

**National Board of  
Chiropractic Examiners  
and Subsidiary**

**Consolidated Financial Statements  
and Supplementary Information**

December 31, 2020 and 2019

# National Board of Chiropractic Examiners and Subsidiary

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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, 2020 and 2019, 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.

## 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, 2020 and 2019, 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 23 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 12, 2021

# National Board of Chiropractic Examiners and Subsidiary

## Consolidated Statements of Financial Position

December 31	2020	2019
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 8,482,745	6,489,654
Accounts receivable	3,965	4,505
Accrued interest receivable	1,050	3,007
Prepaid expenses and other current assets	201,116	188,562
Total current assets	<u>8,688,876</u>	<u>6,685,728</u>
<b>Property and Equipment, at cost</b>		
Land and improvements	1,979,968	1,920,616
Buildings and improvements	6,219,898	6,219,898
Office furniture and equipment	2,238,672	2,177,107
Vehicles	76,530	76,530
Artwork and decorations	111,142	111,142
	<u>10,626,210</u>	<u>10,505,293</u>
Less accumulated depreciation	<u>(5,342,678)</u>	<u>(5,044,763)</u>
Net property and equipment	<u>5,283,532</u>	<u>5,460,530</u>
<b>Other Long-Term Assets</b>		
Software, net of accumulated amortization, of \$1,045,091 and \$912,801 respectively	326,951	855,325
Certificates of deposit	235,820	721,225
Deposits	185	576
<b>Board designated assets</b>		
Cash and cash equivalents	1,095,347	2,901,408
Investments	22,982,121	18,915,044
Accrued interest receivable	84,303	125,196
Investment in 5401 building, net	1,457,476	1,520,138
Total Board designated assets	<u>25,619,247</u>	<u>23,461,786</u>
Total other long-term assets	<u>26,182,203</u>	<u>25,038,912</u>
Total assets	<u>\$ 40,154,611</u>	<u>37,185,170</u>

The accompanying Notes are an integral  
part of these financial statements

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	2020	2019
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 40,067	42,118
Accrued wages payable	49,120	113,640
Accrued compensated absences	186,321	143,906
Accrued property taxes payable	198,611	201,289
Accrued F4CP 2020 Olympics Project assistance	-	400,000
Accrued other liabilities	1,547	1,679
Deferred revenue	3,700,265	2,903,505
Total current liabilities	<u>4,175,931</u>	<u>3,806,137</u>
<b>Long-Term Liabilities</b>		
Security deposits	<u>18,335</u>	<u>7,000</u>
Total liabilities	<u>4,194,266</u>	<u>3,813,137</u>
<b>Net Assets</b>		
Unrestricted		
Board designated	25,619,247	23,461,786
Net investment in property and equipment	5,283,532	5,460,530
Undesignated	5,057,566	4,449,717
Total net assets	<u>35,960,345</u>	<u>33,372,033</u>
Total liabilities and net assets	<u>\$ 40,154,611</u>	<u>\$ 37,185,170</u>

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	2020	2019
<b>Revenues and Gains</b>		
Revenues		
Examination fees	\$ 12,686,225	\$ 13,631,469
Other services	116,687	109,274
Total revenues	12,802,912	13,740,743
CARES Act Employee Retention Credits	209,169	-
Total revenues and gains	13,012,081	13,740,743
<b>Expenses and Losses</b>		
Operating expenses		
Program services	9,410,029	10,611,240
Management and general	2,683,867	2,933,546
Total operating expenses	12,093,896	13,544,786
Loss on abandonment of software development	329,960	-
Loss on disposal of assets	1,717	-
Total expenses and losses	12,425,573	13,544,786
<b>Change in Net Assets</b>		
<b>Before Investment Income</b>	586,508	195,957
<b>Investment Income</b>		
Interest income	659,538	778,889
Net realized and unrealized		
gains on investments	1,521,052	846,573
Investment expenses	(59,801)	(85,006)
Net loss on rental activities of 5401 Building	(118,985)	(20,731)
Net investment income	2,001,804	1,519,725
<b>Change in Net Assets</b>	2,588,312	1,715,683
<b>Net Assets, Beginning of Year</b>	33,372,033	31,656,350
<b>Net Assets, End of Year</b>	\$ 35,960,345	\$ 33,372,033

