



**2018 NCEES**  
**Annual Report**





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# Vision

The vision of NCEES is to provide leadership in professional licensure of engineers and surveyors through excellence in uniform laws, licensing standards, and professional ethics in order to safeguard the health, safety, and welfare of the public and to shape the future of professional licensure.

# Mission

The mission of NCEES is to advance licensure for engineers and surveyors in order to safeguard the health, safety, and welfare of the public. This mission is supported through its member boards, board of directors, staff, board administrators, and volunteers by:

- Providing outstanding nationally normed examinations for engineers and surveyors
- Providing uniform model laws and model rules for adoption by the member boards
- Promoting professional ethics among all engineers and surveyors
- Coordinating with domestic and international organizations to advance licensure of all engineers and surveyors

# BUILD



The NCEES vision and mission outline the basic units that the organization joins to achieve its aim of advancing licensure for engineers and surveyors in order to safeguard the health, safety, and welfare of the public. They define where the organization is going and how it will get there. They establish NCEES’ dual purpose of leadership and service.

This leadership and service of the engineering and surveying professions take a variety of forms and move the organization down diverse paths. Its leadership in licensing standards and professional ethics, its services to support licensure, and its outreach initiatives to promote professional engineering and surveying licensure all connect to a central focus: advancing licensure for engineers and surveyors.

A willingness to join in this shared commitment allows NCEES to build programs and initiatives central to its vision and mission. The members and staff of NCEES member licensing boards, exam development volunteers, and headquarters staff bring unique abilities and perspectives that are essential to reaching its ultimate goal. Their efforts to advance licensure allow NCEES to reach new heights—doing more and achieving more than its founders could have imagined in 1920. As with the organization’s founders, their determined commitment to public protection remains a grounding principle.



## From the President

The mission of NCEES—to advance licensure for engineers and surveyors in order to safeguard the health, safety, and welfare of the public—is succinct but ambitious. These few words form the bedrock of our efforts, and this mission guides the work of NCEES every day.

This annual report highlights the ways that NCEES and its member boards worked together and with other organizations in 2017–18 to maintain a solid foundation and build a bright future for the professions. Setting the standard for the professions—providing leadership in professional licensure for engineers and surveyors through excellence in uniform laws, licensing standards, and professional ethics—is a key building block in NCEES efforts to advance licensure. Supporting the professions is also critical, and NCEES remains committed to ensuring that our licensing exams and member services, including the Records and Credentials Evaluations programs, continue to meet the needs of the professions. Building the future of the professions—including promoting careers in engineering and surveying as well as professional licensure—is central to ensuring that the professions continue to meet the needs of the U.S. public. We have an ambitious mission, but the dedication of our member board members and staff and exam development

volunteers from across the country allows us to continue to make progress.

At the end of the 2017–18 financial year, NCEES welcomed a new chief executive officer, David Cox. He joined us from the Kentucky State Board of Licensure for Professional Engineers and Land Surveyors, where he served as executive director. He replaced Jerry Carter, who retired after 17 years with NCEES and now serves as CEO emeritus. NCEES is grateful for Jerry's dedicated service and excited to begin a new era with David leading our staff at NCEES headquarters.

In closing, I thank you for the opportunity to lead this organization. It has been an honor to serve the professions of engineering and surveying as president. For almost 100 years, U.S. licensing boards have been working together to find ways to support engineering and surveying licensure in order to better protect the public. It has been slow but steady work. I am proud of what we have accomplished so far and look forward to seeing what we can build together in the future.

*Patrick J. Tami*  
**PATRICK J. TAMI, P.L.S.**  
2017–18 NCEES PRESIDENT





## From the CEO

NCEES has built a strong organization firmly rooted in protecting the public. This has been achieved through leadership in the professions of engineering and surveying and a solid commitment to serving these professions.

Much of our work at NCEES concentrates on supporting our member boards. Our member services, including the Records program and Credentials Evaluations service, facilitate initial and comity licensure. The Continuing Professional Competency Registry, introduced in 2016, is one of the organization's newest initiatives to support licensure mobility. Over the past year, the number of account holders using the registry has almost doubled, and the number of continuing education courses entered in it has increased by 130 percent.

Exam services, which support the licensure process, encompass another primary area of focus. Computer-based testing is a major initiative for NCEES headquarters, both in terms of promoting and maintaining existing CBT exams and working toward transitioning the other exams to CBT. We introduced the first Principles and Practice of Engineering exam—the PE Chemical—in January 2018, and the PE Nuclear followed at the end of the year. Our exam development staff and volunteers are continuing to move the rest of the PE exams to a computer-based format.

Protecting the financial resources of NCEES is essential to ensuring that our organization 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, while total expenses for the year were below budget.

The work of NCEES is possible because of our volunteers. 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 as volunteers on exam development committees or participate in outreach activities. What these individuals are able to build together through their shared commitment is remarkable.

I am honored to serve as CEO of this organization. I believe in what it does and where it is heading. This annual report is a snapshot of the various ways that NCEES works to fulfill its mission. With its central focus on safeguarding the health, safety, and welfare of the American public, it is a mission worthy of the shared commitment of the NCEES member boards.

**B. DAVID COX**  
NCEES CHIEF  
EXECUTIVE OFFICER





**Setting  
the standard**





To learn more about efforts to determine best practices, visit [ncees.org/annualreport](https://ncees.org/annualreport).

Exam development committee chairs work with the Committee on Examinations for Professional Engineers to address EPE charges for 2017–18.

NCEES is committed to setting the standard in uniform laws, licensing requirements, and professional ethics. This commitment is central to NCEES efforts to safeguard the health, safety, and welfare of the public.

The organization is made up of 70 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, Puerto Rico, the Northern Mariana Islands, and the U.S. Virgin Islands.

In 2017–18, 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 uniformity among the states.

### Determining best practices

In August 2018, delegates from member boards gathered at the annual meeting in Scottsdale, Arizona, 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.

NCEES delegates voted to reorganize the *Model Law* and *Model Rules* language concerning structural engineering licensure, moving it from the main body of the documents to the appendices. This move allows NCEES to provide a template for jurisdictions that need model language for structural engineering while ensuring that the language in the main body of these model documents is consistent with NCEES policies.

Part of NCEES efforts to ensure that its standards continue to meet the needs of the engineering and surveying professions includes the work of the Surveying Exam Module Task Force. In 2017, NCEES delegates voted to authorize the development of one or more depth modules to supplement the Principles and

Practice of Surveying (PS) exam. The proposed module would relate to the U.S. Public Land Survey System (PLSS), with additional consideration for other modules such as the Metes and Bounds Survey System and mapping science. Currently, the PS exam has no depth modules, although most individual jurisdictions require separate state-specific exams.

President Patrick Tami, P.L.S., convened a task force for a two-year effort to study the structure of the PS exam and determine the best path forward. In 2017–18, the Surveying Exam Module Task Force evaluated the PS exam specifications to determine if they sufficiently cover the proposed PLSS and metes-and-bounds content. It examined current methods of testing PLSS and metes-and-bounds content on state-specific exams. It also evaluated the need for restructuring surveying licensing exams in terms of impacts on mobility and safeguarding the public, as well as the exam volumes that would be required to sustain psychometric viability and economic feasibility. The task force presented its finding in its report and led a workshop at the 2018 annual meeting to explain its work

and solicit feedback from member boards. The Surveying Exam Module Task Force is continuing its work in 2018–19.

