

# Appendices

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- Appendix A: The Database
- Appendix B: The Questionnaire
- Appendix C: Glossary of Terms



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## Appendices

### Appendix A: The Database

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#### Using the Survey

In any survey, individual firms may have unique definitions of particular items, requirements, or policies. This can result in information diverging widely from the results submitted by comparable firms. For this reason, we recommend users of this survey review their results in their entirety before making judgments on any particular aspect or feature of financial performance.

#### Methodology

For survey development input, we assembled an advisory group of experienced professionals in the financial management of design firms. This group included both individuals and committees responsible for business practices in sponsoring associations. We include a copy of the survey questionnaire in *Appendix B* of this report.

PSMJ Resources keeps all information confidential. The data submitted by participating firms represent past transactions or activities, not expectations or predictions of firms' current or future transactions. We publish all information in compiled form — results do not represent the responses of any individual firm. PSMJ Resources independently conducts this survey.

#### The Sample

PSMJ Resources received 322 valid survey questionnaires from design firms for the 2022 Financial Performance Survey. Data for this survey were collected in April/May 2022 and reflect firms' financial performance at the end of the 2021 fiscal year. Charts on the following pages summarize the composition of the survey sample. We screened responses for completeness and mathematical accuracy of data to ensure that partial or inaccurate information did not distort the results. After analysis, we present the Canadian results in Canadian currency.

We treated incomplete results as missing values rather than giving them the value zero. Thus, reported results reflect the positive responses of the survey respondents (we include only actual responses and we ignore missing information in the statistical calculations).

Table 138 and Figure 23, which show the distribution of responding firms by total staff size, illustrate the relative balance of participants among the various firm sizes analyzed.



Table 138  
**Distribution by Size of Firm**

	Number of Respondents	Percentage
1 to 20	44	14%
21 to 50	75	23
51 to 100	78	24
101 to 200	57	18
201 to 350	33	10
351 to 750	22	7
Over 750	<u>13</u>	<u>4</u>
Totals	322	100%

Figure 23  
**Survey Respondents by Firm Size**

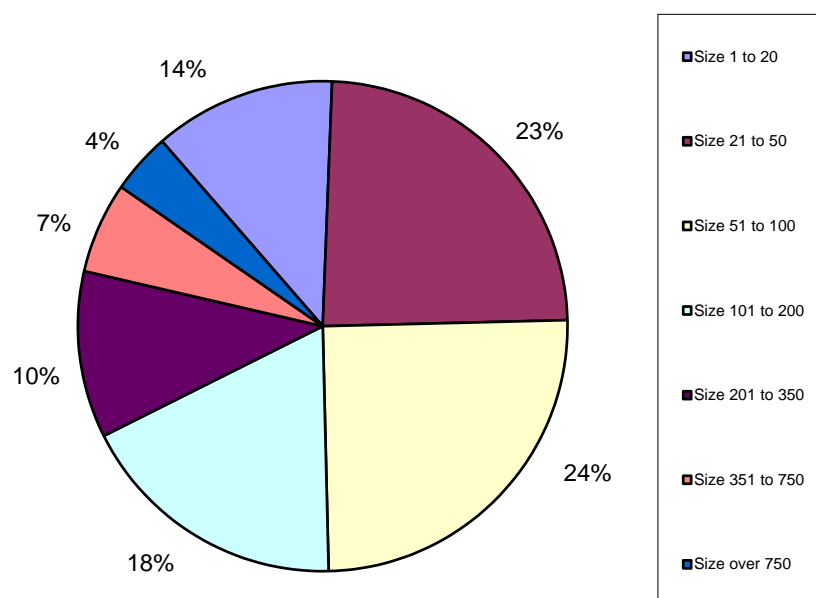




Table 139 and Figure 24 illustrate the distribution of firms by the primary professional service offered in-house. PSMJ Resources determined this result by the survey respondents' indication of work performed.

Table 139  
**Professional Services Offered In-House**

	Number of Respondents	Percentage
Architectural	25	8%
Architectural/Interiors	45	14
Engineering (Prime)	69	21
Engineering (Subconsultant)	63	20
Engineering (Survey)	40	12
Architecture/Engineering (or E/A)	54	17
Landscape Architecture	4	1
Construction Management/Project Management	0	0
Environmental	16	5
Other	<u>6</u>	<u>2</u>
Totals	322	100%

Figure 24  
**Survey Respondents by Firm Type**

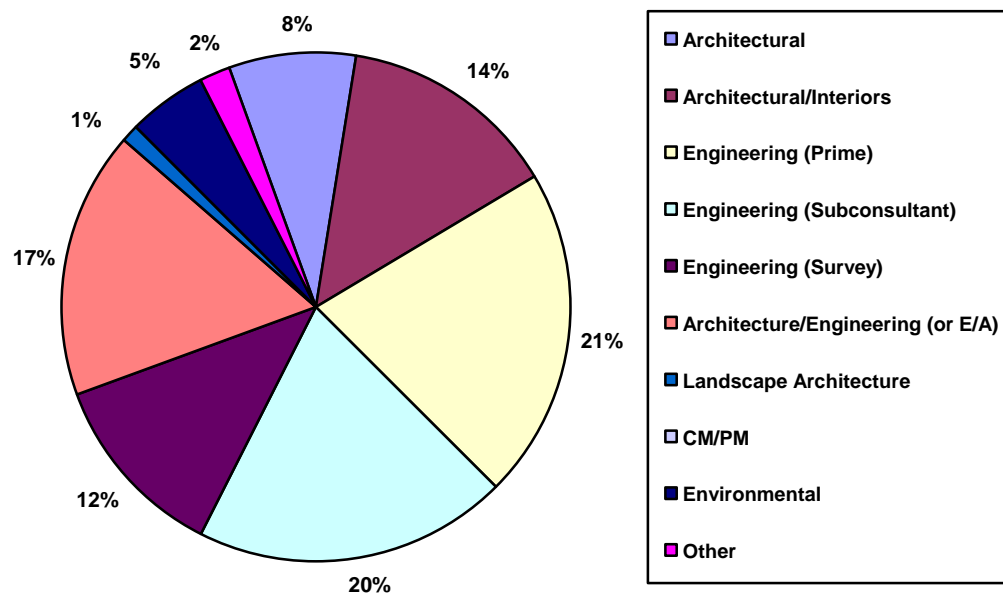




Table 140 depicts the geographic distribution of the responding firms' areas of practice. If no region of the country predominated, we classified the firm as "All U.S." See the map graphic for the geographic divisions of states.

**Table 140**  
**Geographic Distribution of Firms**

	Number of Respondents	Percentage
All U.S.	41	13%
Northeast	31	10
South	47	15
Midwest	79	24
Southwest	20	6
Mountain	27	8
West	62	19
Canada	15	5
International	<u>0</u>	<u>0</u>
Totals	322	100%

