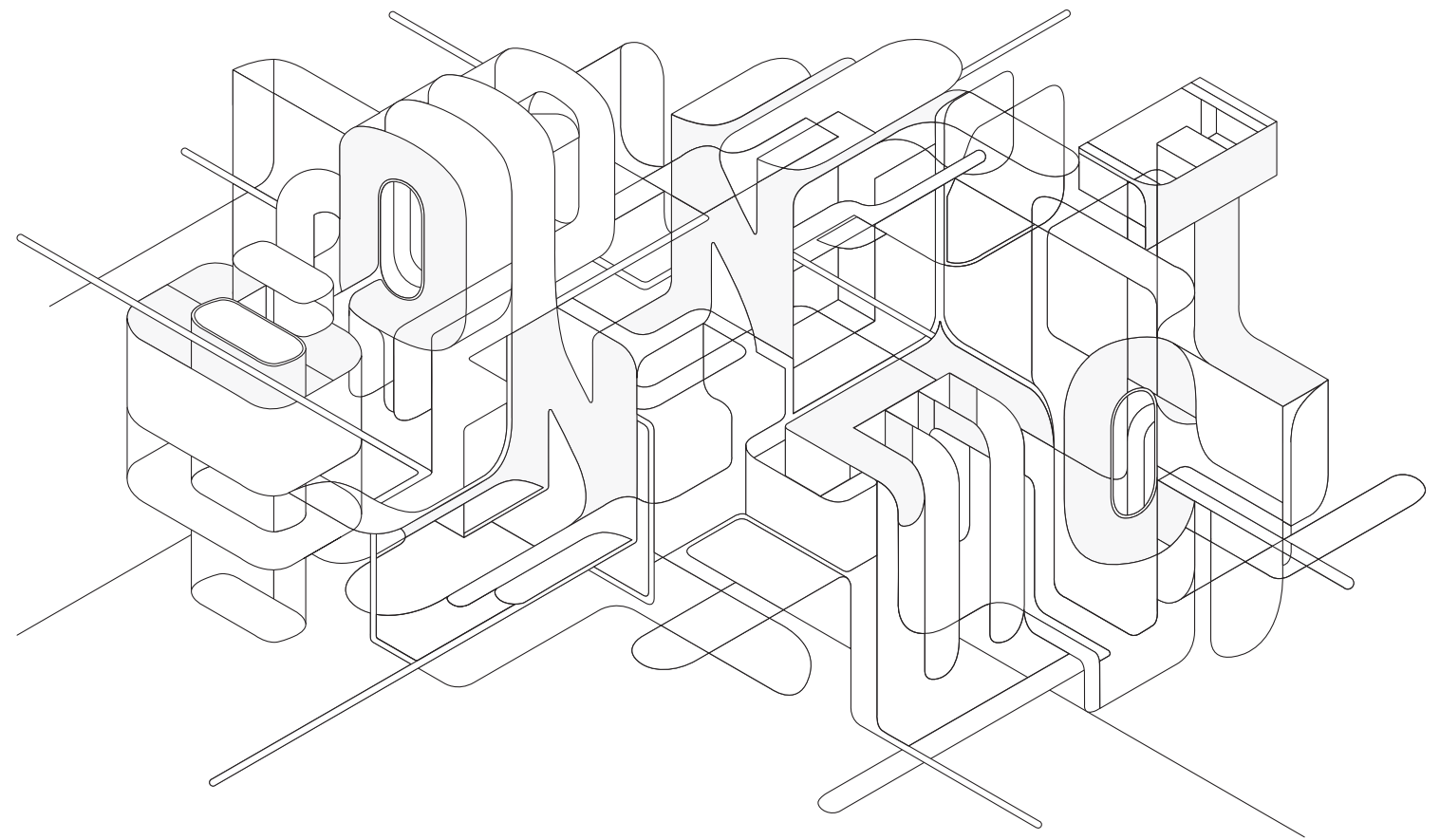




NCEES
2016
ANNUAL REPORT



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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

CONNECT

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. It builds through connections—uniting member boards to work together to promote mobility, to provide model laws and rules as well as exams that set the standard for the engineering and surveying professions, and to promote professional ethics. It engages with K-12 and college students to promote careers in engineering and surveying and to promote the rights and responsibilities of licensed practice. It coordinates with organizations both domestically and internationally to advance licensure.

It is a willingness to join in a common commitment that allows NCEES to build the programs and initiatives central to its vision and mission. The members and staff of its 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 support NCEES as a modern, multidimensional organization. Their resolute commitment to safeguarding the health, safety, and welfare of the public remains a grounding foundation.



From the **President**

NCEES is an organization that brings people together—including members and staff of our 70 member licensing boards, professional engineers and surveyors from across the country, and individuals working toward becoming licensed professionals. The organization has a unique dual role as leader and servant, but essential to both is the ability to listen and to work with others.

This annual report highlights the various ways that NCEES has connected with member boards, examinees, students and educators, professional engineers and surveyors, and other professional organizations to further our mission to advance licensure for engineers and surveyors.

NCEES has found new connections to advance licensure this year. Our Future of Surveying Forum and Emerging Engineers and Surveyors Group allowed us to bring together other professional organizations, students, and young professionals to find new solutions to ensure that our professions meet the needs of the public going forward. Our continued work toward transitioning our licensing exams to computer-based testing provides better access to the exams through year-round testing and a more convenient, uniform, and secure exam experience. We have also focused on keeping licensure relevant and promoting our professions to future generations through various outreach initiatives.

Protecting the financial resources of NCEES is essential to ensuring that the organization can continue to fulfill its mission. Our financial statements, which begin on page 28 of this report, show that NCEES remains financially sound. Total revenues from operations this year were above budget, primarily because of higher volumes for the computer-based and pencil-and-paper exams. Revenue from Records and Credentials Evaluations was below budget due to the new fee structure implemented with the launch of E3, the new customer management system. However, revenue from Exam Administration Services and study materials was above budget, and total expenses for the year were below budget.

I thank you for the opportunity to lead this organization. Through NCEES, our state licensing boards have been working together for 96 years to achieve more. Our professions are stronger and the public is better protected because of our willingness to connect with each other, the public, and other organizations to find better solutions. As we celebrate our successes, I am confident that we will continue to work together to advance licensure for engineers and surveyors in the future.

Michael J. Conzett, P.E.
2015–16 NCEES President



From the **Chief Executive Officer**

Our connections at NCEES go back a long way. Since 1920, we have been working to connect with each other, with other organizations, and with U.S. professional engineers and surveyors to advance licensure for engineers and surveyors. Advances in technology bring us new ways to connect, but fostering our relationships still matters most—listening to stakeholders, developing and improving services to meet their needs, sharing information and best practices, and collaborating with other professional organizations.

Much of our focus at NCEES headquarters is on supporting the member boards. The development and rollout of the new customer management system, which we call E3, have been a major focus this year. This large undertaking required the efforts of several staff departments. We consulted with member board administrators to find out what boards needed from the new system, and we connected with Record holders and Credentials Evaluations customers to find out how we could improve the services.


Computer-based testing has been another large focus, both in terms of developing new exams and working to increase the number of examinees taking the Fundamentals of Engineering and Fundamentals of Surveying exams. We were excited to introduce the

first computer-based professional exam—Principles and Practice of Surveying—in October 2016, and we are continuing to work with our exam development volunteers to transition the various Principles and Practice of Engineering exams to CBT. And our efforts to increase exam numbers have been successful: FE exam volume is up 14 percent over last year, and the FS exam is up 8 percent.


