

NCEES

*advancing licensure for
engineers and surveyors*

FORWARD

2023 ANNUAL REPORT



2 0 2 3 A N N U A L R E P O R T

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National Council of Examiners for Engineering and Surveying®

FORWARD

FORWARD



NCEES

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CEO's message



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Inspire future
generations



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Protect
the public



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professions



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President and CEO's message

For more than a century, NCEES has kept its mission and vision of advancing licensure and protecting the public at the forefront of its operations and objectives. This year was no different. In 2022–23, NCEES continued to develop professional licensure standards and support licensure's role in protecting the public while, at the same time, preparing for the challenges and opportunities of the future.

This annual report details our efforts to move forward in three broad areas: ensuring licensure's public protections, supporting the professions of engineering and surveying, and inspiring future generations of professional engineers and surveyors. It covers activities and initiatives for 2022–23, which ran from October 2022 through September 2023.

The dedication and ingenuity of NCEES staff are critical to the organization's efforts to protect the health, safety, and welfare of the public. We were honored for NCEES to be recognized again this year as one of the Best Places to Work in South Carolina. Providing the best environment for staff development and overall well-being ultimately benefits member boards, the professions of engineering and surveying, and our communities across the United States.

Enhancing the financial health of NCEES by adhering to the annual budget is crucial to fulfilling our long-term mission goals. In 2022–23, our operations were approximately \$1 million above budget. While exam revenue was below

budget during the fiscal year, the appropriate expense adjustments were made, including those related to exam delivery, travel, and meetings and outreach expenditures. Records and Credentials revenue continue to perform better than budgeted.

On September 30, 2023, an annual market valuation adjustment was made to the investment accounts. Due to the rise in the market values since the last adjustment (September 30, 2022), a nearly \$5.6 million positive adjustment was recorded. Our financial statements begin on page 34 of this report.

The accomplishments of this year would not have been possible without the contributions of our member boards, volunteers, and staff. Thank you for your commitment to advancing licensure and protecting the public. We look forward to continuing our mission together next year and in the years ahead.


Christopher Duhamel, P.E., P.L.S.
2022–23 NCEES President


B. David Cox
NCEES Chief Executive Officer



Protect the public

A national and international leader in determining best practices for professional licensing, NCEES is committed to advancing engineering and surveying licensure with one goal: to protect the public.





2022–23 Committees and task forces

Member board members, emeritus members, and associate members serve on NCEES standing committees and task forces.

13
Committees
and task forces

124
Members

11
Consultants

64
Charges



Setting the standard

NCEES 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.

In 2022–23, the member boards continued to determine best practices for the licensure of engineers and surveyors and to promote their adoption to protect the public and improve

licensure uniformity among states. Committees and task forces met in the beginning of 2023, and the four NCEES regional zones met in the spring. This work culminated in the 102nd annual meeting, which took place in August 2023 in Boston, Massachusetts.

At the annual meeting, member board delegates gathered to discuss licensure issues and set Council policy. The Council completed a comprehensive review of the *Model Law* and *Model Rules*, which occurs every five years.

At the 2023 NCEES annual meeting in Boston, Massachusetts, member boards debate licensure issues as a Council and vote on motions proposed by committees and task forces at business sessions.

These documents provide a foundation for member boards' individual licensing laws and rules, which improves licensure uniformity and mobility for professional engineers and surveyors.

After extensive consideration and research, the Committee on Examinations for Professional Surveyors recommended—and the board of directors approved—the development of a

Public Land Survey System exam for the Principles and Practice of Surveying exam. This August 2023 decision is part of NCEES efforts to ensure it continues to meet the needs of the engineering and surveying professions. Once the Public Land Survey System exam is developed, individual jurisdictions will decide if they will require the exam for surveying licensure.

Promoting responsible licensing

As NCEES continues into its second century of advancing licensure, one goal remains at the forefront: safeguarding the health, safety, and welfare of the public. To continue to support and promote licensure’s role in public protection, NCEES is a founding member of the Alliance for Responsible Professional Licensing (ARPL), a coalition of national associations that represent highly complex, technical professions and their national licensing boards.

In the growing debate surrounding licensure requirements, ARPL contributes a unified voice for the advanced professions. The goal of ARPL is to educate policymakers and the public on the importance of—and the need to maintain—clear, responsible licensing standards within professions such as engineering and surveying.

In 2023, ARPL conducted research that illustrated the importance of licensure to U.S. businesses. The study, which surveyed 600 decision-makers from small- and mid-sized businesses, found that licensing standards are critical for businesses to hire qualified professionals, build a strong reputation, and safeguard the public. This perspective is the missing link to a more thoughtful conversation with stakeholders on the consequences of deregulating licensure.

Additionally, ARPL produced a series of informative videos on licensure topics. These include interstate practice, including how it works and how it should evolve, and the concept of universal licensing, which threatens to weaken licensing protections across jurisdictions. Experts from various ARPL associations weighed in on these issues and stressed the importance of licensure to lawmakers.

In 2022–23, NCEES facilitated ARPL’s work on the state level through mini-ARPLs—a joint legislative effort between ARPL and state partners during the legislative session.



The business perspective

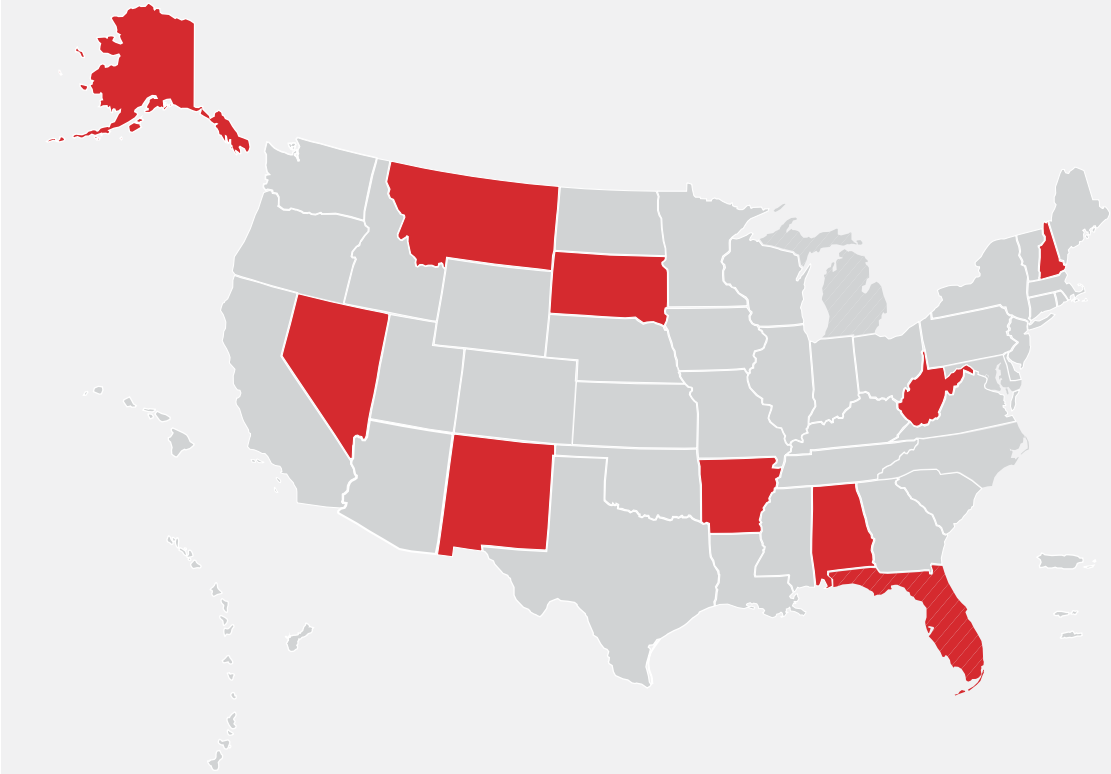
2023 ARPL research shows the importance of professional licensing to U.S. businesses.



