

FEDERATION OF CHIROPRACTIC LICENSING BOARDS

(A Not-For-Profit Corporation)

FINANCIAL REPORT

Years Ended December 31, 2016 and 2015



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Independent Auditors' Report

Board of Directors
Federation of Chiropractic Licensing Boards
Greeley, Colorado

We have audited the accompanying financial statements the Federation of Chiropractic Licensing Boards (a not-for-profit corporation), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with 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 financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Federation of Chiropractic Licensing Boards as of December 31, 2016, 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.

Other Matter

The financial statements of the Federation of Chiropractic Licensing Boards, as of and for the year ended December 31, 2015, were audited by other auditors whose report dated March 3, 2016 expressed an unmodified opinion on these statements.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the 2016 financial statements as a whole. The accompanying supplementary information on page 12 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2016 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 2016 financial statements as a whole.

Anderson & Whitney, P.C.

February 21, 2017

FEDERATION OF CHIROPRACTIC LICENSING BOARDS

STATEMENTS OF FINANCIAL POSITION

December 31	2016	2015
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 743,200	\$ 582,077
Certificates of deposit	532,856	530,231
Accounts receivable	4,298	1,652
Prepaid expenses	37,048	22,890
Total Current Assets	1,317,402	1,136,850
Property and Equipment:		
Office furniture and equipment	33,206	33,205
Software	53,249	53,249
	86,455	86,454
Less: Accumulated depreciation	(81,829)	(80,353)
Total Property and Equipment, net	4,626	6,101
TOTAL ASSETS	\$ 1,322,028	\$ 1,142,951
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 2,757	\$ 10,283
Accrued expenses	17,640	18,223
Deferred revenue	14,748	32,219
Total Liabilities	35,145	60,725
Net Assets:		
Unrestricted:		
Undesignated	650,505	507,625
Board Designated	636,378	574,601
Total Net Assets	1,286,883	1,082,226
TOTAL LIABILITIES AND NET ASSETS	\$ 1,322,028	\$ 1,142,951

See Accompanying Notes to Financial Statements.

FEDERATION OF CHIROPRACTIC LICENSING BOARDS

STATEMENTS OF ACTIVITIES

Years Ended December 31	2016	2015
Support:		
National Board of Chiropractic Examiners support	\$ 551,947	\$ 580,068
In-kind contributions	31,198	31,060
Supporter income	38,005	34,500
Total Support	621,150	645,628
Operating Revenue:		
Conferences and meetings	61,770	69,549
Membership dues	78,350	61,430
Continuing education income	84,121	51,536
Data bank user fees	41,604	33,543
Certified Chiropractic Clinical Assistant (CCCA) income	2,775	1,920
Interest income	7,057	6,188
Miscellaneous income	3,702	2,011
Total Operating Revenue	279,379	226,177
Total Revenue and Support	900,529	871,805
Expenses:		
Operating expenses	695,872	708,044
Total Expenses	695,872	708,044
Total Increase in Net Assets	204,657	163,761
Unrestricted Net Assets, Beginning of Year	1,082,226	918,465
UNRESTRICTED NET ASSETS, End of Year	\$ 1,286,883	\$ 1,082,226

See Accompanying Notes to Financial Statements.

FEDERATION OF CHIROPRACTIC LICENSING BOARDS

STATEMENTS OF CASH FLOWS

Years Ended December 31	2016	2015
Cash Flows From Operating Activities:		
Increase in Net Assets	\$ 204,657	\$ 163,761
Adjustments to reconcile increase in net assets to net cash flows from operating activities:		
Depreciation	1,476	1,484
Reinvested interest from certificates of deposit	(2,625)	(4,348)
(Increase) decrease in operating assets:		
Accounts receivable	(2,646)	899
Prepaid expenses	(14,158)	(2,166)
Increase (decrease) in operating liabilities:		
Accounts payable	(7,526)	8,209
Accrued expenses	(583)	(608)
Deferred revenue	(17,471)	22,899
Net Cash Provided by Operating Activities	161,124	190,130
Cash Flows From Investing Activities:		
Purchase of certificates of deposit	-	(125,000)
Purchase of equipment	-	(6,307)
Net Cash Provided (Used) by Investing Activities	-	(131,307)
Cash Flows From Financing Activities	-	-
Net Increase (Decrease) in Cash	161,124	58,823
Cash and Cash Equivalents, Beginning of Year	582,077	523,254
Cash and Cash Equivalents, End of Year	\$ 743,201	\$ 582,077

See Accompanying Notes to Financial Statements.

FEDERATION OF CHIROPRACTIC LICENSING BOARDS

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies:

The accounting and reporting policies of the Federation of Chiropractic Licensing Boards (the Federation) conform to accounting principles generally accepted in the United States of America. The following summary of significant accounting policies is presented to assist the reader in evaluating the financial statements of the Federation.

