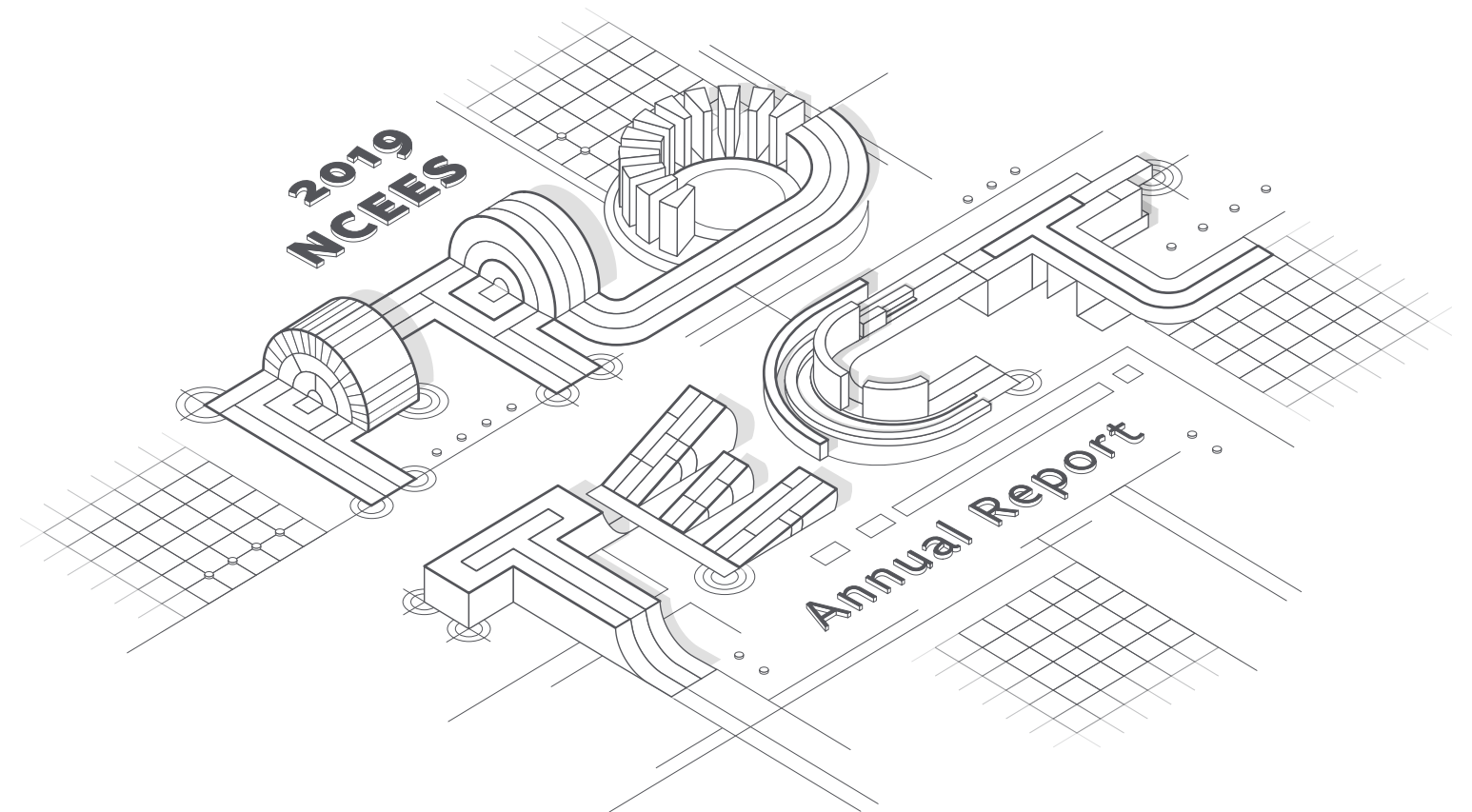


2019
NCEES

Annual Report



NCEES
advancing licensure for
engineers and surveyors



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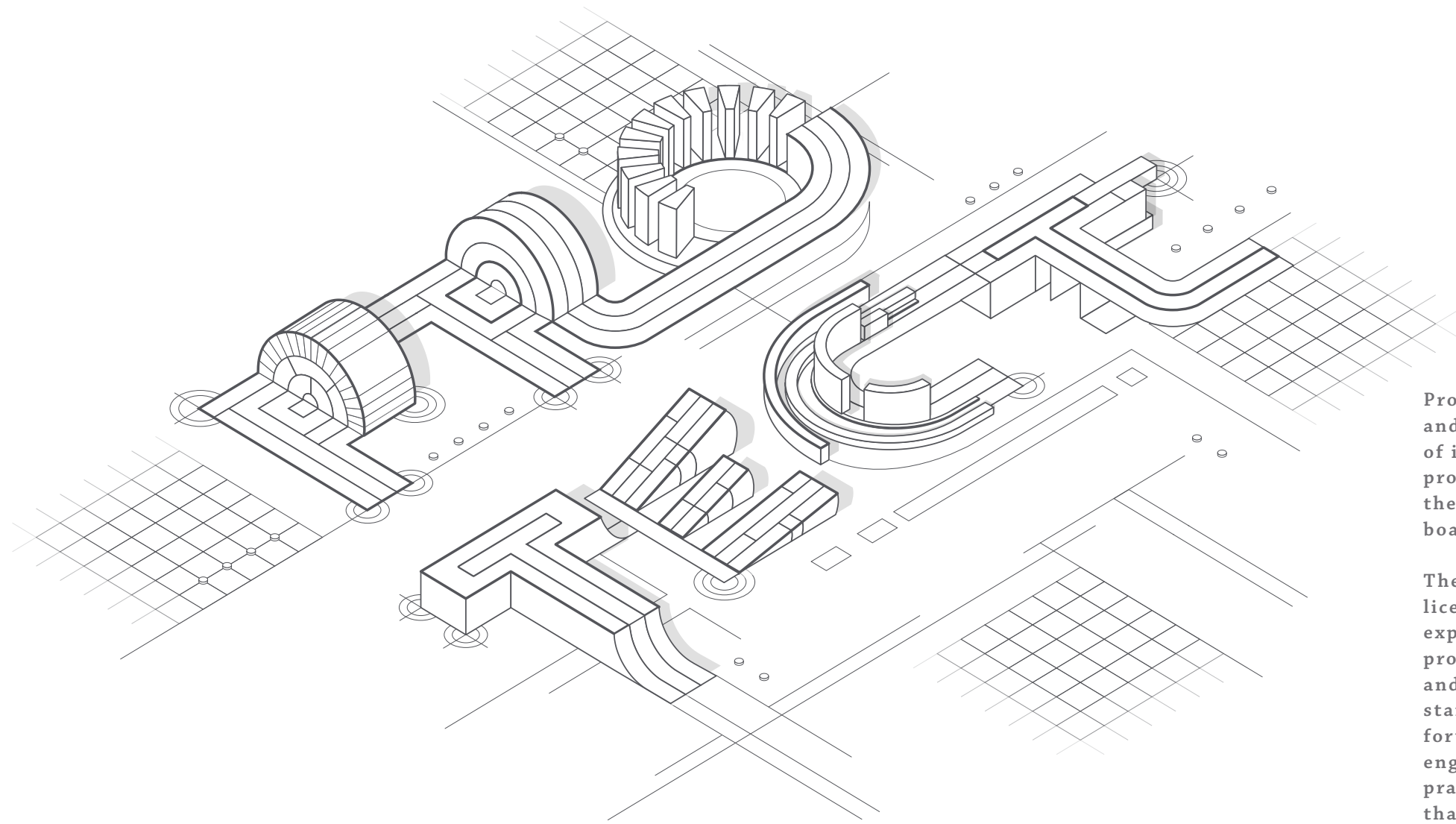
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Professional licensure for engineers and surveyors encompasses a variety of initiatives with a singular focus: protecting the public. This focus drives the activities of NCEES and its member boards each day.

The qualifications for professional licensure—education, examination, and experience—form the pillars of public protection. To become licensed, engineers and surveyors must meet established standards in these areas. As they move forward in their careers, professional engineers and surveyors are bound to practice their professions in a manner that upholds standards of competency and ethics.

The contributions of NCEES member boards, exam development volunteers, and headquarters staff are essential to fulfilling the aims of the organization. They share a commitment to upholding the public's well-being, setting a clear vision for NCEES now and in the future.



PRESIDENT'S message

The NCEES mission begins with the organization's "what"—what it does: advancing licensure for engineers and surveyors. Following it is the organization's "why"—the reason for this advancement: safeguarding the health, safety, and welfare of the public. The work of professional engineers and surveyors directly impacts not only the immediate and long-term health and safety of the American people but also their welfare—their happiness and overall well-being. Safeguarding these is at the heart of all activities for NCEES and its member licensing boards.

This annual report highlights the ways that NCEES and its member boards worked together in 2018–19 to protect the public through its advancement of licensure for engineers and surveyors. Providing leadership in professional licensure for engineers and surveyors, supporting the work of NCEES member boards, and promoting understanding of the importance of licensure are all key to fulfilling our mission.

While this report focuses on the various NCEES activities, it is our volunteers who make this work possible. The members and staff of

licensing boards form the membership of NCEES standing committees and task forces, as well as zone and national leadership. Others join professional engineers and surveyors from across the country to develop NCEES exams or participate in outreach activities. Because of these contributions, the professions of engineering and surveying are stronger and the public is better protected.

Thank you for the opportunity to serve as president. It has been an honor to lead this organization as it approaches its centennial. Member board collaboration with NCEES allows each of us to achieve more. The public is better protected because of our willingness to work with each other and other organizations to find better solutions. I am proud of what we have accomplished, and I look forward to entering a new century of leadership and service to the professions of engineering and surveying and the public.

James J. Purcell, P.E.
2018–19 NCEES President



CEO'S message

The regulation of the professions of engineering and surveying—the business of each NCEES member board—exists for one purpose: public protection. Likewise, NCEES efforts to advance licensure center on this same purpose.

Much of our work at NCEES headquarters concentrates on supporting our member boards. One of our major areas of effort this year has been the relocation of NCEES headquarters to Greenville, South Carolina. The new headquarters will give us the space and flexibility to expand NCEES services in the future.

Exam services encompassed another primary focus area. Computer-based testing is a major initiative for NCEES headquarters, both in terms of promoting and maintaining existing CBT exams and working toward the transition of the other exams to CBT. We introduced our second computer-based Principles and Practice of Engineering exam in October 2018: the PE Nuclear exam. Computer-based exams for the PE Petroleum exam and the PE Environmental exam followed in 2019. Our exam development staff and volunteers continue to move the remaining PE exams to a computer-based format.