92% of business decision-makers say it is important to require CPAs, engineers, architects, landscape architects, and surveyors to have a license to practice.



90% of business decision-makers say that professional licensing protects customers and the public from receiving substandard work.



2022–23 Mini-ARPLs

Mini-ARPLs were held in the following jurisdictions this year:

- Alabama
- Alaska
- Arkansas
- Florida
- Montana
- Nevada
- New Hampshire
- New Mexico
- South Dakota
- West Virginia

Alliance for Responsible Professional Licensing @TheARPL · Jul 25

New opinion research finds that business decision-makers share significant concerns about the ramifications of weakened licensing standards. Professional licensing is rigorous for a reason. Learn more: bit.ly/3DaNOAK

84% of businesses share this concern: Weakening licensing standards will increase public exposure to physical and financial risk.

Alliance for Responsible Professional Licensing @TheARPL · Aug 9

Universal licensing reform: career mobility at the expense of public protections? 🤔 Our new video explains more: bit.ly/3PWTnPN [#LicensingMatters](https://twitter.com/ARPL)

As part of the mini-ARPLs, NCEES staff met with various member boards to discuss problematic bill language, bill amendments, potential bill sponsors, and effective strategy. These sessions helped defeat several universal licensing bills and raise awareness of anti-licensing movements that would ultimately breach public protections.

This year, staff assisted 43 member boards to address legislative activities, including helping with testimony, fact sheets, outreach efforts, and strategy.



In fall 2023, representatives from the Engineering Council of South Africa visit NCEES headquarters in Greenville, South Carolina, and hear from NCEES staff on the operations and history of the organization (left top and bottom). At the 2023 annual meeting, members of the British consulate office explain the upcoming mutual recognition agreement between the United States and United Kingdom (top right).

Strengthening international influence

In addition to focusing on leadership for engineering and surveying within the United States, NCEES remains committed to leading in international initiatives.

At the annual meeting in August 2023, representatives from the British consulate office joined NCEES Chief Executive Officer David Cox to discuss the development of a

mutual recognition agreement. This agreement will provide a more direct path for licensed engineers to practice in the United States and United Kingdom, and state licensing boards will have the option to participate in the agreement once it is finalized.

This year, NCEES also continued its work with the International Engineering Alliance (IEA),



NCEES
International Registry for
Professional Engineers

818
Members



**IEA mobility
agreements for
engineering
profession**

APEC
AGREEMENT

13
Countries

IPEA

15
Countries

NCEES
U.S. representative

an umbrella organization that coordinates seven international agreements for engineering education and mobility. NCEES represents the United States in two of these agreements: the International Professional Engineers Agreement (IPEA) and the Asia-Pacific Economic Cooperation (APEC) Engineer Agreement.

Patty Mamola, P.E., NCEES past president and current executive director of the Nevada State Board of Professional Engineers and Land Surveyors, serves as deputy chair of the IEA Governing Group and as at-large representative for the IEA Agreements.

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 2022–23, the NCEES International Registry included 818 active professional engineer members, an increase of 5 percent over the previous year.



EXAM DEVELOPMENT LAB 4

Support the professions

Service is at the heart of NCEES. The organization has made strides in updating and improving its exams and licensure mobility programs to support member boards, examinees, and professional engineers and surveyors.



2022–23

Exam
development

33
Exams

37
In-person
meetings

34
Virtual
meetings

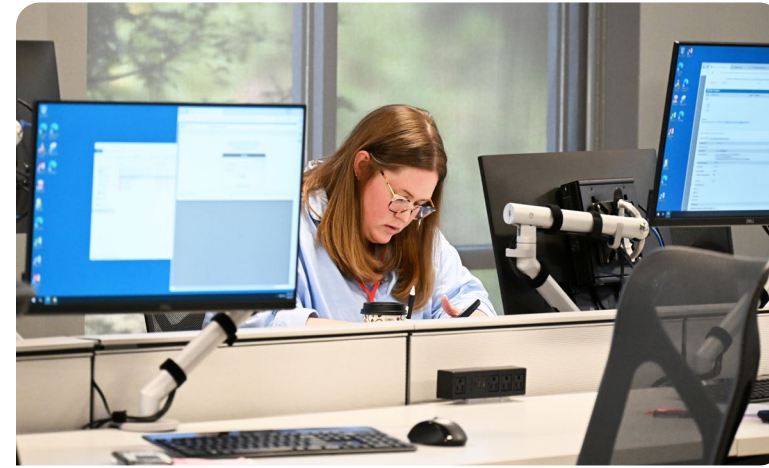
Determining professional competence

NCEES member boards rely on the organization's licensing exams to provide a uniform standard for measuring professional competence. 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

Exam volunteers at NCEES headquarters in Greenville, South Carolina, use their experience and expertise to draft new exam items.

Principles and Practice of Surveying (PS) exams for surveying licensure.

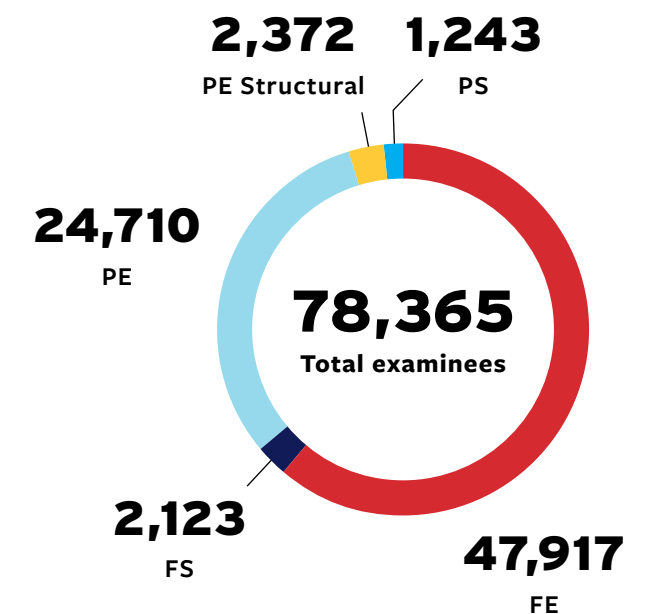
Staff, psychometricians, and professional engineering and surveying subject-matter experts work together to ensure that NCEES exams continue to be reliable measures of candidates' competence now and in the future.