The work of NCEES is possible because of its volunteers. Members and staff of state licensing boards form the membership of NCEES standing committees and task forces as well as zone and national leadership. Others, along with professional engineers and surveyors from across the country, volunteer on exam development committees or participate in outreach activities. What they accomplish together is truly remarkable. NCEES thanks these dedicated professionals for their commitment. We are proud to serve the engineering and surveying professions and look forward to working together to make them even stronger in the future.

Jerry I. Carter
NCEES Chief Executive Officer



 **NCEES**
advancing licensure for
engineers and surveyors

 **NCEES**
advancing licensure for
engineers and surveyors

 **NCEES**
advancing licensure for
engineers and surveyors

UNITE
MEMBER BOARDS

NCEES formed in 1920 when 7 of the 10 U.S. licensing boards came together to create a national organization to facilitate licensure mobility—making it easier for a professional licensed in one state to practice in another. It focused on developing uniform examinations, enhancing cooperation among the state boards, and encouraging the adoption of similar requirements for licensure among states.

Today, the organization is made up of 70 licensing boards that regulate the engineering and surveying professions in the United States—located in each U.S. state, the District of Columbia, Guam, the Northern Mariana Islands, Puerto Rico, and the U.S. Virgin Islands. The goals established for the first Council meeting in 1920 remain central to the NCEES mission almost a century later.

Strengthening mobility

In 2015–16, the members of the Council continued to work together to determine best practices for the licensure of engineers and surveyors and to promote their adoption to protect the public and improve uniformity among the states.

In August 2016, delegates from the member licensing boards gathered in Indianapolis 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 described in them reflect a consensus of what the member boards think licensing laws and rules should be.

To help reduce possible cost barriers to licensure, delegates voted to amend the organization's policy on exam charges to lower the price for the Fundamentals of Engineering (FE) and Fundamentals of Surveying (FS) exams by \$50 to \$175 beginning January 2018. Delegates also set a price for the computer-based Principles and Practice of Engineering (PE) exam. None of the PE exams is currently administered through computer-based testing (CBT), but the organization is preparing for future transitions to CBT. The earliest that the new price of \$375 for computer-based PE exams could take effect is January 2018.

Delegates also adopted a position statement on remote sensing technologies. The statement says that the use of these technologies, such as light

detection and ranging (LiDAR), photogrammetry, and unmanned aircraft systems, as well as other emerging technologies should be under the responsible charge of a licensed professional in order to safeguard the public.

Improving member services

In June 2016, NCEES staff introduced the final phase of a multiyear project to develop a single user interface for all NCEES services. The new customer management system, known as E3, combines many of the organization's online services into one platform, all with one login. This allows member boards to go to one place for NCEES-related tasks, including exam approvals, license and exam verifications, and Records and Credentials Evaluations transmittals.

The NCEES Records program—one of the organization's key services for facilitating mobility—has existed in one form or another since the 1920s. It allows licensed professional engineers and surveyors to compile a record of the information typically needed for licensure by comity in other states. NCEES electronically submits these materials directly to the state licensing board each time the Record holder applies for a license, saving time and simplifying the application process.

With the introduction of E3, NCEES updated the Record that boards receive to make the format clear and consistent. The organization also focused on improving the quality and consistency of evaluations: NCEES contracted with independent professional engineers and surveyors who previously served on member boards to provide an initial review of work experience, which is then validated by a licensed member of NCEES staff, to ensure the experience is adequate and progressive. NCEES also added new options to reduce work for member boards, including the option to allow the system to use NCEES exam data to automatically verify exams results. Boards will soon be able to use the Record for initial licensure; these Records will have the same verified information as those used for comity licensure.

The new system gives examinees and licensees access to all NCEES services through their MyNCEES account. By establishing a free MyNCEES Profile, licensure candidates can document license requirements as they fulfill them rather than waiting until they apply for a license. A completed MyNCEES Profile includes the main elements required for initial and comity licensure. Anyone with a



Learn more about efforts of NCEES member boards to advance licensure at ncees.org/annualreport.

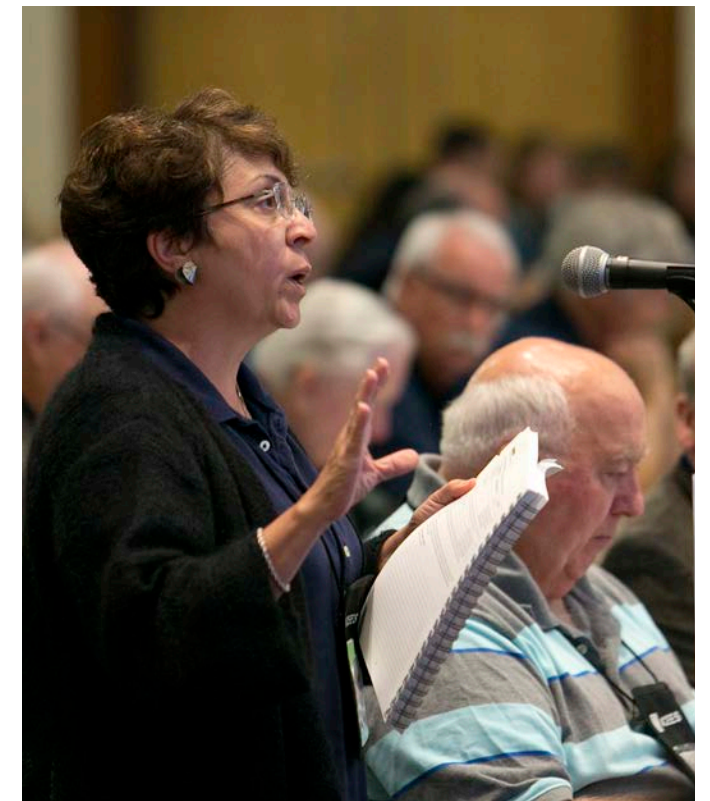
“Is licensure important and relevant? The answer to this is a resounding ‘yes.’ Licensure is important. Why? Because it makes a person smarter? No. Because it makes a person more qualified, more experienced? No and no. Licensure is important because it compels us to think differently about the work we do every day. It forces us to exercise our ethical muscles every time we place our signature or seal on a drawing or a report. It reminds us of our duty to place the interests of the public over and above our duty to any other party. And finally, licensure is a privilege, not a right. Licensure is important because it should make us behave and act differently, for we have something to lose: our license, along with our reputation and livelihood.”

Michael Conzett, P.E., 2015–16 NCEES president, on the importance of licensure

MyNCEES Profile can establish an NCEES Record by requesting a final review and transmittal of his or her profile to a member board for licensure consideration and by paying the review/transmittal fee. As part of the changes, NCEES eliminated initial application fees and annual renewal fees for established Records.

The new MyNCEES Profile provides another benefit to licensed engineers and surveyors: a free tracking service for continuing professional competency (CPC). All professional engineers and surveyors can document their CPC coursework and track it against member board requirements. Licensees will simply establish an account with NCEES, and the information that they log will be accessible by all member boards.

