Federation of Chiropractic Licensing Boards

Financial Statements and Supplementary Information

For the Years Ended December 31, 2014 and 2013

Anton Collins Mitchell LLP
Accountants & Consultants

Federation of Chiropractic Licensing Boards

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Independent Auditor's Report

Board of Directors
Federation of Chiropractic Licensing Boards
Greeley, Colorado

We have audited the accompanying financial statements of the Federation of Chiropractic Licensing Boards, a nonprofit corporation (the "Organization"), which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities and cash flows for the years 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 audits. We conducted our audits 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, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on page 11 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 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 financial statements as a whole.

Anton Collins Mitchell LLP

Greeley, Colorado
March 6, 2015

Financial Statements

Federation of Chiropractic Licensing Boards

Statements of Financial Position

December 31,		**2014**		2013
Assets				
Current assets:				
Cash and cash equivalents	**$**	**924,137**	$	845,417
Accounts receivable		**2,551**		4,940
Prepaid expenses		**20,724**		14,764
Total current assets		**947,412**		865,121
Property and equipment, net:				
Office furniture and equipment		**38,699**		38,699
Less: accumulated depreciation		**(37,421)**		(36,357)
Total property and equipment, net		**1,278**		2,342
Total assets	**$**	**948,690**	$	867,463
Liabilities and net assets				
Current liabilities:				
Accounts payable	**$**	**2,074**	$	3,750
Accrued expenses		**18,831**		33,141
Deferred revenue		**9,320**		13,650
Total current liabilities		**30,225**		50,541
Commitments and contingencies				
Net assets:				
Unrestricted:				
Board designated		**551,682**		526,241
Undesignated		**366,783**		290,681
Total net assets		**918,465**		816,922
Total liabilities and net assets	**$**	**948,690**	$	867,463

The accompanying notes are an integral part of these financial statements.

Federation of Chiropractic Licensing Boards

Statements of Activities

For the years ended December 31,	**2014**	2013
Unrestricted net assets:		
Support, revenues, and gains:		
Contributions and grants	**$ 532,406**	$ 499,904
Membership dues	**75,960**	64,180
Conferences and meetings	**70,239**	69,454
PACE income	**49,677**	25,389
Supporter income	**38,000**	27,200
Data bank user fees	**34,308**	34,620
In-kind contributions	**31,577**	31,156
Interest income	**4,893**	4,271
Miscellaneous income	**3,018**	3,082
CCCA income	**2,295**	1,000
Auction, net	**-**	27,950
Total unrestricted support, revenues and gains	**842,373**	788,206
Expenses and losses:		
Operating expenses	**740,830**	754,393
Total expenses and losses	**740,830**	754,393
Total increase in net assets	**101,543**	33,813
Net assets at beginning of year	**816,922**	783,109
Net assets at end of year	**$ 918,465**	$ 816,922

The accompanying notes are an integral part of these financial statements.

Federation of Chiropractic Licensing Boards

Statements of Cash Flows

For the years ended December 31,	**2014**	2013
Cash flows from operating activities:		
Increase in net assets	**$ 101,543**	$ 33,813
Adjustments to reconcile increase in net assets to net cash flows from operating activities:		
Depreciation	**1,064**	2,638
Amortization	**-**	4,795
(Increase) decrease in operating assets:		
Accounts receivable	**2,389**	(4,202)
Prepaid expenses	**(5,960)**	4,671
Increase (decrease) in operating liabilities:		
Accounts payable	**(1,676)**	4,305
Accrued expenses	**(14,310)**	1,398
Deferred revenue	**(4,330)**	(29,645)
Net cash flows from operating activities	**78,720**	17,773
Net change in cash and cash equivalents	**78,720**	17,773
Cash and cash equivalents at beginning of year	**845,417**	827,644
Cash and cash equivalents at end of year	**$ 924,137**	$ 845,417

The accompanying notes are an integral part of these financial statements.

1. Summary of Significant Accounting Policies

Organization

The Federation of Chiropractic Licensing Boards (the "Organization") 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).

Financial Statement Presentation

The Organization follows the accounting standards set by the Financial Accounting Standards Board ("FASB"). The FASB sets accounting principles generally accepted in the United States of America ("GAAP") that the Organization follows to ensure the financial position, results of operations, and cash flows are consistently reported. References to GAAP issued by the FASB in these footnotes are to the *FASB Accounting Standards Codification,* sometimes referred to as the Codification or ASC.