### Improving regional mobility

While NCEES continues its efforts to facilitate mobility among all member boards, several member boards are working toward improving regional mobility. The licensing boards of Nevada and Wyoming welcomed the North Dakota State Board of Registration for Professional Engineers and Land Surveyors to the Regional Mobility Memorandum of Understanding for Professional Engineers. This agreement, which was originally signed by the Nevada State Board of Professional Engineers and Land Surveyors and the Wyoming Board of Professional Engineers and Professional Land Surveyors in August 2017, allows a person applying for an engineering license in one state to apply for licensure in the other participating states at the same time. The trio is developing an online common application to ease Model Law Engineer comity licensure.



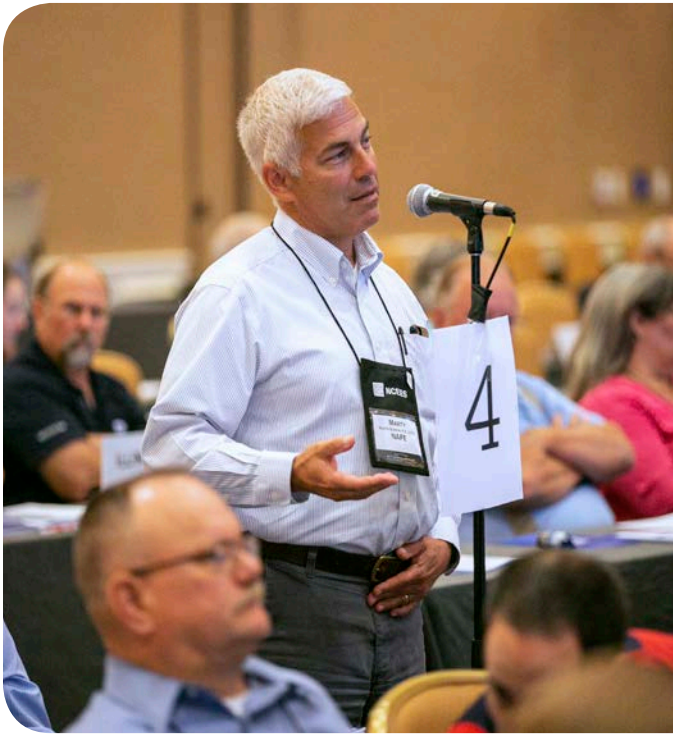
**Working with other organizations**

One of the key ways that NCEES supports its mission is coordinating with domestic and international organizations to advance licensure of all engineers and surveyors. NCEES liaises with other engineering and surveying organizations, with its counterparts for other professions, and with international engineering and surveying organizations to provide a wider scope and new opportunities for the organization.

Since 1965, NCEES has hosted the Participating Organizations Liaison Council (POLC), a group of organizations committed to the advancement of professional ethics and standards and the promotion of engineering and surveying licensure. Through the annual POLC meeting in March, the NCEES annual business meeting in August, and communications throughout the year, NCEES and the other 26 POLC societies maintained open dialogue about their policies and the opinions of their leadership on important issues of common interest.

The organization attended forums to ensure a strong outlook for the professions of engineering and surveying. NCEES attended the Leadership Meeting, an annual meeting of several engineering organizations, in November 2017. NCEES, ABET, the American Society of Civil Engineers, and the National Society of Professional Engineers discussed engineering education trends, autonomous vehicle regulation, threats to licensure, and the future of the profession. The organization also participated in the Future of the Engineering Profession Summit, held in February 2018, and the Forum on the Future of Surveying, held in June 2018.

NCEES continued to liaise with its counterparts for other professions as well. In January 2018, the organization participated in the annual Interprofessional Council on Registration Meeting with the National Council of Architectural Registration Boards, the Council of Landscape Architectural Registration Boards, and the Council for Interior Design Qualification. Leadership of these organizations discussed matters of mutual concern, including deregulation of design professions, as well as opportunities for collaboration.



Top: A representative of the National Academy of Forensic Engineers addresses the Council at the 2018 NCEES annual meeting.  
Bottom: NCEES and NSPE lead a workshop on threats to licensure at the 2018 NCEES annual meeting.  
Opposite: Patty Mamola, P.E., NCEES past president and Nevada State Board of Professional Engineers and Land Surveyors executive director, updates Council members on international engineering mobility accords.



**Increasing international influence**

Expanding the use of NCEES licensing exams outside the United States as an outcomes assessment tool and as a means to determine minimum competency are key objectives in the NCEES strategic plan. In 2017–18, NCEES collaborated internationally with other organizations to achieve these objectives and promote cross-border mobility.

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

In 2017–18, Past President Patty Mamola, P.E., served her second term as deputy chair of

APEC, and CEO Jerry Carter (now CEO emeritus) served as deputy chair of IPEA. As officers of the two mobility agreements, they served on the Executive Committee of IEA, which comprises 36 jurisdictions in 27 countries.

As a signatory of the APEC agreement and IPEA, NCEES is required to have 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 2017–18, the NCEES International Registry included 550 active professional engineer members, an increase of 15 percent over the previous year.

Through its efforts to determine best practices for professional licensing and working with other organizations domestically and internationally, NCEES worked throughout 2017–18 to set the standard for engineering and surveying licensure.





**Serving  
the professions**



The NCEES exam program and member services are key components of the organization's efforts to advance licensure for engineers and surveyors. These services address the needs of member boards, licensure candidates, and professional engineers and surveyors. Together, they form the foundation of NCEES services to the professions.

## Developing exams to determine professional competence

Providing national uniform licensing exams is vital to meeting NCEES' commitment to facilitating mobility and upholding standards for engineering and surveying licensure.

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), Principles and Practice of Engineering (PE), and Structural Engineering (SE) exams for engineering licensure and the Fundamentals of Surveying (FS) and Principles and Practice of Surveying (PS) exams for surveying licensure. Staff, psychometricians, and P.E. and P.S. subject-matter experts continuously review NCEES exams to ensure that they are reliable measures of candidates' competence.

FS exam development committee volunteers work together to create new exam items.

In the past year, 48,128 examinees took the FE exam, 30,599 took the PE exam, and 2,528 took the SE exam. During the same period, 1,205 FS and 719 PS examinees took their respective exams. Exam usage numbers for 2017–18 exams were higher than 2016–17 for all exams except the PS:

- FE: up 4 percent from 46,228
- PE: up 5 percent from 29,222
- SE: up 8 percent from 2,343
- FS: up 11 percent from 1,081
- PS: down 11 percent from 809



Members of the PE Chemical exam development committee update specifications for exam items.

## Growing international exam administration

NCEES currently has agreements with 16 foreign entities to administer its licensing exams in those countries. In December 2017, NCEES began offering the FS and PS exams in Saudi Arabia through an agreement with the Saudi Council of Engineers.

Through its exam administration partners, NCEES administered 2,060 FE exams in 2017–18 and 552 PE exams, a decrease of 2 percent and 5 percent, respectively, over 2016–17.