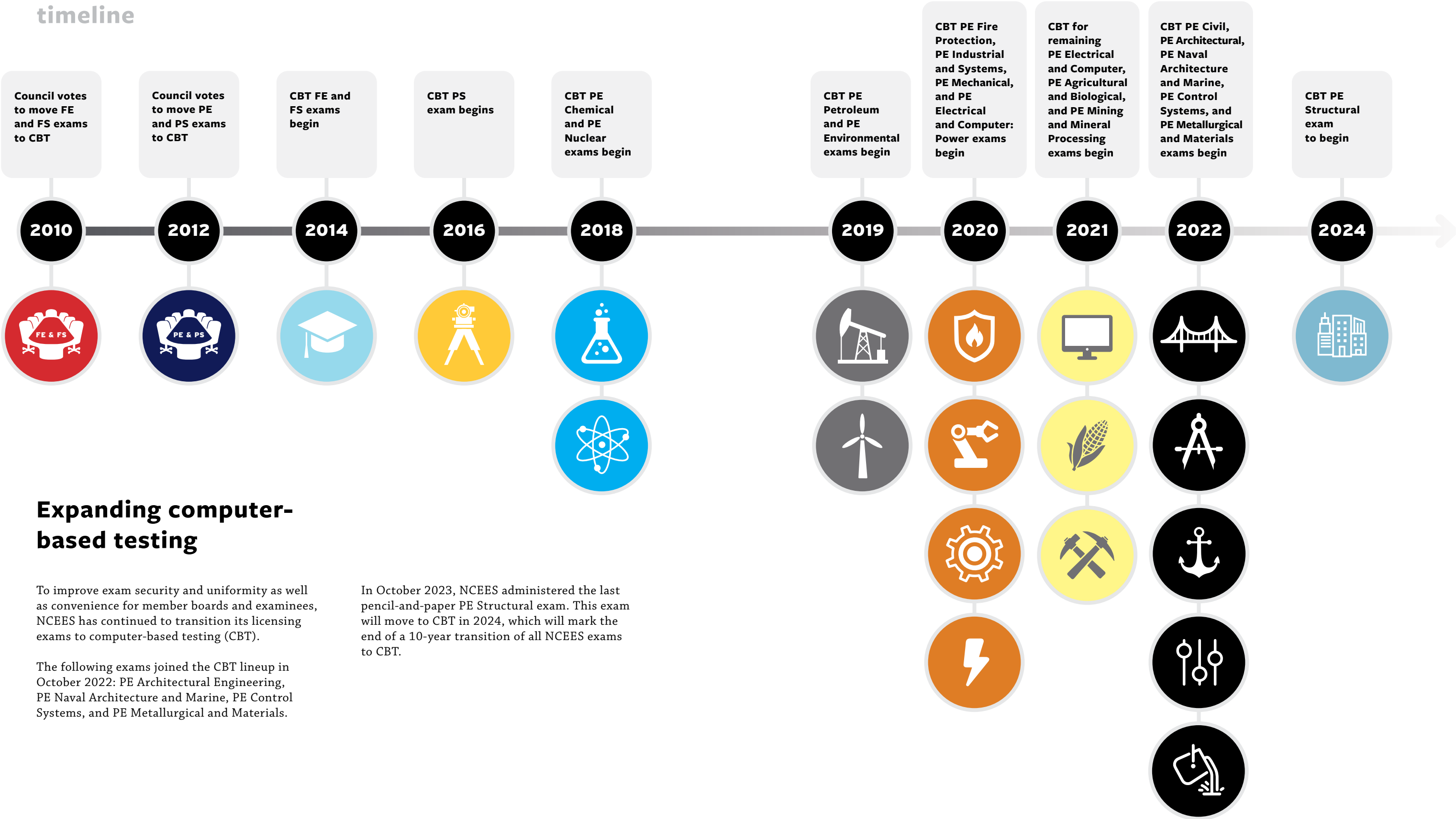
In the past year, 47,917 examinees took the FE exam, 24,710 took the PE exam (excluding the PE Structural exam), and 2,372 took the PE Structural exam. During the same period, 2,123 FS and 1,243 PS examinees took their respective exams. Compared to 2021–22, exam usage numbers for 2022–23 were higher for all engineering and surveying exams, except for the PE exam:

- FE: up 9 percent from 44,079
- PE: down 6 percent from 26,369
- PE Structural: up 9 percent from 2,180
- FS: up 22 percent from 1,743
- PS: up 22 percent from 1,021

2022–23 NCEES exams



Computer-based testing timeline



Expanding computer-based testing

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

The following exams joined the CBT lineup in October 2022: PE Architectural Engineering, PE Naval Architecture and Marine, PE Control Systems, and PE Metallurgical and Materials.

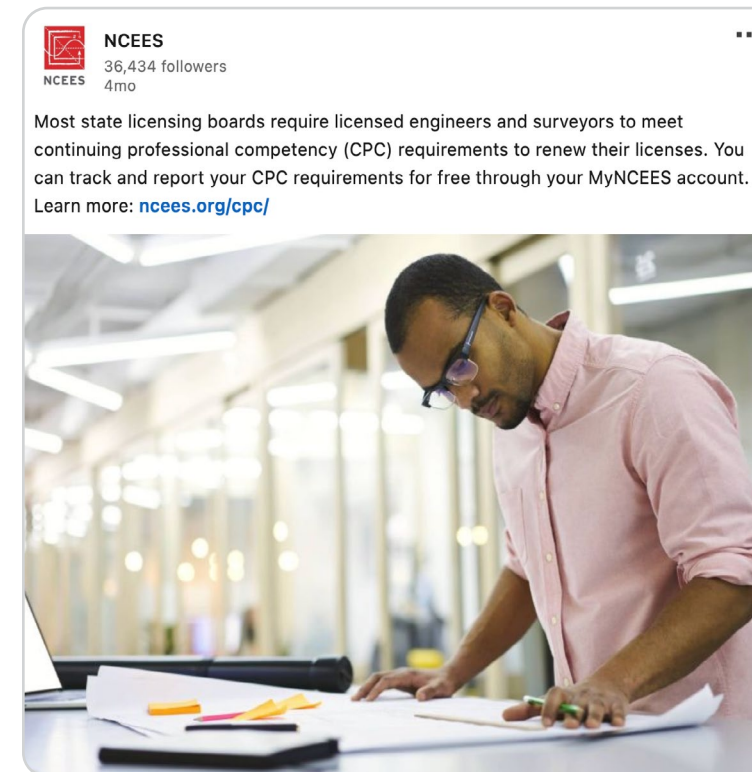
In October 2023, NCEES administered the last pencil-and-paper PE Structural exam. This exam will move to CBT in 2024, which will mark the end of a 10-year transition of all NCEES exams to CBT.



2022–23 Exams administered internationally

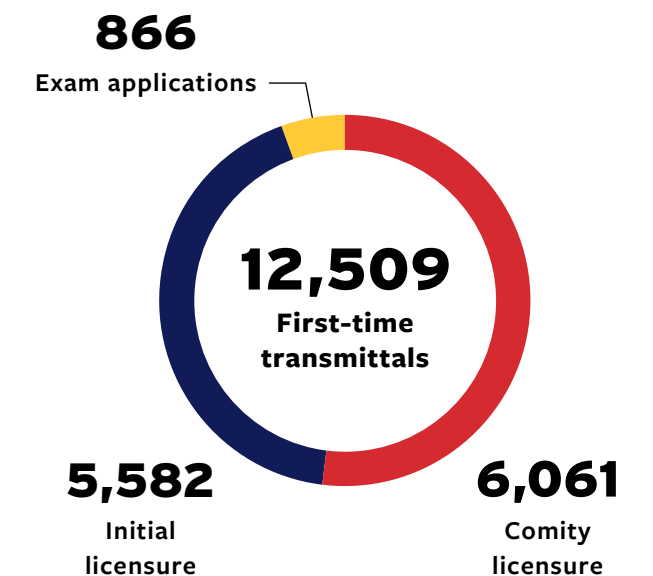
1,503
FE exams

403
PE exams



2022–23 Records program

52,848
Total Records
transmittals



Supporting exam administration

NCEES support for member boards through its Exam Administration Services moves ahead as the PE Structural exam completes the transition to CBT. Exam Administration Services has provided its final regional administrations for the PE Structural exam in pencil-and-paper format.

In April and October 2023, NCEES administered the PE Structural exam at 18 regional sites across the United States. Sites were chosen based on the number of structural examinees that previously tested near these locations.

With the final pencil-and-paper exam administered, NCEES exams will now exclusively be administered via CBT at Pearson VUE test centers.

Administering exams outside the United States

NCEES currently has agreements with 16 foreign entities to administer its licensing exams in nine countries outside the United States.

In 2022–23, the FE exam was administered to 1,503 candidates at international sites. The PE exam was administered to 403 candidates at international sites.

Aiding exam preparation

To support its exam program, NCEES publishes electronic practice exams for its various licensing exams. These publications provide sample questions and solutions on each major topic area to demonstrate exam structure, scope, and difficulty. The downloadable e-books are instantly available, portable, printable, and searchable. This year, NCEES published a new prep book in CBT-format for the PE Structural exam, supporting its transition from pencil-and-paper to CBT.

Advancing mobility with Records and CPC Tracking

The NCEES Records program—one of the organization’s key services for facilitating interstate 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 2022–23, there were 52,848 Records transmittals. Of those, 12,509 were first-time transmittals, an increase of 4 percent over the previous year.

The Records program also allows member boards to use the service for initial licensure applications. These Records have the same verified information as those used for comity

licensure. Thirty-eight member boards in 34 states used the system for initial applications in 2022–23.