Organization:

The Federation was formed in 1926 and formally incorporated in 1966 for charitable and educational purposes and for the purpose of lessening burdens on government and, more specifically: to provide programs and services that assist member chiropractic licensing boards in fulfilling their statutory obligations to regulate the profession in the interest of public protection. These programs and services shall include, but not be limited to, those that promote uniform standards among licensing boards, examination and testing services, and educational programs teaching chiropractic (including those leading to the Doctor of Chiropractic degree, postgraduate chiropractic education, diplomate and certification programs, and continuing education for relicensure purposes).

Basis of Presentation:

The accompanying financial statements have been prepared on the accrual basis of accounting whereby revenue is recorded when earned and expenses are recorded when materials or services are received. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Federation and changes therein are classified and reported as follows:

Unrestricted Net Assets: Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets that have been designated by the board for specific programs and activities are reported as board designated.

Temporarily Restricted Net Assets: Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Federation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Permanently Restricted Net Assets: Net assets subject to donor-imposed stipulations that they be maintained permanently by the Federation.

At December 31, 2016 and 2015, the Federation did not have temporarily or permanently restricted net assets.

FEDERATION OF CHIROPRACTIC LICENSING BOARDS

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies - Continued:

Cash and Cash Equivalents:

The Federation considers all unrestricted highly-liquid investments with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits, although the Federation has not experienced any losses related to these balances.

Certificates of Deposit:

Certificates of deposit at December 31, 2016 consist of deposits maturing between March 2017 and March 2018 and are valued at cost plus accrued interest, which approximates fair value.

Accounts Receivable:

Receivables are recorded at the invoice amount. The Federation provides an allowance for doubtful accounts equal to the estimated uncollectible amounts. As of December 31, 2016 and 2015, management of the Federation believes all receivables are collectible and an allowance was determined to be unnecessary.

Revenue Recognition:

Contributions, including unconditional promises to give, if any, are recorded as received. Donated office space and related utilities are recorded at fair market value when received. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Revenue received from the National Board of Chiropractic Examiners (NBCE) during the years ended December 31, 2016 and 2015 represents 66.4% and 71.8%, respectively, of the Federation's total revenue.

Data bank queries and dues are recognized when earned. Conference fees received in advance are recorded as deferred revenue and are recognized as revenue at the time of the conference. Membership dues received in advance are recorded as deferred revenue and recognized as revenue over the time period covered by the dues.

Property and Equipment:

Property and equipment with a unit cost of \$1,000 or more and a useful life of greater than one year are capitalized at their acquisition cost. Office furniture and equipment, and software are depreciated using the straight-line method over five to seven years.

FEDERATION OF CHIROPRACTIC LICENSING BOARDS

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies - Continued:

Compensated Absences:

Federation personnel earn vacation time based on their length of employment. Unused vacation time is paid upon termination or retirement. As of December 31, 2016 and 2015, the Federation had accrued \$17,640 and \$18,223, respectively, in compensated absences, which is included in accrued expenses in the accompanying Statements of Financial Position.

Tax-Exempt Status:

The Federation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified as an organization other than a private foundation under Section 509(a)(1). The Federation qualifies for charitable contribution deduction under Section 170(b)(1)(A)(vi). However, income from activities not directly related to the Federation's tax-exempt purpose is subject to taxation as unrelated business income. The Federation had no unrelated business income during 2016 and 2015, and accordingly, no provision is made in these financial statements for income taxes.

The Federation follows guidance to account for any uncertainty in income taxes with respect to the accounting for all tax positions taken (or expected to be taken) on any income tax return. This guidance applies to all open tax periods in all tax jurisdictions in which the Federation is required to file an income tax return. Under GAAP, in order to recognize an uncertain tax benefit, the taxpayer must be more likely than not of sustaining the position and the measurement of the benefit is calculated as the largest amount that is more the 50 percent likely to be realized upon resolution of the benefit.

Management makes judgements regarding the interpretation of tax laws that might be challenged upon an audit and cause changes to previous estimates of tax liability. In addition, the Federation operates within multiple taxing jurisdictions and is subject to audit in these jurisdictions as well as by the Internal Revenue Service.

The Federation determined that no uncertain tax positions have been taken or are expected to be taken that could have a material effect of the Federation's income tax liabilities. In management's opinion, adequate provisions for income taxes have been made for all years after 2012 (all open years).

Tax penalties and interest, if any, would be classified as income tax expense in the financial statements. No tax penalties or interest have been incurred or recognized in these financial statements. Generally, three years remain subject to examination by tax jurisdictions.

Reclassifications:

Certain amounts in the 2015 financial statements have been reclassified to conform to the 2016 financial statement presentation. These reclassifications have no effect on the previously reported change in net assets.

FEDERATION OF CHIROPRACTIC LICENSING BOARDS

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies - Continued:

Subsequent Events:

Management has evaluated subsequent events through the date of the financial statements were available for issuance, which is the same date as the auditors' report.