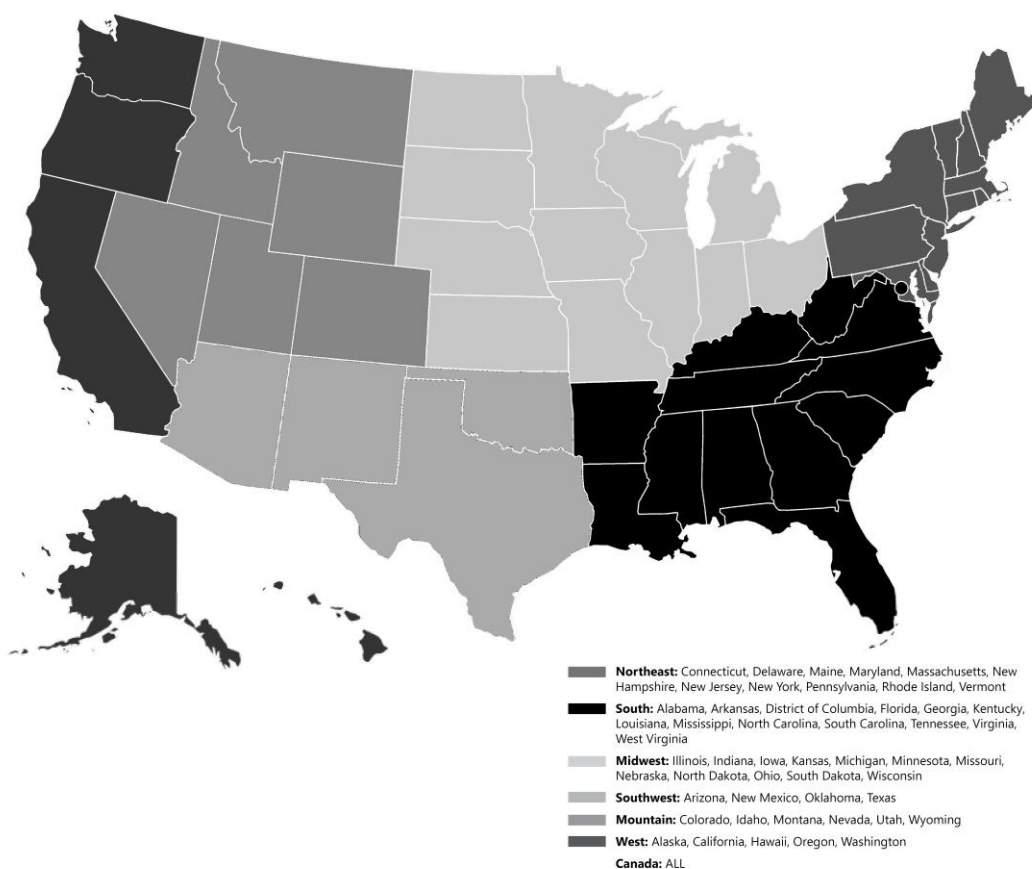




Table 141 shows the distribution of firms by client source. We classified firms as government or private if they indicated that at least 67% of their work derives from that source. We classified firms that did not meet this criterion as having a mixed client base.

Table 142 contains the number of firms that specialize in serving a particular client type or marketplace. The definition of a specialist is a firm that derives 50% or more of its total revenue from projects in that specialty.

Table 141  
**Distribution by Source of Revenues**

	Number of Respondents	Percentage
Private Sector	161	50%
Government Sector	78	24
Mixed	<u>83</u>	<u>26</u>
Totals	322	100%

Table 142  
**Firms with Client Specialties**

	Number of Respondents	Percentage
Transportation	18	6%
Other Government Buildings	4	1
Water/Wastewater	16	5
Environmental	3	1
Industrial	9	3
Energy-Utilities	7	2
Commercial Users/Developers	28	9
Education	24	7
Housing	28	9
Healthcare	7	2
No Specialty	<u>178</u>	<u>55</u>
Totals	322	100%



Table 143 indicates the percentage of firms that are Women's Business Enterprises (WBE) or Minority Business Enterprises (MBE), as certified by some government body.

Table 144 summarizes firms' accounting basis for internal management purposes and Table 145 indicates whether firms have their financial statements prepared by outside accountants. The vast majority of firms in the survey use the accrual method of accounting. Firm size appears to be the primary factor in the use of outside accounting assistance — as firms grow in size, they increase their use of outside accountants for independent audits.

Table 143  
**Women's Business Enterprises (WBE) and  
Minority Business Enterprises (MBE)**

	Number of Respondents	Percentage
Firm Is a WBE or MBE	26	8%
Firm Is Not a WBE or MBE	292	91
No Response	<u>4</u>	<u>1</u>
Totals	322	100%

Table 144  
**Accounting Basis**

	Number of Respondents	Percentage
Accrual	316	98%
Cash	<u>6</u>	<u>2</u>
Totals	322	100%

Table 145  
**Use of Outside Accounting**

<i>(Percentage of firms)</i>	Audited	Review	Compilation	No Outside Accounting Statements
Overall	18%	38%	20%	24%
Staff Size 1 to 20	5	9	36	50
Staff Size 21 to 50	4	39	16	41
Staff Size 51 to 100	12	44	22	23
Staff Size 101 to 200	18	44	28	11
Staff Size 201 to 350	36	55	6	3
Staff Size 351 to 750	55	41	5	0
Staff Size over 750	85	15	0	0



Table 146 reflects the mean (average) percentages of revenues firms in the sample obtain by different procurement methods.

**Table 146**  
**Procurement Methods**

Percentage of Revenues Obtained From Each Procurement Method:	Straight Bidding, Price Only	Combo of Qualif. & Price	Qualif. Only	Add-ons to Existing Contracts	Sole-Source Selections
Overall	13%	37%	20%	14%	15%
Staff Size 1 to 20	12	39	17	15	17
Staff Size 21 to 50	11	42	20	11	15
Staff Size 51 to 100	12	41	19	14	16
Staff Size 101 to 200	14	31	22	16	18
Staff Size 201 to 350	22	30	20	17	9
Staff Size 351 to 750	14	34	22	20	7
Staff Size over 750	7	30	40	14	9
Architectural	8	36	18	13	22
Architectural/Interiors	7	50	17	12	12
Engineering (Prime)	16	30	27	15	12
Engineering (Subconsultant)	15	43	17	11	14
Engineering (Survey)	13	32	20	19	13
A/E	17	36	20	13	16
Environmental	6	33	14	24	23
All U.S.	13	39	20	10	16
Northeast	8	39	20	20	13
South	10	38	21	14	15
Midwest	14	34	24	11	17
Southwest	17	42	22	14	5
Mountain	22	39	16	12	11
West	10	34	21	21	16
Canada	13	53	4	10	19
Private	14	40	13	14	19
Government	10	33	37	12	7
Mixed	14	35	21	16	13
Transportation	9	24	42	16	10
Water/Wastewater	5	38	30	14	13
Industrial	22	36	4	17	11
Energy-Utilities	13	51	5	14	18
Commercial Users/Developers	8	48	8	13	20
Education	9	36	36	8	9
Housing	8	49	7	15	26
Healthcare	4	50	35	9	18
No Specialty	16	34	20	15	14

*Note: Total may not add up to 100% if firms have revenues from other types of procurement methods.*



Table 147 reflects the mean (average) percentages of work performed by firms in the sample for each type of fee basis.

**Table 147**  
**Work Performed by Fee Basis**

<b>Percentage of Work Performed on Each Fee Basis:</b>	<b>Lump Sum Fixed Fee or Unit Price</b>	<b>Time-and- Materials or Cost-Plus Not- to Exceed</b>	<b>Time-and- Materials or Cost-Plus With No Ceiling</b>	<b>Percentage of Actual Construction Cost</b>
Overall	59%	23%	12%	6%
Staff Size 1 to 20	76	15	7	4
Staff Size 21 to 50	64	18	13	6
Staff Size 51 to 100	60	22	10	8
Staff Size 101 to 200	53	25	13	8
Staff Size 201 to 350	50	31	16	3
Staff Size 351 to 750	49	31	14	6
Staff Size over 750	32	49	17	1
Architectural	69	10	7	14
Architectural/Interiors	70	9	5	18
Engineering (Prime)	49	32	18	1
Engineering (Subconsultant)	72	18	8	3
Engineering (Survey)	50	27	21	3
A/E	61	22	11	6
Environmental	26	61	14	0
All U.S.	67	24	6	3
Northeast	59	19	18	6
South	65	16	9	10
Midwest	55	24	13	8
Southwest	67	20	6	6
Mountain	61	20	20	1
West	52	32	11	4
Canada	54	24	14	7
Private	66	19	12	3
Government	52	32	8	9
Mixed	52	24	15	8
Transportation	38	54	7	0
Water/Wastewater	42	47	13	1
Industrial	59	37	1	2
Energy-Utilities	32	44	23	0
Commercial Users/Developers	76	13	7	4
Education	62	7	1	32
Housing	72	11	13	4
Healthcare	80	14	0	7
No Specialty	57	22	15	5

*Note: Total may not add up to 100% if firms have revenues from other types of fee basis.*



Table 148 reflects firms' median markups on subconsultants and reimbursables, as well as the percentage of contracts that have these markups added.