NCEES enhanced the Credentials Evaluations service with this update as well. All boards now have access to an individual's evaluation, which means there is no longer a separate transmittal fee to send it to a new board. The initial application fee was reduced from \$400 to \$350. The Credentials Evaluations



Milena Trust, attorney for the Maryland boards and member of the 2015–16 Committee on Uniform Procedures and Legislative Guidelines, explains the committee's proposed amendments to the 2016 annual meeting delegates. Previous spread: NCEES President Michael Conzett, P.E., opens the 95th NCEES annual meeting, which was held August 24–27 in Indianapolis, Indiana.

service reviews the educational background of applicants against the NCEES Engineering Education Standard and the NCEES 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.

The new E3 system allows NCEES to better serve the member boards and provide stronger guidance about the licensure path for students, interns, and professional engineers and surveyors.

Engaging members

Finding new ways for member boards to connect with NCEES and each other remains a key focus for the organization.

The redesign of the ncees.org website was an opportunity to find more productive and engaging ways to connect with website visitors. The redesign, launched in June 2016 along with E3, focused on making the site easier to navigate, increasing user engagement, and improving the format to work better with mobile devices. NCEES conducted extensive research—phone interviews with member board administrators as well as focus groups and surveys with students, interns, professionals, and educators—to identify opportunities for improvement.

Increasing participation from member boards

NCEES has worked on several initiatives this year to meet its strategic goal that the organization's governance systems, processes, and structures facilitate active and effective engagement of all member boards.

Board members connect with each other and share their ideas and feedback with NCEES at zone meetings and the annual meeting. To encourage higher attendance, the organization funded all member board members and administrators appointed in the last 24 months to attend their first annual meeting. At the 2016 annual meeting, delegates also voted to increase funding of delegates to the annual and zone interim meetings from two to three delegates.

Workshops at the annual meeting welcomed new members and promoted leadership opportunities within the organization. Delegates attending the meeting for the first time, including the 43 individuals who took advantage of the first-time attendee funding, attended a luncheon to get to know NCEES, its leaders, and the important role the annual meeting plays in advancing licensure. President Michael Conzett, P.E., then led a workshop on leadership exploration and development within NCEES. He explained the qualifications and duties for officers at the zone or national level.

At the May 2016 meeting, the board of directors approved an initiative to fund members of NCEES leadership or senior staff to attend member board meetings. The goal is to improve communication, increase awareness of the range of services and leadership opportunities, address questions, and dispel any misconceptions. More than a dozen boards accepted the initial offer; visits began in September 2016 and are continuing throughout the 2016–17 fiscal year.

Measuring professional competence

Providing uniform national licensing exams is an essential part of NCEES' work to facilitate mobility and uphold standards for engineering and surveying licensure. Before the first FE and PE exams were introduced in the 1960s and the FS and PS exams in the 1970s, the exams used for licensure varied for each state or territory. This made it difficult for a professional engineer or surveyor licensed in one jurisdiction to become licensed in another.

For member licensing boards, NCEES exams are an essential part of assessing whether someone is qualified to be a professional engineer or surveyor. More than 770 professional engineers and surveyors worked with staff and psychometricians this year to ensure that NCEES exams remain reliable, uniform measures of candidates' competence.

In the past year, 43,648 examinees took the FE exam; 24,723 sat for the PE exam; and 2,265 took the Structural Engineering (SE) exam. During the same period, 972 FS and 770 PS examinees took their respective exams. Exam usage numbers for 2015–16 exams were higher than 2014–15 for all NCEES exams except the PS exam:

- FE: up 14 percent from 38,211
- PE: up 5 percent from 23,498
- SE: up 4 percent from 2,186
- FS: up 8 percent from 900
- PS: down 9 percent from 848

Expanding computer-based testing

October 2016 started a new chapter for NCEES and its member boards: the first computer-based professional exam. Examinees began taking the computer-based PS exam at Pearson VUE test centers across the United States on October 3.

The new PS exam format is linear-on-the-fly testing, or LOFT, in which examinees each have a unique set of exam questions that are similar in difficulty. The same format is used for the FE and FS exams, which have been offered via CBT since 2014.

The computer-based PS exam introduced a new testing component: alternative item types (AITs). AITs are items other than traditional multiple-choice questions with one correct answer. They include

- Multiple choice (allows multiple answers to be correct)
- Point and click (click on part of a graphic to answer)
- Drag and drop (click on and drag items to match, sort, rank, or label)
- Fill in the blank (provides a space for examinees to enter a response to the question)



Learn more about the transition to CBT for NCEES exams at ncees.org/annualreport.

“A number of positive things can come from converting from the paper-and-pencil world to a computer-based test. Results come back much more quickly. There is a uniform testing experience for everyone that sits to take the exam. There's more security. There is the ability to start bringing in alternative item types that are going to be different ways to test.”

Davy McDowell, P.E., NCEES chief operating officer, on the benefits of computer-based testing

NCEES plans to next introduce AITs in the FE and FS exams and in the PE exams as they move to CBT in the future, providing new ways to test candidates' competence.

The focus on CBT was central to all exam development committees this year, with NCEES continuing to transition its other exams to a CBT format. The development committees for each of the 25 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.

Updating exams for current practice

In addition to focusing on the CBT transition, NCEES continued to develop, administer, and score its pencil-and-paper exams. NCEES conducted professional activities and knowledge studies, or PAKS, for several PE exams to keep them relevant to current professional practice. The studies resulted in updated specifications for the following exams:

- PE Environmental exam: introduced in April 2016
- SE exam: to be introduced in April 2018

NCEES also introduced new design standards for the PE Naval Architecture and Marine Engineering in April 2016.

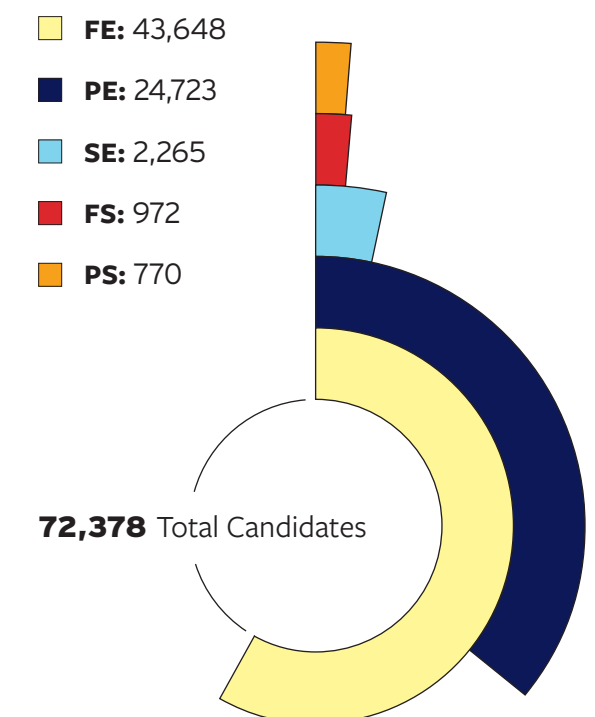
Supporting exam administration

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 (currently all PE and SE exams) are administered twice a year at various sites across the country. The number of jurisdictions for which the NCEES Exam Administration Services administers these exams remained constant this year at 44 U.S. jurisdictions and 8 foreign countries.

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 candidates and licensing boards.