## 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).

The first computer-based PE exam—PE Chemical—was introduced in January 2018, and the PE Nuclear exam followed in October 2018. Like the FE, FS, and PS exams that had previously transitioned to CBT, the PE Chemical exam is offered year-round at approved Pearson VUE test centers and uses the linear-on-the-fly, or LOFT, format. For this exam format, examinees each have a unique set of exam questions that are similar in difficulty. Due to its lower examinee volume, the PE Nuclear exam is offered as a single-day testing event at approved

## Current international exam administration agreements

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

- |                         |  |
|-------------------------|--|
| – <b>Canada</b>         | – <b>Egypt+</b>                        |
| ● Alberta (FE, PE, SE)  | – <b>Emirate of Sharjah+</b>           |
| ● British Columbia*     | – <b>Japan+</b>                        |
| ● Manitoba*             | – <b>Qatar*</b>                        |
| ● New Brunswick*        | – <b>Saudi Arabia</b> (FE, PE, FS, PS) |
| ● Nova Scotia*          | – <b>South Korea+</b>                  |
| ● Prince Edward Island* | – <b>Taiwan+</b>                       |
| ● Saskatchewan*         | – <b>Turkey+</b>                       |

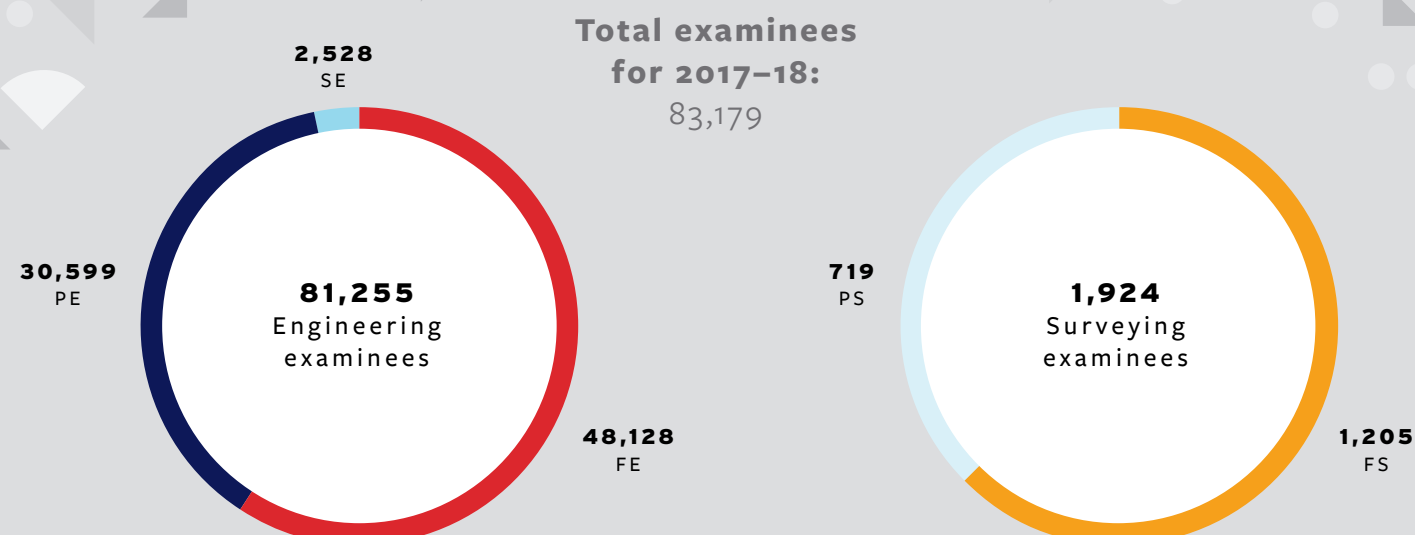
## Exams administered internationally 2017–18

FE exam **2,060**

PE exam **552**

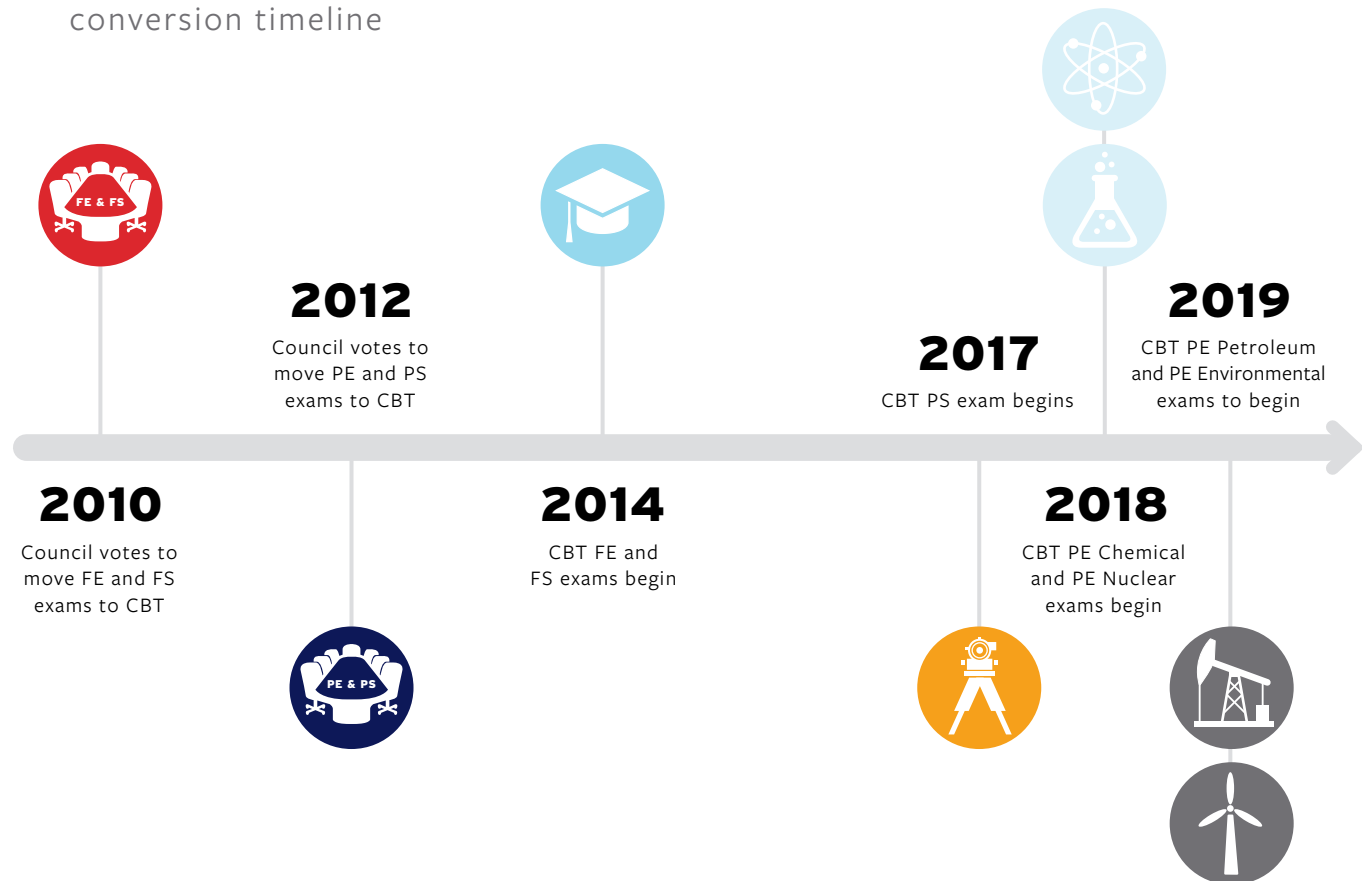
Pearson VUE test centers. This exam type uses a linear fixed format, in which all examinees receive the same questions.

The focus on CBT was 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, including the 16-hour SE exam, have been working toward this goal since the Council voted in 2012 to move all Principles and Practice exams to CBT. NCEES has posted a conversion timetable on its website to inform member boards and examinees about the date of transition and CBT format for each exam.