Maintaining fiscal responsibility is essential to protecting our financial resources and ensuring that NCEES can continue to fulfill its mission. Our

financial statements, which begin on page 32 of this report, show that NCEES remains financially sound. Operating revenue this year was above budget, primarily due to higher exam volumes and other greater-than-anticipated CBT revenue from rescheduling fees, cancellations, and expired registrations. Revenue from study materials and Member Services was also above budget, as were total expenses for the year. Higher examinee volumes led to increased expenses for CBT seat fees and study materials. Licensure outreach expenses were above budget because of the Council's Engineers Without Borders USA pledge, which was approved at the 2018 annual meeting. Another impact on expenses this year was the headquarters relocation, which was not included in the original budget.

Advancing licensure in order to protect the public is the mission at the heart of all NCEES initiatives. This annual report is a snapshot of those initiatives. With its priority on safeguarding health, safety, and welfare, ours is a mission worthy of the shared commitment of NCEES member boards.

B. David Cox
NCEES Chief Executive Officer





To learn more about NCEES efforts to safeguard the public, visit ncees.org/annualreport.

Above: Member board representatives attend a presentation on threats to public protection at the NCEES annual meeting. Opposite: Delegates from the NCEES member boards prepare for officer elections at the 2019 annual meeting.

NCEES is committed to providing leadership in professional licensure of engineers and surveyors. Its efforts to set the standard in uniform laws, licensing requirements, and professional ethics stem from an unwavering commitment to safeguarding the health, safety, and welfare of the public.

The organization is made up of 69 licensing boards that regulate the engineering and surveying professions in the United States. These boards are located in each U.S. state, the District of Columbia, Guam, the Northern Mariana Islands, Puerto Rico, and the U.S. Virgin Islands.

Setting the standard

In 2018–19, the members of the Council continued to determine best practices for the licensure of engineers and surveyors and to promote their adoption in order to protect the public and improve licensure uniformity among the states.

In August 2019, delegates from member boards gathered at the annual meeting in Washington, D.C., to discuss licensure issues, set Council policy, and vote on proposed changes to the *Model Law* and *Model Rules*. Maintaining these documents is a key part of NCEES efforts to promote mobility and provide leadership in professional licensure. The licensing requirements in them reflect a consensus of what the member boards think licensing laws and rules should be.

Part of NCEES efforts to ensure that its standards continue to meet the needs of engineering and surveying professions include its work to reorganize the Principles and Practice of Surveying (PS) exam. Delegates at the 2019 annual meeting voted to approve restructuring the PS exam into the following separately scored divisions:

- Core PS
- Boundary
- Public Land Survey System
- Mapping science
- Incidental drainage design

The decision follows two years of study on restructuring the exam, including the effects on mobility and public protection as well as the exam volumes that would be required to sustain psychometric viability and economic feasibility.

The Committee on Examinations for Professional Surveyors will begin work on implementing these divisions in 2019–20. Once implemented, individual jurisdictions will decide which divisions they will require for surveying licensure.

Collaborating on new efforts to safeguard the public

One of the key ways NCEES supports its mission is by coordinating with domestic and international organizations to advance licensure for all engineers and surveyors. NCEES liaises with engineering and surveying societies, with its counterparts in other professions, and with international engineering and surveying organizations to

broaden its scope and provide new opportunities for the organization. As part of its efforts to ensure public protection, NCEES became one of the founding members of the Alliance for Responsible Professional Licensing (ARPL) this past year. The group is a coalition of national associations that represent highly complex, technical professions and their national licensing boards.

Launched in July 2019, ARPL was created to ensure that a unified voice for the advanced professions is heard in the growing debate around the appropriate level of licensure for professions and occupations. NCEES has banded with organizations representing other advanced professions to ensure that the importance of professional licensing to public protection is properly communicated.

The goal of ARPL is to educate policy makers and the public on the importance of—and the need to maintain—clear, responsible licensing standards within professions such as engineering and surveying.



Above: Delegates discuss restructuring the PS exam ahead of the Council vote at the 2019 NCEES annual meeting.
Right: Committee chairs present motions, delegates debate the issues, and boards cast their votes at the 2019 annual meeting.

Strengthening international influence

NCEES is not only focused on leadership and collaboration for engineering and surveying within the United States but is also committed to fulfilling a leadership role in international initiatives.

This year, NCEES continued its work with the International Engineering Alliance (IEA), an umbrella organization that coordinates seven international agreements for engineering education and mobility. NCEES represents the



ARPL

Alliance for Responsible Professional Licensing

PROFESSIONAL LICENSING:

Rigorous for a reason

As lawmakers debate the extent of licensing needed for many jobs, the health, safety, and welfare of the public must be considered. Highly complex and technical professions rightly require rigorous and ongoing education, examination, and experience.

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RESPONSIBLE LICENSING MATTERS

KEEPING THE PUBLIC SAFE

Professional licensing protects the public by ensuring a baseline level of proven qualification and expertise, which helps protect consumers from unqualified practitioners. This is particularly important in highly complex, technical professions where consumers do not have the specialized knowledge needed to evaluate qualifications and performance.

HELPING PROFESSIONALS GROW

Responsible professional licensing creates a defined pathway for professionals based on verified expertise. It helps level the playing field by removing subjectivity and setting clear, evenly applied levels of qualification. Licensing also establishes consistency of qualifications within professions so professionals can move from state to state and continue practicing.

NCEES is a founding member of the Alliance for Responsible Professional Licensing, which launched in July 2019. The ARPL website, responsiblelicensing.org (above), provides a range of resources to help state organizations educate lawmakers and the public on the importance of professional licensure to public protection.

United States in two of these agreements: the International Professional Engineers Agreement (IPEA) and the Asia-Pacific Economic Cooperation (APEC) Engineers Agreement.

In 2018–19, Patty Mamola, P.E., NCEES past president and current executive director of the Nevada State Board of Professional Engineers and Land Surveyors, served as chair of APEC. NCEES CEO Emeritus Jerry Carter served as deputy chair of IPEA. As officers of the two mobility accords, they served on the Executive Committee of IEA, which comprises 41 jurisdictions in 29 countries.

As a signatory of the APEC agreement and IPEA, NCEES maintains a registry to assist U.S.-based professional engineers who are seeking

recognition in any of the countries that are members of these two mobility accords. At the close of 2018–19, the NCEES International Registry included 616 active professional engineer members, an increase of 12 percent over the previous year.

Through its leadership in determining best practices for professional licensing and collaborating with other organizations domestically and internationally, NCEES worked throughout 2018–19 to ensure that the professions of engineering and surveying continue to protect the American public now and in the future.

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During its centennial celebrations in 2020, NCEES will relocate to a new headquarters building in Greenville, South Carolina. The 70,600-square-foot building will offer additional space for NCEES services, including exam development.

Supporting the work of its member licensing boards is critical to NCEES efforts to advance licensure for engineers and surveyors. The organization’s licensing exams and Member Services address the needs of member boards, licensure candidates, and professional engineers and surveyors. NCEES offers these services to provide licensing exams that adequately test technical competency and to facilitate licensure for engineers and surveyors who meet the standards set by its member boards.

Upgrading facilities to meet future needs

To support the work of its member boards in new ways, in 2018–19 NCEES began preparing to relocate its headquarters to a facility in Greenville, South Carolina. The 70,600-square-foot building will offer additional space for NCEES services, including exam development. The organization purchased the building in May 2019. Following renovations, NCEES plans to move to the new headquarters in spring 2020. The move will be part of the organization’s centennial celebrations.

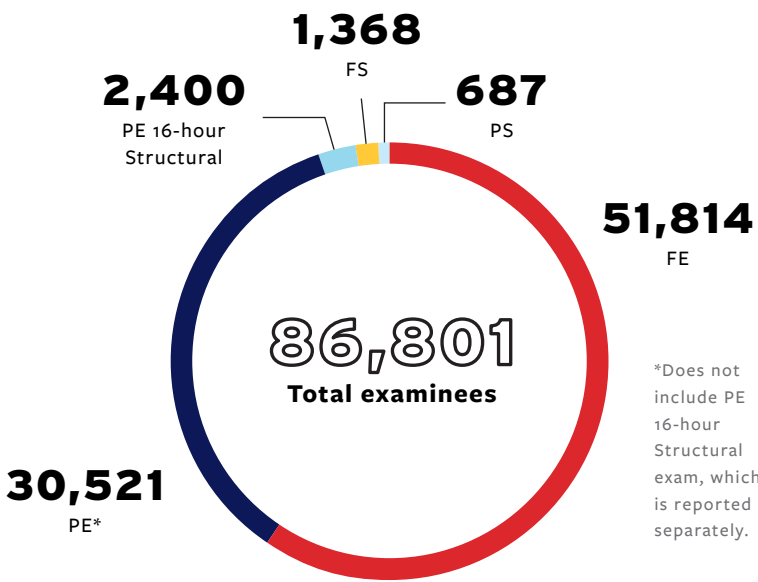
Measuring professional competence

For member licensing boards, NCEES exams are essential to ensuring standard qualifications for professional engineers and surveyors. These exams include the Fundamentals of Engineering (FE) and Principles and Practice of Engineering (PE) exams for engineering licensure and the Fundamentals of Surveying (FS) and Principles and Practice of Surveying (PS) exams for surveying licensure. Staff, psychometricians, and professional engineering and surveying subject-matter experts continually review NCEES exams to ensure that they are reliable measures of candidates’ competence.

In the past year, 51,814 examinees took the FE exam, 30,521 took the PE exam (excluding the PE 16-hour Structural exam), and 2,400 took the PE 16-hour Structural exam. During the same period, 1,368 FS and 687 PS examinees took their respective exams. Exam usage numbers for the 2018–19 Fundamentals exams were higher than 2017–18, while the usage numbers for the Principles and Practice exams were lower than last year:



Members of the FE exam development committee update specifications for exam items.



- FE: up 7 percent from 48,128
- PE: down 0.3 percent from 30,599
- PE Structural: down 5 percent from 2,528
- FS: up 14 percent from 1,205
- PS: down 4 percent from 719

Growing international exam administration

NCEES currently has agreements with 16 foreign entities to administer its licensing exams in those countries. In 2018–19, the FE exam was administered to 2,324 candidates at international sites, an increase of 13 percent over last year.

International exam administration agreements

NCEES has agreements to administer its exams in the following countries (*FE exam only) (+FE and PE exam):

■ **Canada**

- Alberta (FE, PE, SE)
- British Columbia*
- Manitoba*
- New Brunswick*
- Nova Scotia*
- Prince Edward Island*
- Saskatchewan*

■ **Egypt+**

■ **Emirate of Sharjah+**

■ **Japan+**

■ **Qatar***

■ **Saudi Arabia** (FE, PE, FS, PS)

■ **South Korea+**

■ **Taiwan+**

■ **Turkey+**

Exams administered internationally 2018–19

2,324 FE exams

570 PE exams

The PE exam was administered to 570 candidates at international sites, a 3 percent increase over 2017–18.