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

2020

	Program Services	Management and General	Total
<b>Compensation and employee benefits</b>			
Salaries and wages	\$ 2,719,644	\$ 812,361	\$ 3,532,005
Employee benefits	510,625	152,524	663,149
Payroll taxes and workers' compensation	195,053	58,262	253,315
Retirement benefits	155,974	46,589	202,563
	<u>3,581,296</u>	<u>1,069,736</u>	<u>4,651,032</u>
<b>Exam programming expenses</b>			
Administration	3,517,740	-	3,517,740
Preparation	84,065	-	84,065
Training	61,422	-	61,422
Printing	55,291	-	55,291
Development	52,831	-	52,831
Practice analysis	13,803	-	13,803
Exam security forensics	-	-	-
EBAS expenses	94,911	-	94,911
	<u>3,880,063</u>	<u>-</u>	<u>3,880,063</u>
<b>Support to other organizations</b>			
FCLB financial assistance	711,425	-	711,425
Assistance to other organizations	110,000	-	110,000
RAND CCCIHR gift	-	-	-
F4CP 2020 Olympics Commercial Project	-	-	-
	<u>821,425</u>	<u>-</u>	<u>821,425</u>
<b>Occupancy and office expenses</b>			
Utilities and building maintenance	365,480	109,170	474,650
Office equipment and supplies	251,106	75,006	326,112
Property taxes	127,841	38,185	166,026
Telephone	24,704	7,379	32,083
	<u>769,131</u>	<u>229,740</u>	<u>998,871</u>
<b>Meetings</b>			
Meetings, board of directors	-	438,450	438,450
Meeting functions	-	159,845	159,845
Meetings, chief executive officer and staff	22,952	9,836	32,788
	<u>22,952</u>	<u>608,131</u>	<u>631,083</u>
<b>Other</b>			
Depreciation and amortization	231,123	331,309	562,432
Miscellaneous	-	243,461	243,461
Insurance	75,776	22,635	98,411
Professional services	-	87,848	87,848
Public relations	-	78,329	78,329
Auto expenses	16,058	9,032	25,090
Postage and shipping	12,205	3,646	15,851
	<u>335,162</u>	<u>776,260</u>	<u>1,111,422</u>
Total operating expenses	<u>\$ 9,410,029</u>	<u>\$ 2,683,867</u>	<u>\$ 12,093,896</u>

The accompanying Notes are an integral  
part of these financial statements

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2019

Program Services	Management and General	Total
\$ 2,380,766	\$ 711,138	\$ 3,091,904
450,507	134,567	585,074
182,583	54,537	237,120
129,145	38,576	167,721
<u>3,143,001</u>	<u>938,818</u>	<u>4,081,819</u>
3,471,526	-	3,471,526
267,670	-	267,670
130,687	-	130,687
32,159	-	32,159
101,324	-	101,324
36,912	-	36,912
12,500	-	12,500
143,113	-	143,113
<u>4,195,891</u>	<u>-</u>	<u>4,195,891</u>
687,903	-	687,903
16,000	-	16,000
1,000,000	-	1,000,000
600,000	-	600,000
<u>2,303,903</u>	<u>-</u>	<u>2,303,903</u>
263,224	78,625	341,849
191,244	57,125	248,369
137,381	41,035	178,416
56,529	16,885	73,414
<u>648,378</u>	<u>193,670</u>	<u>842,048</u>
-	532,200	532,200
-	166,856	166,856
47,334	20,286	67,620
<u>47,334</u>	<u>719,342</u>	<u>766,676</u>
172,182	413,362	585,544
-	252,900	252,900
71,133	21,248	92,381
-	160,462	160,462
-	220,803	220,803
15,743	8,856	24,599
13,675	4,085	17,760
<u>272,733</u>	<u>1,081,716</u>	<u>1,354,449</u>
<u>\$ 10,611,240</u>	<u>\$ 2,933,546</u>	<u>\$ 13,544,786</u>

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	2020	2019
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 2,588,312	\$ 1,715,683
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	652,851	675,091
Loss on abandonment of software development	329,960	-
Loss on disposal of assets	1,717	-
Provision for bad debts	2,370	2,370
Net realized and unrealized investment gains	(1,521,052)	(846,573)
Increase (decrease) in assets and liabilities		
Accounts receivable and accrued interest	127	4,093
Prepaid expenses and other assets	(12,163)	27,403
Accounts payable	(2,051)	(115,327)
Accrued expenses	(413,580)	434,031
Deferred revenue	796,760	195,570
Net cash provided by operating activities	<u>2,423,251</u>	<u>2,092,341</u>
<b>Cash Flows From Investing Activities</b>		
Purchases of property and equipment	(156,480)	(358,321)
Payments for capitalized software	(60,014)	(356,914)
Purchases of certificates of deposits	(18,413)	(488,454)
Maturities of certificates of deposits	503,818	247,540
Purchases of investments, board designated	(14,410,841)	(2,331,787)
Proceeds from the sale of investments, board designated	11,905,709	1,830,821
Net cash used by investing activities	<u>(2,236,221)</u>	<u>(1,457,115)</u>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>187,030</b>	<b>635,226</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b><u>9,391,062</u></b>	<b><u>8,755,836</u></b>
<b>Cash and Cash Equivalents, End of Year</b>	<b><u>\$ 9,578,092</u></b>	<b><u>\$ 9,391,062</u></b>