The Records program is available to assist individuals applying to take the PE or PS exam in jurisdictions in which candidates must 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. In 2022–23, the number of member boards using the Record for approval of Principles and Practice exam applications increased by three, bringing the total to 12: Delaware engineering, District of Columbia, Georgia, Indiana surveying, Indiana engineering, Minnesota, Montana, New Mexico, New York, South Carolina, Texas, and Washington.



An NCEES staff member reviews an NCEES Record.

NCEES also facilitates mobility through its free Continuing Professional Competency (CPC) Tracking service. Licensed engineers and surveyors can use CPC Tracking to document their continuing education 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 2022–23, 32,450 MyNCEES account holders had tracked 795,500 completed CPC courses in the system since the service began in 2016.

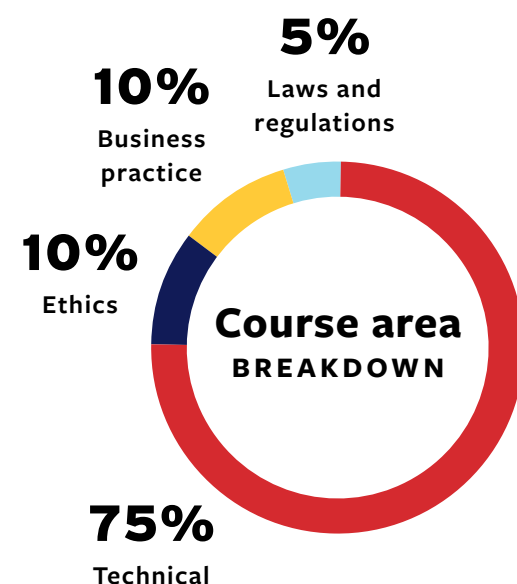


CPC Tracking

32,450
Account holders
tracking CPC credits

795,500
Courses entered
since June 2016

Since June 2016
CPC Tracking



Facilitating licensure with Credentials Evaluations

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 3,100 evaluations in 2022–23. This total represents an 11 percent increase compared to the previous year.

2022–23
Credentials
Evaluations

3,100
Evaluations
completed



Inspire future generations

The way forward is through the next generation. NCEES has advanced its outreach initiatives and awards programs to inspire the professional engineers and surveyors of tomorrow.



Supporting K–12 initiatives

NCEES celebrated the professions and sponsored hands-on activities to promote careers in engineering and surveying to children, their parents, and teachers in 2022–23. Along with exploring the professions’ many career paths, NCEES focused on how professional engineers and surveyors protect the public.

The organization’s continued support of DiscoverE was a central part of its efforts to engage with K–12 students. NCEES is a longstanding sponsor of DiscoverE’s Future City Competition, which challenges middle-school teams to design and build cities of the future. This year, NCEES presented its Best Practices

in Land Surveying Award at 37 regional Future City competitions and the national finals, helping more than 40,000 students learn how surveying is critical to their communities now and in the future.

In February 2023, the board of directors approved a funding request from DiscoverE for \$1,012,000 to expand Future City to include high school students. As a signature sponsor, NCEES will also provide scholarships to students from the first-place team. This expansion of Future City will allow NCEES to promote the engineering and surveying professions and the importance of licensure to a wider audience moving forward.

As part of the organization’s K–12 initiatives, NCEES outreach volunteers promote the professions at the iMAGINE STEAM Festival in Greenville, South Carolina (left) and DiscoverE’s Future City finals in Washington, D.C. (top).

The organization also partnered with the American Council of Engineering Companies (ACEC) and created an NCEES scholarship program to award annual \$5,000 scholarships over the next three years in all 50 states and the District of Columbia.

This year, NCEES contributed \$30,000 to support MATHCOUNTS Foundation programs. The foundation provides competitions and clubs to empower middle-school students of all ability levels and backgrounds to reach their full potential in mathematics.

The organization also provided \$5,000 to support Trig-Star, an annual high-school mathematics competition sponsored by the National Society of Professional Surveyors.

Connecting professional practice and education

In addition to its K-12 initiatives, NCEES promoted outreach on the college level. 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.

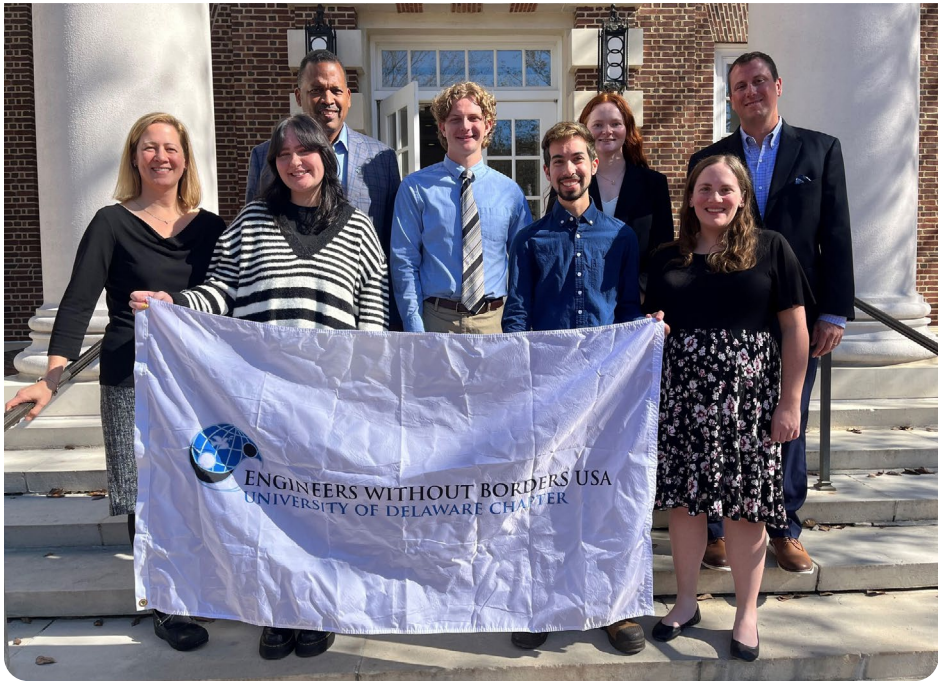
In 2022-23, the organization promoted licensure to engineering educators and students through the NCEES Engineering Education Award. The award recognizes engineering programs that encourage collaborations between college students and professional engineers. Marquette University won the \$25,000 grand prize, and seven other winners received \$10,000 awards.

NCEES also promoted licensure through 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. Oregon Institute of Technology 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 continued to connect with educators and students through exhibitions and conferences this year. These outreach initiatives provided opportunities to explain

the benefits and responsibilities of licensure and answer questions about the process.

NCEES staff and volunteers 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.



Winning teams celebrate their NCEES Education awards: the University of Akron (top) won a \$15,000 Surveying Education Award, and the University of Delaware won a \$10,000 Engineering Education Award (bottom).

2023
Education
award winners

Engineering

\$25,000 grand prize

Marquette University

\$10,000 prize winners

Dartmouth College

Kansas State University

Lawrence Technological University

Olivet Nazarene University

Seattle University

University of Delaware

University of Wisconsin-Madison

Surveying

\$25,000 grand prize

Oregon Institute of Technology

\$15,000 prize winners

Ferris State University

University of Akron

University of Maine

\$10,000 prize winners

Alfred State College

East Tennessee State University

Nicholls State University

Education
award
impact

Engineering
(SINCE 2009)

\$1,037,500
Prize money

84
Awards

Surveying
(SINCE 2016)

\$700,000
Prize money

52
Awards



FE Ambassadors help K-12 students with a hands-on engineering activity at the iMAGINE Upstate Steam Festival in Greenville, South Carolina (opposite).

Promoting licensure with mission initiatives

NCEES has advanced its efforts to promote the importance of licensure through new student-focused mission initiatives.