Expanding computer-based testing

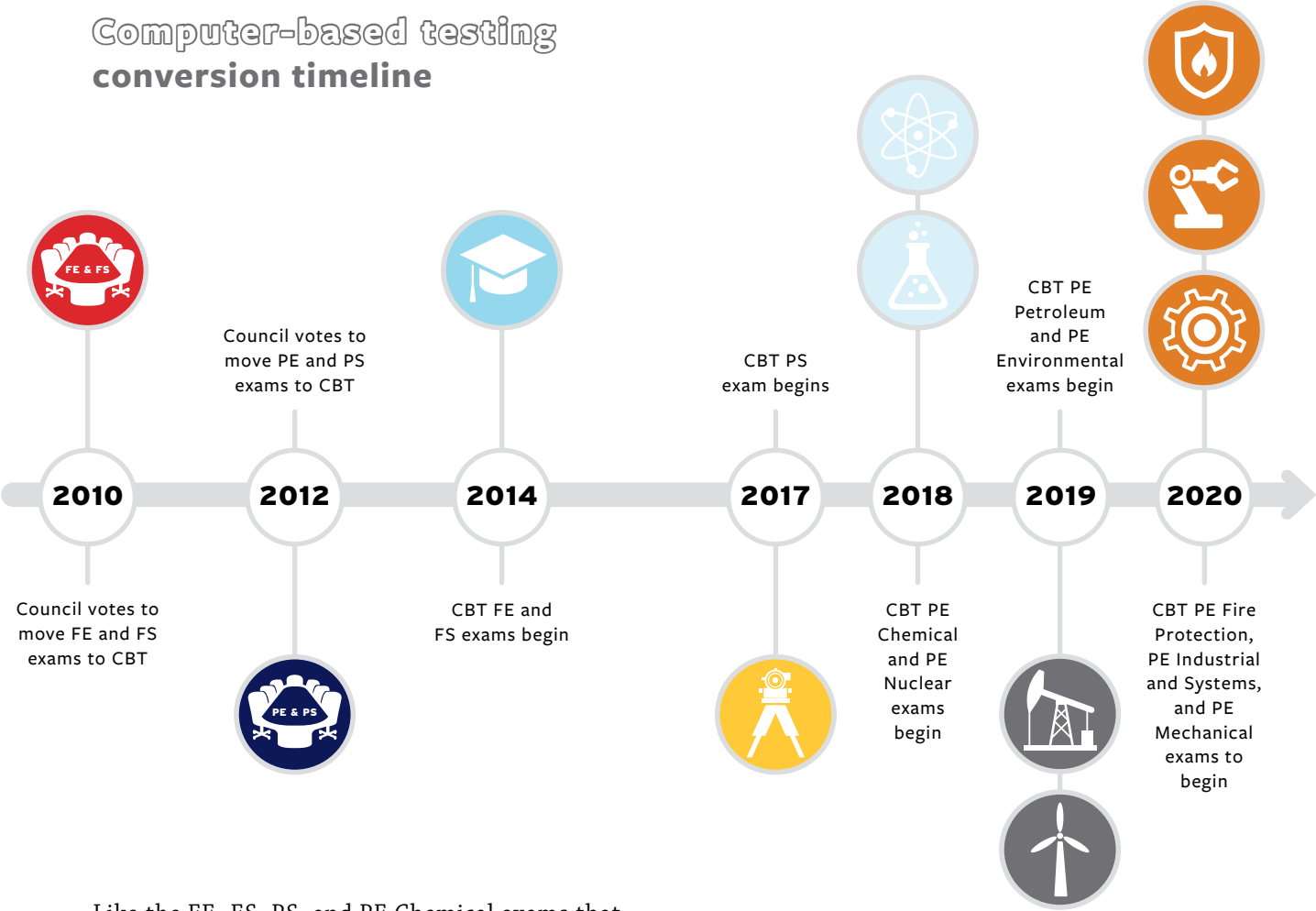
To improve exam security and uniformity as well as convenience for member boards and examinees, NCEES is continuing to transition its licensing exams to computer-based testing (CBT).

NCEES introduced the computer-based PE Nuclear exam in October 2018. The PE Petroleum and PE Environmental exams followed in 2019.

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Computer-based testing conversion timeline



Like the FE, FS, PS, and PE Chemical exams that had previously transitioned to CBT, the PE Environmental exam is offered year-round. Due to their lower examinee volume, the PE Nuclear and PE Petroleum exams are offered as single-day testing events.

CBT-related activities were central to all exam development committees this year, as NCEES added exams to its CBT lineup. The development committees for each of the 24 PE exam disciplines have been working toward this goal since the Council voted in 2012 to move all Principles and Practice exams to CBT.

Updating exams for current practice

In addition to working on the CBT transition, NCEES continued to ensure that its exams met the current needs of professional licensing.

NCEES conducted professional activities and knowledge studies for several exams to keep them relevant to current professional practice.

The studies resulted in updated specifications for the following exams:

- FE exam (to be introduced July 2020)
- FS exam (to be introduced July 2020)
- PE Chemical exam (introduced January 2020)
- PE Control Systems exam (introduced October 2019)
- PS exam (introduced January 2019)

NCEES also introduced new codes and standards for the PE Nuclear exam in October 2019.

The PE Software Engineering exam was administered for the last time in April 2019. The board of directors decided to discontinue the exam, which was introduced in 2013, because of low examinee volume.



Above: Volunteers collaborate on exam items for the PE Civil exam.
Left: PS exam volunteers review new questions for the exam, which had updated specifications introduced in January 2019.



To learn more about NCEES efforts to support the professions, visit [ncees.org/annualreport](https://www.ncees.org/annualreport).

Supporting exam administration

NCEES continued to support member board efforts through its Exam Administration Services. While CBT exams are administered at approved Pearson VUE test centers, pencil-and-paper exams are administered twice each year at sites across the country. Exam Administration Services administered exams for 45 U.S. jurisdictions and 6 foreign countries in 2018–19.

Providing these services—including reserving exam sites, registering candidates, and hiring and training proctors—allows the organization to ensure a uniform and secure exam-day process for examinees and licensing boards.

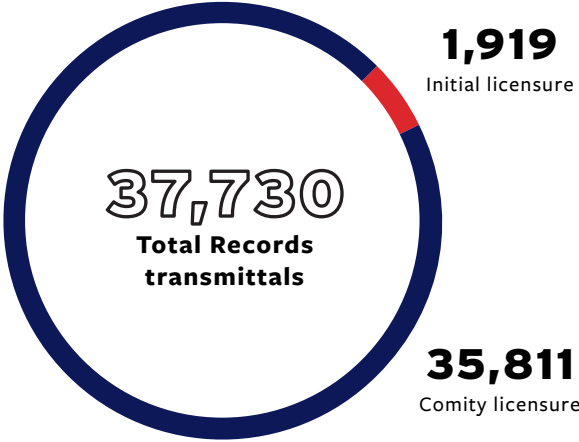
Advancing mobility with Records and CPC Registry

The NCEES Records program—one of the organization’s key services for facilitating mobility—allows licensed professional engineers and surveyors to compile a record of information typically needed for licensure by comity in other states. NCEES electronically submits these materials to state licensing boards each time the Record holder applies for licensure, saving time and simplifying the application process.

In 2016, NCEES expanded the Records program to allow member boards to use it for initial licensure applications. These Records have the same verified information as those used for comity licensure. In 2018–19, 17 member boards from 15 states used the system for initial applications.

NCEES expanded the Records program again in 2019 to provide Records for individuals applying to take the PE or PS exam in jurisdictions that allow candidates to complete experience requirements before taking a Principles and Practice exam. These Records have the verified information on education, references, experience, and the Fundamentals exams needed for boards to approve applications to take the PE or PS exam. NCEES began with a pilot program with the West Virginia engineering board in summer 2019. The organization will expand the program to additional boards in 2019–20.

Records program 2018–19



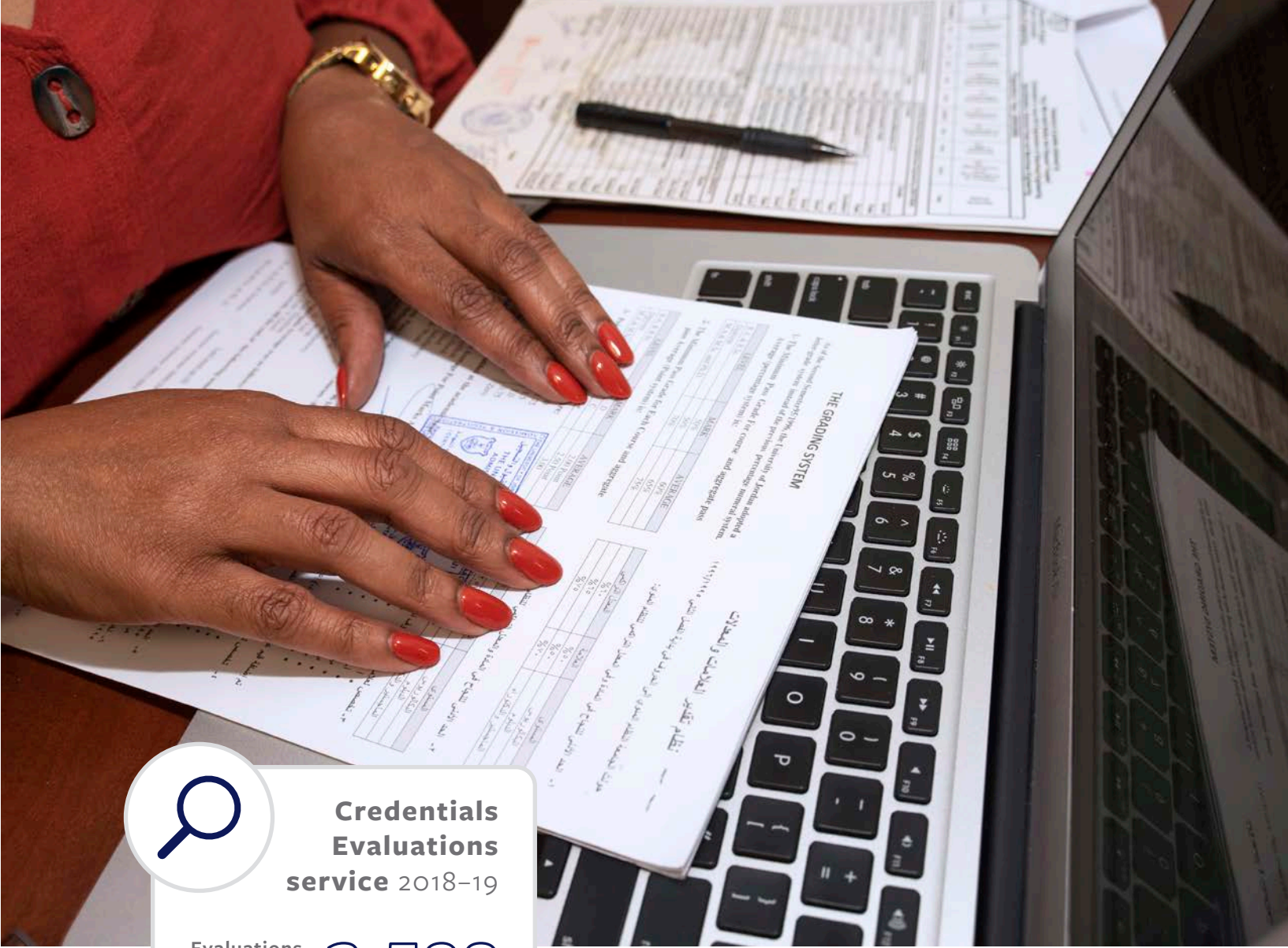
CPC Registry

13,250

Account holders tracking CPC credits

190,500

Courses entered



Credentials Evaluations service 2018–19

Evaluations completed: 2,598

Facilitating licensure with Credentials Evaluations

Records transmittals totaled 37,730 in 2018–19, an increase of 6 percent over the previous year.