# Computer-based testing conversion timeline



## Updating exams for current practice

In addition to focusing 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:

- PE Architectural Engineering exam (introduced April 2018)
- PE Control Systems exam (to be introduced October 2019)
- PE Electrical and Computer exam—Computer Engineering; Electronics, Controls, and Communications; and Power modules (introduced April 2018)
- PE Environmental exam (introduced April 2018)

- PE Fire Protection exam (introduced October 2018)
- SE exam—Lateral Forces and Vertical Forces/Incidental Lateral components (introduced April 2018)
- PS exam (to be introduced January 2019)

NCEES also introduced new design standards for the PE Civil exam's Construction, Geotechnical, and Structural modules in April 2018 and for its Transportation module in October 2018.

As part of its efforts to reduce barriers to licensure, NCEES implemented a reduced registration fee for the FE and FS exams. In January 2018, the organization lowered the price by \$50 to \$175. The Council approved the action at its 2016 annual meeting to help ensure that cost is not a prohibitive factor in starting on the path to licensure.



Immediate above: Licensed structural engineers grade essay questions for the SE exam. Above: Volunteers review PE Industrial and Systems exam questions before they are scanned into the CBT item bank.

In March 2018, NCEES announced that the PE Software Engineering exam would be administered for the last time in April 2019. The board of directors decided to discontinue the exam, which was introduced in 2013, due to low examinee volume.

## 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 seven foreign countries in 2017–18.

Providing these services—including registering candidates, reserving exam sites, and hiring and training proctors—allows the organization to ensure a secure and uniform 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 directly to a state licensing board each time the Record holder applies for licensure, saving time and simplifying the application process.

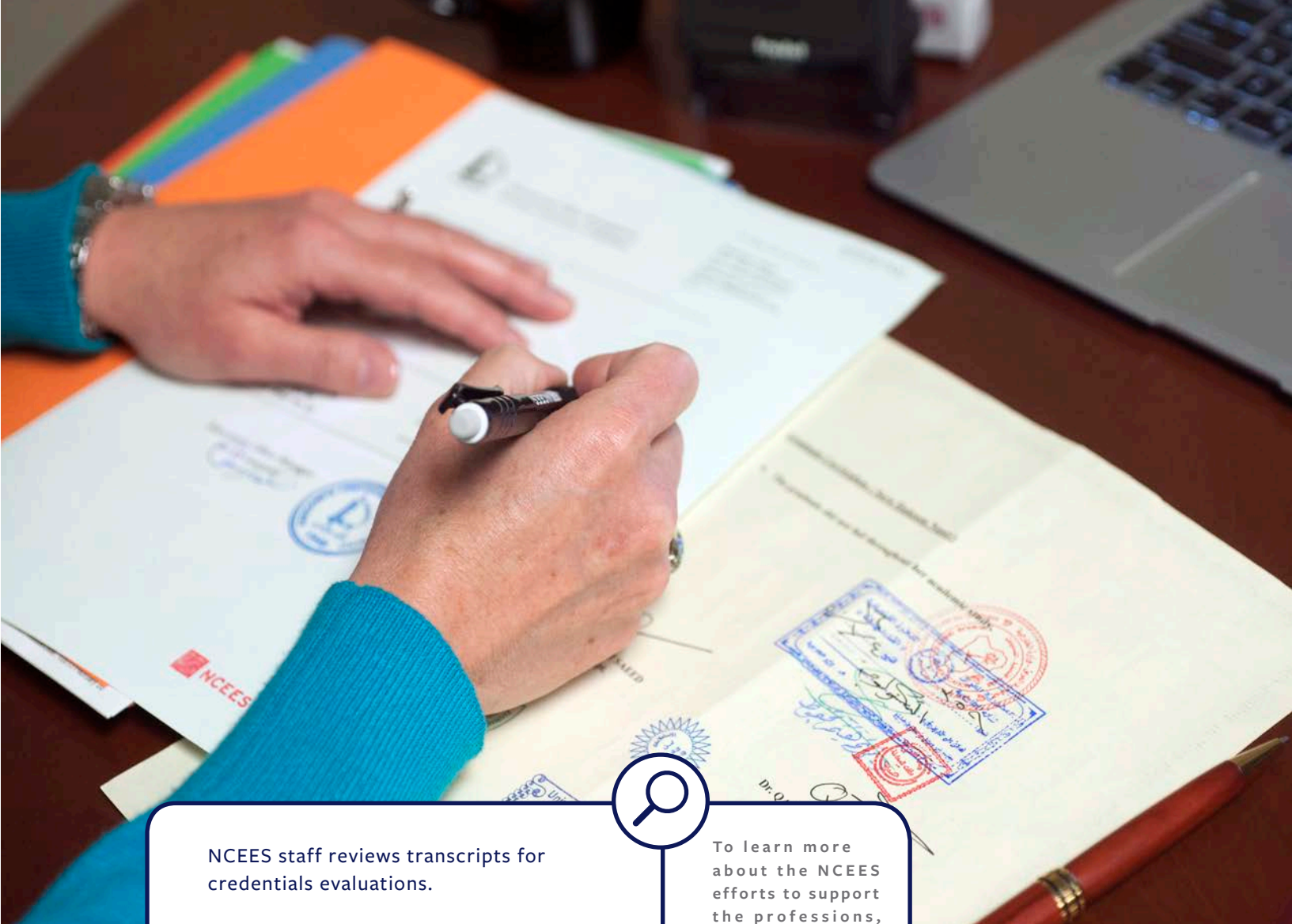
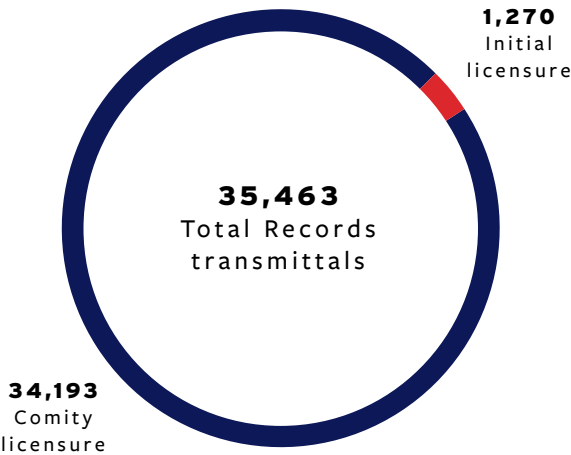
In 2016, NCEES expanded the Records program to allow member boards to use it for initial licensure applications. These Records have the same verified information as those used for comity licensure. In 2017–18, the number of boards using the system for initial applications grew to 15.

NCEES transmitted 35,463 Records to member licensing boards in 2017–18, an increase of 7 percent over the previous year.

NCEES also facilitates mobility through its Continuing Professional Competency (CPC) Registry. All 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 into the online system.

By the close of 2017–18, 8,600 MyNCEES account holders had tracked 108,002 completed CPC courses in the system.

Records program 2017–18



NCEES staff reviews transcripts for credentials evaluations.

In 2017–18, NCEES staff completed almost 2,400 evaluations, which boards use to help determine applicants’ eligibility for licensure.

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

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 2,396 evaluations in 2017–18, an increase of 6 percent over the previous year.

With its rich history of promoting licensure mobility and standardization, NCEES is committed to using its expertise and resources to support engineering and surveying licensure across state lines and national borders.