**Table 148**  
**Subconsultant and Reimbursable Billing**

	Normal % Markup on Subconsultants ( <i>Medians</i> )	Percentage of Contracts With this Markup Added	Normal % Markup on Reimbursables ( <i>Medians</i> )	Percentage of Contracts With this Markup Added
Overall	10%	15%	10%	26%
Staff Size 1 to 20	10	11	10	18
Staff Size 21 to 50	10	18	10	50
Staff Size 51 to 100	10	10	10	42
Staff Size 101 to 200	10	50	10	30
Staff Size 201 to 350	10	10	6	9
Staff Size 351 to 750	10	7	10	5
Staff Size over 750	6	31	6	50
Architectural	10	13	10	38
Architectural/Interiors	10	45	10	75
Engineering (Prime)	10	20	10	30
Engineering (Subconsultant)	10	2	10	2
Engineering (Survey)	10	10	10	16
A/E	10	45	10	15
Environmental	10	60	10	70
All U.S.	10	3	10	4
Northeast	10	15	10	50
South	10	13	10	50
Midwest	10	10	5	7
Southwest	10	45	10	63
Mountain	10	2	10	5
West	10	60	10	42
Canada	9	54	5	78
Private	10	10	10	40
Government	10	20	3	10
Mixed	10	28	10	26
Transportation	0	0	0	0
Water/Wastewater	10	81	10	75
Industrial	15	44	10	56
Energy-Utilities	11	5	10	52
Commercial Users/Developers	10	10	10	60
Education	10	15	10	25
Housing	10	15	10	73
Healthcare	8	28	5	38
No Specialty	10	15	10	16



Table 149 reflects the percentage of staff hours worked from home in 2021.

Table 149  
**Percentage of Staff Hours Worked  
from Home in Fiscal Year 2021**

	25 <sup>th</sup> Percentile	Median	Mean	75 <sup>th</sup> Percentile
Overall	16%	40%	45%	75%
Staff Size 1 to 20	6	20	32	58
Staff Size 21 to 50	15	30	43	75
Staff Size 51 to 100	20	50	49	75
Staff Size 101 to 200	20	40	46	68
Staff Size 201 to 350	20	50	46	75
Staff Size 351 to 750	33	60	56	75
Staff Size over 750	28	55	52	79
Architectural	25	40	50	75
Architectural/Interiors	20	45	47	75
Engineering (Prime)	14	30	40	65
Engineering (Subconsultant)	20	43	47	75
Engineering (Survey)	10	20	31	50
A/E	19	50	49	75
Environmental	20	63	53	81
All U.S.	33	70	59	90
Northeast	43	60	55	69
South	5	16	28	43
Midwest	15	30	37	60
Southwest	19	40	40	65
Mountain	5	13	25	35
West	30	70	59	85
Canada	51	66	61	75
Private	20	45	47	75
Government	15	40	45	75
Mixed	14	38	41	66
Transportation	20	50	45	70
Water/Wastewater	13	28	35	55
Industrial	30	40	43	60
Energy-Utilities	45	62	56	78
Commercial Users/Developers	19	60	53	95
Education	24	43	51	80
Housing	20	40	41	66
Healthcare	40	60	56	70
No Specialty	15	40	43	75



## **Additional Comments**

For surveys such as this that use a select sample, median (midpoint) values are usually considered to be more meaningful because the extreme values in the database are more likely to affect the calculation of mean (average) values.

Users should be aware that PSMJ Resources' analytical software programs use a series of maximum and minimum limits in the editing process. This helps minimize the occurrence of data that are extreme due to non-conforming methods of accounting or unreasonable values. Examples include attempts to calculate a return on equity with a negative equity base, or factoring in small firms that do not pay regular salaries to partners.

From the data we received, it is clear there are substantial differences among firms based on size, type of services, geographic area of practice, type of client, and client market sector, all of which have an impact on the financial results a firm can be expected to achieve. For this reason, we recommend benchmarking your firm's performance against the results of several peer groups (firm size, type of service, client specialty, etc.) rather than against the overall survey results.



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## Appendix B: The Questionnaire

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We've provided a copy of PSMJ's survey questionnaire in this section. Also see the *PPP Loans and Grants* section for details on how we instructed participants to account for 2021 PPP loans.



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# PSMJ's 2022 A/E Financial Performance Survey

Deadline: April 1st

\*\*\*Use 2021 Year-End Data\*\*\*

(Unaudited, internally-generated data is sufficient)

## Frequently Asked Questions

Your Firm Number For Confidentiality (See Pop-Up Comment):

### FIRM DESCRIPTIVE INFORMATION

<b>FIRM SIZE</b>			
<b>1. Convert part-time staff, seasonal help, and paid interns to full-time people equivalents. (See pop-up for details)</b>			
1A. Professionals Who Work <u>More Than 50%</u> On Projects			#
1B. Technical Staff Who Work <u>More Than 50%</u> On Projects			#
1C. Other Staff Who Work <u>More Than 50%</u> On Projects			#
1D. All Other Staff Who Work <u>50% Or Less</u> On Projects			#
Total Staff (AUTOMATIC)			
<b>ADDITIONAL STAFF INFORMATION</b>			
<b>2. Convert part-time staff, seasonal help, and paid interns to full-time people equivalents. (See pop-up for details)</b>			
2A. Number Of Staff Leaving Firm In Last Year			#
2B. Number Of Staff Joining Firm In Last Year			#
2C. Number Of Partners/Principals In The Firm			#
2D. Number Of Project Managers In The Firm			#
2E. Number Of Full-Time Business Development Staff			#
2F. Is Your Business Development Director A Partner (Owner) Yes Or No?			Y,N
2G. Number Of Accounting Staff In The Firm			#
2H. Number Of IT/Computer Support Staff In The Firm			#
2I. Number Of Human Resources (HR) Staff In The Firm			#
<b>3. MAJOR PROFESSIONAL SERVICE OFFERED IN-HOUSE</b>			1-11
1. Architecture	5. Engineering / Surveying	9. Project Mgt / Construction Mgt	
2. Arch/Interior Design	6. Arch/Eng or Eng/Arch	10. Environmental	
3. Engineering Prime	7. A/E/P (Full Service)	11. Other Mix of Services	
4. Engineering Subconsultant	8. Landscape Architecture		
<b>4. GEOGRAPHIC REGION WHERE YOU DO MORE THAN 50% OF YOUR WORK</b>			1-13
1. All U.S.	5. Southwestern U.S.	8. All Canada	12. Western Canada
2. Northeastern U.S.	6. Mountain U.S.	9. Eastern Canada	13. International
3. Southeastern U.S.	7. Western U.S.	10. Ontario	
4. Midwestern U.S.		11. Quebec	
<b>5. PORTION OF TOTAL REVENUES (Item 50) DERIVED FROM TYPE OF CLIENT</b>			
5A. Percentage of Total Revenues from Private Clients			%
5B. Percentage of Total Revenues from Government Clients			%
<b>6. TYPE OF CLIENT SERVED BY MARKET SECTOR (Approx. % of total revenues)</b>			
6A. Transportation			%
6B. Other Government Agencies/Buildings (other than those covered in 6A, C-K)			%
6C. Water/Wastewater			%
6D. Environmental/Remediation			%
6E. Industrial			%
6F. Energy/Utilities			%
6G. Commercial (Users and Developers)			%
6H. Education			%
6I. Housing			%
6J. Healthcare			%
6K. All Other			%
Total (must equal 100%)			
<b>7. APPROXIMATELY WHAT PERCENTAGE OF REVENUES COME FROM EACH PROCUREMENT METHOD?</b>			
7A. Straight Bidding, With Selection Based On Price Only			%
7B. Combination Of Qualifications And Price			%
7C. Qualifications Only			%
7D. Add-Ons To Existing Contracts			%
7E. Sole-Source Selections			%
<b>8. PORTION OF TOTAL REVENUES (Item 50) derived from CONTRACT RELATIONSHIP</b>			
8A. Services As Prime Professional			%
8B. Services As Subconsultant Professional			%
<b>9. APPROXIMATELY WHAT PERCENTAGE OF YOUR WORK IS PERFORMED ON EACH FEE BASIS?</b>			
9A. Lump Sum, Fixed Fee, Or Unit Price			%
9B. Time-And-Materials Or Cost-Plus With A Not-To-Exceed Value			%
9C. Time-And-Materials Or Cost-Plus With No Ceiling			%
9D. Percentage Of Actual Construction Cost			%
<b>10. EMPLOYEE STOCK OWNERSHIP PLANS (ESOP) - U.S. Firms ONLY. Canadian firms skip to Question 11.</b>			
10A. Does Your Firm Have An ESOP? (Yes or No) If No, skip 10b-h.			Y,N
10B. What Percentage Of Ownership Is The ESOP?			%
10C. The Amount Of Any Mandatory ESOP Contributions			\$
10D. The Amount Of Discretionary ESOP Contributions			\$
10E. Do You Think The ESOP Has Motivated Your Employees? (Yes or No)			Y,N
10F. Do You Actively Promote Your ESOP? (Yes Or No)			Y,N
10G. Has Having The ESOP Improved Your Firm's Profitability? (Yes Or No)			Y,N
10H. Do Your Employees Think Like Owners As A Result Of The ESOP? (Yes Or No)			Y,N
<b>11. ACCOUNTING BASIS FOR INTERNAL MANAGEMENT REPORTING</b>			
11A. Is The Data You're Providing Accrual Or Cash?	A=Accrual or Modified Cash-Basis C=Cash		A,C
11C. Do You Have To Prepare A Far Compliant Overhead Statement? (Yes Or No)			Y,N