In summer 2023, NCEES launched the FE Ambassador Program, in which students promote licensure and the FE exam to peers through on-campus networking opportunities. Eight students from four universities represented the inaugural class of ambassadors. The pilot institutions were Clemson University, Kennesaw State University, North Carolina A&T University, and University of North Carolina-Charlotte. During the fall term, the FE Ambassadors participated in on-campus career events, distributing practice exams and answering questions regarding the FE exam.



National Council of Examiners for Engineering and Surveying (NCEES)

September 28, 2023 · 🌐

NCEES FE Ambassadors from Kennesaw State University are participating in an on-campus career fair today to talk about the FE exam and licensure.



NCEES graduation honor cords are available for students who pass the FE or FS exam before their graduation (top). These students can also display their accomplishment through digital Credly badges (left).

Other ambassador activities included attending introductory engineering courses, setting up tables at engineering “lobby days,” speaking to engineering organizations, and answering email-submitted questions about licensure and the FE exam.

In 2023, NCEES staff have worked to implement graduation honor cords nationally. Current engineering and surveying students who pass the FE or FS exam before their graduation from an EAC/ANSAC/ABET-accredited program are eligible to receive a free NCEES honor cord to wear at their graduation ceremony.

This year, approximately 6,100 cords were distributed between spring, summer, and fall graduation ceremonies. At the end of 2023, the NCEES FE and FS graduation cord distribution

list had grown to over 130 participating institutions.

NCEES continued the second year of digital badges to promote the FE and FS exams. Through a partnership with Credly, individuals who pass the FE or FS exam can display a corresponding digital badge through their social media accounts and other electronic platforms to signify that they have passed the exam. The badge is a clickable link to information on the significance of passing that exam and the value of licensure.

From October 1, 2022, to September 30, 2023, more than 33,600 individuals requested a badge.





Vatsal Shah, Ph.D., P.E.
Principal Engineer | ANS Geo Inc.

Advance: An NCEES Podcast Series

Advancing licensure for public protection

As part of its virtual outreach programming, NCEES completed the third year of its podcast series, launched in September 2020. Hosted by NCEES Chief Operating Officer Davy McDowell, P.E., *Advance: An NCEES Podcast Series* highlights professional engineers and surveyors across the country and discusses current topics in the professions, including energy conservation in aerospace and national defense, engineering in sports, and humanitarian engineering.

This year, *Advance* featured Tim Burch, P.L.S., executive director of the National Society of Professional Surveyors; Nicole Hill, E.I.T.,

a project engineer for the U.S. Army Corps of Engineers in South Korea; and Vatsal Shah, Ph.D., P.E., a civil engineer and adjunct professor who is licensed in 44 states.

NCEES also completed the third year of engineering and surveying profiles, featured on the NCEES website and social media channels. This series explores the benefits of licensure and how professional engineers and surveyors are working daily to safeguard the health, safety, and welfare of the public.

2022–23
Social
campaigns

6,000,000
Impressions

61,000
Clicks to NCEES website

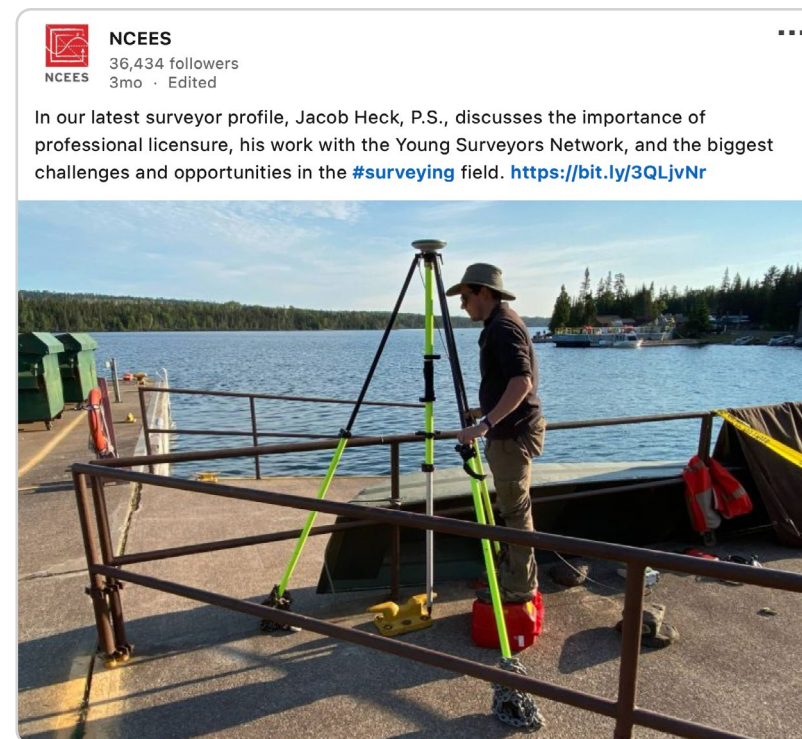
In response to increased mission initiative efforts, the board of directors approved the establishment of the NCEES Foundation, and NCEES member boards approved a \$7 million contribution to the Foundation as part of the 2023–24 operating budget. The Foundation will be guided by a separate board of directors and will be able to accept financial contributions from individuals and other groups to further the mission of NCEES.

Social campaigns to broaden reach

Social media campaigns as well as digital and print advertisements promoted NCEES services and licensure's public protections in 2022–23.

Paid social media campaigns throughout the year on LinkedIn, Instagram, Facebook, and YouTube focused on the FE exam, the Engineering and Surveying Education awards, and the value of licensure. These campaigns delivered 6 million impressions, which is the number of times that social media users were shown this content. They generated 61,000 clicks to the NCEES website. Geofencing allowed NCEES to target specific states with value of licensure messaging to support its advocacy efforts.

In addition to the paid campaigns, NCEES promoted licensure through its social media pages. The messages focused on ethics, NCEES services, and the pathways to and benefits of licensure.





2022–23
**Leadership and
senior staff**



NCEES board of directors



PRESIDENT
Christopher Duhamel, P.E., P.L.S.



PRESIDENT-ELECT
Laura Sievers, P.E.



IMMEDIATE
PAST PRESIDENT
Brian Robertson, P.E.



TREASURER
Paul Tyrell, P.E., P.L.S.



CENTRAL ZONE
VICE PRESIDENT
Jan Bostelman, P.E., PMP



NORTHEAST ZONE
VICE PRESIDENT
Thomas Orisich, P.L.S.



SOUTHERN ZONE
VICE PRESIDENT
Andrew Zoutewelle, P.L.S.



WESTERN ZONE
VICE PRESIDENT
Mohammad Qureshi, Ph.D., P.E.



Zone assistant vice presidents

CENTRAL ZONE
Ryan Callaghan, P.E.

NORTHEAST ZONE
Samuel Wilson, P.E.

SOUTHERN ZONE
Lamberto Ballí, P.E.

WESTERN ZONE
Elizabeth Johnston, P.E.

Zone secretaries

CENTRAL ZONE
Sam Reed, P.E.

NORTHEAST ZONE
Azuanuka Etoniru, P.E., P.L.S.

SOUTHERN ZONE
Linda Bergeron, P.E.

WESTERN ZONE
Karl Tonander, P.E.

Executive staff

CHIEF EXECUTIVE OFFICER
David Cox

CHIEF OPERATING OFFICER
Davy McDowell, P.E.

Senior leadership

CHIEF COMMUNICATIONS OFFICER
Nina Norris

CHIEF FINANCIAL OFFICER
Joe Scheving, CPA

CHIEF HUMAN RESOURCES OFFICER
Donna Moss, SHRM-CP, PHR

CHIEF OFFICER OF EXAMINATIONS
Jason Gamble, P.E.