Number of Candidates by Exam

Oct. 2015–Sept. 2016





NCEES



NCEES

LICENSES

ENGAGE
FUTURE GENERATIONS

...THE SPOT



Children put their engineering skills to the test at Flinker, one of two hands-on activities NCEES sponsored at DiscoverE Family Day to introduce children to the engineering and surveying professions. Part of DiscoverE Engineers Week, the event drew 8,200 children, parents, and teachers to the National Building Museum. Previous spread: Children learn to read a compass and measure their strides to start X Marks the Spot, an NCEES activity to promote surveying.

NCEES engages the public—including children, parents and teachers, engineering and surveying college students, and educators—to inspire future generations of professional engineers and surveyors. Outreach initiatives focus on promoting engineering and surveying as careers and promoting the rights and responsibilities of licensure.

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 2015–16.

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

- NCEES sponsored the best Land Surveying Practices special award for the Future City Competition. Future City challenges middle-school teams, with guidance from teachers and

engineering mentors, to design a city 150 years in the future. This is the fourth year that NCEES has sponsored the regional competitions and the 13th year it has offered the award at the national level. Through these awards, 4,000 Future City teams—which included more than 40,000 students—learned how surveying is critical to their communities now and in the future.

- At the DiscoverE Family Day in Washington, D.C., NCEES members, volunteers, and staff shared their enthusiasm for engineering and surveying with two interactive activities. Children put their compasses to good use and walked in the footsteps of real surveyors in X Marks the Spot. They also rolled up their sleeves and learned about the engineering process in Flinker. The event, celebrating its 24th year, attracted 8,200 children, parents, teachers, and community groups this year.
- NCEES Past President Dale Jans, P.E., shared his volunteer advice and experience in a Volunteerism = Professional Development webinar as part of DiscoverE’s first Global Day of the Engineer, held April 4. The worldwide event encouraged the international community



Learn more about NCEES’ newest award program at ncees.org/annualreport.

“I think having the 10 schools win this award certainly is going to help strengthen the programs. They could buy new equipment, use it for recognition. Hopefully, the bigger part is they could use this for recruitment.”

Scott Bishop, P.S., Utah board member, on the launch of the NCEES Surveying Education Award

to celebrate engineers, engage students in hands-on activities, and share local engineering innovations on social media.

- NCEES was again the primary sponsor of New Faces of Engineering—College Edition. This program, which NCEES has sponsored since it began in 2013, recognizes the best and brightest engineering students whose academic successes and experiences have positioned them to make an impact. College Edition maintains a year-round community on Facebook to share information on scholarship opportunities, events, NCEES exams, internships, jobs, and competitions.

NCEES continued its support of Dream Big, a project of 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 on remarkable engineering feats and a K–12 outreach program to promote engineering in classrooms across the country. NCEES staff served as advisors for the film, *Dream Big: Engineering Our World*, to ensure engineering and surveying licensure was appropriately represented. The film will premiere during DiscoverE Engineers Week in February 2017.

Supporting other K–12 initiatives

NCEES provided financial contributions to several organizations to support their outreach efforts. NCEES contributed \$25,000 to MATHCOUNTS, which provides competitions and clubs to empower middle-school students of all ability levels and backgrounds to reach their full potential in



Juror Tim Lingerfelt, P.L.S., reviews entries for the inaugural NCEES Surveying Education Award. NCEES introduced the award in 2016 to promote the surveying profession.

mathematics. Its other contributions included up to \$25,000 in matching funds for Teaching with Spatial Technology (TwIST), a program that teaches educators how to use geographic information systems (GIS) and global positioning systems (GPS) in the classroom to create meaningful and challenging lesson plans for students in grades 6–12.

Connecting education and professional practice

In addition to supporting classroom learning and promoting careers in engineering and surveying with K–12 audiences, NCEES provided financial and volunteer resources for outreach initiatives at the college level.

NCEES introduced a new initiative in 2015–16 to promote the surveying profession: the NCEES Surveying Education Award. The award recognizes surveying and geomatics programs that best reflect NCEES’ mission to advance licensure for surveyors in order to safeguard the health, safety, and welfare of the public. Jury members met in June 2016 to select 10 programs to receive the inaugural \$10,000 cash awards to assist with their continued efforts to promote the importance and value of licensure.



Find out more about NCEES outreach initiatives at ncees.org/annualreport.

“I think the award process is almost that third type of experience that a student can have as part of an academic experience that really gives them ‘hands-on.’ ... Engaging with professional engineers is a huge advantage to a program, and I think if more students got involved, you would see more students seeking licensure, as well, which is an important factor of the program.”

Michael Smith, D.Eng., DiscoverE Diversity Council chair and 2015–16 NCEES Engineering Award jury member, on the impact of the NCEES Engineering Award



NCEES president Michael Conzett, P.E., (left) presents the 2016 NCEES Engineering Award \$25,000 grand prize to Clarence Waters, Ph.D., P.E., and Dan Hahn, S.E., for the University of Nebraska-Lincoln's winning project, 888 Boylston Street-Interdisciplinary Team Design.



Above: Members of the NCEES Engineering Award jury discuss the projects competing for the 2016 awards. Since 2009, NCEES has awarded \$500,000 to academic programs that promote collaboration between students and professional engineers.

Below: As part of its continued support of Engineers Without Borders-USA, NCEES sponsored a promotion for Water Cooler, EWB's social media hub. The promotion invited people to share why they wanted to be an engineer.