**CPC Registry**

Account holders tracking CPC credits

8,600

108,002 Courses entered





**Shaping  
the future**



As a leader in the engineering and surveying professions, NCEES is committed to attracting the best and brightest to these professions and communicating the benefits and responsibilities of licensure—laying the foundation for a strong future. The organization concentrates on promoting careers in engineering and surveying to K–12 students, promoting the career benefits of licensure to college students and young professionals, and promoting understanding of the professions’ safeguards to health, safety, and welfare to the public at large.

## Inspiring young minds

Through celebrating the professions and sponsoring hands-on learning activities, NCEES promoted careers in engineering and surveying to school children, their parents, and teachers in 2017–18.

An integral part of NCEES efforts to engage with K–12 students was the organization’s continued support of DiscoverE Engineers Week, which was held the third week in February to celebrate how engineers make a difference in our world. Working with DiscoverE allowed NCEES to promote the professions and the importance of licensure to a wider audience.

- NCEES chaired EWeek 2018 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, with guidance from teaching and engineering mentors, to design and build a city 150 years in the future. NCEES sponsored the award at regional competitions for the 5th year, and it celebrated its 15th year sponsoring the award at the national finals. By offering this award at more than 40 regional competitions and the finals this year, 40,000 students learned how surveying is critical to their communities now and in the future.
- At the Discover Engineering Family Day in Washington, D.C., NCEES members, volunteers, and staff shared their enthusiasm for engineering and surveying



NCEES volunteers introduce children and their parents to surveying at DiscoverE’s Family Day.

with two interactive activities. The event, celebrating its 26th year, attracted almost 6,000 children, parents, and community groups this year.

- As part of its celebrations for Introduce a Girl to Engineering Day, NCEES held a Girls Day Out event in Charlotte, North Carolina. Nearly 200 girls from Martin Luther King Jr. Middle School participated in hands-on engineering activities inspired by the IMAX film *Dream Big: Engineering Our World*. Additionally, Theresa Hilliard Hodge, P.E., emeritus member of the South Carolina Board of Registration for Professional Engineers and Surveyors and former Southern Zone vice president, represented NCEES at the Girl Day on Capitol Hill luncheon briefing in Washington, D.C. Hodge and others spoke on encouraging girls in STEM careers and improving diversity and inclusion in those fields.
- NCEES sponsored screenings of *Dream Big: Engineering Our World* at science centers in each of its four geographic zones. Almost 3,000 people watched the film at 16 NCEES-sponsored EWeek screenings.
- NCEES began preparations to serve as co-chair for the second consecutive year for EWeek 2019, with Past President Dale Jans, P.E., continuing to chair the DiscoverE steering committee.



NCEES continued its sponsorship of Dream Big, a project of DiscoverE and the American Society of Civil Engineers. In 2014–15, NCEES pledged \$500,000 over four years to support the initiative, which includes an IMAX movie of remarkable engineering feats and a K–12 outreach program to promote engineering in classrooms across the country. The accompanying suite of educational tools for teachers includes a lesson plan for a hands-on activity related to LiDAR and mapping with lasers as well as a video on being a licensed engineer. The P.E. license video is referenced in the Educator Guide’s background material and chemical engineering lessons plans, discussing the role of licensed professional engineers in protecting the public.

## Supporting other K–12 initiatives

NCEES provided financial contributions to several 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. With this funding, NCEES has become a founding member of the MATHCOUNTS executive round table of national sponsors.

Its other contributions included up to \$25,000 in matching funds for Teaching with Spatial Technology, 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: Students at Girls Day Out at Charlotte’s Discovery Place take part in the Squishy Circuits activity.

Middle: Volunteers help children construct straw bridges at an NCEES-sponsored Dream Big event.

Bottom: Local students test their building model on an earthquake simulator at an outreach event with NCEES staff.





### Connecting education and professional practice

NCEES also supported outreach initiatives at the college level. These initiatives are an important building block of NCEES efforts to promote acceptance of licensure as a standard for the professions of engineering and surveying—a standard that protects the public and unifies the members of those professions.

The organization promoted licensure to engineering educators and students through its NCEES Engineering Education Award. Now in its 10th year, the award recognizes engineering programs that encourage collaborations between college students and professional engineers. North Carolina State University’s biomedical engineering department won the \$25,000 grand prize, and seven other winners received \$10,000 awards.

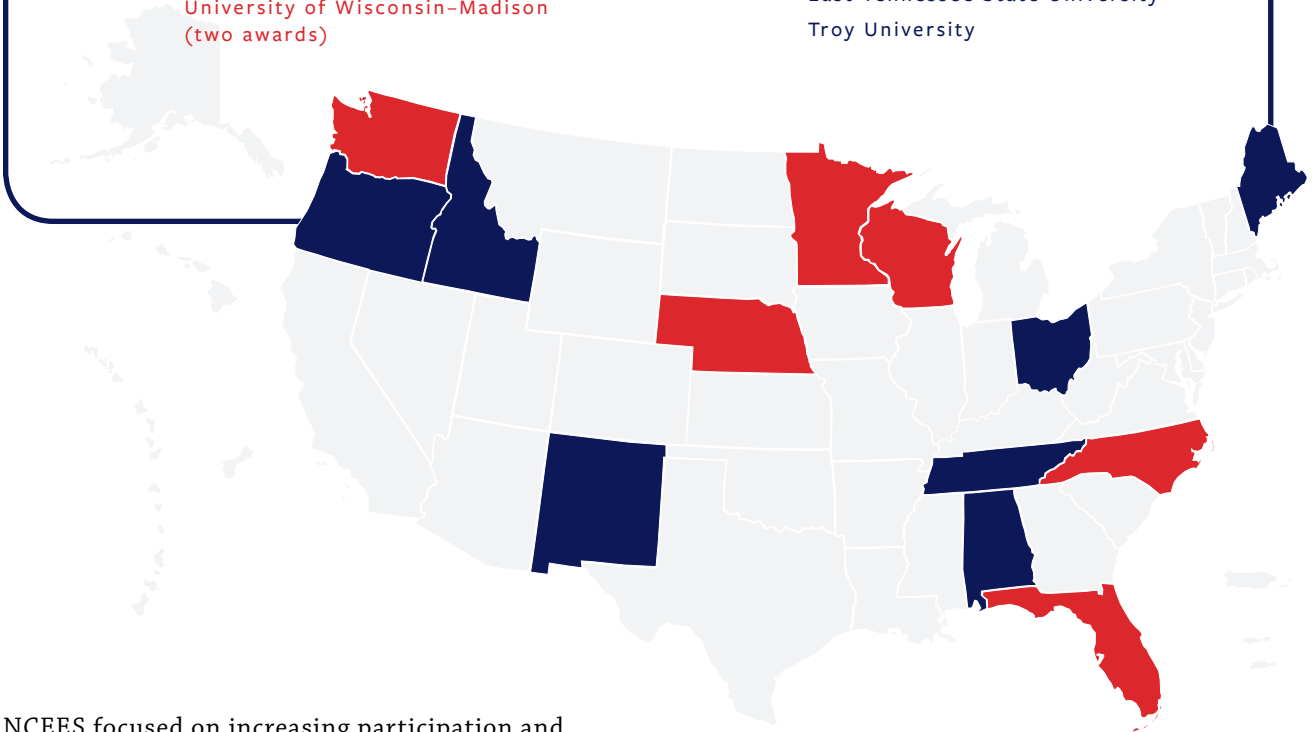
### NCEES Education Award winners 2018



**Engineering**  
**\$25,000 grand prize**  
 North Carolina State University  
**\$10,000 awards**  
 Miami University  
 Seattle University (two awards)  
 University of Minnesota Twin Cities  
 University of Nebraska–Lincoln  
 University of Wisconsin–Madison (two awards)



**Surveying**  
**\$25,000 grand prize**  
 University of Akron  
**\$15,000 awards**  
 Idaho State University  
 Oregon Institute of Technology  
 University of Maine  
**\$10,000 awards**  
 Central New Mexico Community College  
 East Tennessee State University  
 Troy University



NCEES focused on increasing participation and encouraging a broader spectrum of engineering programs to enter. In addition to pursuing new marketing opportunities, NCEES introduced new award amounts, increased the number of winners, and introduced new award categories for 2018. The award program received 97 entries for the 2018 award cycle, up from 21 entries in 2017.