CHIEF OFFICER OF MEMBER SERVICES
Stef Goodenow

CHIEF TECHNOLOGY OFFICER
Steven Matthews



Financial statements

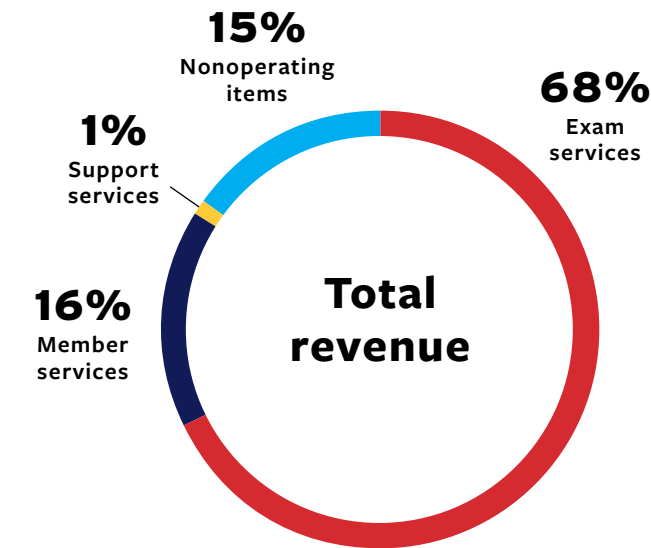
2022–23

Revenue and expense summary

TOTAL REVENUE
\$37,982,946

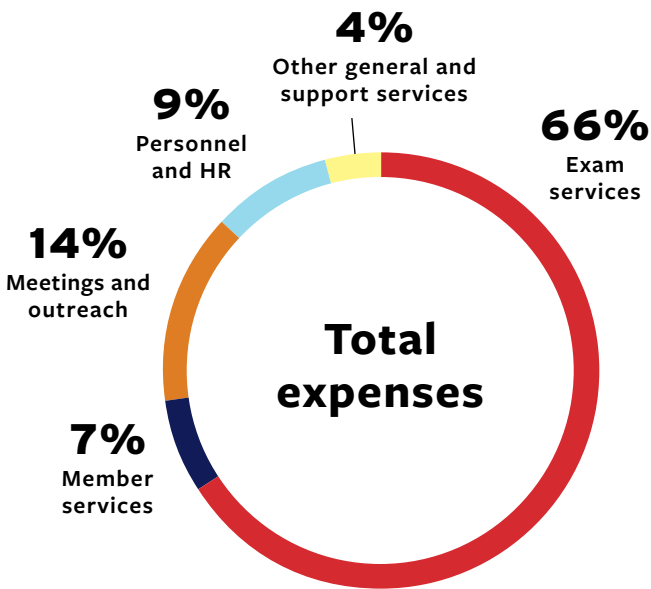
- Revenue from operations
\$32,431,226
- \$25,752,588** | Exam services
 - \$6,131,720** | Member services
 - \$546,918** | Support services

Revenue from nonoperating items
\$5,551,720



TOTAL EXPENSES
\$35,490,146

- \$23,393,820** | Exam services
- \$2,498,624** | Member services
- \$9,597,702** | Support services
- \$4,845,690** | Meetings and outreach
 - \$3,252,129** | Personnel and human resources
 - \$1,499,883** | Other general and support services



CHANGE IN NET ASSETS
\$2,492,800

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 2022–23 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


Joe Scheving, CPA
NCEES Chief Financial Officer

Report of Independent Auditor

To the Board of Directors

National Council of Examiners for Engineering and Surveying

Greenville, South Carolina

Opinion

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, 2023 and 2022, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of National Council of Examiners for Engineering and Surveying and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about National Council of Examiners for Engineering and Surveying's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or

the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 National Council of Examiners for Engineering and Surveying's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about National Council of Examiners for Engineering and Surveying's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control related matters that we identified during the audits.

Other Information Included in National Council of Examiners for Engineering and Surveying's Annual Report

Management is responsible for the other information included in the Council's annual report. The other information comprises statistical information regarding operations, revenue and expense summary, and management's report, but it does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance on it.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Cherry Bekaert LLP

Greenville, South Carolina

December 7, 2023, except for our report on the other information included in National Council of Examiners for Engineering and Surveying's Annual Report for which the date is February 19, 2024

National Council of Examiners for Engineering and Surveying
Statements of financial position
September 30, 2023 and 2022

	2023	2022
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 13,327,511	\$ 14,187,604
Certificates of deposit	1,780,098	4,472,337
Accounts receivable, net	218,214	170,252
Current portion of other receivable	100,000	100,000
Prepaid expenses	611,159	504,569
Total current assets	16,036,982	19,434,762
Noncurrent assets:		
Other receivable, net of current portion	200,000	300,000
Investments	59,214,817	50,085,213
Finance right-of-use assets	383,549	-
Operating right-of-use assets	83,412	-
Property and equipment, net	15,539,527	16,380,498
Total noncurrent assets	75,421,305	66,765,711
Total assets	\$ 91,458,287	\$ 86,200,473
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and other accrued expenses	\$ 3,035,099	\$ 1,440,018
Accrued wages and payroll taxes	31,315	112,989
Accrued retirement plan contribution	424,555	379,315
Customer prepayments	10,202,843	9,376,116
Deferred membership fees	104,838	104,838
Current maturities of finance lease liabilities	189,499	82,756
Current maturities of operating lease liabilities	46,604	-
Total current liabilities	14,034,753	11,496,032
Noncurrent liabilities:		
Finance lease liabilities, less current maturities	229,374	9,213
Operating lease liabilities, less current maturities	36,921	-
Deferred compensation	-	30,789
Total noncurrent liabilities	266,295	40,002
Total liabilities	14,301,048	11,536,034
Net assets without donor restrictions:		
Undesignated	70,157,239	70,064,439
Board designated	7,000,000	4,600,000
Total net assets without donor restrictions	77,157,239	74,664,439
Total liabilities and net assets	\$ 91,458,287	\$ 86,200,473

National Council of Examiners for Engineering and Surveying
Statements of activities
Years ended September 30, 2023 and 2022

	2023	2022
Operating revenues without donor restrictions:		
Examination services	\$ 25,752,588	\$ 24,532,888
Member services	6,131,720	5,654,280
Support services	546,918	519,410
Total operating revenues without donor restrictions	32,431,226	30,706,578
Direct expenses without donor restrictions:		
Examination services	23,393,820	20,552,397
Member services	2,498,624	2,533,816
Total direct expenses without donor restrictions	25,892,444	23,086,213
Operating revenues in excess of direct expenses	6,538,782	7,620,365
General and administrative support services expenses:		
Meetings and outreach	4,845,690	3,077,055
Personnel and human resources	3,252,129	3,043,749
Occupancy expense	173,251	167,267
Administrative expense	60,779	54,780
Technology services	331,512	299,283
Professional services	310,450	224,533
Depreciation and interest	489,271	431,651
Other	134,620	128,025
Total general and administrative support services expenses	9,597,702	7,426,343
Change in net assets from operations without donor restrictions	(3,058,920)	194,022
Nonoperating items without donor restrictions:		
Investment return, net of fees	5,552,600	(9,725,932)
Loss on disposal of property and equipment	(880)	-
Other income	-	880,000
Total nonoperating items without donor restrictions	5,551,720	(8,845,932)
Change in net assets without donor restrictions	2,492,800	(8,651,910)
Net assets without donor restrictions, beginning of year	74,664,439	83,316,349
Net assets without donor restrictions, end of year	\$ 77,157,239	\$ 74,664,439

