments, board designated	**1,830,821**	733,771
Net cash used by investing activities	**(2,989,420)**	(1,356,858)
Net Increase (Decrease) in Cash and Cash Equivalents	**(897,079)**	924,287
Cash and Cash Equivalents, Beginning of Year	**7,386,733**	6,462,446
Cash and Cash Equivalents, End of Year	**$ 6,489,654**	$ 7,386,733

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. On January 1, 2019, the Organization adopted FASB ASU No. 2014-09 (Topic 606) - *Revenue from Contracts With Customers*, which provides guidance for revenue recognition that superseded previous guidance. Under ASU 2014-09, revenue is recognized when promised goods or services are transferred to customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods and services. The Organization adopted ASU 2014-09 under the modified retrospective approach, applying the amendments to prospective reporting periods. Results from reporting periods beginning after January 1, 2019, are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with previous guidance. The adoption would not have had any material effect on the change in net assets for the year ended December 31, 2018, or on net assets as of December 31, 2018.

Note 1 – Summary of Significant Accounting Policies (continued)

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.

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, 2019 and 2018.

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 2019 and 2018 was $454,718 and $443,081, respectively.

Note 1 – Summary of Significant Accounting Policies (continued)

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.

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 2019 and 2018 was $194,052 and $229,560, 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, 2019 and 2018.

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.

Revenue Recognition. The Organization's revenue under contracts with customers are primarily comprised of examination fees collected in advance at the time of registration and are recorded as deferred revenue until recognized at a point in time upon the grading and reporting of the results to the examinee. The Organization satisfies its performance obligations related to examination fees by preparing, administering, grading, and reporting the results of the exams. In addition, the Organization receives fees for other services including transcripts, sample tests, certificates and plaques. Other service fees are generally collected in advance and recognized as revenue at a point in time in the period that the goods are transferred or the other services are performed.

Note 1 – Summary of Significant Accounting Policies (continued)

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.

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, 2019, the years ended December 31, 2018, 2017, and 2016 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.

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 5, 2020, 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:

	2019	2018
Financial assets, end of year	**$ 29,160,039**	$ 26,942,823
Less certificates of deposits with long-term maturities	**(721,225)**	(480,311)
Less assets designated by the Board for computer based testing	**-**	(257,114)
Less assets designated by the Board under the designated reserve investment policy	**(21,941,648)**	(18,804,690)
Financial assets available to meet cash requirements for general expenditures within one year	**$ 6,497,166**	$ 7,400,708

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. 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.

The following details each major category of investments, and the related cost and fair value as of December 31, 2019:

	Cost	**Fair Value**	**Estimated Yield**
Long-term investments			
Fixed income			
Government bonds	**$ 8,959,970**	**$ 8,916,128**	**2.62%**
Corporate bonds	**7,943,034**	**7,953,175**	**3.45%**
Equities			
Mutual funds			
US Large Cap	**457,159**	**857,174**	**2.29%**
US Mid Cap	**231,615**	**362,917**	**1.25%**
US Small Cap	**172,274**	**262,038**	**1.29%**
Developed Market Ex US	**278,836**	**314,580**	**2.99%**
Emerging Market	**216,163**	**249,032**	**3.23%**
Certificates of deposit	**721,225**	**721,225**	**2.30%**
	$ 18,980,276	**$ 19,636,269**	

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

	Cost	Fair Value	Estimated Yield
Long-term investments			
Fixed income			
Government bonds	$ 9,366,145	$ 8,975,688	2.89%
Corporate bonds	7,191,805	6,859,664	3.84%
Equities			
Mutual funds			
US Large Cap	457,159	683,473	2.62%
US Mid Cap	231,615	280,908	1.77%
US Small Cap	173,274	212,069	1.37%
Developed Market Ex US	278,836	267,459	3.27%
Emerging Market	293,556	289,750	2.88%
Certificates of deposit	480,311	480,311	2.30%
	$ 18,472,701	$ 18,049,322	

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).

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, 2019 and 2018.

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, 2019 and 2018, 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.

Note 4 – Fair Value Measurements (continued)

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.

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, 2019:

	Level 1	**Level 2**	**Total**
Government bonds	**$ -**	**$ 8,916,128**	**$ 8,916,128**
Corporate bonds	**-**	**7,953,175**	**7,953,175**
Domestic mutual funds	**1,482,129**	**-**	**1,482,129**
International mutual funds	**563,612**	**-**	**563,612**
Certificates of deposit	**-**	**721,225**	**721,225**
	$ 2,045,741	**$ 17,590,528**	**$ 19,636,269**

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	1,176,450	-	1,176,450
International mutual funds	557,209	-	557,209
Certificates of deposit	-	480,311	480,311
	$ 1,733,659	$ 16,315,663	$ 18,049,322

Note 5 – Rental Real Estate

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

	2019	2018
Land	**$ 230,000**	$ 230,000
Building	**1,884,331**	1,884,331
Building improvements	**404,182**	404,182
	2,518,513	2,518,513
Less accumulated depreciation	**(998,375)**	(935,148)
Net 5401 Building	**$ 1,520,138**	$ 1,583,365

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, 2019 and 2018 was $63,226 and $61,050, 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:

	2019	2018
Rental revenues	**$ 114,239**	$ 125,165
Less operating expenses	**(134,969)**	(130,686)
Net loss on rental activities of 5401 Building	**$ (20,730)**	$ (5,521)

Future minimum rental receipts under current leases are as follows as of December 31, 2019:

Year	Amount
2020	$ 22,181
2021	3,715
	$ 25,896

Note 6 – Contract Liabilities

Deferred revenue (contract liability) consists of amounts received in advance for examination fees. Beginning balances were $2,707,935 and $2,406,210 at January 1, 2019 and 2018, respectively. Ending balances were $2,903,505 and $2,707,935 at December 31, 2019 and 2018, respectively.