(Unaudited, internally-generated data is sufficient)



# PSMJ's 2022 A/E Financial Performance Survey

Deadline: April 1st

\*\*\*Use 2021 Year-End Data\*\*\*

(Unaudited, internally-generated data is sufficient)

## Frequently Asked Questions



184. Rounding Adjustment  
 185. **Total Current Assets (Items 180 Thru 184)**  
 186. Net Computer Equipment  
 187. Net Furniture, Fixtures, Equipment  
 188. Field Equipment  
 189. Net Real Estate  
 190. Leasehold Improvements  
 191. Other Assets  
 192. Rounding Adjustment  
 195. **Total Non-Current Assets (Items 186 Thru 192)**  
 200. **TOTAL ASSETS (Item 185 Plus 195)** Must Equal Item 235, Below

	\$
AUTOMATIC	\$0
	\$
	\$
	\$
	\$
	\$
	\$
AUTOMATIC	\$0
AUTOMATIC	\$0

### LIABILITIES AND EQUITY

201. Accounts Payable  
 202. Deferred Taxes  
 203. Line Of Credit Borrowing  
 204. Current Portion Long-Term Debt  
 205. Other Current Liabilities  
 206. Rounding Adjustment  
 210. **TOTAL CURRENT LIABILITIES (items 201 thru 206)**  
 211. Long-Term Portion, Notes Payable  
 212. Other Liabilities  
 215. **Total Long-Term Liabilities (item 211 plus 212)**  
 220. **TOTAL LIABILITIES (item 210 plus 215)**  
 225. Equity Capital  
 226. Retained Earnings  
 230. **TOTAL EQUITY (item 225 plus 226)**  
 231. Rounding Adjustment  
 235. **TOTAL LIABILITIES AND EQUITY (items 220, 230, plus 231)** Must equal item 200, above

	\$
	\$
	\$
	\$
	\$
	\$
	\$
AUTOMATIC	\$0
	\$
	\$
AUTOMATIC	\$0
AUTOMATIC	\$0
	\$
	\$
AUTOMATIC	\$0
	\$
AUTOMATIC	\$0

### OTHER QUESTIONS

#### BACKLOG AND REVENUE CHANGE

240. Your Contracted Net Revenues Backlog, In Dollars?  
 241. Percentage Change In Backlog Over Past 12 Months  
 242. Percentage Change In Gross Revenues Compared To Last Year

	\$
	%
	%

#### BILLING MULTIPLIER

245. What Is Your Target Multiplier On Direct Labor?

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#### OTHER FINANCIAL INFORMATION

250. Unallowable Overhead (Disallowed By Gov't Auditors)  
 251. Number Of Hours Charged To Projects (In HOURS)  
 252. Total Hours (Direct And Indirect) For All Staff (In HOURS)  
 253. Average Monthly Accounts Receivable  
 254. Average Monthly Work In Progress  
 255. Unbillable Project Charges  
 256. Bank Line Of Credit

	\$
	hours
	hours
	\$
	\$
	\$
	\$

#### OVERHEAD ALLOCATION

260. Do You Have Different Overhead Rates For Office Vs. On-Site Work?  
 261. Do You Have Overhead Rates For Each Office (Profit Center)?  
 262. Do You Have Overhead Rates For Each Project Type (Line Of Business)?  
 263. Do You Have Multiple Offices (Branches) W/ Separate Overhead Rates?

	Y,N
	Y,N
	Y,N
	Y,N

#### PROFIT ALLOCATION

Percentage of Operating Profit (Question 150) Set Aside for:

264. Taxes  
 265. Retained Earnings  
 266. Discretionary Retirement Benefits and Profit Sharing  
 267. Owner Distributions  
 268. Owner Performance Bonuses  
 269. Staff Performance Bonuses  
 270. Other Purposes

	%
	%
	%
	%
	%
	%
	%
0.00	

#### SUBCONSULTANT AND REIMBURSABLE BILLING

271. Normal Percentage Markup on Subconsultants  
 272. Percentage of Projects with Subconsultant Markup Added  
 273. Normal Percentage Markup on Reimbursables  
 274. Percentage of Projects with Reimbursable Markup Added

	%
	%
	%
	%

#### CERTIFICATIONS

275. Is Your Firm a Women's Business Enterprise (WBE) or Minority Business Enterprise (MBE) as Certified by Some Government Body?

	Y,N
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#### WORK FROM HOME

276. Approximately What Percentage of Your Staff Hours Were Worked From Home During Fiscal Year 2021?

	%
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Please complete all tabs in this file before submitting your data.  
 This Excel file does not automatically save or submit your questionnaire to PSMJ.  
 To submit your data, follow the instructions in the [Finish Here](#) tab.

Please return questionnaire by April 1, 2022.

**PSMJ Resources, Inc.**



# PSMJ 2022 Financial Performance Survey Instructions

## Copy of Pop-Up Instructions

The following instructions are identical to the Pop-Up Instructions we've included throughout the survey questionnaire — the numbering of these items corresponds with the questions in the survey.

If you have any questions, contact Jill Stoodley or Stuart Leibson at 617-965-0055, [jstoodley@psmj.com](mailto:jstoodley@psmj.com) or [sleibson@psmj.com](mailto:sleibson@psmj.com).

### FIRM DESCRIPTIVE INFORMATION

**Answers should reflect your firm's Fiscal Year-End 2021**  
**(Unaudited, internally-generated data is sufficient)**

For Questions 1 and 2:

Please include part-time staff, seasonal help, and paid interns as full-time people equivalents in the appropriate category of staff.

To convert part-time staff, seasonal help, and paid interns to full-time equivalents, use 2,080 hours (or 1,950 for Canadian firms working a 37.5 hour work week).

Full-time employees who work more than 2,080 hours should be counted as one employee in total staff count.

1. We are looking to establish the average size of your firm at the end of the fiscal year and to distinguish between technical/professional staff and others.
  - 1a. Include all professional staff who work more than 50% of their time on projects, including principals. Professional staff is defined as registered professionals or graduates who are in the process of becoming registered.
  - 1b. Include all technical staff (include drafters, technicians and designers who work on projects more than 50% of their time). Exclude professionals reported in item 1a.
  - 1c. Include all other personnel who spend more than 50% of their time on projects (spec typists, etc.)
  - 1d. Include all others, such as financial, marketing, administrative, and other support staff who work 50% or less of their time on projects. This includes principals who charge 50% or less of their time to projects.
  - 1e. The total of items 1a through 1d (Calculated automatically).
2. We want to determine industry turnover rates and the ratios of various staff types. Note that these people are to be included in item 1 above.
  - 2a. Indicate the number of people who left the firm during the past year, including retirements, resignations, terminations, layoffs, etc.
  - 2b. Indicate the number of people who joined the firm (new hires) in the past year.