The accompanying Notes are an integral  
part of these financial statements

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# National Board of Chiropractic Examiners and Subsidiary

## Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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### 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.* In November 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-18, *Statement of Cash Flows* (Topic 230), which requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted or designated cash and cash equivalents. Therefore, designated cash and cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The Organization adopted the ASU effective January 1, 2020, and prior periods presented have been restated to conform to the pronouncement.

# National Board of Chiropractic Examiners and Subsidiary

## Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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### 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 receive contributions, and thus, has no net assets with donor restrictions as of December 31, 2020 and 2019.

*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. 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 totaled \$396,436 in 2020 and \$391,493 in 2019.

*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.

# National Board of Chiropractic Examiners and Subsidiary

## Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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### Note 1 – Summary of Significant Accounting Policies (continued)

*Capitalized Software.* The Company follows the provisions of FASB 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 totaled \$228,657 in 2020 and \$194,052 in 2019. Management has determined that certain exam delivery system software under development is no longer viable, and the Organization incurred a loss on the abandonment of the project totaling \$329,960 for the year ended December 31, 2020.

*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, 2020 and 2019.

*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 follows the provisions of FASB ASU No. 2014-09 (Topic 606), *Revenue from Contracts With Customers* and recognizes revenue 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'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.

# National Board of Chiropractic Examiners and Subsidiary

## Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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### 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 Organization 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 2017 through the current year are open for examination and are subject to taxation at corporate tax rates. 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 12, 2021, which is the date the financial statements were available to be issued.



# National Board of Chiropractic Examiners and Subsidiary

## Notes to Consolidated Financial Statements

December 31, 2020 and 2019

### 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:

	<u>2020</u>	<u>2019</u>
Financial assets, end of year	<b>\$ 32,885,351</b>	\$ 29,160,039
Less certificates of deposits with long-term maturities	<b>(235,820)</b>	(721,225)
Less assets designated by the Board under the designated reserve investment policy	<b>(24,161,771)</b>	(21,941,648)
Financial assets available to meet cash requirements for general expenditures within one year	<b><u>\$ 8,487,760</u></b>	<b><u>\$ 6,497,166</u></b>

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 – Reconciliation of Cash and Cash Equivalents

The following table provides a reconciliation of cash and cash equivalents reported within the statements of financial position at December 31, 2020 and 2019 that sum to the total of the same such amounts shown in the statement of cash flows for the years then ended.

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	<b>\$ 8,482,745</b>	\$ 6,489,654
Cash and cash equivalents, Board designated	<b>1,095,347</b>	2,901,408
	<b><u>\$ 9,578,092</u></b>	<b><u>\$ 9,391,062</u></b>

# National Board of Chiropractic Examiners and Subsidiary

## Notes to Consolidated Financial Statements

December 31, 2020 and 2019

### Note 4 – 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, 2020:

	<u>Cost</u>	<u>Fair Value</u>
Long-term investments		
Fixed income		
Domestic notes and bonds	\$ 7,955,310	\$ 8,031,535
US Treasury notes	3,781,860	3,989,891
Municipal bonds	300,010	299,894
Equity funds		
Domestic All Cap	1,767,840	2,392,320
International	1,218,005	1,615,054
Emerging Markets	464,789	621,715
Floating Rate Corp Loans	1,166,888	1,199,269
Real Estate Funds	1,161,165	1,181,581
Liquid Low Correlated Hedge	2,325,269	2,442,962
Energy Limited Partnership	1,190,820	1,207,900
Certificates of deposit	235,820	235,820
	<u>\$ 21,567,776</u>	<u>\$ 23,217,941</u>

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

	<u>Cost</u>	<u>Fair Value</u>
Long-term investments		
Fixed income		
Government bonds	\$ 8,959,970	\$ 8,916,128
Corporate bonds	7,943,034	7,953,175
Equity funds		
US Large Cap	457,159	857,174
US Mid Cap	231,615	362,917
US Small Cap	172,274	262,038
Developed Market Ex US	278,836	314,580
Emerging Market	216,163	249,032
Certificates of deposit	721,225	721,225
	<u>\$ 18,980,276</u>	<u>\$ 19,636,269</u>

# National Board of Chiropractic Examiners and Subsidiary

## Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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### Note 5 – 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, 2020 and 2019.