NCEES also facilitates mobility through its Continuing Professional Competency (CPC) Registry. Licensed engineers and surveyors can use this free tracking service to document their CPC coursework and track it against member board requirements. Member boards can access the information by simply logging in to the online system.

At the close of 2018–19, 13,250 MyNCEES account holders had tracked 190,500 completed CPC courses in the system.

The NCEES Credentials Evaluations service reviews the educational background of applicants against the NCEES *Engineering Education Standard* and *Surveying Education Standard*. Applicants are individuals applying for licensure with a U.S. member licensing board who do not have a degree from an ABET-accredited program—usually one from outside the United States. NCEES submits a report to member boards, noting any areas of deficiency in education relative to the standard. Boards then use the evaluation to help decide on the applicant’s eligibility for licensure.

NCEES completed 2,598 evaluations in 2018–19, an increase of 8 percent over the previous year.





Children put their engineering skills to the test at Flinker, one of two hands-on activities that NCEES sponsored at DiscoverE's Family Day event to introduce children to the engineering and surveying professions.

As a leader in the professions of engineering and surveying, NCEES is committed to promoting understanding of the importance of licensure. The organization's outreach efforts target K-12 audiences, college students, young professionals, and the public at large. Through its outreach efforts, NCEES promotes the unique roles that professional engineers and surveyors play in safeguarding the health, safety, and welfare of the public.

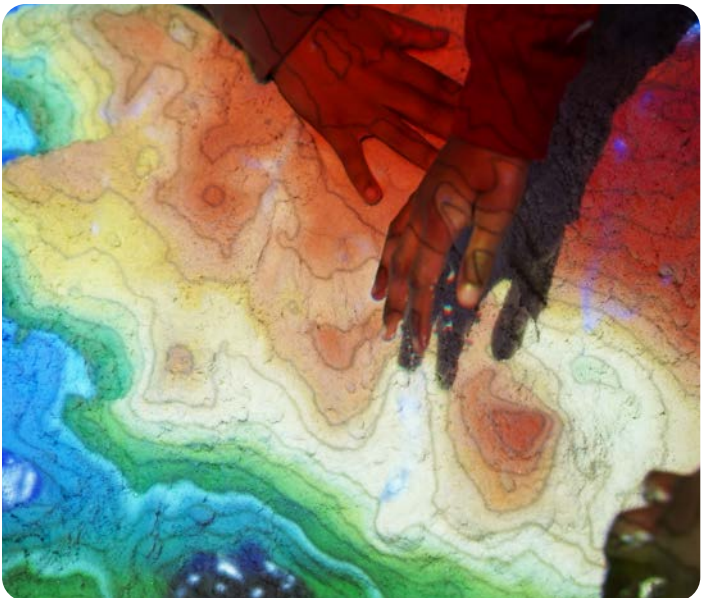
Inspiring future generations

NCEES celebrated the professions and sponsored hands-on activities to promote careers in engineering and surveying to children, their parents, and teachers in 2018-19. Along with exploring career options, NCEES focused on how professional engineers and surveyors safeguard the public.

The organization's continued support of DiscoverE was a central part of NCEES efforts to engage with K-12 students. Its collaboration with DiscoverE allows NCEES to promote the professions and the importance of licensure to a wider audience.

The culmination of DiscoverE's year-long initiatives was Engineers Week, held the third week in February to celebrate how engineers make a difference in our world. NCEES chaired EWeek 2019 in partnership with the DiscoverE Leadership Council and helped plan programming aimed at inspiring a diverse and well-educated future engineering workforce.

NCEES sponsored the Best Land Surveying Practices special award for the Future City Competition. Future City challenges middle-school teams to design and build cities of



the future. By offering this special award at the finals and 41 regional competitions this year, NCEES helped about 40,000 students learn how surveying is critical to their communities now and in the future.

At Discover Engineering Family Day, NCEES volunteers shared their enthusiasm for engineering and surveying with two interactive exhibits to bring these professions to life. More than 6,500 children, parents, and community leaders attended this free event at the National Building Museum in Washington, D.C.

Patty Mamola, P.E., NCEES past president and current executive director of the Nevada State Board of Professional Engineers and Land Surveyors, chaired the DiscoverE 2019 Global Marathon. This online event, held in March and April, featured a series of weekly conversations and career advice for today's women engineers.

Supporting other K-12 initiatives

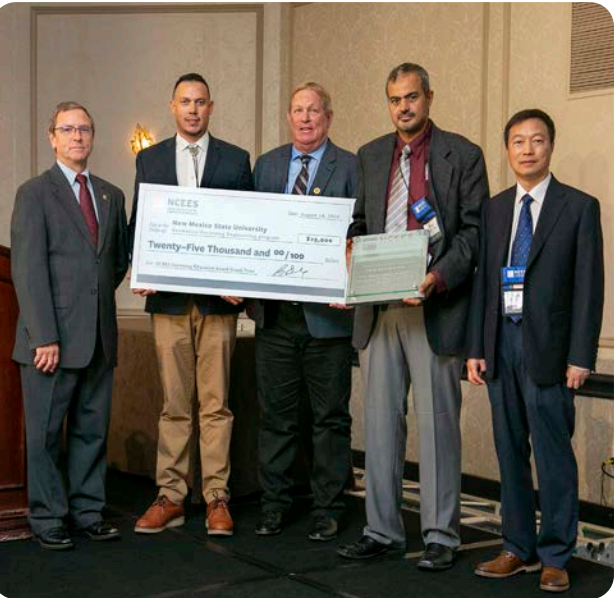
NCEES provided financial contributions to several other organizations to support their outreach efforts. NCEES donated \$30,000 to MATHCOUNTS, which provides competitions and clubs to empower middle-school students of all ability levels and backgrounds to reach their full potential in mathematics.

The organization donated more than \$10,000 in matching funds for Teaching with Spatial Technology workshops hosted by the Florida Surveying and Mapping Society and the Michigan Society of Professional Surveyors. TwiST is a program that teaches educators how to use geographic information systems and GPS in the classroom to create meaningful and challenging lesson plans for students in grades 6-12. NCEES also contributed \$5,000 to Trig-Star, an annual high-school mathematics competition sponsored by the National Society of Professional Surveyors.

Top: Local students show off their straw bridge designs at an outreach event with NCEES staff. Middle: Children try out the NCEES Augmented Reality Sandbox at DiscoverE's Family Day. Bottom: Students discuss surveying practices in their Future City design with NCEES judges for the competition's Best Land Surveying Practices special award.

Education Award impact

	Engineering (2009–2019)	Surveying (2016–2019)
Prize money	\$752,500	\$400,000
Awards	60	31
Programs	36	16
States represented	24	14



Left: President James Purcell, P.E., presents the 2019 NCEES Surveying Education Award grand prize to New Mexico State University’s Geomatics/Surveying Engineering program.
 Right: A representative of the University of Nebraska-Lincoln accepts the NCEES Engineering Education Award grand prize at the 2019 annual meeting.

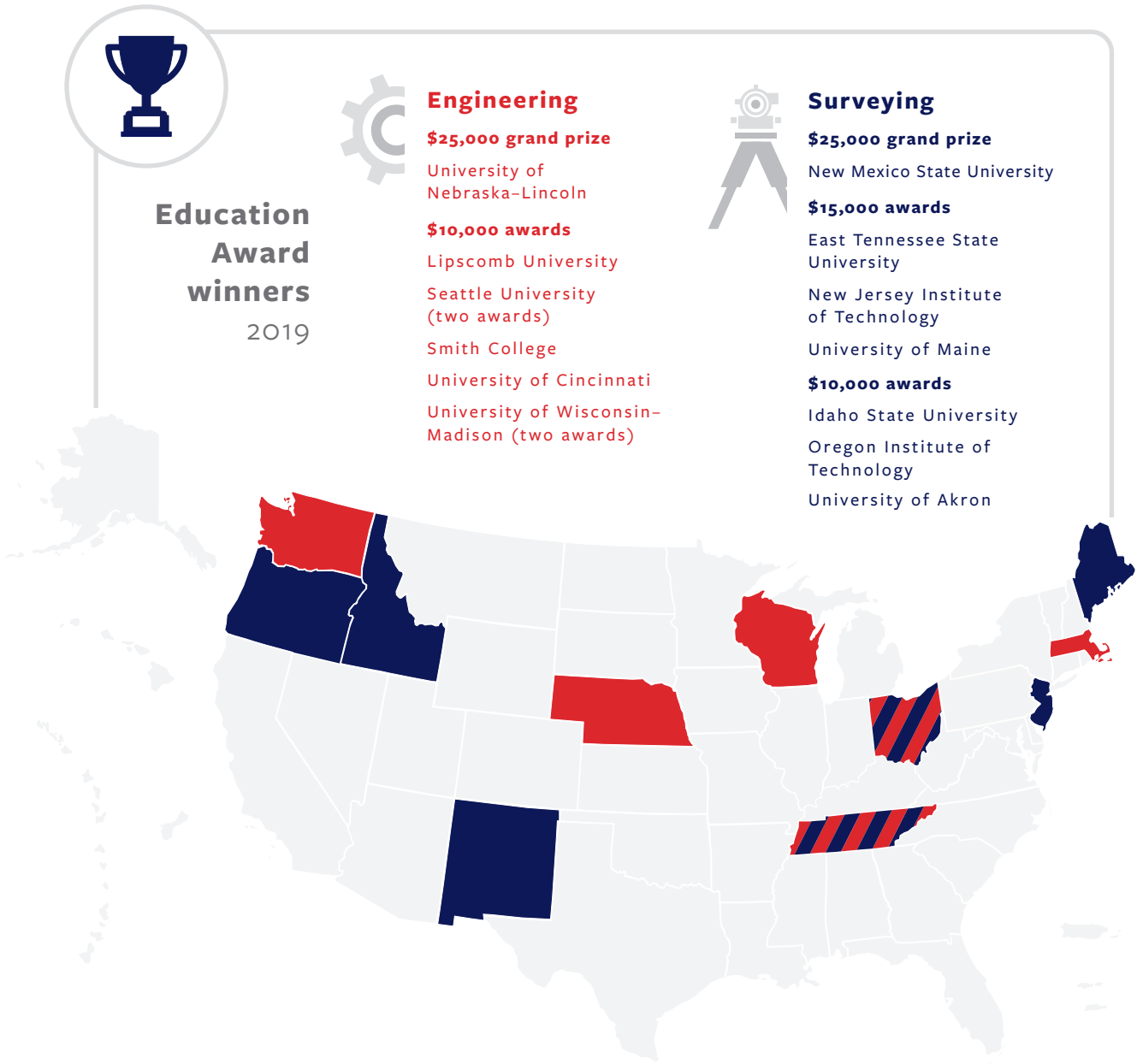
Connecting education and professional practice

NCEES promoted outreach initiatives at the college level as well. These initiatives are an important part of NCEES efforts to promote acceptance of licensure as a standard for the professions of engineering and surveying focused on protecting the public.