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

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, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 2,492,800	\$ (8,651,910)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	830,962	896,380
Amortiation of finance right-of-use assets	108,917	-
Noncash lease expense	10,491	-
Loss on disposal of property and equipment	880	-
Unrealized (gains) losses on investments	(5,584,870)	11,748,124
Realized losses (gains) on investments	1,312,979	(97,036)
Net changes in operating assets and liabilities:		
Accounts receivable, net	(47,962)	(40,676)
Other receivable	100,000	(400,000)
Prepaid expenses	(106,590)	12,924
Accounts payable and accrued expenses	1,558,647	(1,043,164)
Customer prepayments	826,727	(258)
Deferred membership fees	-	1,900
Deferred compensation	(30,789)	(60,652)
Net cash flows from operating activities	1,472,192	2,365,632
Cash flows from investing activities:		
Purchase of property and equipment	(23,689)	-
Proceeds from sale of property	32,818	-
Purchase of investments	(27,604,945)	(15,988,213)
Proceeds from sale of investments	22,747,232	11,094,275
Maturities of certificates of deposit, net of purchases	2,692,239	951,010
Net cash flows from investing activities	(2,156,345)	(3,942,928)
Cash flows from financing activities:		
Payments on finance lease liabilities	(175,940)	(156,648)
Net cash flows from financing activities	(175,940)	(156,648)
Net change in cash and cash equivalents	(860,093)	(1,733,944)
Cash and cash equivalents, beginning of year	14,187,604	15,921,548
Cash and cash equivalents, end of year	\$ 13,327,511	\$ 14,187,604
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 12,327	\$ 5,289
Capital leases converted to finance leases	\$ 91,969	\$ -
Equipment acquired through finance lease	\$ 492,466	\$ -
Equipment acquired through operating lease	\$ 128,254	\$ 39,382

National Council of Examiners for Engineering and Surveying
Notes to the financial statements
September 30, 2023 and 2022

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 (“U.S. GAAP”). 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, 2023 or 2022.

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, 2023 and 2022 have varying interest rates and maturity dates and are carried at cost plus accrued interest. At times throughout the year, the Council may have balances in excess of FDIC insured amounts. Certificates of deposit with maturity dates greater than one year at September 30, 2023 and 2022 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, 2023 and 2022.

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

Property and equipment—Property and equipment is 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. 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:

■ Buildings	39 years
■ Building improvements	7–15 years
■ Land improvements	5–15 years
■ Furniture and equipment	3–15 years

Depreciation expense for the years ended September 30, 2023 and 2022 totaled \$830,962 and \$896,380, respectively.

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

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.

Paid time-off policy—The Council’s vacation accrual policy is a Flexible Paid Time Off Policy. Under the new policy, eligible employees would have access to as much paid leave as needed for illness, vacation, or to care for family members with the expectation that employees take a minimum of 15 days off per year.

Revenue recognition—The Council accounts for its revenue in accordance with the provisions of Financial Accounting Standards Board’s (“FASB”) Accounting Standard Codification (“ASC”) Topic 606, *Revenue from Contracts with Customers*.

Revenues primarily include performance obligations satisfied by: delivery of professional examination, forfeiture of fees in accordance with terms of registration, shipment of study materials, professional record transmittal, and evaluation of the candidate’s college transcripts with educational standards. With the exception of membership fee revenue (described below), all of the Council’s revenue streams have performance obligations that are satisfied at a point in time and are based on fixed prices.

Deferred membership fee revenue—Collection of annual dues for membership in the Council are based on the calendar year. The Council records deferred membership fees as annual dues are received but not earned. The performance obligations associated with membership dues are considered to be earned ratably over the term of the membership with the Council having a stand-ready obligation to provide the benefits of membership to dues paying members of the Council. Each member of the Council is able to participate in regional and annual Council meetings, can elect to utilize the Council’s centralized records management program, and can participate in access to Council experts on examination standards and licensure processing.

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 there are no material unrecognized tax benefits or obligations as of September 30, 2023 or 2022.

Use of estimates—The preparation of financial statements in conformity with U.S. 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period.

Recently issued accounting pronouncement adopted—In February 2016, FASB issued Accounting Standards Update (“ASU”) 2016-02, *Leases (Topic 842)*, which supersedes existing guidance for accounting for leases under Topic 840, Leases. FASB also subsequently issued additional ASUs which amend and clarify Topic 842. The most significant change in the new leasing guidance is the requirement to recognize right-of-use (“ROU”) assets and lease liabilities for operating leases on the statement of financial position. The Council adopted these ASUs effective October 1, 2022 using the modified retrospective approach. The Council recorded ROU assets and lease liabilities for finance leases and operating leases of \$492,466 and \$128,254, respectively, at October 1, 2022. In addition, the Council reclassified capital leases of \$91,969 at September 30, 2022 included in property and equipment and capital lease obligations to ROU assets and liabilities for finance leases at October 1, 2022. Adoption of the new standard did not materially impact the Council’s change in net assets and had no impact on cash flows.

Recently issued accounting pronouncement not yet adopted—In June 2016, FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326)* and subsequently related amendments (ASU 2018-19, ASU 2019-04, ASU 2019-05, ASU 2019-10, ASU 2019-11, and ASU 2022-02). This guidance replaces the existing incurred loss impairment guidance and establishes a single allowance framework for financial assets carried at amortized cost based on expected credit losses. The estimate of expected credit losses requires the incorporation of historical information, current conditions, and reasonable and supportable forecasts. This ASU will be effective for the year ended September 30, 2024. The Council is currently evaluating the effect the adoption of this ASU will have on the financial statements.

Note 2—Liquidity and availability of resources

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:

	2023	2022
Financial assets at year-end:		
Cash and cash equivalents	\$ 13,327,511	\$ 14,187,604
Accounts receivable, net	218,214	170,252
Other receivable	100,000	100,000
Investments and certificates of deposit	<u>60,994,915</u>	<u>54,557,550</u>
	74,640,640	69,015,406
Less amounts not available to be used for general expenditures within one year:		
Board-designated funds set aside for specific uses	<u>(7,000,000)</u>	<u>(4,600,000)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 67,640,640</u>	<u>\$ 64,415,406</u>

The Council’s undesignated net assets consist of board-designated funds. The board has designated financial assets of \$7,000,000 and \$4,600,000 at September 30, 2023 and 2022, respectively, be set aside to be available should an engineering or surveying fundamentals exam or professional exam become compromised. These board-designated funds were increased by \$2,400,000 during the year ended September 30, 2023 at the board’s discretion. The funds are designated 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, 2023.

Note 3—Investments and certificates of deposit

Investments by category at September 30 are summarized as follows:

	2023	2022
Mutual funds	\$ 26,359,926	\$ 22,256,043
Fixed income	32,854,891	27,829,170
Certificates of deposit with maturities less than a year	<u>1,780,098</u>	<u>4,472,337</u>
	<u>\$ 60,994,915</u>	<u>\$ 54,557,550</u>

Certificates of deposit included above consist primarily of short-term deposits, maturing through June 2024. The Council’s intent is to reinvest the funds in similar deposits upon maturity or to invest in the Council’s investment portfolio as described above.

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

	2023	2022
Interest and dividend income	\$ 1,558,936	\$ 2,184,598
Net realized and unrealized (losses) gains	4,271,891	(11,651,088)
Investment management fees	(278,227)	(259,442)
Total investment return, net of fees	\$ 5,552,600	\$ (9,725,932)

Note 4—Property and equipment

Property and equipment, net, at September 30 are summarized as follows:

	2023	2022
Buildings and building improvements	\$ 14,775,616	\$ 14,775,616
Land and land improvements	1,584,923	1,584,923
Furniture and equipment	1,962,957	2,560,399
Total property and equipment	18,323,496	18,920,938
Less accumulated depreciation	(2,783,969)	(2,540,440)
Property and equipment, net	\$ 15,539,527	\$ 16,380,498

Note 5—Right-of-use assets and lease liabilities

The Council leases certain equipment. The Council determines whether a contract contains a lease at inception by determining if the contract conveys the right to control the use of identified property or equipment for a period of time in exchange for consideration. The Council has lease agreements with lease and non-lease components, which are generally accounted for separately with amounts allocated to the lease and non-lease components based on relative stand-alone prices.

The ROU assets and lease liabilities are recognized at the commencement date based on the present value of the future minimum lease payments over the lease term. Renewal and termination clauses are factored into the determination of the lease term if it is reasonably certain that these options would be exercised by the Council.