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

*Equity Funds.* The Organization values domestic and international funds based upon quoted market prices for identical securities in active markets, and published redemption values at the close of business on December 31, 2020 and 2019, 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.

# National Board of Chiropractic Examiners and Subsidiary

## Notes to Consolidated Financial Statements

December 31, 2020 and 2019

### Note 5 – 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, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Fixed income notes and bonds	\$ -	\$ 12,321,320	\$ 12,321,320
Equity funds	10,660,801	-	10,660,801
Certificates of deposit	-	235,820	235,820
	<u>\$ 10,660,801</u>	<u>\$ 12,557,140</u>	<u>\$ 23,217,941</u>

Investments measured at fair value on a recurring basis have been categorized into the hierarchy as follows at December 31, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Fixed income notes and bonds	\$ -	\$ 16,869,303	\$ 16,869,303
Equity funds	2,045,741	-	2,045,741
Certificates of deposit	-	721,225	721,225
	<u>\$ 2,045,741</u>	<u>\$ 17,590,528</u>	<u>\$ 19,636,269</u>

### Note 6 – 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:

	<u>2020</u>	<u>2019</u>
Land	\$ 230,000	\$ 230,000
Building	1,884,331	1,884,331
Building improvements	404,182	404,182
	<u>2,518,513</u>	<u>2,518,513</u>
Less accumulated depreciation	<u>(1,061,036)</u>	<u>(935,148)</u>
Net 5401 Building	<u>\$ 1,457,477</u>	<u>\$ 1,583,365</u>

# National Board of Chiropractic Examiners and Subsidiary

## Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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### Note 6 – 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 totaled \$62,662 in 2020 and \$63,226 in 2019. 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:

	<u>2020</u>	<u>2019</u>
Rental revenues	\$ 53,304	\$ 114,239
Less operating expenses	(172,289)	(134,970)
Net loss on rental activities of 5401 Building	<u>\$ (118,985)</u>	<u>\$ (20,731)</u>

Future minimum rental receipts under current leases are as follows as of December 31, 2020:

<u>Year</u>	<u>Amount</u>
2021	\$ 73,325
2022	85,620
2023	88,189
2024	66,329
2025	67,846
Thereafter	142,550
	<u>\$ 523,859</u>

### Note 7 – Contract Liabilities

Deferred revenue (contract liability) consists of amounts received in advance for examination fees. Beginning balances were \$2,903,505 and \$2,707,935 at January 1, 2020 and 2019, respectively. Ending balances were \$3,700,265 and \$2,903,505 at December 31, 2020 and 2019, respectively.

### 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, 2020 and 2019, the Organization has recorded a liability of \$186,321 and \$143,906, respectively, for these benefits, representing the Organization's commitment to fund such costs.

# National Board of Chiropractic Examiners and Subsidiary

## Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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### Note 9 – 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 \$35,074 in 2020 and \$41,621 in 2019.

Future minimum lease payments under the noncancellable operating lease agreements are as follows at December 31, 2020:

<u>Year</u>	<u>Amount</u>
2021	\$ 33,713
2022	24,358
2023	13,348
2024	4,693
2025	391
	<u>\$ 76,503</u>

### Note 10 – 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 \$202,563 in 2020 and \$167,722 in 2019.

### Note 11 – EBAS Expenses

During the year ended December 31, 2020 and 2019, EBAS incurred direct expenses of \$94,911 and \$164,219, respectively, and indirectly benefitted from \$250,512 and \$263,257, respectively, of expenses incurred by NBCE. Software amortization expense of \$27,759 and \$26,319 for the years ended December 31, 2020 and 2019, respectively, are included in direct expenses. At December 31, 2020 and 2019, EBAS had cash of \$59,417 and \$47,850 and owed \$2,388,386 and \$2,130,202 to NBCE, respectively.