The organization promoted licensure to engineering educators and students through the

NCEES Engineering Education Award. Now in its 11th year, the award recognizes engineering programs that encourage collaborations between college students and professional engineers. The University of Nebraska–Lincoln’s Charles W. Durham School of Architectural Engineering and Construction won the \$25,000 grand prize, and seven other winners received \$10,000 awards.

NCEES celebrated its fourth year offering the Surveying Education Award. The award recognizes surveying and geomatics programs



that best reflect the NCEES mission to advance licensure for surveyors in order to safeguard the health, safety, and welfare of the public. The New Mexico State University Geomatics/Surveying Engineering program received the \$25,000 grand prize. Three additional programs received \$15,000 awards, and three received \$10,000 awards to assist with their continued efforts to promote the importance and value of licensure.

NCEES reached groups on college campuses through Speaker’s Link, a network of professional engineers and surveyors who talk to students about the licensure process and provide first-hand accounts of what it takes to become licensed and how doing so has impacted their careers.

Speaker’s Link now has 246 members, and 292 new people downloaded the NCEES Speaker’s Kits for engineering and surveying, which NCEES offers to assist with licensure presentations.

NCEES staff and volunteers connected with educators and students at exhibitions and conferences throughout the year. These outreach initiatives provided opportunities to explain the privileges and responsibilities of licensure and answer questions about the process.



An Engineers Without Borders USA social media campaign promotes professional surveying licensure. The campaign, which promotes licensure to engineering and surveying students, kicked off the second year of NCEES' three-year partnership with EWB-USA to promote the value of licensure.

Collaborating to promote licensure

Since 2014, NCEES has steadily increased its support of Engineers Without Borders USA (EWB-USA) to promote licensure to the organization's diverse volunteer base. EWB-USA's volunteers are comprised of 9,500 dedicated individuals, including 76 professional chapters across the United States with additional representation on 157 college campuses.

In August 2018, delegates at the NCEES annual meeting approved a transformational partnership: a \$3 million contribution to EWB-USA over three years. This partnership includes a campaign with EWB-USA to promote the value of licensure as a professional engineer and professional surveyor.


The first year of the partnered campaign focused on research, establishing benchmarks, and creating messages and campaigns. The second year, which began in October 2019,

focuses on promoting licensure to engineering and surveying students in EWB-USA's student chapters as well as unlicensed professional volunteers of EWB-USA. Plans for the third year include expanding the campaign to target young professionals, including members of EWB-USA's professional chapters as well as mentors of its student chapters.

NCEES sponsored the National Society of Professional Surveyors Student Competition, which was held in April. Each team completed a project, prepared a technical report and poster, and gave a formal presentation to a judging panel. Thirteen schools with degree programs in surveying, mapping, or geomatics competed for the 2019 awards.

Throughout the year, NCEES also participated in expos of various engineering and surveying societies to promote licensure and NCEES services for professional engineers and surveyors to the societies' membership.





To learn more about NCEES outreach initiatives, visit ncees.org/annualreport.

NCEES staff and volunteers answer questions about licensure at the American Society for Engineering Education Annual Conference.

Collaborating with other organizations, such as ASEE, is a key focus for fulfilling the NCEES mission to advance licensure.

Advancing licensure for public protection

NCEES is committed to promoting the value of licensure to all audiences. As part of this commitment, NCEES participated in outreach initiatives in 2018–19 to increase public understanding of the essential function of engineering and surveying licensure in protecting the public.

On October 1, 2019, NCEES launched an on-demand video on American Airlines flights to explain the work of NCEES and licensure's unique focus on public safety. The video was available on

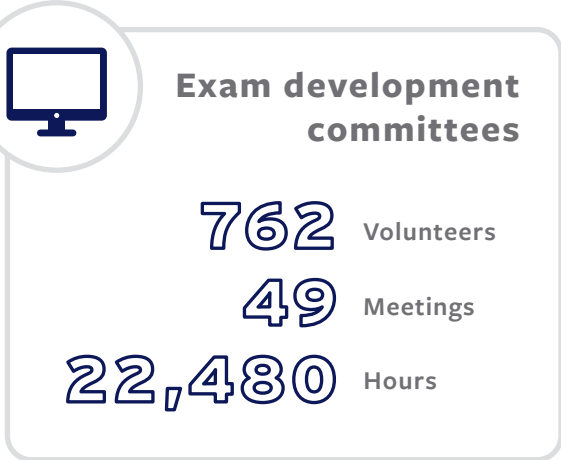
approximately 15,000 flights in October. It also was available on-demand on the Talk Business 360 app on Roku and Apple TV in November.

In targeting K–12 and college students, unlicensed engineers and surveyors, professional engineers and surveyors, and the general public, NCEES built an outreach program directed at each group's needs—all centered on promoting understanding of the responsibilities of licensed professionals and the role of licensure in protecting the public.





Left: A PE Petroleum volunteer assists with preparations for the exam's transition to CBT in 2019.



The varied contributions of its volunteers make the work of NCEES possible. These volunteers—including member board members, associate members, and emeritus members, as well as professional engineers and surveyors across the country—dedicate their time and expertise to support the NCEES mission. They form the organization's leadership, serve on committees, develop exams, and participate in outreach events. Their combined efforts allow NCEES to better advance licensure and safeguard the public.

At the 2019 annual meeting, 252 delegates attended the business sessions to conduct Council business and debate the issues. Many others attended zone interim meetings in the spring. A total of 138 members, associate members, and emeritus members of member licensing boards served on NCEES standing committees and task forces. Many others were part of the 762 exam development volunteers who worked to develop exam questions and preparation materials. Volunteers were also central to NCEES outreach efforts, including promoting licensure initiatives to college students and participating in hands-on learning activities for K-12 initiatives.



Delegates representing the Puerto Rico board prepare to vote on a motion at the 2019 annual meeting. Each member board receives one vote at the meeting.

Engaging member boards

Engaged member boards provide diverse viewpoints and fresh ideas. NCEES worked on several initiatives this year to promote the active and effective engagement of all member boards.

Board members and staff connected with each other and shared ideas and feedback with NCEES at the annual meeting and zone interim meetings. NCEES continued to fund three voting delegates from each member board for annual and zone meetings. It also funded all member board members appointed in the last 24 months to attend their first annual meeting. For the 2019 annual meeting, NCEES expanded funding to include all member board administrators to attend the annual and zone meetings.

In 2018-19, the board of directors continued its initiative to fund members of NCEES leadership or senior staff to attend member board meetings. Members of the board of directors, the CEO, and the COO conducted 23 visits, bringing the total to 62 boards visited since the start of the program in 2016. These visits

focused on improving communications, increasing awareness of the range of services and leadership opportunities, and addressing questions. The program will continue in 2019-20.

NCEES continued to present a series of online seminars for member board administrators in 2018-19. Each webinar featured a presentation and discussion about a topic relevant to NCEES member boards, including the organization's E3 customer management system, NCEES outreach initiatives, and motions to be presented at the 2019 annual meeting.

An engaged membership is key to NCEES achieving its strategic goals. The members and staff of NCEES member boards answered the call in 2018-19, helping NCEES meet its mission to advance licensure for engineers and surveyors in order to protect the public.

To learn more about the contributions of NCEES volunteers, visit [ncees.org/annualreport](https://www.ncees.org/annualreport).



2018-19 NCEES Leadership



Board of Directors

1. **President:** James Purcell, P.E.
2. **President-Elect:** Dean Ringle, P.E., P.S.
3. **Immediate Past President:**
Patrick Tami, P.L.S.
4. **Treasurer:** Timothy Rickborn, P.E.
5. **Central Zone Vice President:**
Marlon Vogt, P.E.
6. **Northeast Zone Vice President:**
Paul Tyrell, P.E., P.L.S.
7. **Southern Zone Vice President:**
Christopher Knotts, P.E.
8. **Western Zone Vice President:**
Brian Robertson, P.E.

Zone Assistant Vice Presidents

- Central Zone:** Abe Adewale, P.E.
Northeast Zone:
 Christopher Duhamel, P.E., P.L.S.
Southern Zone: Timothy Lingerfelt, P.L.S.
Western Zone: Scott Bishop, P.S.

Zone Secretary-Treasurers

- Central Zone:** Dennis Martenson, P.E.
Northeast Zone: Joseph Flynn, L.S.
Southern Zone: Ivan Hoffman, P.S.
Western Zone: Richard (Ric) Moore, P.L.S.