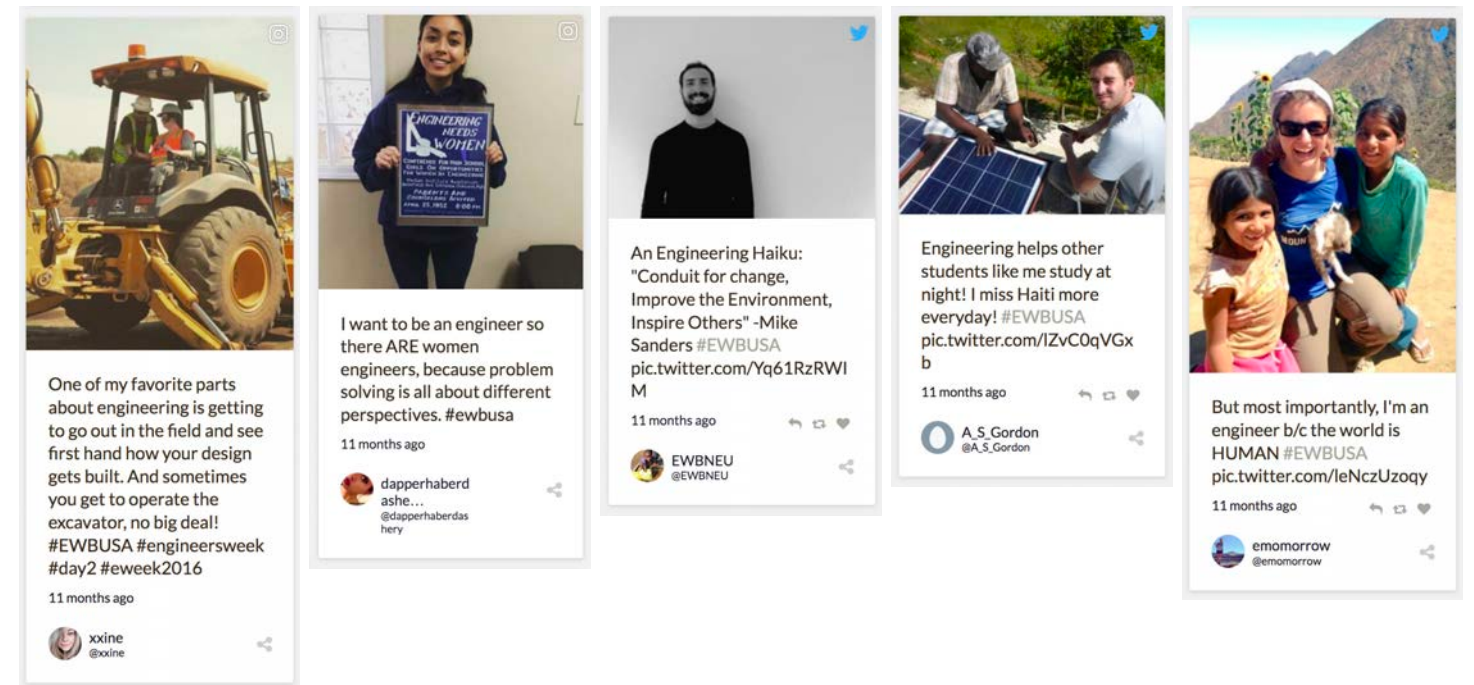
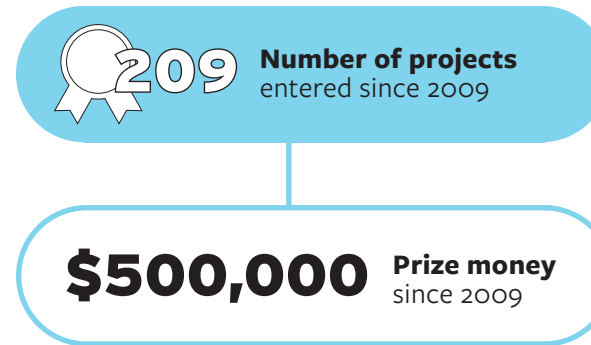
The organization also promoted licensure to engineering educators and students through its Engineering Award for Connecting Professional Practice and Education. Now in its eighth year, the award recognizes engineering programs that encourage collaboration between college students and professional engineers. The University of Nebraska-Lincoln Charles W. Durham School of Architectural Engineering and Construction won the \$25,000 grand prize, and five other winners received \$7,500 awards.

NCEES continued its support of Engineers Without Borders-USA by sponsoring a promotion for Water Cooler, EWB's new social hub. Launched during DiscoverE Engineers Week 2016, the social media contest invited engineers and aspiring engineers to share their stories of why they wanted to be an engineer and invited everyone to share the many ways they have seen engineers transform lives. In August 2016, the NCEES board of directors approved a \$200,000 contribution to continue to support EWB-USA activities.

NCEES staff and volunteers connected with educators and students at exhibitions at many society conferences throughout the year—including the American Association for Engineering Education, the National Society of Black Engineers,

and the Society of Women Engineers. It also 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. The outreach activities gave NCEES volunteers the opportunity to engage with students and educators and explain the privileges and responsibilities of licensure.

Impact of the Engineering Award





COLLABORATE
WITH OTHER ORGANIZATIONS



President-Elect Daniel Turner, Ph.D., P.E., P.L.S. (left) meets with a representative of the Korean Professional Engineer Association at the 2016 NCEES annual meeting. KPEA is one of 15 foreign organizations with which NCEES has agreements to administer its exams abroad. Previous spread: Members of the Emerging Engineers and Surveyors Group meet with the board of directors to discuss impediments to licensure.

Working with other organizations and groups allows for new ideas and a wider scope. In 2015–16, NCEES focused on engaging with emerging leaders for the engineering and surveying professions and collaborating with professional organizations domestically and internationally.

Learning from future leaders

NCEES formed a new group to connect young engineers and surveyors with NCEES decision makers to provide feedback on the licensure process and discuss topics relevant to the future of the engineering and surveying professions.

The 12-member Emerging Engineers and Surveyors Group included students, engineer and surveyor interns, and professional engineers and surveyors under the age of 35. After participating in a focus group at the 2015 annual meeting, the group received its charges from President Conzett. During the year, the group reviewed the current licensure process to identify impediments faced by applicants and to provide recommendations for systemic changes to improve the process. It recommended marketing communications tactics for promoting the value of licensure for students, interns, and professionals. It also recruited peers to participate in a survey to provide baseline data on why individuals enter engineering and surveying programs and why they pursue licensure. Members attended their respective NCEES zone interim

meeting to participate in a forum to discuss the efforts of the group and provide an update on the charges assigned.

Working with other organizations

Collaborating with other professional organizations helps NCEES advance licensure for engineers and surveyors now and in the future. The decline in the number of examinees taking the FS and PS exams prompted NCEES to bring together 18 surveying-related organizations for a Future of Surveying Forum. The group met in January and June 2016 to identify reasons for the downward trend in examinee numbers and strategies to strengthen the future of the surveying profession. The group identified three focus areas to reverse the trend: national brand and image, educating and education, and recruiting and mentoring. Task groups will continue work to address these areas through mid-2017.

NCEES again hosted the Participating Organizations Liaison Council (POLC), a group of 26 member 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 and communications during the year, NCEES and the other POLC societies maintained open dialogue about their policies and the opinions of their leadership on important issues of common interest.



Learn more about the Future of Surveying Forum's work at ncees.org/annualreport.

“The profession, to me, has a very bright future. There is always going to be a need for professional surveyors. If more people actually knew about the profession of surveying, we wouldn't have problems trying to get people into it. That's part of our strategy—marketing ourselves.”

Mike Benton, P.L.S., North Carolina board member, on the Future of Surveying Forum

Building relationships across national borders

In 2015–16, NCEES engaged with other organizations internationally to promote cross-border mobility.

NCEES continued its work with the International Engineering Alliance (IEA), an umbrella organization that coordinates six 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).

NCEES Past President Patty Mamola, P.E., served the final year of her two-year term as deputy chair of APEC. In September 2015, she and CEO Carter attended an APEC meeting in Taipei, Taiwan, to develop a plan of action for a central databank for registered APEC engineers to assist in international mobility. Mamola also served on an APEC subcommittee to develop a plan for the registry.

Past President Mamola, President Michael Conzett, P.E.; and President-Elect Daniel Turner, Ph.D., P.E., P.L.S., attended the annual IEA meeting in Kuala Lumpur, Malaysia, in June 2016. NCEES joined representatives from 26 other countries at the meeting to discuss various issues related to international mobility.

NCEES currently has agreements with 15 foreign entities to administer its licensing exams in those countries. In 2015, NCEES began offering the FE exam in three new Canadian provinces—British

 **Total NCEES exams** administered internationally

2,298 ^{FE} exams | **557** ^{PE} exams

Current International Agreements (*FE exam only)

NCEES has agreements to administer NCEES exams in the following countries:

Canada (Alberta, British Columbia*, Manitoba*, New Brunswick*, Nova Scotia*, Prince Edward Island*)

Egypt

Emirate of Sharjah

Japan

Qatar*

Saudi Arabia

South Korea

Taiwan

Turkey

Columbia, Nova Scotia, and Prince Edward Island—and it added New Brunswick in 2016. NCEES also began offering the FE exam through the Egyptian Engineering Syndicate in 2016. NCEES has offered the exam in Egypt since 2009 to seniors and graduates of engineering programs at the American University in Cairo that are accredited by the Engineering Accreditation Commission of ABET, but the new agreement opened access to graduates of Egypt-based engineering programs that are not accredited by EAC/ABET to assist in assessing the quality of engineering education in that country.