NCEES celebrated its third 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 University of Akron Surveying and Mapping 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 its 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 benefited their careers. Speaker’s Link now has 222 members, and 244 new people downloaded the NCEES Speaker’s Kits for engineering and surveying, which NCEES offers to assist with licensure presentations.

### Engineering Education Award impact 2009–2018

Number of projects entered **322**  
 Prize money **\$657,500**

**52** Awards  
**33** Programs  
**23** States represented



President Tami (right) presents the 2018 Surveying Education Award \$25,000 grand prize to representatives of the University of Akron Surveying and Mapping program. Above: Members of the Engineering Education Award jury review the 2018 entries.





EWB-USA Executive Director Catherine Leslie, P.E., presents a funding proposal to delegates at the NCEES annual meeting. Delegates approved \$3 million over three years for a partnered campaign to promote licensure.

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

#### Collaborating to promote licensure

Since 2014, NCEES has steadily increased its support of Engineers Without Borders USA (EWB) to promote licensure to the organization's membership. This includes 9,300 student and 400 faculty advisors and mentors at 172 U.S. colleges as well as 4,800 professional members.

In 2017–18, NCEES contributed \$500,000 to EWB. The sponsorship funded a campaign to promote the importance of licensure to EWB student and professional members and to help them understand the steps to getting licensed. Through its partnership with EWB, NCEES promoted licensure, the NCEES Engineering Education Award, and the NCEES CPC Registry.

At the end of 2017–18, NCEES approved a transformational partnership: delegates at the 2018 annual meeting approved a contribution of \$3 million over three years for a partnered campaign with EWB to promote the benefits and value of licensure as a professional engineer and professional surveyor.



Visitors to SWE's conference for women engineers get information on licensure and NCEES resources.

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



To learn more about NCEES outreach initiatives, visit [ncees.org/annualreport](https://ncees.org/annualreport).

NCEES also partnered with the Society of Women Engineers to promote licensure. NCEES sponsored a Twitter #SWEcontest in April. Winning answers to questions such as “what makes you an engineer” and “what was your greatest success solving an engineering problem” won gift cards or FE and PE practice exams. In May, NCEES Chief Operating Officer Davy McDowell, P.E., participated in SWE's *Diverse* podcast to discuss the value of passing the FE exam and starting the path to licensure. In October, NCEES participated in WE18, SWE's conference for women engineers, and led a workshop on reasons to take the FE and PE exams.

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

In targeting K–12 and college students, unlicensed engineers and surveyors, and professional engineers and surveyors, NCEES built an outreach program directed at each group's needs—all focused on advancing licensure for engineers and surveyors.





Leading  
the commitment



The work of NCEES is not possible without the contributions of volunteers. 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 organization’s mission to advance licensure for engineers and surveyors. They form the organization’s leadership, serve on committees, develop exams, and participate in outreach events. Through their combined efforts, they allow NCEES to do more and be more.

At the 2018 annual meeting, 215 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 121 members, associate members, and emeritus members of member licensing boards served on NCEES standing committees and task forces. Many others were part of the 772 exam development volunteers who worked to develop exam questions and preparation materials. Volunteers were also central to NCEES outreach efforts, including promoting licensure to college students and participating in hands-on learning activities for K-12 initiatives.



Exam volunteers prepare the supplied-reference handbook for the PE Electrical and Computer exam’s transition to CBT.

### Exam development committees

772 Volunteers

51 Meetings

24,176 Hours

### Standing committees and task forces

12 Standing committees

2 Task forces

121 Members

99 Charges

### Speaker’s Link

Volunteer speakers 222

New volunteers for 2017-18 18

Events 43



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

Representatives of the North Carolina Board of Examiners for Engineering and Surveying prepare to vote on a motion at the 2018 NCEES annual meeting.



### Engaging member boards

NCEES worked on several initiatives this year to meet its strategic goal of the organization’s governance systems, processes, and structures facilitating 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 funded three voting delegates from each member board for annual and zone meetings. It also continued to fund all member board members and administrators appointed in the last 24 months to attend their first annual meeting. At the 2018 annual meeting, delegates voted to expand funding to include all member board administrators for the annual and zone meetings.

In 2017-18, 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 added nine visits,

bringing the total to 42 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 2018-19.

NCEES introduced a series of online seminars for member board administrators in November 2017. Each webinar featured a presentation and discussion about a topic relevant to NCEES exams and member boards, including the PE exams’ transition to CBT, the NCEES CPC Registry, updates to the online Records system, and motions to be presented at the 2018 annual meeting.

NCEES is committed to having active and engaged member boards. The members and staff of those boards answered the call in 2017-18, helping NCEES meet its mission to advance licensure for engineers and surveyors.





## 2017-18 NCEES Leadership

### Board of Directors

1. **President:** Patrick Tami, P.L.S.
2. **President-Elect:** James Purcell, P.E.
3. **Immediate Past President:**  
Daniel Turner, Ph.D., P.E., P.L.S.
4. **Treasurer:** Timothy Rickborn, P.E.
5. **Central Zone Vice President:**  
Maurice Bowersox, 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 Hanson, P.E.

### Zone Assistant Vice Presidents

- Central Zone:** Nirmal Jain, P.E.  
**Northeast Zone:** Chris Duhamel, P.E., P.S.  
**Southern Zone:** Timothy Lingerfelt, P.L.S.  
**Western Zone:** Chun Lau, P.E., S.E.

### Zone Secretary-Treasurers

- Central Zone:** Dennis Martenson, P.E.  
**Northeast Zone:** Ronald Willey, Ph.D., P.E.  
**Southern Zone:** Lamberto (Bobby) Balli, P.E.  
**Western Zone:** Richard (Ric) Moore, P.L.S.

### Executive Staff

- Chief Executive Officer:** Jerry Carter\*  
**Chief Operating Officer:** Davy McDowell, P.E.