# National Board of Chiropractic Examiners and Subsidiary

## Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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### Note 12 – 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 twelfth year in 2020. 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:

	<u>2020</u>	<u>2019</u>
Payments sent to FCLB related to annual support agreement	\$ 677,408	\$ 655,139
Annual delegate conference support	-	42,435
Office space and utilities in-kind	34,017	32,764
Total support provided to FCLB	<u>\$ 711,425</u>	<u>\$ 730,338</u>

*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. In March 2020, the International Olympic Committee postponed the 2020 Summer Olympics and the commercials are expected to air during the broadcast in 2021.

### Note 13 – 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

## Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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### Note 14 – Risk and Uncertainties

During 2020, a health care pandemic has occurred in the United States and internationally. In response to the crisis, the federal, state, and municipal governments have enacted various policies to curtail group gatherings until the risk has diminished. Certain services of the Organization are subject to modified operations. Additionally, the global economy has been negatively impacted. No reliable estimate of the potential future financial impacts of this uncertainty on the Organization can be made at this time.

The federal government has enacted legislation to mitigate some of the economic effects of the pandemic, including the Coronavirus Aid, Relief, and Economic Security Act (CARES) of 2020. The CARES Act provisions for a Employee Retention Credits (ERC) to qualified entities intended to help workplaces keep employees on their payroll during the downturn caused by the COVID-19 pandemic. More specifically, the ERC is a fully refundable payroll tax credit that's equal to 50% of qualified wages, up to \$10,000 of wages per employee. The Organization received credits totaling \$209,169 for the year ended December 31, 2020 that are reported as other income in the accompanying Statement of Activities.



# National Board of Chiropractic Examiners and Subsidiary

## Consolidated Schedules of Revenues

Years ended December 31	2020	2019
<b>Examination Fees</b>		
Part IV	\$ 4,165,990	\$ 4,049,330
Part III	2,200,220	2,527,650
Part II	2,086,510	2,194,740
Part I	2,063,905	2,436,545
Physiotherapy	1,104,150	1,302,625
Part I and II subject retakes	722,260	685,745
Acupuncture	110,250	136,500
Special Purposes Examination for Chiropractic (SPEC)	88,500	111,000
State speciality	83,755	68,635
EBAS	81,900	134,704
Specialty council	8,000	18,350
Certified Chiropractic Clinical Assistant (CCCA)	7,900	7,700
Refunds	(37,115)	(42,055)
	<u>12,686,225</u>	<u>13,631,469</u>
<b>Other Services</b>		
Transcripts	68,200	63,830
Internet sample test	28,185	27,025
Miscellaneous	12,837	8,139
Certificates and plaques	5,095	5,670
Part VI appeal	1,950	1,500
Cancellation fees	150	2,300
Chiropractic College Aptitude Test (CCAT) fees	270	810
	<u>116,687</u>	<u>109,274</u>
Total revenues	<u>\$ 12,802,912</u>	<u>\$ 13,740,743</u>

**NBCE and EBAS**  
**Cash Flow Worksheet**  
**12/31/20**

	<b>Cash</b>
<b>12/31/19</b>	9,391,062
<b>Cash Flows From Operating Activities</b>	
Change in net assets	2,588,312
Adjustments to reconcile change in net assets to cash provided (used) by operating activities	
Depreciation and amortization - NBCE	562,430
Depreciation and amortization - EBAS	27,759
Depreciation and amortization - 5401 Building	62,662
(Gain)/loss on disposal of assets	331,677
Net realized and unrealized (gains) losses on investments	(1,521,052)
Provison for bad debts	2,370
Increase(decrease) in assets and liabilities	
Receivables	127
Prepays and other current assets	(12,554)
Deposits	391
Accounts payable	(2,051)
Accrued liabilities	(413,580)
Deferred revenue	796,760
<b>Net cash provided (used) by operating activities</b>	<b>2,423,251</b>
<b>Investing Activities</b>	
Purchases of certificates of deposits	(18,413)
Maturities of certificates of deposits	503,818
Purchases of investments	(14,410,841)
Sales of investments	11,905,709
Proceeds from insurance settlement	-
Net change in board designated cash	-
Payments for capitalized software	(60,014)
Payments for the purchase of property and equipment	(156,480)
<b>Net cash provided (used) by investing activities</b>	<b>(2,236,221)</b>
<b>Financing Activities</b>	
	-
	-
	-
<b>Net cash provided (used) by financing activities</b>	<b>-</b>
	-
<b>Net Increase (Decrease) in Cash &amp; Cash Equivalentents</b>	<b>187,030</b>
<b>12/31/20</b>	<b>9,578,092.00</b>
Check sum	-