Through its collaborations domestically and internationally, NCEES is working to shape the future of professional licensure.



JOIN
A COMMON
COMMITMENT



Above and previous spread: Members of the FE exam development committee prepare new questions for an upcoming exam. Together, NCEES volunteers logged more than 23,000 exam development hours in 2015–16.

The member licensing boards of NCEES joined together in the common commitment of advancing licensure for engineers and surveyors in 2015–16. NCEES volunteers—including member board members, associate members, and emeritus members, as well as professional engineers and surveyors across the country—responded to the organization’s appeals to volunteer their time and expertise to support the organization’s mission.

At the 2016 annual meeting, 287 delegates attended the business sessions to conduct Council business and debate the issues. Many others attended zone interim meetings across the country in the spring. A total of 117 members and associate

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 write exam questions and develop preparation materials. Volunteers were also central to NCEES outreach efforts this year, including promoting licensure to college students and participating in hands-on learning activities for K–12 initiatives.



Top: Committee on Examinations for Professional Surveyors Chair Lisa Hanni, L.S., reviews the agenda for the Surveying Forum at the 2016 NCEES annual meeting. Middle: Southern Zone Vice President Theresa Hodge (right) discusses volunteer opportunities with a new board member at the First-Time Attendee Luncheon at the start of the annual meeting. Bottom: Texas engineering board member Bobby Balli, P.E., debates a motion during an annual meeting business session.

Exam Development

772 Volunteers

51 Meetings

23,088 Hours

Standing Committees and Task Forces

12 Standing Committees | **4** Task Forces

117 Members

18 Meetings

98 Charges



2015–16 NCEES Board of Directors

1. President: Michael Conzett, P.E.
2. President-Elect: Daniel Turner, Ph.D., P.E., P.L.S.
3. Immediate Past President: David Widmer, P.L.S.
4. Treasurer: Gary Thompson, P.L.S.
5. Central Zone Vice President: Christy VanBuskirk, P.E.
6. Northeast Zone Vice President: Roy Shrewsbury, P.S.
7. Southern Zone Vice President: Theresa Hodge, P.E.
8. Western Zone Vice President: Patrick Tami, P.L.S.

2015–16 Zone Assistant Vice Presidents

- Central Zone: Richard (Dick) Hayter, Ph.D., P.E.
 Northeast Zone: Paul Tyrell, P.E., P.L.S.
 Southern Zone: James Riney, P.E., P.S.
 Western Zone: Brian Hanson, P.E.

2015–16 Zone Secretary-Treasurers

- Central Zone: Larry Graham, P.E., L.S.
 Northeast Zone: Ronald Willey, Ph.D., P.E.
 Southern Zone: Christopher Knotts, P.E.
 Western Zone: Richard (Ric) Moore, P.L.S.

NCEES Executive Staff

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

NCEES Senior Staff

- Chief Financial Officer: Betsy Pearson, CPA
 Chief Technology Officer: Steven Matthews
 Director of Client Services: Pam Powell
 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



2015-16 Revenue and Expense Summary

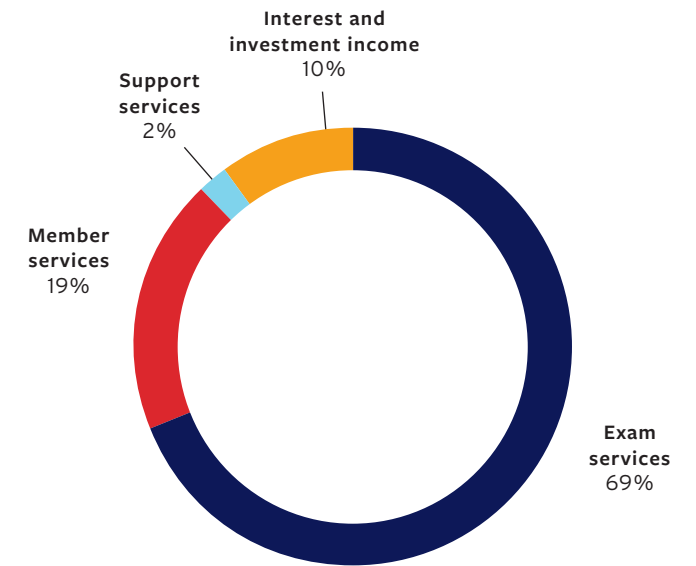
Total Revenue
\$29,978,862

Exam services
\$20,783,734

Member services
\$5,792,455

Support services
\$534,691

**Interest and investment
income (loss)**
\$2,867,982



Total Expenses
\$22,785,343

Exam services
\$11,927,764

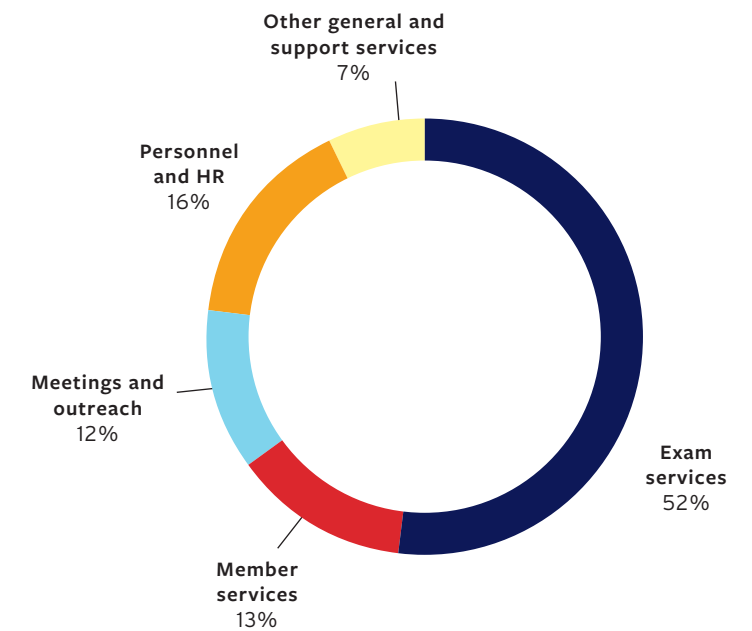
Member services
\$2,961,040

Support services:
\$7,896,539

- **Meetings and outreach**
\$2,803,353

- **Personnel and human resources**
\$3,654,029

- **Other general and support services**
\$1,439,157



Change in Net Assets
\$7,193,519

November 21, 2016

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 2015–16 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.



Jerry T. Carter
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 statement of financial position as of September 30, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 2016 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, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of National Council of Examiners for Engineering and Surveying as of September 30, 2015, were audited by other auditors whose report dated November 30, 2015, expressed an unmodified opinion on those statements.