## PSMJ 2022 Financial Performance Survey Instructions

- 2c. Indicate the number of partners/principals (owners) you have in the firm. Include only those who are currently employed full time by the firm.
- 2d. Indicate the number of people in your firm who have direct responsibility for the management of projects (project managers).
- 2e. Only include those engaged in business development full time (over 75%), including principals, business development staff and clerical support. Do not include staff who spend a lesser portion of their time in business development (such as a project manager).
- 2f. Please indicate if Director of Business Development (or other title designating responsibility for your firm's BD efforts) is a partner/principal (owner) in your firm. Indicate Yes or No.
- 2g. Only include those engaged in accounting full time (over 75%), including principals, accounting staff and clerical support. If some individuals work on accounting for a portion of their time, use full-time equivalents (FTE) based on 2,080 US (or 1,950 Canadian) hours.
- 2h. Only include those engaged in IT/computer operations full time (over 75%), including principals, and MIS staff and clerical. If some individuals work on IT/computer support a portion of their time, use full-time equivalents (FTE) based on 2,080 or (1,950 Canadian) hours. IT/computer operations does not include the use of applications in the performance of other jobs (such as CAD use on projects).
- 2i. Only include those engaged in human resources management full time (over 75%), including principals, and HR staff and clerical. If some individuals work in HR support a portion of their time, use full-time equivalents (FTE) based on 2,080 (or 1,950 Canadian) hours. HR functions include benefits management, recruiting, training management and personnel policy development and management.

Note: To convert part-time staff, seasonal help, and paid interns to full-time people equivalents, use 2,080 hours (or 1,950 for Canadian firms working a 37.5 hour work week).

Please include part-time staff as full-time people equivalents in the appropriate category of staff.

- 3. We want you to identify your firm type, based on the services you provide in-house. You must choose only one of the types listed. Note: we are interested in your primary service type. If you are an engineering firm which does both prime and subconsulting, please indicate the type that represents a majority of your work.
- 4. We want to see where you do the majority of your work (i.e., more than 50%). The definition of the regions follows:
  - 1. All U.S. - Report All U.S. only if no single region generates more than 50% of total revenues.
  - 2. Northeastern U.S. - Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont.



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3. Southern U.S. - Alabama, Arkansas, District of Columbia, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, Virginia, West Virginia.
  4. Midwestern U.S. - Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, Wisconsin.
  5. Southwestern U.S. - Arizona, New Mexico, Oklahoma, Texas.
  6. Mountain U.S. - Colorado, Idaho, Montana, Nevada, Wyoming, Utah.
  7. Western U.S. - Alaska, California, Hawaii, Oregon, Washington
  8. All Canada - No single Canadian region represents more than 50% of your work. Note: please use Canadian dollars for all dollar responses.
  9. Eastern Canada - New Brunswick, Prince Edward Island, Nova Scotia, Newfoundland, Labrador
  10. Ontario
  11. Quebec
  12. Western Canada - British Columbia, Alberta, Saskatchewan, Manitoba, Yukon, Northwest Territories, Nunavut
  13. International - Firms performing more than 50% of their work outside the U.S. and Canada. Including U.S. possessions.
- 5a. Here we would like to know if you do most of your work for private-sector owners of projects, including commercial, industrial, housing and/or other private-sector facility owners. Precise accuracy is not needed-Round to the nearest 5%.
- 5b. Here we would like to know if you do most of your work under the rules of governmental agencies. Please report state and local government work together with federal as government work. Precise accuracy is not needed-Round to the nearest 5%.
6. Here we are looking for percentage of revenues from each type of client(s) you serve, by market sector. If you do not have precise figures, or have some projects that may include multiple types of work, use an estimate. An estimate to within 5% is acceptable.

Definitions include:

- 6a. Transportation - State, local and federal highway departments, agencies and authorities. Work includes roads, bridges, rail, airports, transportation planning (includes ITS), traffic.



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- 6b. Other Government Agencies/Buildings - Work for federal, state and local government agencies including justice facilities (courts, jails, etc.); public recreation (parks, athletic fields, etc.); public safety (fire stations, police stations, etc.); sports facilities (arenas, stadiums, etc.). Do NOT include government buildings that are covered in Questions 6a, or 6c-k (Transportation, Water/Wastewater, Environmental/Remediation, Industrial, Energy/Utilities, Commercial (Users and Developers), Education, Housing, Healthcare).
- 6c. Water/Wastewater - State and local government and private-sector water and wastewater owners. Includes water supply, water distribution, wastewater collection, wastewater treatment, wastewater reuse, water treatments.
- 6d. Environmental/Remediation - Local, state and federal agencies as well as private-sector owners. Work includes waste disposal (landfills, etc.); site clean up (greyfields, site remediation, nuclear, etc.); resource management (water conservation, dams, etc.); site characterization (front end investigations, etc.); wetlands delineation; environmental permitting (EIS, EIA, etc.); air pollution.
- 6e. Industrial - Includes private-sector clients. Work includes component assembly/facilities (telecom, consumer goods), repair service facilities, warehouse/distribution facilities, mining/resource extraction (includes oil drilling), petroleum facilities, chemical plants, primary materials manufacturing (steel mills, refineries, etc.), product manufacturing (food, auto, etc.), pharmaceutical production.
- 6f. Energy/Utilities - Includes projects for energy, utility and telecommunication clients, including pipelines, telecomm/cable, utility distribution, power plants, renewable energy--wind, solar, hydroelectric, wave, geothermal, biomass. Also includes on-site cogeneration projects by private-sector owners.
- 6g. Commercial (Users and Developers) - Private-sector retail and commercial work where the client will occupy the facility. Facility may be built by a developer or by the owner. Includes office buildings, retail buildings, warehouse/distribution facilities, call centers and data facilities, hotels, motels, and restaurants.
- 6h. Education - Includes K-12 schools and higher education facilities. Also includes education-related laboratories and support facilities (gyms, dorms, libraries, etc.).
- 6i. Housing - Private-sector work on condominiums, multifamily housing, single family development (subdivisions), single family property (individual houses), senior and assisted living (independent living).
- 6j. Healthcare - Includes hospitals, continuing care facilities (treatment centers, nursing homes, etc.), medical offices, medical laboratories.
- 6k. All other - Includes all work on projects which are not included in the above listed client/project types.



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7. Please indicate the percentage of your firm's revenues that are generated by the various procurement methods. Total may not add up to 100% if you have revenues from other types of procurement methods.
8. We are looking for the contractual relationship you have on your projects. Subconsultant services are defined as those for another design professional (or contractor in design-build) where you do not contract directly with the owner. Prime design services are defined as those projects where you contract directly with the owner.
9. Type of fee—Please indicate the percentage of work (to the nearest 5%) performed under each of the fee types listed. We are interested primarily in the contract type for basic services work; thus the total contract value should be included under the individual type selected. Total may not add up to 100% if you have revenues from other types of fee basis.
10. An Employee Stock Ownership Plan (ESOP) is an approved plan wherein stock of a firm is held in a trust for all employees.  
  
ESOPs are not applicable in Canada, so Canadian firms should leave items 10a-h blank and skip directly to Question 11.  
  
ESOPs are not applicable in Canada, so Canadian firms should leave items 10a-h blank.
- 10a. Indicate (Yes or No) whether your firm has an IRS Approved Employee Stock Ownership Plan (ESOP). ESOPs are not applicable in Canada.  
  