Lease assets are amortized over the lease term unless there is a transfer of title or purchase option reasonably certain of exercise, in which case the asset life is used. Certain lease agreements include variable payments. Variable lease payments not dependent on an index or rate primarily consist of common area maintenance charges and are not included in the calculation of the ROU asset and lease liability and are expensed as incurred. In order to determine the present value of lease payments, the Council uses the implicit rate when it is readily determinable. As most of the Council’s leases do not provide an implicit rate, management uses the U.S. Treasury’s risk-free rate at lease commencement to determine the present value of lease payments.

The Council’s lease agreements do not contain any material residual value guarantees or material restrictive covenants. The Council does not have leases where it is involved with the construction or design of an underlying asset. The Council has no material obligation for leases signed but not yet commenced as of September 30, 2023.

In connection with the Council’s adoption of ASU 2016-02, *Leases*, the Council elected the following practical expedients:

- The Council elected the three transition practical expedients that permit an entity to: (a) not reassess whether expired or existing contracts contain leases, (b) not reassess lease classification for existing or expired leases, and (c) not consider whether previously capitalized initial direct costs would be appropriate under the new standard.
- The Council has elected the practical expedient not to recognize leases with terms of 12 months or less on the statement of financial position and instead recognize the lease payments on a straight-line basis over the term of the lease and variable lease payments in the period in which the obligation for the payments is incurred. Therefore, short-term lease expense for the period does not reflect ongoing short-term lease commitments. Lease expense for

such short-term leases was not material for the year ended September 30, 2023.

- The Council has elected to utilize the risk-free discount rate to measure lease assets and liabilities in instances where the rate implicit in the lease is not reasonably identifiable.

Total lease expense recognized is included in the statement of activities as of September 30, 2023 as follows:

Operating:

Operating leases, included in operating expenses \$ 49,110

Finance:

Amortization of assets, included in depreciation and amortization 108,917

Interest, included in interest expense 10,378

Net operating and finance lease cost \$ 168,405

Cash flow information:

Cash paid for amounts included in measurement of lease liabilities:

Operating cash flows from operating leases \$ 48,997

Operating cash flows from finance leases 6,250

Financing cash flows from finance leases 77,720

Lease assets obtained in exchange for lease liabilities:

Operating leases 128,254

Finance leases 492,466

Lease term and discount rate:

Weighted average remaining lease term—operating leases 1.81

Weighted average remaining lease term—financing leases 2.38

Weighted average discount rate—operating leases 4.11%

Weighted average discount rate—financing leases 3.97%

Aggregate maturities of lease obligations for each of the subsequent years as of September 30, 2023 are as follows:

	Finance	Operating
2024	\$ 201,115	\$ 48,997
2025	146,640	34,285
2026	88,485	3,239
Total undiscounted cash flows	436,240	86,521
Less present value discount	(17,367)	(2,996)
Total lease liabilities	\$ 418,873	\$ 83,525

Note 6—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 Director’s discretion.

The expense charged to operations for the plans was \$745,214 and \$745,110 for the years ended September 30, 2023 and 2022, respectively. As of September 30, 2023 and 2022, \$424,555 and \$379,315, respectively, was accrued as accrued retirement plan contribution on the statements of financial position.

Note 7—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:

	2023	2022
Balance, beginning of year	\$ 30,789	\$ 91,441
Withdrawals	(31,224)	(61,624)
Interest accrued	435	972
Balance, end of year	\$ -	\$ 30,789

Expenses related to the Council’s interest on deferred compensation agreements totaled \$435 and \$972 for the years ended September 30, 2023 and 2022, respectively. Withdrawals in a given fiscal year are accrued as a short-term liability on the statements of financial position and paid in cash in October of the following fiscal year.

Effective August 19, 2021, the Board of Directors elected to freeze the deferred compensation plan effectively ending further elective deferrals. Subsequent to year-end, the deferred compensation plan was terminated.

Note 8—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 Council’s Board of Directors 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 Council’s Board of Directors 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 \$7,000,000 and \$4,600,000 at September 30, 2023 and 2022, respectively.

Note 9—Commitments and contingencies

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 10—Fair value disclosures

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, 2023 or 2022:

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.

Note 10—Fair value disclosures (continued)

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 table sets 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, 2023:

Investments at fair value at September 30, 2023

	Total	Level 1	Level 2	Level 3
Fixed income:				
Intermediate term bonds	\$ 22,239,741	\$ 22,239,741	\$ –	\$ –
U.S. treasury bonds	6,881,696	6,881,696	–	–
High yield bonds	3,733,454	3,733,454	–	–
Total fixed income	32,854,891	32,854,891	–	–
Mutual funds:				
U.S. large cap	13,201,158	13,201,158	–	–
U.S. small/mid cap	5,678,497	5,678,497	–	–
Emerging markets	1,668,169	1,668,169	–	–
Foreign large blend	3,219,832	3,219,832	–	–
Liquid alternatives	545,910	545,910	–	–
Real estate	2,046,360	2,046,360	–	–
Total mutual funds	26,359,926	26,359,926	–	–
Total investments	\$ 59,214,817	\$ 59,214,817	\$ –	\$ –

The following table sets 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, 2022:

Investments at fair value at September 30, 2022

	Total	Level 1	Level 2	Level 3
Fixed income:				
Intermediate-term bonds	\$ 19,119,033	\$ 19,119,033	\$ –	\$ –
High yield bonds	3,057,795	3,057,795	–	–
World bonds	2,642,692	2,642,692	–	–
Emerging markets bonds	1,108,745	1,108,745	–	–
Inflation-protected bonds	1,900,905	1,900,905	–	–
Total fixed income	27,829,170	27,829,170	–	–
Mutual funds:				
Large value	4,818,855	4,818,855	–	–
Large growth	4,743,507	4,743,507	–	–
Small value	1,832,998	1,832,998	–	–
Small growth	1,945,094	1,945,094	–	–
Foreign large blend	2,987,594	2,987,594	–	–
Diversified emerging markets	1,220,205	1,220,205	–	–
Real estate	2,514,922	2,514,922	–	–
Global real estate	911,029	911,029	–	–
Commodities broad basket	1,281,839	1,281,839	–	–
Total mutual funds	22,256,043	22,256,043	–	–
Total investments	\$ 50,085,213	\$ 50,085,213	\$ –	\$ –

Note 11—Functional expenses

Expenses by function and natural classification consist of the following for the years ended September 30, 2023 and 2022:

	2023			
	Program expenses		Administrative support services	Total
	Examination services	Member services		
Meetings and outreach	\$ 2,084,921	\$ 97,765	\$ 4,845,690	\$ 7,028,376
Personnel and human resources	3,989,601	1,552,241	3,252,129	8,793,971
Occupancy expense	158,379	38,578	173,251	370,208
Administrative expense	948,474	163,234	60,779	1,172,487
Technology services	232,215	98,158	331,512	661,885
Professional services	15,586,429	414,719	310,450	16,311,598
Depreciation and interest	384,413	130,544	489,271	1,004,228
Other	9,388	3,385	134,620	147,393
Total expenses	\$ 23,393,820	\$ 2,498,624	\$ 9,597,702	\$ 35,490,146

	2022			
	Program expenses		Administrative support services	Total
	Examination services	Member services		
Meetings and outreach	\$ 1,298,185	\$ 72,397	\$ 3,077,055	\$ 4,447,637
Personnel and human resources	3,936,337	1,607,608	3,043,749	8,587,694
Occupancy expense	152,908	37,245	167,267	357,420
Administrative expense	1,800,105	150,599	54,780	2,005,484
Technology services	273,593	66,641	299,283	639,517
Professional services	12,735,129	470,604	224,533	13,430,266
Depreciation and interest	345,703	124,315	431,651	901,669
Other	10,437	4,407	128,025	142,869
Total expenses	\$ 20,552,397	\$ 2,533,816	\$ 7,426,343	\$ 30,512,556

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 12—Subsequent events

The Council evaluated the effect subsequent events would have on the financial statements through December 7, 2023, which is the date the financial statements were available to be issued.



See

2023

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