The financial statements are prepared on the accrual basis of accounting and are in conformity with FASB ASC 958-205, *Not-for-Profit Entities, Presentation of Financial Statements*. Under ASC 958-205 the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Cash and Cash Equivalents

The Organization considers all unrestricted highly liquid investments with an original maturity of three months or less to be cash equivalents.

Concentrations of Credit Risk

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. Insurance coverage is up to $250,000 per depositor at each financial institution. The Organization had no amounts on deposit in excess of federally insured limits at December 31, 2014 and 2013.

Accounts Receivable

Receivables are recorded at the invoiced amount. The Organization provides an allowance for doubtful accounts equal to the estimated uncollectible amounts. As of December 31, 2014 and 2013, an allowance was not considered necessary.

Revenue Recognition

Contributions are recorded when received as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. There were no temporarily or permanently restricted net assets at December 31, 2014 or 2013.

Revenues received from the National Board of Chiropractic Examiners ("NBCE"), during the years ended December 31, 2014 and 2013, represent 68.7% and 67.5% of the Organization's total revenues. As further described in Note 2, NBCE is a related party.

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

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 and are stated at cost less the accumulated depreciation. Office furniture and equipment are depreciated using the straight-line method over three to seven years.

Long-Lived Assets

Management periodically reviews long-lived assets, including identifiable intangibles, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Organization evaluates the recoverability of its long-lived assets based on estimated undiscounted future cash flows and provides for impairment if such undiscounted cash flows are insufficient to recover the carrying amount of the long-lived asset. If impaired, the long-lived asset is written down to its estimated fair value. No events have occurred which indicate the carrying amount of the Organization's long-lived assets may not be recoverable.

Estimates

The preparation of financial statements in conformity with GAAP 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.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization other than a private foundation under Section 509(a)(1). However, income from activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. The Organization had no unrelated business income during the years ended December 31, 2014 and 2013.

The Organization 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 Organization 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 than 50 percent likely to be realized upon resolution of the benefit.

The Organization determined that no uncertain tax positions have been taken or are expected to be taken that could have a material effect on the Organization's income tax liabilities. In management's opinion, adequate provisions for income taxes have been made for all years after 2010 (all open years).

Management makes judgments 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 Organization operates within multiple taxing jurisdictions and is subject to audit in these jurisdictions as well as by the Internal Revenue Service.

Compensated Absences

The Organization will pay a limited amount of accrued vacation upon termination or retirement. As of December 31, 2014 and 2013, the Organization had accrued $14,090 and $9,906 in compensated absences, which is included in accrued expenses in the accompanying statements of financial position.

Net asset classification

The financial statements report amounts separately by class of net assets.

Unrestricted amounts are those currently available at the discretion of the Organization for use in the operations and those resources invested in property, plant and equipment. See Note 5 for a description of the board designated reserves.

Temporarily restricted amounts are those that are subject to stipulations by donors for specific operating purposes or programs, those with time restrictions, unspent endowment earnings, or those not currently available for use in the Organization's operations until commitments regarding their use have been fulfilled. When a purpose restriction is accomplished or when a stipulated time restriction ends, temporarily restricted net assets are released to unrestricted net assets and reported in the statements of activities as net assets released from restriction. At December 31, 2014 the Organization did not have any temporarily restricted net assets.

Permanently restricted amounts are those contributed with donor restrictions requiring that they be held in perpetuity as endowments. At December 31, 2014 the Organization did not have any permanently restricted net assets.

Fair Market Value Measurements

FASB ASC Topic 820, Fair Value Measurement, provides a framework for measuring fair value. That 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 under FASB ASC Topic 820 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;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

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.

Reclassification

Certain amounts in the prior periods presented have been reclassified to conform to the current period financial statement presentation. These reclassifications have no effect on previously reported increase in net assets.

2. Related Party

The Organization receives significant support from the NBCE, a not-for-profit organization that is a related party through the existence of common board members with voting rights. The Organization received $532,406 and $499,904 from the NBCE during the years ended December 31, 2014 and 2013, as provided by in an agreement between the two organizations dated November 7, 2008. In addition, the NBCE provided the organization with $15,000 and $20,700 toward shared conference expenses for December 31, 2014 and 2013, respectively, for annual conference expenses.