Canadian firms should leave items 10a-h blank.
- 10b. Here we would like to know what percentage of ownership is held by the ESOP.
- 10c. A required ESOP contribution (including any annual amounts owed to departing shareholder(s) or lending institutions).
- 10d. An optional ESOP contribution would include any annual amounts that are discretionary.
- 10e-h. We'd like to know what effect the ESOP has had on your firm in terms of employee motivation, firm profitability, and encouraging employees to think like leaders. We'd also like to know if your ESOP is actively being promoted to employees (such as ongoing training, etc.).
- 11a. Please indicate if the data you are reporting is on an Accrual or Cash basis.
- 11c. Do you have to prepare a Federal Acquisition Regulation (FAR) compliant overhead statement?
- 11d. Indicate the type of financial statements prepared by your outside accountants from the choices of full audit, review, compilation (write up) or no statements prepared. Choose only one.
12. We are interested in the portion of your work that is office-based and the portion that is field-based. Please note that field-based includes both construction site services and services where you have staff located in a client-owned facility. The field services would include only those services where the normal full-time place of work is other than a firm office. It is not intended to



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include such services as site surveys or periodic site inspections performed by staff who normally work in the firm office(s).

**Answers should reflect your firm's Fiscal Year-End 2021**  
**(Unaudited, internally-generated data is sufficient)**

### PROFIT AND LOSS STATEMENT

50. This is total earned revenues whether billed or unbilled, including fees, consultants, reimbursables and any markups. DO NOT include revenue not closely related to providing planning and design services such as revenue from a non-design subsidiary, interest income, real estate investments, etc.

### NON-LABOR DIRECT EXPENSES

These are expenses related to specific projects but do not include in-house labor. All expenses should be reported at your cost without markup. Please report all costs, whether they are or are not reimbursed by clients as an addition to fees.

55. All expenses for outside consultants related to specific projects, not including job shoppers. Exclude any markup.
56. All expenses for construction related to specific projects.
57. All expenses for testing (by others) related to specific projects.
58. All expenses for site surveying or mapping expenses.
59. All expenses for equipment usage on projects.
60. All expenses for specific project insurance and/or bonding.
61. All expenses for project furnishings and/or equipment, purchased for the project and turned over to the owner.
62. All expenses for project related travel.
63. All expenses for models, renderings or project photography.
64. All expenses for project supplies.
65. All expenses for project printing.
66. All other external direct project costs not previously listed or included in items 55 to 65.
67. Rounding adjustment if needed.
69. The total direct project expenses is the sum of items 55 to 67. Calculated automatically.
70. Net revenues are Gross Revenues (item 50) less the total of outside direct expenses (item 69). Calculated automatically.



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### DIRECT (INTERNAL) EXPENSES

71. Include all salaries (raw labor only) charged to projects including the portion of principals' draw chargeable to projects (whether billed or not).

DO NOT include the portion of the salaries of personnel and principals paid for vacation, sick leave, paid time off (PTO), and other non-project time (e.g., unassigned or indirect labor). Be certain to include any portion of non-technical employee time charged to projects (e.g., typist time for specification preparation). Figures must not include any amount for fringes (which is included in Overhead) or bonuses.

The raw labor salary for someone in the United States making \$20,800 a year is \$10 per hour (based on 2,080 hours per FTE year).

The raw labor salary for someone in Canada making \$19,500 a year is \$10 per hour (based on 1,950 hours per FTE year).

72. Include all computer and IT costs charged as direct project cost (not computer/IT costs charged to overhead). This should be your cost, not offset by client reimbursements (which should be included in your revenues).
73. All other direct internal project costs not previously listed or included in items 71 and 72, or rounding adjustment if needed.
75. Total direct internal costs is the sum of direct labor (item 71) and direct computer/IT costs (item 72), and arithmetic adjustment (item 73). Calculated automatically.
76. This is gross profit after project expenses are deducted but before overhead costs are applied (sometimes called Project Contribution to Overhead and Profit).

Calculated automatically.

### INDIRECT (OVERHEAD) EXPENSES

These are operating expenses that cannot be assigned to a specific project. Include all actual (not just allowable) non-project charges. These are actual overhead including all fringes. Examples are: all non-project assigned technical and non-technical personnel at raw labor salaries; total staff holidays, vacation, sick leave, and paid time off (PTO); all overhead costs such as general and administrative costs; promotional expenses that remain in overhead; and all other similar costs not included in other categories above. Exclude expenses related to any non-design business sources of revenue that were excluded from Gross Revenues (item 50).

### PAYROLL BURDEN

80. FICA, unemployment, worker's compensation and other payroll taxes required. For Canada, this would include retirement (CCP) and unemployment (UIC) payments to federal and provincial governments.



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- 81. Pay for time not worked for all staff members, including vacation, sick leave, paid time off (PTO), holidays and other paid leave time.
- 82. Health, life and other voluntary insurance programs. For Canada, this would include Government Health Care payments and payments for supplementary private insurance plans.
- 83. Mandatory payments made to a regulated, deferred retirement or pension plan (but not a profit-sharing plan or the discretionary (profit-sharing) portion of a 401(k) plan, which should be included in item 152). If your firm has an ESOP, include ONLY mandatory ESOP contribution. Please include any employer matching contributions for a 401(k) plan, if such matching is a normal employee benefit of your firm. For Canada, this would include retirement plans other than mandatory government plans included in item 80.
- 84. Any fringe benefits not included above.
- 85. Rounding adjustment, if needed.
- 89. The total payroll burden (sum of items 80 to 85). Calculated automatically.

### **GENERAL OVERHEAD (without Business Development)**

- 90. Raw labor salaries of all time not spent on projects including administration, and non-chargeable time for principals, professional and administrative staff. Do not include vacation, sick leave, paid time off (PTO), and holiday costs that are included in item 81, or business development labor that is included in items 115 and 116, or any computer cost labor included in either items 91 or 72.
- 91. Include all computer and IT costs not charged directly to projects (e.g., Internet, VoIP, and other similar expenses). Items 72 and 91 should equal your total computer and IT costs, without markup or offset by client reimbursement.
- 92. Total expenses for rent, utilities and maintenance. If you own your own building, include equivalent expenses such as interest and depreciation on buildings, but not depreciation on equipment and furniture.
- 93. All telephone costs not charged to projects (e.g., landline, cell/mobile phones expenses not included in 91). All other IT expenses should be entered into Direct (72) and Indirect (91) Computer and IT Costs.
- 94. The premium expense incurred for errors and omissions insurance.
- 95. The premium expense for all other insurance coverage. Does not include group insurance, or professional liability coverage expense reported in items 82 and 94 respectively.
- 96. Total interest for the fiscal year for loans, excluding any mortgage interest which is included in item 92.
- 97. Amount accrued or expensed for uncollectible accounts during fiscal year.



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- 98. Amount spent for the training and education of the firm's staff. Include costs of tuition, educational programs, educational materials and expenses associated with this effort (including travel costs to educational programs). Do not include salary costs of staff members attending courses.
- 99. Amount spent on legal and accounting services. Note this does include litigation costs incurred on projects.
- 100. Amount spent on supplies used on projects, but not directly allocated to a specific project. Examples include general supplies of paper, ink pens, etc.
- 101. Amount spent on general office supplies. Examples include stationery, paper clips, file folders, etc.
- 102. The amount you pay for professional registrations or professional licenses. Do not include dues to professional societies or general business licenses.
- 103. The amount of state and local taxes other than income-based taxes. Examples include business licenses and property taxes.
- 104. All other general overhead expenses not listed above.
- 105. Rounding adjustment, if needed.
- 110. The total general overhead expenses (without marketing labor/expenses) reported in items 90 to 105. Calculated automatically.

### **BUSINESS DEVELOPMENT EXPENSES**

We are trying to determine the total raw labor salary spent on marketing and proposal development and the expenses you directly incur in support of your firm's business development efforts.

- 115. Raw labor salary of full-time business development and marketing people (those included in item 2e above). Do not include any overhead allocation, payroll burden, etc. on this salary.
- 116. Raw labor salary of time spent by other staff who charged to business development/marketing (proposals, presentations, etc. by project managers, technical staff, etc.).  
Again, no associated overhead costs.
- 117. The total BD/marketing labor, items 115 and 116. Calculated automatically.
- 120. The total expenses (excluding internal labor) for producing firm brochures.
- 121. The total expenses (excluding internal labor) for business development related printing.
- 122. The total expense (excluding internal labor) for promotional advertising (not help wanted advertising).
- 123. The total expenses (excluding internal labor) for direct mail.