Note 7 – Operating Leases and Commitments

The Organization has entered into noncancellable operating leases for office equipment and a vehicle with terms ranging from three to five years. Rent expense under the operating leases totaled approximately $41,621 in 2019 and $31,858 in 2018.

Future minimum lease payments under the noncancellable operating lease agreements are as follows at December 31, 2019:

Year	Amount
2020	$ 29,521
2021	16,037
2022	6,682
	$ 52,240

Note 8 - 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, 2019 and 2018, the Organization has recorded a liability of $143,906 and $138,257, respectively, for these benefits, representing the Organization's commitment to fund such costs.

Note 9 - Defined Contribution Retirement Plan

The Organization 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 $167,722 and $165,503 during 2019 and 2018, respectively.

Note 10 - EBAS Expenses

During the year ended December 31, 2019 and 2018, EBAS incurred direct expenses of $164,219 and $134,155, respectively, and indirectly benefitted from $263,257 and $265,975, respectively, of expenses incurred by NBCE. Software amortization expense of $26,319 and $5,500 for the years ended December 31, 2019 and 2018, respectively, are included in direct expenses. At December 31, 2019 and 2018, EBAS had cash of $47,850 and $47,901 and owed $2,130,202 and $1,825,730 to NBCE, respectively.

Note 11 – Financial Assistance to Other Organizations and Related Party Transactions

Federation of Chiropractic Licensing Boards. The Organization has a twenty year annual support agreement with the Federation of Chiropractic Licensing Boards (FCLB), a related entity through common members of Board of Directors, that was in its eleventh year in 2019. In summary, NBCE agrees to pay FCLB the greater of either $500,000 or 5% of annual chiropractic test revenue in two equal installment payments per year. The annual chiropractic test revenue to base this percentage on is the total examination fees for all delivered chiropractic exams less exam fee refunds. FCLB agrees to continue to support and promote the use of NBCE's exams. NBCE provides additional financial support to FCLB for their Annual Delegate Conference. In addition, NBCE leases, under an informal agreement, FCLB a portion of its investment building at 5401 West 10th Street in Greeley, Colorado for a nominal annual fee recorded as contributions in-kind based on the fair rental value of the property and an allocation of utilities expenses.

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

	2019	2018
Payments sent to FCLB related to annual support agreement	**$ 655,139**	$ 599,494
Annual delegate conference support	**42,435**	41,823
Office space and utilities in-kind	**32,764**	32,598
Total support provided to FCLB	**$ 730,338**	$ 673,915

RAND CCCIHR. In 2019, the Board of Directors approved a $1,000,000 gift to the RAND Corporation for initial seed funding for the creation of a department at the entity to promote and assist chiropractic colleges with research initiatives. The gift was paid in 2019.

Foundation for Chiropractic Progress. In 2019, the Organization entered into an agreement with the Foundation for Chiropractic Progress (F4CP) for a $600,000 donation to partially fund, with other organizations, the cost of airing five 0:30 second *Career in Chiropractic* commercials during the broadcasting of the 2020 Summer Olympics for the promotion of growth and awareness of careers in the chiropractic profession. The Organization made an initial payment of $200,000 in August 2019, with two additional installments of $200,000 payable in January and May 2020.

Note 12 - Contingencies

During the ordinary course of business, the Organization may be subject to legal claims relating to 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	2019	2018
Examination Fees		
Part IV	**$ 4,049,330**	$ 4,236,150
Part III	**2,527,650**	1,967,395
Part I	**2,436,545**	1,968,950
Part II	**2,194,740**	1,751,660
Physiotherapy	**1,302,625**	997,850
Part I and II subject retakes	**685,745**	609,685
Acupuncture	**136,500**	132,725
EBAS	**134,704**	143,100
Special Purposes Examination for Chiropractic (SPEC)	**111,000**	115,610
State specialty	**68,635**	65,295
Specialty council	**18,350**	4,450
Certified Chiropractic Clinical Assistant (CCCA)	**7,700**	10,700
Refunds	**(42,055)**	(32,675)
	13,631,469	11,970,895
Other Services		
Transcripts	**63,830**	62,300
Internet sample test	**27,025**	17,380
Miscellaneous	**8,139**	8,676
Certificates and plaques	**5,670**	10,915
Cancellation fees	**2,300**	11,970
Hand grading	**1,500**	6,000
Chiropractic College Aptitude Test (CCAT) fees	**810**	1,530
	109,274	118,771
Total revenues	**$ 13,740,743**	**$ 12,089,666**