The Organization has a lease agreement dated December 3, 2004 with NBCE for office space. NBCE provides approximately 1,940 square feet of furnished office space for $1.00 per year. NBCE has determined the fair value of the in-kind contributions based on fair market rents charged for similar facilities in the area at December 31, 2014 and 2013.

The Organization's in-kind contributions have been valued using level 2 inputs as follows:

For the years ended December 31,	**2014**	2013
Rent	**$ 26,160**	$ 26,160
Utilities	**5,417**	4,996
Total in-kind contribution	**$ 31,577**	$ 31,156

The total contribution is reported on the statement of activities under revenue as in-kind contributions. The corresponding rent and utilities expense amounts are reported under operating expenses.

3. Commitments and Contingencies

Commitments

The Organization has entered into various contracts with hotels for its future annual meetings. Such contracts contain staggered cancellation fee structures under which the Organization would be required to compensate the hotels should a meeting be cancelled. As of December 31, 2014, the accumulated maximum potential cancellation fees approximated $206,960. None of this amount has been recorded in the accompanying financial statements because the Organization has determined the likelihood of such cancelation payments being made to be remote.

4. Retirement Plan

The Organization maintained a Simplified Employee Pension - Individual plan (the "Plan") for its employees through December 31, 2014. The Organization agrees to provide for discretionary contributions to the individual retirement accounts of all eligible employees. During the years ended December 31, 2014 and 2013 the Organization's expense was $13,955 and $13,683, respectively. As of January 1, 2015 the Organization formed a Savings Incentive Match Plan (known as "SIMPLE IRA"). The SIMPLE IRA plan allows each employee to contribute up to the maximum contribution, per Internal Revenue Service regulations ($12,500 for 2015), on a pre-tax basis. The Organization will match up to 3% of the employees' contribution.

5. Board Designated Unrestricted Net Assets

Net assets designated by the Organization's Board of Directors are available for the following purposes:

	2014	2013
General operations	**$ 303,085**	$ 278,766
Technological development	**155,000**	155,000
PACE development	**46,000**	46,000
Equipment upgrade	**19,000**	19,000
Student leadership	**10,019**	9,085
Chiropractic Board Administrator's Fund	**2,228**	2,040
Certified clinical chiropractic assistant's fund	**16,350**	16,350
Net assets - unrestricted - Board designated	**$ 551,682**	$ 526,241

As noted above, these funds are Board designated. The Organization is under no contractual or donor-specified obligation to maintain these funds.

6. Subsequent Events

Management has evaluated subsequent events through March 6, 2015, the date that the financial statements were available to be issued. No transactions or events that would require adjustment to or disclosure in the financial statements were identified.

Supplementary Information

Federation of Chiropractic Licensing Boards

Schedules of Operating Expenses

For the years ended December 31,		**2014**		2013
Operating expenses				
Salaries	**$**	**311,671**	$	283,611
Meeting expenses		**200,755**		216,161
Health insurance		**36,727**		36,956
Building rent and utilities		**31,577**		31,157
Legal services		**27,302**		28,362
Payroll taxes		**25,240**		21,822
Information technology		**23,256**		49,477
Retirement		**13,955**		13,683
Postage and shipping		**8,987**		7,441
Insurance		**7,329**		6,791
Audit services		**7,050**		6,550
Telephone		**6,611**		6,770
Internet services		**6,327**		6,044
Equipment maintenance		**6,302**		7,612
Office supplies and publications		**5,826**		5,175
Moving expenses		**5,532**		-
Bank fees		**4,919**		4,047
Gifts and awards		**2,688**		5,877
Small equipment		**2,543**		1,307
Dues		**1,925**		3,180
Storage		**1,070**		1,093
Staff development		**1,066**		169
Depreciation		**1,064**		2,638
Public relations		**792**		2,155
Printing		**269**		1,101
Resident agent and filing fees		**47**		37
Amortization		**-**		4,795
Bad debts		**-**		382
Total operating expenses	**$**	**740,830**	$	754,393

See accompanying Independent Auditor's Report.