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- 124. The total expenses (excluding internal labor) for business development travel and client presentations.
- 125. The total expenses (excluding internal labor) for public relations.
- 126. All other non-labor business development expenses.
- 127. Rounding adjustment, if needed.
- 130. The total for non-labor BD costs in items 120 to 127. Calculated automatically.
- 135. Total BD Costs (item 117 plus item 130). Calculated automatically.
- 140. All other operating income and expense for the period.  
  
If the combined amount is income, please indicate with ( ) brackets. Examples include interest income, sale of fixed assets, etc.
- 145. Total general overhead (sum of items 89, 110, 135, and 140). Calculated automatically.

### PROFIT AND TAX LIABILITY

- 150. Operating profit before taxes and voluntary distributions. Items 76 minus item 145. Calculated automatically.
- 151. Voluntary distribution of profits to owners and non-owners in the form of performance bonuses and incentive compensation, which is disbursed (currently paid out in cash).  
  
Does not include discretionary retirement plan contributions which are item 152.
- 152. Discretionary firm contributions to IRS qualified retirement plans such as profit sharing, the profit sharing component of a 401(k) plan, or discretionary ESOP contributions. Mandatory pension contributions, or firm matching contributions to a 401(k) should be included in item 83.
- 155. Total discretionary distributions is the total of items 151 and 152. Calculated automatically.
- 158. All other income and expense (non-operating). Includes non-design business items (such as investment gains) and other non-recurring income and expense items.  
  
If non-operating expenses exceed non-operating income, this should be a positive number.
- 160. This is income or profit after incentive bonuses and profit sharing, but before income taxes and profit distribution to principals/owners based on their ownership.  
  
Item 150 minus the sum of items 155 and 158. Calculated automatically.
- 165. Federal, state or local income tax liability for your fiscal year. Use accrued liability for fiscal year rather than actual tax paid and exclude tax liability on revenue not included in item 50.
- 170. Annual net income, after taxes. Item 160 minus item 165. Calculated automatically.



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### BALANCE SHEET

180. Checking and savings accounts plus cash equivalents such as CDs or short-term market instruments.
181. Amount invoiced to clients but not paid yet (net of allowance for bad debts).  
Note: If your firm operates on a Cash-basis, you shouldn't have an A/R balance. If your firm is using a Modified Cash-Basis System that generates A/R and WIP balances (e.g., QuickBooks), please change 11.A to Accrual Basis (A).
182. Amount earned (taken from percentage complete project reports) less total invoiced to date. This is earned but unbilled income.  
  
Note: If your firm operates on a Cash-basis, you shouldn't have a WIP balance. If your firm is using a Modified Cash-Basis System that generates A/R and WIP balances (e.g., QuickBooks), please change 11.A to Accrual Basis (A).
183. All other assets readily converted to cash within one year (including prepaid expenses).
184. Rounding adjustment, if needed.
185. The total of current assets; items 180 to 184. Calculated automatically.
186. Investment in computer equipment owned, less accumulated depreciation.
187. Furniture, fixtures and equipment owned less accumulated depreciation (in office equipment).
188. Field equipment owned less accumulated depreciation (for equipment used on project sites).
189. Real estate owned less accumulated depreciation.
190. Leasehold improvements less accumulated depreciation.
191. All other assets such as cash surrender value of life insurance policies, etc.
192. Rounding adjustment, if needed.
195. Total non-current assets (the total of items 186 to 192). Calculated automatically.
200. This is the total assets for the firm: item 185 plus 195. Calculated automatically. (Note: please ensure that this figure equals the figure in item 235).
201. Accrued amounts due vendors and consultants.
202. Amount of deferred taxes.
203. Amount currently owed to banks under short-term, line of credit loan agreements.
204. The current portion (due within one year) of the long-term debt owed by the firm.
205. All other obligations due within one year.



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- 206. Rounding adjustment, if needed.
- 210. The total current liabilities (items 201 to 206). Calculated automatically.
- 211. The portion of installment loans not due within one year.
- 212. All other liabilities.
- 215. Total long-term liabilities (the sum of items 211 and 212). Calculated automatically.
- 220. Total liabilities (the sum of items 210 and 215). Calculated automatically.
- 225. The value of stock, or partnership capital.
- 226. The value of earnings retained in the firm.
- 230. Total equity (the sum of items 225 and 226). Calculated automatically.
- 231. Rounding adjustment, if needed.
- 235. Total liabilities and equity; the sum of items 220, 230 and 231. Calculated automatically. Note: please ensure that this figure equals the figure in item 200 (above).

### OTHER FINANCIAL INFORMATION

- 240. Indicate the amount of your contracted net revenue backlog. This is defined as the portion of project net revenues still to be completed. Do not include projects you are marketing but have not yet been awarded. If you are using Ajera, please use Current Month Backlog.
- 241. Indicate the percentage change of your backlog from the level of twelve months prior to the backlog value reported on the previous line. The formula is:  $\text{Current backlog} / \text{Year ago backlog} \text{ minus } 1 = \% \text{ change}$ . If the current value is lower than one year ago, indicate the percentage change in ( ). If you are using Ajera, please use Current Month Backlog.
- 242. Indicate the percentage change of your total revenues (item 50) this year compared to one year prior. The formula is:  $\text{Current revenue} / \text{Year ago revenue} \text{ minus } 1 = \% \text{ change}$ .  
  
If the current value is lower than one year ago, indicate the percentage change as a negative value.
- 245. This is the direct labor billing multiplier you would quote to a client on a time-and-materials project. Note it should reflect your current pricing to recover all direct costs, overhead and profit. It is multiplied by direct labor and not direct personnel expense.
- 250. The portion of your total overhead that government auditors disallowed in their last audit. Report dollars (not percent).
- 251. Indicate the number of hours the firm recorded as direct project charges in the past year.

PLEASE ENSURE THESE AMOUNTS ARE REPORTED IN HOURS--NOT DOLLARS.



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252. Indicate the number of hours the firm recorded as total labor (both direct and indirect). Includes all staff, including principals and part-time staff.

PLEASE ENSURE THESE AMOUNTS ARE REPORTED IN HOURS--NOT DOLLARS.

253. Average the accounts receivable balance over the year by totaling the account value at the end of each month and dividing by 12 (use figure upon monthly completion of your billing cycle).

Note: If your firm operates on a Cash-basis, you shouldn't have an A/R balance. If your firm is using a Modified Cash-Basis System that generates A/R and WIP balances (e.g., QuickBooks), please change 11.A to Accrual Basis (A).

254. Average the work in process account balance over the year by totaling the figures for each month-end and dividing by 12.

Note: If your firm operates on a Cash-basis, you shouldn't have a WIP balance. If your firm is using a Modified Cash-Basis System that generates A/R and WIP balances (e.g., QuickBooks), please change 11.A to Accrual Basis (A).

255. Amount accrued or expensed for unbillable project costs or uncollectable accounts receivable during the fiscal year.

256. Total amount of line of credit financing available to the firm from banks, even if not borrowed and outstanding at year-end.

260. We are interested to know whether you calculate different overhead rates for office and field work. Indicate Yes or No.

261. We are interested if you calculate separate overhead rates for different offices or profit centers. Indicate Yes or No.

262. We are interested if you calculate separate overhead rates for different lines of business (such as environmental). Indicate Yes or No.

263. Indicate whether or not you have multiple office locations (branches). Do not include individual project offices, as we are looking only for offices that provide services on multiple projects. Indicate Yes or No.

Note: We are only interested in the overhead rates you actually use for project costing or fee proposals, on a regular basis. If you have unique overhead rates for individual projects or clients, this is not regular calculation of specialized overhead rates for these responses. If you only have a single, firm-wide overhead rate, the answer to items 260 and 261 will be No.

- 264-270. Operating profit is defined as Income Before Incentive/Bonus Payments & Income Taxes (Question 150).