Executive Staff

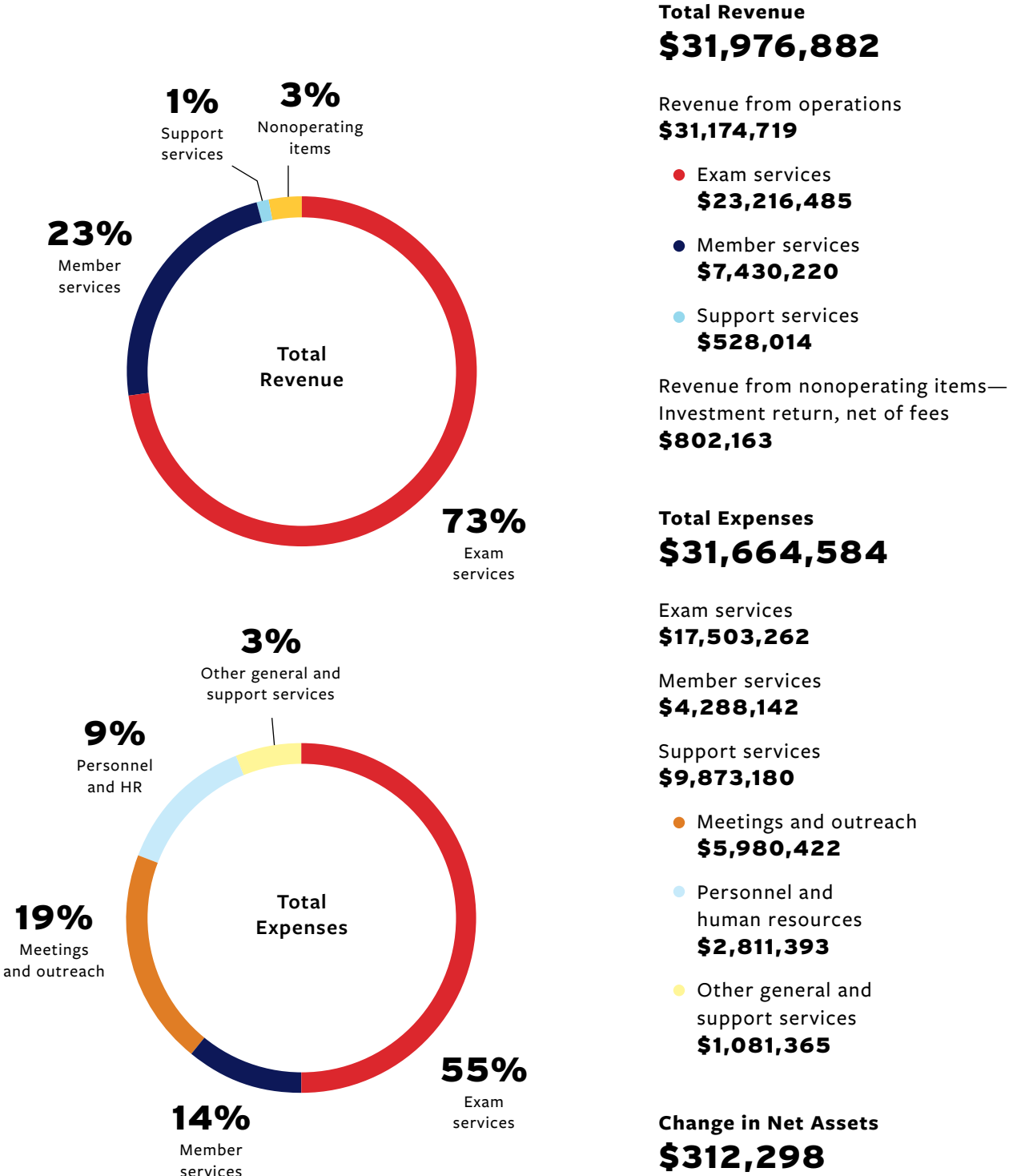
- Chief Executive Officer:** David Cox
Chief Operating Officer: Davy McDowell, P.E.

Senior Staff

- Chief Financial Officer:** Betsy Pearson, CPA
Chief Technology Officer: Steven Matthews
Director of Exam Services: Timothy Miller, P.E.
Director of Human Resources:
 Donna Moss, SHRM-CP, PHR
Director of Member Services: Stef Goodenow
Director of Public Affairs: Nina Norris



2018-19 Revenue and Expense Summary



Left: NCEES leadership and staff prepare the budget to present for Council approval at the NCEES annual meeting.

November 21, 2019
Report of Management

The management of NCEES is responsible for the preparation, integrity, and objectivity of the financial statements included in this annual report. We have reviewed this report, and the financial statements and other financial information fairly represent, in all material respects, the financial condition and results of operations of NCEES for the 2018–19 fiscal year. They have been prepared in accordance with U.S. generally accepted accounting principles applied on a consistent basis. Based on our knowledge, the report contains no untrue statements of material fact and omits no material facts needed to keep the statements from being misleading.

NCEES management has established and maintains internal controls designed to give reasonable assurance of the integrity and objectivity of financial reporting, to safeguard assets, and to carry out and properly record transactions. These internal controls include the careful selection of employees, proper segregation of duties, and the communication and application of formal policies and procedures that are consistent with high standards of accounting and administrative practices. NCEES has adopted and monitors personnel policies designed to ensure that NCEES employees and directors are free from conflicts of interest.

The board of directors reviews financial and accounting policies, practices, and reports through the NCEES financial Audit Committee and the Committee on Finances. The Audit Committee identifies and employs the auditors, oversees the scope and results of independent audits, and addresses any comments on the adequacy of internal controls and quality of financial reporting.

The Committee on Finances studies the financial needs of the Council, recommends sources of income and ways and means of securing adequate funds for the proper operation of the Council, and assists the board of directors in financial matters. The independent auditors render an objective, impartial opinion on management’s financial statements and have direct access to the Audit Committee with and without the presence of management.



B. David Cox
NCEES Chief Executive Officer



Betsy Pearson, CPA
NCEES Chief Financial Officer



Report of Independent Auditor

To the Board of Directors
National Council of Examiners for Engineering and Surveying
Clemson, South Carolina

We have audited the accompanying financial statements of National Council of Examiners for Engineering and Surveying (a nonprofit organization), which comprise the statements of financial position as of September 30, 2019 and 2018, 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 from 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 National Council of Examiners for Engineering and Surveying as of September 30, 2019 and 2018, 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.

Effect of Adopting New Accounting Standard

As discussed in Note 1, National Council of Examiners for Engineering and Surveying adopted Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities* in the current fiscal year. The ASU has been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.



Greenville, South Carolina
November 21, 2019

National Council of Examiners for Engineering and Surveying
Statements of Financial Position
September 30, 2019 and 2018

	2019	2018
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 16,397,019	\$ 21,124,165
Certificates of deposit	7,367,795	7,031,596
Accounts receivable, net	149,128	144,080
Prepaid expenses	697,830	523,031
Total Current Assets	24,611,772	28,822,872
Noncurrent Assets:		
Investments	41,404,346	47,355,884
Property and equipment, net	17,261,165	3,701,834
Total Noncurrent Assets	58,665,511	51,057,718
Total Assets	\$ 83,277,283	\$ 79,880,590
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 2,331,206	\$ 1,526,857
Accrued vacation pay	496,400	436,036
Accrued wages and payroll taxes	109,749	271,274
Accrued retirement plan contribution	337,934	305,537
Customer prepayments	8,316,025	8,005,575
Deferred membership fees	109,850	106,630
Current maturities of capital lease obligation	73,415	86,260
Current portion of pledges made to others	1,000,000	–
Total Current Liabilities	12,774,579	10,738,169
Noncurrent Liabilities:		
Capital lease obligation, less current maturities	4,610	32,692
Deferred compensation	283,774	207,707
Pledges made to others, less current portion	1,000,000	–
Total Noncurrent Liabilities	14,062,963	10,978,568
Net Assets Without Donor Restrictions:		
Undesignated	65,814,320	65,502,022
Board designated	3,400,000	3,400,000
Total Net Assets Without Donor Restrictions	69,214,320	68,902,022
Total Liabilities and Net Assets	\$ 83,277,283	\$ 79,880,590

National Council of Examiners for Engineering and Surveying
Statements of Activities
Years Ended September 30, 2019 and 2018

	2019	2018
Operating Revenues Without Donor Restrictions:		
Examination services	\$ 23,216,485	\$ 23,323,581
Member services	7,430,220	7,088,350
Support services	528,014	513,675
Total Operating Revenues Without Donor Restrictions	31,174,719	30,925,606
Direct Expenses Without Donor Restrictions:		
Examination services	17,503,262	16,180,411
Member services	4,288,142	4,085,303
Total Direct Expenses Without Donor Restrictions	21,791,404	20,265,714
Operating revenues in excess of direct expenses	9,383,315	10,659,892
General and Administrative Support Services Expense Without Donor Restrictions:		
Meetings and outreach	5,980,422	3,135,727
Personnel and human resources	2,811,393	2,653,509
Occupancy expense	168,554	84,335
Administrative expense	54,012	62,814
Technology services	216,518	227,118
Professional services	177,966	138,306
Depreciation and interest	348,163	276,309
Other	116,152	77,449
Total General and Administrative Support Services Expense Without Donor Restrictions	9,873,180	6,655,567
Change in net assets from operations without donor restrictions	(489,865)	4,004,325
Nonoperating Items Without Donor Restrictions:		
Investment return, net of fees	802,163	2,230,175
Other income	–	800,000
Total Nonoperating Items Without Donor Restrictions	802,163	3,030,175
Change in net assets without donor restrictions	312,298	7,034,500
Net assets without donor restrictions, beginning of year	68,902,022	61,867,522
Net assets without donor restrictions, end of year	\$ 69,214,320	\$ 68,902,022

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

National Council of Examiners for Engineering and Surveying

Statements of Cash Flows

Years Ended September 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 312,298	\$ 7,034,500
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	613,305	478,007
Unrealized (gains) losses on investments	(206,605)	1,245,633
Realized losses (gains) on investments	645,212	(2,264,168)
Net changes in operating assets and liabilities:		
Accounts receivable	(5,048)	(53,129)
Prepaid expenses	(174,799)	(103,049)
Accounts payable and accrued expenses	735,585	163,361
Customer prepayments	310,450	(304,726)
Deferred membership fees	3,220	(6,608)
Deferred compensation	76,067	(47,031)
Pledges made to others	2,000,000	–
Net cash from operating activities	4,309,685	6,142,790
Cash flows from investing activities:		
Purchase of property and equipment	(14,116,211)	(171,077)
Purchase of investments	(13,350,545)	(35,771,394)
Proceeds from sale of investments	18,863,476	34,898,957
Purchases of certificates of deposit, net of maturities	(336,199)	(781,612)
Net cash from investing activities	(8,939,479)	(1,825,126)
Cash flows from financing activities:		
Payments under capital lease obligation	(97,352)	(117,371)
Net cash from financing activities	(97,352)	(117,371)
Net (decrease) increase in cash and cash equivalents	(4,727,146)	4,200,293
Cash and cash equivalents, beginning of year	21,124,165	16,923,872
Cash and cash equivalents, end of year	\$ 16,397,019	\$ 21,124,165
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 5,146	\$ 1,979
Additions to property and equipment under capital lease obligation	\$ 56,425	\$ 23,013

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

National Council of Examiners for Engineering and Surveying

Notes to the Financial Statements

September 30, 2019 and 2018

Note 1—Nature of operations and summary of significant accounting policies

Nature of Business—National Council of Examiners for Engineering and Surveying (the “Council”) was incorporated under the laws of the state of South Carolina in 1938, being formed for the purpose of promoting enactment and administration of uniform state laws for the licensure of professional engineers and land surveyors, functioning as a clearinghouse for matters pertaining to licensure of engineers, certifying professional records of engineers and surveyors, publishing proceedings, and administering uniform examinations for licensure of engineers and land surveyors.

Financial Statement Presentation—The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under these standards, the Council groups its net assets into two classifications: net assets without donor restrictions and net assets with donor restrictions.