*\*David Cox was named CEO at the 2018 annual meeting and assumed this role at the beginning of the 2018-19 fiscal year.*

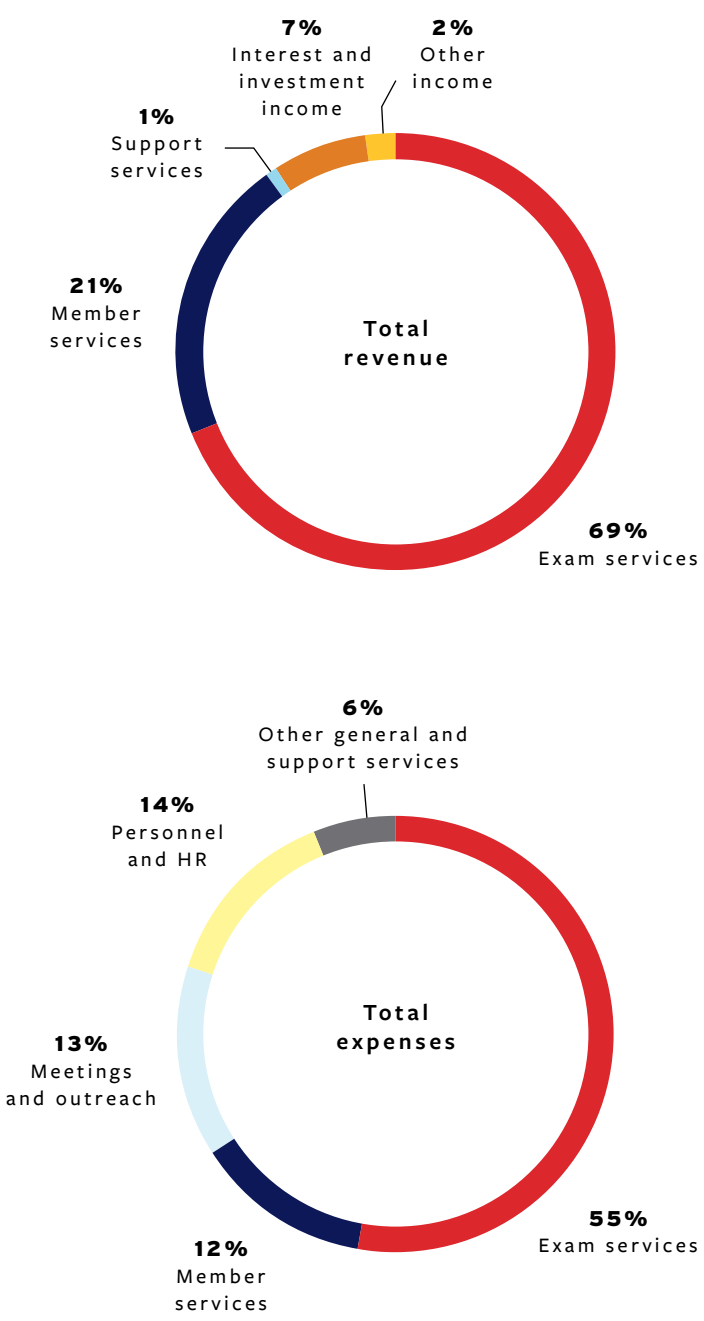
### Senior Staff

- 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





2017-18  
**Revenue and  
Expense Summary**



**Total Revenue**  
**\$33,955,781**

Revenue from operations  
**\$30,925,606**

- Exam services  
**\$23,323,581**
- Member services  
**\$7,088,350**
- Support services  
**\$513,675**

Revenue from nonoperating items  
**\$3,030,175**

- Investment return, net of fees  
**\$2,230,175**
- Other income  
**\$800,000**

**Total Expenses**  
**\$26,921,281**

Exam services  
**\$14,710,625**

Member services  
**\$3,296,013**

Support services  
**\$8,914,643**

- Meetings and outreach  
**\$3,541,015**
- Personnel and human resources  
**\$3,913,703**
- Other general and support services  
**\$1,459,925**

**Change in Net Assets**  
**\$7,034,500**

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

**Protecting  
financial resources**



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 2017–18 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, 2018 and 2017, 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, 2018 and 2017, 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.



Greenville, South Carolina  
November 19, 2018



National Council of Examiners for Engineering and Surveying  
**Statements of Financial Position**  
**September 30, 2018 and 2017**

	2018	2017
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 21,124,165	\$ 16,923,872
Certificates of deposit	7,031,596	6,249,984
Accounts receivable, net	144,080	90,951
Prepaid expenses	523,031	419,982
Total Current Assets	28,822,872	23,684,789
Noncurrent Assets:		
Investments	47,355,884	45,464,912
Property and equipment, net	3,701,834	3,985,751
Total Noncurrent Assets	51,057,718	49,450,663
<b>Total Assets</b>	<b>\$ 79,880,590</b>	<b>\$ 73,135,452</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 1,526,857	\$ 1,422,056
Accrued vacation pay	436,036	439,990
Accrued wages and payroll taxes	271,274	204,855
Accrued retirement plan contribution	305,537	309,442
Customer prepayments	8,005,575	8,310,301
Deferred membership fees	106,630	113,238
Current maturities of capital lease obligation	86,260	106,638
Total Current Liabilities	10,738,169	10,906,520
Noncurrent Liabilities:		
Capital lease obligation, less current maturities	32,692	106,672
Deferred compensation	207,707	254,738
<b>Total Liabilities</b>	<b>10,978,568</b>	<b>11,267,930</b>
Unrestricted Net Assets:		
Undesignated	65,502,022	58,467,522
Board designated	3,400,000	3,400,000
<b>Total Unrestricted Net Assets</b>	<b>68,902,022</b>	<b>61,867,522</b>
<b>Total Liabilities and Unrestricted Net Assets</b>	<b>\$ 79,880,590</b>	<b>\$ 73,135,452</b>

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

National Council of Examiners for Engineering and Surveying  
**Statements of Activities**  
**Years Ended September 30, 2018 and 2017**

	2018	2017
Operating Revenues:		
Examination services	\$ 23,323,581	\$ 23,472,481
Member services	7,088,350	6,608,030
Support services	513,675	527,716
Total Operating Revenues	30,925,606	30,608,227
Direct Expenses:		
Examination services	14,710,625	13,303,799
Member services	3,296,013	3,374,179
Total Direct Expenses	18,006,638	16,677,978
Operating revenues in excess of direct expenses	12,918,968	13,930,249
General and Administrative Support Services Expense:		
Meetings and outreach	3,541,015	3,466,879
Personnel and human resources	3,913,703	3,691,941
Office expense	154,421	139,254
Administrative expense	115,012	106,410
Technology services	451,380	478,692
Insurance	64,919	67,203
Dues and professional fees	194,207	187,725
Depreciation and interest	479,986	476,425
Total General and Administrative Support Services Expense	8,914,643	8,614,529
Change in net assets from operations	4,004,325	5,315,720
Nonoperating Items:		
Investment return, net of fees	2,230,175	4,185,040
Other income	800,000	-
Total Nonoperating Items	3,030,175	4,185,040
Change in net assets	7,034,500	9,500,760
Net assets, beginning of year	61,867,522	52,366,762
Net assets, end of year	\$ 68,902,022	\$ 61,867,522

*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, 2018 and 2017**

	2018	2017
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 7,034,500	\$ 9,500,760
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	478,007	469,942
Loss on disposal of property	-	4,700
Unrealized losses (gains) on investments	1,245,633	(1,103,610)
Realized (gains) losses on investments	(2,264,168)	(2,358,454)
Net changes in operating assets and liabilities:		
Accounts receivable	(53,129)	(57,198)
Prepaid expenses	(103,049)	53,654
Accounts payable and accrued expenses	163,361	(284,048)
Customer prepayments	(304,726)	1,330,582
Deferred membership fees	(6,608)	2,001
Deferred compensation	(47,031)	(101,510)
Net cash provided by operating activities	6,142,790	7,456,819
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(171,077)	(461,020)
Purchase of investments	(35,771,394)	(21,604,963)
Proceeds from sale of investments	34,898,957	14,362,490
Purchases of certificates of deposit, net of maturities	(781,612)	(4,057,138)
Net cash used in investing activities	(1,825,126)	(11,760,631)
<b>Cash flows from financing activities:</b>		
Payments under capital lease obligation	(117,371)	(129,177)
Net cash used in financing activities	(117,371)	(129,177)
Net increase (decrease) in cash and cash equivalents	4,200,293	(4,432,989)
Cash and cash equivalents, beginning of year	16,923,872	21,356,861
Cash and cash equivalents, end of year	\$ 21,124,165	\$ 16,923,872
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid during the year for interest	\$ 1,979	\$ 6,483
Additions to property and equipment under capital lease obligation	\$ 23,013	\$ 202,749

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, 2018 and 2017**

**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 clearing house for matters pertaining to licensure of engineers, certifying professional records of engineers, 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 three classifications: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- *Unrestricted*—Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by the Council or may otherwise be limited by contractual agreements with outside parties.
- *Temporarily Restricted*—Net assets whose use by the Council is subject to donor-imposed stipulations that can be fulfilled by actions of the Council pursuant to those stipulations or that expire by the passage of time.
- *Permanently Restricted*—Net assets subject to donor-imposed stipulations that they may be maintained permanently by the Council.