Greenville, South Carolina
November 21, 2016



Statements of Financial Position**September 30, 2016 and 2015**

	2016	2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 21,356,861	\$ 18,087,811
Certificates of deposits	2,192,846	2,517,086
Accounts receivable, net	33,753	45,584
Prepaid expenses	473,636	395,171
Total current assets	<u>24,057,096</u>	<u>21,045,652</u>
Noncurrent assets:		
Investments	34,760,375	29,879,218
Property and equipment, net	3,796,624	3,885,084
Total noncurrent assets	<u>38,556,999</u>	<u>33,764,302</u>
Total assets	<u>\$ 62,614,095</u>	<u>\$ 54,809,954</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,830,521	\$ 1,504,795
Accrued vacation pay	429,982	379,978
Accrued wages and payroll taxes	107,745	299,192
Accrued retirement plan contribution	292,143	271,856
Customer prepayments	6,979,719	6,734,272
Deferred membership fees	111,237	109,237
Current maturities of capital lease obligation	76,771	50,473
Total current liabilities	<u>9,828,118</u>	<u>9,349,803</u>
Noncurrent liabilities:		
Capital lease obligation, less current maturities	62,967	42,505
Deferred compensation	356,248	244,403
Total liabilities	<u>10,247,333</u>	<u>9,636,711</u>
Unrestricted net assets:		
Undesignated	47,966,762	38,173,243
Board designated	4,400,000	7,000,000
Total unrestricted net assets	<u>52,366,762</u>	<u>45,173,243</u>
Total liabilities and unrestricted net assets	<u>\$ 62,614,095</u>	<u>\$ 54,809,954</u>

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

Statements of Activities**Years Ended September 30, 2016 and 2015**

	2016	2015
Operating revenues:		
Examination services	\$ 20,783,734	\$ 18,938,462
Member services	5,792,455	6,373,405
Support services	534,691	524,507
Total operating revenues	<u>27,110,880</u>	<u>25,836,374</u>
Direct expenses:		
Examination services	11,927,764	11,064,527
Member services	2,961,040	2,880,734
Total direct expenses	<u>14,888,804</u>	<u>13,945,261</u>
Operating revenues in excess of direct expenses	<u>12,222,076</u>	<u>11,891,113</u>
General and Administrative Support Services Expense:		
Meetings and outreach	2,803,353	2,567,310
Personnel and human resources	3,654,029	3,454,483
Office expense	167,367	171,951
Administrative expense	114,922	120,690
Technology services	505,251	470,952
Insurance	69,802	69,141
Dues and professional fees	148,674	150,525
Depreciation and interest	433,141	405,796
Total general and administrative support services	<u>7,896,539</u>	<u>7,410,848</u>
Change in net assets from operations	<u>4,325,537</u>	<u>4,480,265</u>
Nonoperating Items:		
Interest and investment income (loss)	2,867,982	(2,040,320)
Change in net assets	7,193,519	2,439,945
Net assets, beginning of year	45,173,243	42,733,298
Net assets, end of year	<u>\$ 52,366,762</u>	<u>\$ 45,173,243</u>

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

Statements of Cash Flows
Years Ended September 30, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Change in net assets	\$ 7,193,519	\$ 2,439,945
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	428,185	401,339
Loss on disposal of property	5,959	-
Unrealized (gains) losses on investments	(2,288,614)	3,069,111
Realized losses (gains) on investments	3,088	(295,806)
Net changes in operating assets and liabilities:		
Accounts receivable	11,831	26,774
Prepaid expenses	(78,465)	64,238
Accounts payable and accrued expenses	204,570	271,166
Customer prepayments	245,447	783,448
Deferred membership fees	2,000	(3,438)
Deferred compensation	111,845	(20,036)
Net cash provided by operating activities	<u>5,839,365</u>	<u>6,736,741</u>
Cash flows from investing activities:		
Purchase of property and equipment	(235,997)	(281,759)
Proceeds from sale of property	6,721	-
Purchase of investments	(11,422,567)	(15,800,798)
Proceeds from sale of investments	8,826,936	7,641,357
Maturities of certificates of deposit	324,240	1,288,336
Net cash used in investing activities	<u>(2,500,667)</u>	<u>(7,152,864)</u>
Cash flows from financing activities:		
Payments under capital lease obligation	(69,648)	(50,472)
Net cash used in financing activities	<u>(69,648)</u>	<u>(50,472)</u>
Net increase (decrease) in cash and cash equivalents	3,269,050	(466,595)
Cash and cash equivalents, beginning of year	<u>18,087,811</u>	<u>18,554,406</u>
Cash and cash equivalents, end of year	<u>\$ 21,356,861</u>	<u>\$ 18,087,811</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	<u>\$ 4,956</u>	<u>\$ 4,747</u>
Additions to property and equipment under capital lease obligation	<u>\$ 116,408</u>	<u>\$ -</u>

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

Notes to Financial Statements
September 30, 2016 and 2015
NOTE 1—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 by the Council.

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, 2016 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, 2016, 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, 2016 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, 2016 and 2015.

Investments—Investments are stated at fair market value. Changes in fair market value during the years are included in the statements of activities as unrealized gain or loss on investments.

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 Financial Statements**September 30, 2016 and 2015**

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
Furniture and equipment	3–7 years
Land improvements	7 years

Depreciation expense for the years ended September 30, 2016 and 2015 totaled \$428,185 and \$401,339, 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 fee 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, 2016.

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—In May 2015, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2015-07, *Disclosure for Investments in Certain Entities That Calculate Net Asset Value Per Share (or Its Equivalent)*. This ASU exempts investments measured using the Net Asset Value (“NAV”) practical expedient from categorization within the fair value hierarchy. The guidance requires retrospective application and is effective for the Council for years beginning after December 15, 2016. As permitted, the Council has elected early adoption and has applied the ASU retrospectively for all periods presented. This ASU does not have a material impact on the Council’s financial statements.

On April 7, 2015, the FASB issued ASU 2015-03, *Interest—Imputation of Interest (Subtopic 835-30)*. The amendments in ASU 2015-03 require that debt issuance costs be presented in the statement of financial position as a direct deduction from the carrying amount of debt liability, consistent with debt discounts or premiums. The recognition and measurement guidance for debt issuance costs would not be affected by the amendments in this update. ASU 2015-03 is effective for fiscal years beginning after December 15, 2015, and early adoption is permitted. The adoption of ASU 2015-03 is not expected to have a material impact on the Council’s financial statements.

The FASB issued 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 operating cash flows. Management does not expect the adoption of this pronouncement to have a material impact on the Council’s financial statements.

Notes to Financial Statements**September 30, 2016 and 2015****NOTE 2—INVESTMENTS AND CERTIFICATES OF DEPOSIT**

Investments by category are summarized as follows:

	2016	2015
Mutual funds	\$ 24,590,254	\$ 21,329,451
Fixed income	3,144,209	2,793,403
Equity securities	5,702,471	4,760,316
Certificates of deposit with maturities less than a year	2,192,846	2,517,086
Certificates of deposit with maturities greater than a year	1,323,441	996,048
	<u>\$ 36,953,221</u>	<u>\$ 32,396,304</u>

Certificates of deposit included above consist primarily of short-term deposits, maturing through May 2018. The Council’s intent is to reinvest the funds in similar deposits upon maturity.