Use of Estimates:

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 – Fair Value Measurements:

To assist the reader of the financial statements in assessing the inputs used to develop fair value measurements of assets and liabilities, a hierarchy has been established for ranking the quality and reliability of the information used to determine fair values. Assets and liabilities carried at fair value are classified in one of the following categories:

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

Level 2 – Inputs to the 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;
- 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 level of an asset's or liability's fair value measurement within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Description	Amortized Cost	Fair Value Measurements at Reporting Date Using		
		Level 1	Level 2	Level 3
<u>December 31, 2016</u>				
Certificates of Deposit	\$ 532,856	\$ --	\$ 532,856	\$ --
<u>December 31, 2015</u>				
Certificates of Deposit	\$ 530,231	\$ --	\$ 530,231	\$ --

FEDERATION OF CHIROPRACTIC LICENSING BOARDS

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – Board Designated Net Assets:

The Federation board of directors has designated net assets for the programs and projects listed in the table below. These balances are for planning purposes and the Federation is under no contractual or donor-specified obligation to maintain these funds.

December 31	2016	2015
General Operations	\$ 371,563	\$ 328,551
Technological Development	138,900	155,000
Continuing Education Development	46,000	46,000
Passport Program	20,000	--
Equipment Upgrade	19,000	19,000
Certified Clinical Chiropractic Assistant's Fund	28,846	13,686
Student Leadership	9,081	9,785
Chiropractic Board Administrator's Fund	2,988	2,579
	<u>\$ 636,378</u>	<u>\$ 574,601</u>

NOTE 4 - Related Party Transactions:

The Federation receives significant support from NBCE, a nonprofit organization that is a related party through common board members with voting rights. Under a November 2008 agreement between the two organizations, the Federation receives each year 5% of NBCE's prior year testing revenue. The term of the agreement is 25 years, subject to termination by either party. During fiscal years 2016 and 2015, the Federation received \$551,947 and \$580,068, respectively, from NBCE. In addition, NBCE provided \$15,000 toward shared conference expenses in each of the fiscal years 2016 and 2015 for the Federation's annual conference.

The Federation has a lease agreement dated December 2004 with NBCE for office space at \$2 per year. The lease arrangement continues until terminated by either party with 120 days notice. The annual fair value of the office space rental is estimated to be \$26,160 based on fair market rents charged for similar facilities in the area. NBCE also paid utilities of \$5,038 and \$4,900 in 2016 and 2015, respectively. The amount of the donated rent and utilities is reported in the Statement of Activities as in-kind contribution revenue and corresponding rent and utilities expense.

FEDERATION OF CHIROPRACTIC LICENSING BOARDS

NOTES TO FINANCIAL STATEMENTS

NOTE 5 – Commitments and Contingencies:

The Federation has entered into various contracts with hotels for its annual conferences in 2017, 2018 and 2019. Such contracts contain staggered cancellation fee structures under which the Federation would be required to compensate the hotels should a meeting be cancelled. The accompanying financial statements do not include any provision for the cancellation fees as the likelihood of such cancellation payments has been determined to be remote.

NOTE 6 – Retirement Plan:

Effective January 1, 2015, the Federation provides a Simple IRA plan that allows each employee to contribute up to the maximum contribution per IRS regulations on a pre-tax basis. The Federation matched 3% of the employees' contributions during the years ended December 31, 2016 and 2015, which amounted to \$9,296 and \$8,843, respectively.

FEDERATION OF CHIROPRACTIC LICENSING BOARDS

Schedules of Operating Expenses

Years Ended December 31	2016	2015
Personnel Expenses:		
Salaries and wages	\$ 326,650	\$ 315,984
Payroll taxes	24,001	23,660
Health insurance	29,493	33,439
Retirement contributions	9,296	8,843
Staff development	1,799	544
Total Personnel Expenses	391,239	382,470
Audit services	7,915	7,756
Bank and credit card fees	6,372	5,235
Building rent and utilities (in-kind)	31,198	31,060
Depreciation	1,476	1,484
Dues	2,915	2,940
Equipment maintenance	7,389	4,290
Gifts and awards	3,268	3,061
Information technology	7,540	12,728
Insurance	7,333	7,316
Internet services	7,319	5,891
Legal services	19,432	15,268
Meeting expenses:		
Annual conference	68,362	69,549
District meetings	45,970	47,630
Additional meetings	67,752	89,757
Miscellaneous	70	-
Office supplies and publications	4,525	3,324
Postage and shipping	5,309	6,777
Printing	437	1,218
Public relations	2,784	2,762
Resident agent and filing fees	47	57
Small equipment	768	381
Storage	193	660
Telephone	6,259	6,430
Total Operating Expenses	\$ 695,872	\$ 708,044

See Accompanying Independent Auditors' Report.