- *Net Assets Without Donor Restrictions*—Net assets that are not subject to donor-imposed restrictions. Net assets without restrictions may be designated for specific purposes by the Council or may otherwise be limited by contractual agreements with outside parties.
- *Net Assets With Donor Restrictions*—Net assets whose use by the Council is subject to donor-imposed stipulations. Some donor-imposed restrictions are temporary in nature, such as those that can be fulfilled by actions of the Council pursuant to those stipulations or that expire by the passage of time. Other donor-imposed restrictions are perpetual in nature, such as those that they may be maintained in perpetuity by the Council.

The Council does not have any net assets with donor restrictions at September 30, 2019 and 2018.

Contributions received are recorded as either without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions 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 net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Cash and Cash Equivalents—The Council considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Council places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation (“FDIC”) covers \$250,000 for substantially all depository accounts. The Council from time to time may have amounts on deposit in excess of the insured limits.

Certificates of Deposit—Certificates of deposit at September 30, 2019 and 2018 have varying interest rates and maturity dates and are carried at cost. At times throughout the year, the Council may have balances in excess of FDIC insured amounts. As of September 30, 2019, the Council did not have any balances which exceed these insured amounts. Certificates of deposit with maturity dates greater than one year at September 30, 2019 and 2018 are included in investments on the statements of financial position.

Accounts Receivable—Accounts receivable, consisting of membership fees, are recorded at net realizable value, and the Council grants credit to customers on an unsecured basis. The Council records an allowance for doubtful accounts based on its historical collection experience coupled with a review of its current receivables. The allowance was \$5,000 at September 30, 2019 and 2018.

Investments—Investments are stated at fair value. Changes in fair value during the year are included in the statement of activities as investment return.

Property and Equipment—Property and equipment are stated at cost less accumulated depreciation. Expenditures which substantially increase the useful lives of existing assets are capitalized. Routine maintenance and repairs are expensed as incurred. The Council generally capitalizes property and equipment acquisitions which exceed a \$5,000 threshold.

Notes to the Financial Statements
September 30, 2019 and 2018

Depreciation of property and equipment and amortization of assets recorded as capital leases are computed using the straight-line method, based on estimated useful lives as follows:

● Building and building improvements	39 years
● Land improvements	7 years
● Furniture and equipment	3–7 years

Depreciation expense for the years ended September 30, 2019 and 2018 totaled \$613,305 and \$478,007, respectively.

Customer Prepayments—The Council receives prepayments for exams that occur at a future date in the form of registration fees. Registration fees are not earned until the earlier of the exam being administered or the terms and conditions related to the fee have occurred; therefore, those fees are deferred until the exam date or the terms and conditions of the fees are met.

Deferred Membership Fee Revenue—Collection of annual dues for membership in the Council are based on the calendar year. The Council records, as deferred revenues, that portion of membership dues which has been received but not earned.

Income Taxes—The Council has been granted exemption from federal and state income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. Accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes. The Council has determined that there are no material unrecognized tax benefits or obligations as of September 30, 2019.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period.

Recently Issued Accounting Pronouncements—The Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-14, *Not-for-*

Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities, effective for fiscal years beginning after December 15, 2017. The amendments change presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. The amendment includes qualitative and quantitative requirements in the following areas: net asset classes, investment return, expenses, liquidity and availability of resources, and presentation of cash flows. The Council adopted this ASU effective October 1, 2018, and has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. The standard’s core principle is that an organization will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the organization expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an organization providing users of financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity’s contracts with customers. The ASU is effective for annual reporting periods beginning after December 15, 2018. Management does not expect the adoption of this pronouncement to have a material impact on the Council’s financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of revenue recognition in the statement of activities. This standard is effective for fiscal years beginning after December 15, 2020. Management does not expect the adoption of this pronouncement to have a material impact on the Council’s financial statements.

Notes to the Financial Statements
September 30, 2019 and 2018

Note 2—Liquidity and availability

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Council considers all expenditures related to program and supporting services to be general expenditures. Financial assets available within one year as of September 30, without donor or other restrictions limiting their use, comprise the following:

	2019	2018
Financial Assets at Year-End:		
Cash and cash equivalents	\$ 16,397,019	\$ 21,124,165
Accounts receivable, net	149,128	144,080
Investments and certificates of deposit	48,772,141	54,387,480
	65,318,288	75,655,725
Less amounts not available to be used for general expenditures within one year:		
Board designated funds set aside for specific uses	(3,400,000)	(3,400,000)
Financial assets available to meet general expenditures within one year	\$ 61,918,288	\$ 72,255,725

The Council’s funds consist of non-donor restricted funds. The board has designated financial assets of \$3,400,000 be set aside in the event of an exam breach. The board designated funds are set aside to be available should an engineering or surveying fundamentals exam or professional exam become compromised. The funds would be used to develop new exams to replace the compromised exams. As part of the Council’s liquidity management, it has a policy to structure its financial assets to be available to meet its general expenditures, liabilities, and other obligations as they come due. In addition, the Council invests excess cash in short-term and long-term investments. The Council does not intend to, or anticipate having to, liquidate long-term investment securities to fund its general expenditures within one year of September 30, 2019.

Note 3—Investments and certificates of deposit

Investments by category at September 30 are summarized as follows:

	2019	2018
Mutual funds	\$ 26,729,891	\$ 35,499,849
Fixed income	13,930,455	10,780,500
Certificates of deposit with maturities less than a year	7,367,795	7,031,596
Certificates of deposit with maturities greater than a year	744,000	1,075,535
	\$ 48,772,141	\$ 54,387,480

Certificates of deposit included above consist primarily of short-term deposits, maturing through December 2020. The Council’s intent is to reinvest the funds in similar deposits upon maturity.

Notes to the Financial Statements
September 30, 2019 and 2018

Investment returns for the years ended September 30 are summarized as follows:

	2019	2018
Interest and dividend income	\$ 1,477,119	\$ 1,445,928
Net realized and unrealized (losses) gains	(438,607)	1,018,535
Fees	(236,349)	(234,288)
Total investment return, net	\$ 802,163	\$ 2,230,175

Note 4—Property and equipment

Property and equipment at September 30 are summarized as follows:

	2019	2018
Buildings and building improvements	\$ 19,081,872	\$ 7,261,570
Land improvements	1,669,993	113,273
Furniture and equipment	2,598,539	1,802,925
Total property and equipment	\$ 23,350,404	\$ 9,177,768
Less accumulated depreciation	(6,089,239)	(5,475,934)
Property and equipment, net	\$ 17,261,165	\$ 3,701,834

In April 2019, the Council executed a purchase and sale agreement to purchase land, building, improvements, furniture, and equipment at a location in Greenville, South Carolina to serve as the Council’s future headquarters and office space. The purchase totaled \$13,525,000 and was allocated as follows: \$1,515,453 to land, \$10,908,327 to buildings, and \$1,101,220 to furniture and equipment.

As described in Note 14, the Council executed an agreement to sell the existing building, land improvements, and certain furniture and equipment in Clemson, South Carolina to Clemson University Land Stewardship Foundation, Inc. (“CULSF”).

Note 5—Leases

The Council’s current office building is constructed on land leased from Clemson University. The current annual rental amount is \$1,998. In 2020, and at each ten-year interval until the lease expiration date in 2079, the rental amount will be adjusted to be consistent with changes in the Consumer Price Index. As described in Note 14, subsequent to year-end, the Council sold its office building in Clemson, South Carolina to CULSF. As part of the sale agreement, the land lease agreement will be replaced with a new short-term lease arrangement and the Council will lease the building and land from CULSF through no later than June 1, 2020.

The Council has entered into other noncancelable operating leases for equipment that range from two to three years in length of term. The expense and future minimum monthly payments related to these agreements are included in the amounts disclosed below.

The Council leases certain equipment under various capital leases and noncancelable operating leases expiring in various years through 2021. Assets under capital leases consist of the following at September 30:

	2019	2018
Equipment	\$ 236,686	\$ 327,420
Less accumulated depreciation	(153,305)	(198,342)
Property and equipment, net	\$ 83,381	\$ 129,078

This equipment is included in property and equipment in the accompanying statements of financial position.

At September 30, 2019, aggregate future minimum payments under the capital leases and noncancelable operating leases equal to or exceeding one year are as follows:

	Capital Leases	Operating Leases
2020	\$ 75,085	\$ 46,826
2021	4,633	44,467
2022	–	20,349
2023	–	13,798
Total minimum lease payments	\$ 79,718	\$ 125,440

Notes to the Financial Statements
September 30, 2019 and 2018

Less amounts representing interest	(1,693)
Present value of net minimum lease payments	78,025
Less current installments of obligations under capital leases	(73,415)
Obligations under capital leases, net of current installments	\$ 4,610

Rent expense under operating lease was \$84,101 and \$85,141 for the years ended September 30, 2019 and 2018, respectively, and is included in general and administrative support services expense on the statements of activities.

Note 6—Pledges made to others

During 2019, the Council made a \$3,000,000 donation to the non-profit Engineers Without Borders for the purpose of enhancing access to professional examination and licensure amongst students throughout the world. The Council’s donation was made as a \$3,000,000 pledge with \$1,000,000 cash contributed in fiscal year 2019 and \$1,000,000 to be paid in each of the following two fiscal years. The outstanding balance of the pledge is shown on the statements of financial position as current portion of pledges made to others and pledges made to others, less current portion.

Note 7—Retirement plan

The Council sponsors a qualified profit sharing plan with a 401(k) deferred compensation provision. All employees are eligible to participate in the Council’s profit sharing plan and 401(k) plan upon reaching age 21 and having completed three months of employment. The profit sharing plan and 401(k) plan provide for employer contributions by the Council at the Board of Directors (the “Board”) discretion.

The expense charged to operations for the plans was \$602,690 and \$565,252 for the years ended September 30, 2019 and 2018, respectively. As of September 30, 2019 and 2018, \$337,934 and \$305,537, respectively, was accrued as amounts due to the profit sharing plan trust on the statements of financial position.

Note 8—Deferred compensation

The Council has entered into deferred compensation agreements with several key employees. Under the agreements, a percentage of the employee’s compensation is deferred to be paid at a specified future vesting date. The agreements provide for disability and death benefits, should either event occur, prior to receipt for amounts due under the agreements.

The following is an analysis of the accumulated liability under deferred compensation agreements at September 30:

	2019	2018
Balance, beginning of year	\$ 207,707	\$ 254,738
Amounts deferred	135,378	135,352
Withdrawals	(61,232)	(185,376)
Interest accrued	1,921	2,993
Balance, end of year	\$ 283,774	\$ 207,707

Expenses related to the Council’s deferred compensation agreements totaled \$137,299 and \$138,345 for the years ended September 30, 2019 and 2018, respectively.

Note 9—Designated net assets

As the Council is providing licensure examinations to professionals entering the engineering and land surveying professions, it is essential these exams remain adequately safeguarded to ensure the integrity of the examinations. Although the Council has gone to great measures to protect the examinations from being compromised either through inadvertent error or deliberate theft, the Board has recognized the potential exists for the safeguards to be breached resulting in the need for the creation of new examination questions to replenish those that have been compromised.