Interest and investment income (loss) is summarized as follows:

	2016	2015
Interest and dividend income	\$ 778,434	\$ 898,857
Net realized and unrealized gains (losses)	2,285,526	(2,773,305)
Fees	(195,978)	(165,872)
Total interest and investment income (loss)	<u>\$ 2,867,982</u>	<u>\$ (2,040,320)</u>

NOTE 3—PROPERTY AND EQUIPMENT

Property and equipment at September 30 are summarized as follows:

	2016	2015
Land improvements	\$ 113,273	\$ 113,273
Buildings and building improvements	6,782,402	6,551,981
Furniture and equipment	1,780,429	1,703,667
Total property and equipment	8,676,104	8,368,921
Less accumulated depreciation	(4,879,480)	(4,483,837)
Property and equipment, net	<u>\$ 3,796,624</u>	<u>\$ 3,885,084</u>

Notes to Financial Statements**September 30, 2016 and 2015****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 leases certain equipment under various capital leases and noncancelable operating leases expiring in various years through 2021. Assets under capital leases consist of the following at September 30:

	2016	2015
Equipment	\$ 283,532	\$ 194,024
Less accumulated depreciation	(148,269)	(100,800)
Property and equipment, net	<u>\$ 135,263</u>	<u>\$ 93,224</u>

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

At September 30, 2016, 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
2017	\$ 76,771	\$ 70,974
2018	40,378	46,203
2019	26,809	40,216
2020	-	32,278
2021	-	26,181
Total minimum lease payments	\$ 143,958	\$ 215,852
Less amounts representing interest	(4,220)	
Present value of net minimum lease payments	139,738	
Less current installments of obligations under capital leases	(76,771)	
Obligations under capital leases, net of current installments	<u>\$ 62,967</u>	

Rent expense under operating lease was \$136,484 and \$123,835 for the years ended September 30, 2016 and 2015, respectively, and is included in administrative 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 discretion.

The expense charged to operations for the plans was \$551,014 and \$511,127 for the years ended September 30, 2016 and 2015, respectively. As of September 30, 2016 and 2015, \$292,143 and \$271,856 was accrued as profit sharing plan payable 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 a rollforward of the accumulated liability under all deferred compensation agreements:

	2016	2015
Balance, beginning of year	\$ 244,403	\$ 264,439
Amounts deferred	129,979	134,325
Withdrawals	(21,842)	(159,040)
Interest accrued	3,708	4,679
Balance, end of year	<u>\$ 356,248</u>	<u>\$ 244,403</u>

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

Notes to Financial Statements**September 30, 2016 and 2015**

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. During 2016, the board reduced the amount designated for this contingency by \$2,600,000 due to reexamination of the Council's exposure due to risk assessment and other mitigating factors. The amount designated was \$4,400,000 and \$7,000,000 at September 30, 2016 and 2015, respectively.

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—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 Organization has the ability to access.

Level 2—Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets; 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, 2016 and 2015.

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 public investment vehicles valued using the NAV provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. The NAV is a quoted price in an active market and 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.

Notes to Financial Statements**September 30, 2016 and 2015**

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, 2016 and 2015:

INVESTMENTS AT FAIR VALUE AT SEPTEMBER 30, 2016

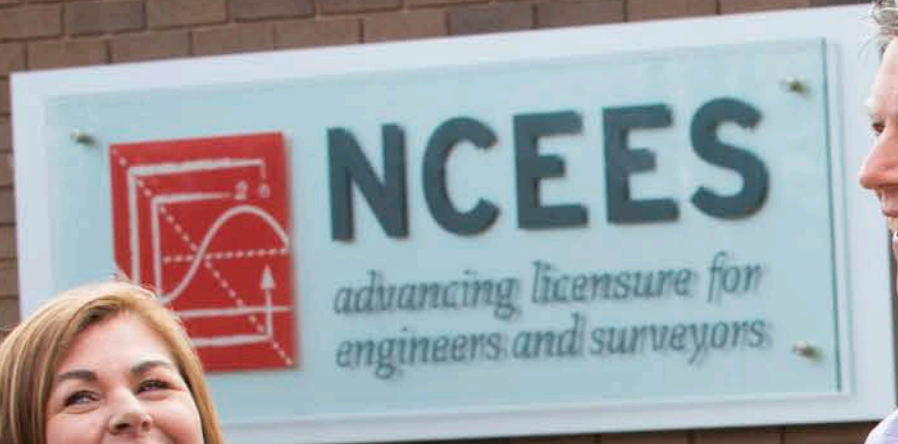
	Fair Value	Level 1	Level 2	Level 3
Equity securities:				
Large cap growth	\$ 1,195,870	\$ 1,195,870	\$ -	\$ -
Large cap value	2,325,591	2,325,591	-	-
Small/mid cap value	1,387,037	1,387,037	-	-
Small/mid cap growth	793,973	793,973	-	-
Total equity securities	<u>5,702,471</u>	<u>5,702,471</u>	<u>-</u>	<u>-</u>
Fixed income:				
General bonds	3,144,209	3,144,209	-	-
Total fixed income	<u>3,144,209</u>	<u>3,144,209</u>	<u>-</u>	<u>-</u>
Mutual funds:				
Fixed income	4,237,131	4,237,131	-	-
Large cap growth	1,550,966	1,550,966	-	-
Large cap value	2,521,255	2,521,255	-	-
Small/mid cap value	616,140	616,140	-	-
Small/mid cap growth	346,044	346,044	-	-
Small/mid cap blend	30,681	30,681	-	-
International	4,914,288	4,914,288	-	-
Emerging market	2,266,032	2,266,032	-	-
Real estate	2,137,266	2,137,266	-	-
Market neutral	1,988,673	1,988,673	-	-
Tactical allocation	2,081,220	2,081,220	-	-
Commodities	1,900,558	1,900,558	-	-
Total mutual funds	<u>24,590,254</u>	<u>24,590,254</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 33,436,934</u>	<u>\$ 33,436,934</u>	<u>\$ -</u>	<u>\$ -</u>

Notes to Financial Statements**September 30, 2016 and 2015****INVESTMENTS AT FAIR VALUE AT SEPTEMBER 30, 2015**

	Fair Value	Level 1	Level 2	Level 3
Equity securities:				
Large cap growth	\$ 968,822	\$ 968,822	\$ -	\$ -
Large cap value	2,103,558	2,103,558	-	-
Small/mid cap value	955,881	955,881	-	-
Small/mid cap growth	732,055	732,055	-	-
Total equity securities	<u>4,760,316</u>	<u>4,760,316</u>	<u>-</u>	<u>-</u>
Fixed income:				
General bonds	2,793,403	2,793,403	-	-
Total fixed income	<u>2,793,403</u>	<u>2,793,403</u>	<u>-</u>	<u>-</u>
Mutual funds:				
Fixed income	3,963,697	3,963,697	-	-
Large cap growth	1,247,688	1,247,688	-	-
Large cap value	2,384,836	2,384,836	-	-
Small/mid cap value	435,994	435,994	-	-
Small/mid cap growth	277,184	277,184	-	-
Small/mid cap blend	27,892	27,892	-	-
International	4,030,068	4,030,068	-	-
Emerging market	1,901,752	1,901,752	-	-
Real estate	1,882,789	1,882,789	-	-
Market neutral	2,002,472	2,002,472	-	-
Tactical allocation	1,839,431	1,839,431	-	-
Commodities	1,335,648	1,335,648	-	-
Total mutual funds	<u>21,329,451</u>	<u>21,329,451</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 28,883,170</u>	<u>\$ 28,883,170</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 10—SUBSEQUENT EVENTS

The Council evaluated the effect subsequent events would have on the financial statements through November 21, 2016, which is the date the financial statements were available to be issued.



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