The Council does not have any temporarily restricted or permanently restricted net asset at September 30, 2018 and 2017.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-

restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the 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, 2018 and 2017 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, 2018, 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, 2018 and 2017 are included in investments on the statements of financial position.

*Accounts Receivable*—Accounts receivable, consisting of registration 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, 2018 and 2017..

*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, 2018 and 2017

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, 2018 and 2017 totaled \$478,007 and \$469,942, 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, 2018.

*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.

*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. Management does not expect the adoption of this pronouncement to have a material impact on the Council’s financial statements.

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, 2019. 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, 2018 and 2017

Note 2—Investments and certificates of deposit

Investments by category at September 30 are summarized as follows:

	2018	2017
Mutual funds	\$ 35,499,849	\$ 32,678,606
Fixed income	10,780,500	4,665,814
Equity securities	-	6,134,492
Certificates of deposit with maturities less than a year	7,031,596	6,249,984
Certificates of deposit with maturities greater than a year	1,075,535	1,986,000
	<u>\$ 54,387,480</u>	<u>\$ 51,714,896</u>

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

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

	2018	2017
Interest and dividend income	\$ 1,445,928	\$ 949,181
Net realized and unrealized gains	1,018,535	3,462,064
Fees	(234,288)	(226,205)
Total investment return, net	<u>\$ 2,230,175</u>	<u>\$ 4,185,040</u>

Note 3—Property and equipment

Property and equipment at September 30 are summarized as follows:

	2018	2017
Buildings and building improvements	\$ 7,261,570	\$ 7,151,009
Land improvements	113,273	113,273
Furniture and equipment	1,802,925	1,760,685
Total property and equipment	9,177,768	9,024,967
Less accumulated depreciation	(5,475,934)	(5,039,216)
Property and equipment, net	<u>\$ 3,701,834</u>	<u>\$ 3,985,751</u>



**Note 4—Leases**

The Council’s 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.

The Council has entered into other noncancelable operating leases for equipment that range from two to five 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 2020. Assets under capital leases consist of the following at September 30:

	2018	2017
Equipment	\$ 327,420	\$ 319,157
Less accumulated depreciation	(198,342)	(97,869)
Property and equipment, net	\$ 129,078	\$ 221,288

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

At September 30, 2018, 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
2019	\$ 75,953	\$ 48,658
2020	47,578	48,658
2021	-	46,530
2022	-	22,411
2023	-	15,861
Total minimum lease payments	\$ 123,531	\$ 182,118
Less amounts representing interest	(4,579)	
Present value of net minimum lease payments	118,952	

Less current installments of obligations under capital leases	(86,260)
Obligations under capital leases, net of current installments	\$ 32,692

Rent expense under operating lease was \$85,141 and \$93,122 for the years ended September 30, 2018 and 2017, respectively, and is included in general and administrative support services expense on the statements of activities.

**Note 5—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 twenty one 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 \$565,252 and \$566,257 for the years ended September 30, 2018 and 2017, respectively. As of September 30, 2018 and 2017, \$305,537 and \$309,442, respectively, was accrued as amounts due to the profit sharing plan trust on the statements of financial position.

**Note 6—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:

	2018	2017
Balance, beginning of year	\$ 254,738	\$ 356,248
Amounts deferred	135,352	133,833
Withdrawals	(185,376)	(239,296)
Interest accrued	2,993	3,953
Balance, end of year	\$ 207,707	\$ 254,738

Expenses related to the Council’s deferred compensation agreements totaled \$138,346 and \$137,785 for the years ended September 30, 2018 and 2017, respectively.

**Note 7—Designated net assets**

As the Council is providing licensure examinations to professionals entering the engineering and land surveying professions, it is essential that 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 that 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, 2018 and 2017.

**Note 8—Professional liability insurance**

The Council is not currently involved in litigation related to professional liability claims. Management believes that 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 9—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 non-operating income.

**Note 10—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, 2018 and 2017.

*Equity Securities and 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, 2018 and 2017:

**Investments at Fair Value at September 30, 2018**

	Fair Value	Level 1	Level 2	Level 3
<b>Certificates of Deposit (CD):</b>				
CDs with maturities greater than a year	\$ 1,075,535	\$ 1,075,535	\$ –	\$ –
<b>Fixed Income:</b>				
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	–	–
<b>Mutual Funds:</b>				
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	2,465,695	2,465,695	–	–
Total Mutual Funds	35,499,849	35,499,849	–	–
Total Investments	\$ 47,355,884	\$ 47,355,884	\$ –	\$ –

**Investments at Fair Value at September 30, 2017**

	Fair Value	Level 1	Level 2	Level 3
<b>Certificates of Deposit (CD):</b>				
CDs with maturities greater than a year	\$ 1,986,000	\$ 1,986,000	\$ –	\$ –
<b>Equity Securities:</b>				
Large cap growth	\$ 1,293,611	\$ 1,293,611	\$ –	\$ –
Large cap value	2,352,013	2,352,013	–	–
Large cap blend	78,182	78,182	–	–
Small/mid cap value	1,412,788	1,412,788	–	–
Small/mid cap growth	997,898	997,898	–	–
Total Equity Securities	6,134,492	6,134,492	–	–
<b>Fixed Income:</b>				
Investment-grade corporate bonds	2,484,262	2,484,262	–	–
U.S. treasury bonds	763,329	763,329	–	–
Mortgage-backed bonds	1,380,531	1,380,531	–	–
Foreign bonds	37,692	37,692	–	–
Total Fixed Income	4,665,814	4,665,814	–	–
<b>Mutual Funds:</b>				
Fixed income	4,560,343	4,560,343	–	–
Large cap growth	2,426,139	2,426,139	–	–
Large cap value	3,999,327	3,999,327	–	–
Small/mid cap value	817,612	817,612	–	–
Small/mid cap growth	495,534	495,534	–	–
Small/mid cap blend	44,114	44,114	–	–
International	6,700,600	6,700,600	–	–
Emerging market	3,039,806	3,039,806	–	–
Real estate	2,756,074	2,756,074	–	–
Tactical allocation	5,431,874	5,431,874	–	–
Commodities	2,407,183	2,407,183	–	–
Total Mutual Funds	32,678,606	32,678,606	–	–
Total Investments	\$ 45,464,912	\$ 45,464,912	\$ –	\$ –

**Note 11—Subsequent events**

The Council evaluated the effect subsequent events would have on the financial statements through November 19, 2018, which is the date the financial statements were available to be issued.



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