The Council has no appreciable history in this area and, as such, it is difficult to assess what the true cost would be to the Council should they be forced to recreate a bank of questions over a relatively short period of time. As the potential costs are not measurable, no liability has been accrued in the accompanying financial statements to account for such a contingency. Instead, the Board has designated a portion of the Council’s unrestricted net assets to provide for such an event should it occur in the future. The amount designated was \$3,400,000 at September 30, 2019 and 2018.

Note 10—Professional liability insurance

The Council is not currently involved in litigation related to professional liability claims. Management believes if claims occur in the future, they will be settled within the limits of coverage, which is on a claims-made basis, with insurance limits of \$1,000,000 in the aggregate. The Council’s professional liability insurance is a claims-made policy. Should this policy lapse and not be replaced with equivalent coverage, claims based upon occurrence during its term, but reported subsequent thereto, will be uninsured.

Note 11—Litigation settlement

During 2018, the Council entered into a settlement agreement and release (the “Settlement”) due to the resolution of on-going litigation. In consideration for the execution of the Settlement, the Council received \$800,000 which is shown on the statements of activities as other nonoperating income.

Note 12—Fair value disclosures

The FASB issued a statement that defines fair value and establishes 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 are described as follows:

Level 1—Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Council 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; and
- 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 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 are descriptions of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2019 and 2018.

Fixed Income Bonds—These investments are valued at the closing price reported on the active market on which the individual securities are traded. These are classified within Level 1 of the valuation hierarchy.

Mutual Funds—These investments are readily determinable investment vehicles valued using the unadjusted quoted market prices found on a securities exchange. These are classified within Level 1 of the valuation hierarchy.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. Furthermore, although the Council 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.

The following tables set forth by level within the fair value hierarchy of the Council’s investments accounted for at fair value on a recurring basis as of September 30, 2019 and 2018:

Investments at Fair Value at September 30, 2019

	Fair Value	Level 1	Level 2	Level 3
Certificates of Deposit (CD):				
CDs with maturities greater than a year	\$ 744,000	\$ 744,000	\$ –	\$ –
Fixed Income:				
Intermediate-term bonds	11,117,805	11,117,805	–	–
High yield bonds	790,033	790,033	–	–
World bonds	807,398	807,398	–	–
Emerging markets bonds	815,463	815,463	–	–
Inflation-protected bonds	399,756	399,756	–	–
Total Fixed Income	13,930,455	13,930,455	–	–
Mutual Funds:				
Large value	5,285,207	5,285,207	–	–
Large growth	3,642,031	3,642,031	–	–
Small value	1,729,057	1,729,057	–	–
Small growth	1,142,311	1,142,311	–	–
Foreign large blend	7,696,585	7,696,585	–	–
Diversified emerging markets	3,218,572	3,218,572	–	–
Real estate	1,276,261	1,276,261	–	–
Global real estate	804,968	804,968	–	–
Commodities broad basket	1,934,899	1,934,899	–	–
Total Mutual Funds	26,729,891	26,729,891	–	–
Total Investments	\$ 41,404,346	\$ 41,404,346	\$ –	\$ –

Investments at Fair Value at September 30, 2018

	Fair Value	Level 1	Level 2	Level 3
Certificates of Deposit (CD):				
CDs with maturities greater than a year	\$ 1,075,535	\$ 1,075,535	\$ –	\$ –
Fixed Income:				
Investment-grade corporate bonds	4,204,508	4,204,508	–	–
U.S. treasury bonds	4,703,254	4,703,254	–	–
Municipal bonds	1,872,738	1,872,738	–	–
Total Fixed Income	10,780,500	10,780,500	–	–
Mutual Funds:				
Fixed income	4,146,970	4,146,970	–	–
Large cap growth	4,141,949	4,141,949	–	–
Large cap value	6,132,004	6,132,004	–	–
Small/mid cap value	1,962,814	1,962,814	–	–
Small/mid cap growth	1,346,616	1,346,616	–	–
International	8,774,567	8,774,567	–	–
Emerging market	3,595,937	3,595,937	–	–
Real estate	2,933,297	2,933,297	–	–
Commodities broad basket	2,465,695	2,465,695	–	–
Total Mutual Funds	35,499,849	35,499,849	–	–
Total Investments	\$ 47,355,884	\$ 47,355,884	\$ –	\$ –

Note 13—Functional expenses

Expenses by function and natural classification consist of the following for the year ended September 30:

	2019			
	Program Expenses			
	Exam	Member	Support	Total
Meetings and outreach	\$ 2,510,861	\$ 145,791	\$ 5,980,422	\$ 8,637,074
Personnel and human resources	3,101,640	1,481,555	2,811,393	7,394,588
Occupancy expense	104,456	64,098	168,554	337,108
Administrative expense	2,284,514	183,114	54,012	2,521,640
Technology services	173,449	82,338	216,518	472,305
Professional services	9,141,554	2,235,982	177,966	11,555,502
Depreciation and interest	179,325	90,963	348,163	618,451
Other	7,463	4,301	116,152	127,916
Total expense	\$ 17,503,262	\$ 4,288,142	\$ 9,873,180	\$ 31,664,584

	2018			
	Program Expenses			
	Exam	Member	Support	Total
Meetings and outreach	\$ 2,388,953	\$ 178,344	\$ 3,135,727	\$ 5,703,024
Personnel and human resources	2,878,781	1,505,893	2,653,509	7,038,183
Occupancy expense	48,257	21,830	84,335	154,422
Administrative expense	2,256,467	167,410	62,814	2,486,691
Technology services	165,471	58,791	227,118	451,380
Professional services	8,292,248	2,086,223	138,306	10,516,777
Depreciation and interest	141,013	62,664	276,309	479,986
Other	9,221	4,148	77,449	90,818
Total expense	\$ 16,180,411	\$ 4,085,303	\$ 6,655,567	\$ 26,921,281

Notes to the Financial Statements
September 30, 2019 and 2018

The costs of providing the various programs have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis that is consistently applied. Management utilized a variety of metrics in order to estimate on an accurate basis how to allocate expenses amongst more than one program or supporting function.

The expenses that are allocated include the following:

Expense	Method of Allocation
Meetings and outreach	Number of meetings, time and effort
Personnel and human resources	Time and effort
Occupancy expense	Full time equivalent
Administrative expense	Full time equivalent
Technology services	Full time equivalent
Professional services	Full time equivalent
Depreciation and interest	Square footage, full time equivalent
Other	Full time equivalent, square footage

Metrics used generally include space occupied on a square footage basis, time incurred for employees, number of full time equivalent employees, number of full time equivalent volunteers, or number of meetings held.

Note 14—Subsequent events

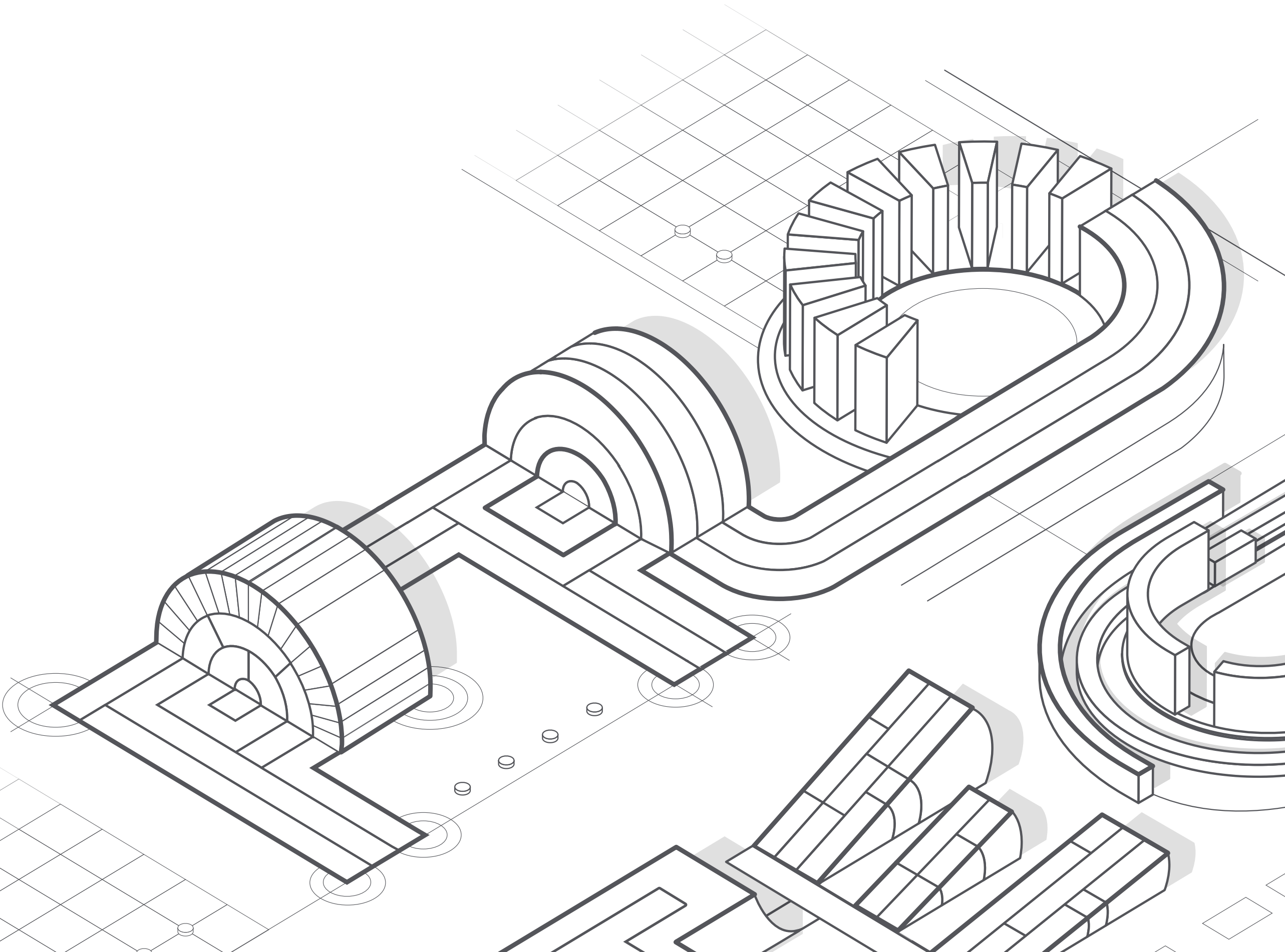
In October 2019, the Council executed an agreement to sell existing building, land improvements, and certain furniture and equipment in Clemson, South Carolina to CULSF for \$3,600,000.

The Council evaluated the effect subsequent events would have on the financial statements through November 21, 2019, which is the date the financial statements were available to be issued.

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