- 271-274. Please indicate the normal percentage markup you add to subcontracts and reimbursable expenses when billing clients.



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If you do not mark up these items, please leave these blank. Also please indicate the percentage of your total fees on which you can add markup to subconsultants and reimbursables.

275. We are interested to know if your firm is a Women-Owned Enterprise (WBE) or Minority Business Enterprise (MBE) as certified by some government body.
276. We'd like to know the approximate percentage of your staff hours that were worked from home during fiscal year 2021.

Thank You for Participating!

To submit your data, follow the instructions in the Finish Here tab.



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## Appendix C: Glossary of Terms

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*Also see the Questionnaire (Appendix B) for more detailed explanation of terms.*

**ACCOUNTING STAFF** - those engaged in accounting full time (over 75%), including principals, accounting staff and clerical support. If some individuals work on accounting for a portion of their time, use full-time equivalents (FTE) based on 2,080 US (or 1,950 Canadian) hours.

**ACCOUNTS PAYABLE** - accrued amounts due vendors and consultants.

**ACCOUNTS RECEIVABLE** - amounts invoiced to clients but not yet paid.

**ACCRUAL ACCOUNTING** - recognition of revenue and expenses as they are earned or incurred.

**ALTERNATE MINIMUM TAX (AMT)** - special tax calculation based on certain tax preference items. For design firms, the primary tax preference item is income deferral caused by cash-basis tax reporting.

**ANNUAL TOTAL REVENUES** - total earned revenues whether billed or unbilled, including fees, consultants, reimbursables, and any markups.

**AVERAGE ANNUAL SALARY** - the total payroll, including base salary and wages plus overtime pay, divided by the total number of staff. Excludes bonus and profit distribution.

**AVERAGE BILLING RATE** - average revenue achieved per hour charged to projects (direct labor hours). Can be determined for either gross or net revenues. Determined by dividing the amount of revenue by the number of direct labor hours.

**BAD DEBT EXPENSE** - amount accrued for non-collectible accounts during fiscal year.

**BONUS, INCENTIVE PAYMENTS, PROFIT SHARING** - see Incentive/Bonus Payments.

**BONUS/INCENTIVE PAYMENTS** - voluntary distribution of profits to owners and non-owners in the form of performance bonuses and incentive compensation, profit sharing, Keoghs, and ESOP contributions.

**BUSINESS DEVELOPMENT EXPENSE** - total of raw salary cost for all time spent on business development, plus out-of-pocket expenses.

**BUSINESS DEVELOPMENT PER GROSS REVENUES** - total business development expense expressed as a percentage of annual total revenues less reimbursables.

**BUSINESS DEVELOPMENT PER NET REVENUES** - total business development expense expressed as a percentage of net revenues.

**BUSINESS DEVELOPMENT SOFTWARE** - software used for proposals, including SF 254 and 255 forms, proposal status tracking, firm biographies, and project profile information.

**BUSINESS DEVELOPMENT STAFF** - those engaged in business development full time (over 75%), including principals, business development staff, and clerical support. Do not include staff who spend a lesser portion of their time in business development (such as a project manager).

**CASH ACCOUNTING** - the recognition of expenses only when payment is made and of revenue only when payment is received.

**CHARGEABLE RATIO (also Utilization Rate)** - the percentage of total staff time or dollars charged to projects, determined either in hours or dollars.

**COLLECTION PERIOD, AVERAGE** - average number of days to collect from clients for services from date of billing until date of collection. To calculate, divide annual total revenues by 365 to obtain annual days revenues (ADR). Divide average accounts receivable by ADR to determine average collection period.

**CONTRACTED BACKLOG** - value of the portion of projects under contract that have not been performed. Represents the fee to be earned for the remaining project work.

**CONTRIBUTION RATE** - percentage of each fee dollar available to cover overhead and profit, after all direct project expenses.



**CURRENT ASSETS** - cash and near cash assets, generally defined as items that will become cash within one year.

**CURRENT LIABILITIES** - liabilities due within one year.

**CURRENT RATIO** - current assets divided by current liabilities.

**DEFERRED TAXES** - the amount of tax liability due if the tax reporting basis was the same as the basis for preparation of the financial statements.

**DIRECT EXPENSES** - project-related, non-labor costs, such as consultants and travel.

**DIRECT LABOR** - project labor, including principals and non-technical staff, priced at raw salary cost (which does not include fringe benefits).

**DIRECT LABOR COST** - average amount spent for direct labor hours. Determined by dividing total direct labor costs by the number of direct labor hours.

**DIRECT PERSONNEL EXPENSE (DPE)** - raw salary cost plus fringe benefits.

**EMPLOYEE STOCK OWNERSHIP PLAN (ESOP)** - an approved plan wherein the stock of a firm is held in a trust for all employees.

**FEDERAL ACQUISITION REGULATIONS (FAR)** - the federal rules governing cost allowability and contracting requirements. Often used by state and local governments.

**FIELD EQUIPMENT** - equipment dedicated for use on project sites.

**GENERAL INSURANCE** - annual cost for all insurance coverage except employee group insurance and professional liability insurance. Includes property, auto, and other general business coverages.

**GENERAL OVERHEAD** - non-salary-related overhead, such as rent, insurance, etc.

**GOVERNMENT OVERHEAD RATE** - the ratio of all indirect expenses, less indirect cost items unallowable by the Federal Acquisition Regulations, divided by direct labor.

**GROSS INCOME (Profit)** - revenue left to cover overhead and profit (also called contribution margin).

**GROUP INSURANCE** - health, life, and other voluntary insurance programs.

**HUMAN RESOURCES STAFF** - those engaged in human resources management full time (over 75%), including principals, and HR staff and clerical. If some individuals work in HR support a portion of their time, use full-time equivalents (FTE) based on 2,080 (or 1,950 Canadian) hours. HR functions include benefits management, recruiting, training management, and personnel policy development and management.

**INCOME TAX LIABILITY** - accrued income tax liability for fiscal year (rather than actual tax paid).

**INDIRECT EXPENSES (also Overhead)** - operating expenses that cannot be assigned to a specific project.

**INDIRECT LABOR** - all labor not charged to projects priced at raw salary cost.

**INTEREST** - total interest expense for fiscal year.

**IT STAFF** - those engaged in computer operations full time (over 75%), including principals, and MIS staff and clerical. If some individuals work on computer support a portion of their time, use full-time equivalents (FTE) based on 2,080 or (1,950 Canadian) hours. Computer operations does not include the use of applications in the performance of other jobs (such as CAD use on projects).

**LABOR OVERHEAD RATE (also Payroll Burden and Salary Overhead)** - salary-related overhead, such as vacation, Social Security, and pension. Used to determine DPE.

**LEGAL AND ACCOUNTING FEES** - expenses for outside legal services and accounting services.

**LIMITED LIABILITY COMPANY (LLC)** - a form of organization offering the corporate liability limitations and taxation as a partnership.

**LINE OF CREDIT** - the maximum amount of money a financial institution has agreed to be willing to loan to a firm. Usually prearranged prior to actual borrowing need.

**LOWER QUARTILE** - the 25th percentile, or the point at which 25% of the values are below and 75% of the values are above the point.

**MANDATORY PAYROLL TAXES** - payroll taxes, such as Social Security that are required by law.



**MARKETER** - a person who markets the firm's services full time.

**MEAN** - the average value calculated by summing each of the reported values.

**MEDIAN** - the midpoint value, where 50% of the responses are above and 50% of the responses are below the value.

**MULTIDISCIPLINE** - firms that have more than one of the normal design disciplines in-house, such as electrical/mechanical, civil/structural, architectural/interior design, or any other combination of two or more design disciplines.

**MULTI-OFFICE** - includes firms with more than one physical office location.

**NET DIRECT LABOR MULTIPLIER ACHIEVED** - net revenues divided by direct labor.

**NET PROFITS** - income or profit before tax.

**NET REVENUES** - revenues generated by in-house labor, thus excluding non-labor direct expenses, such as outside consultants.

**NON-TECHNICAL STAFF** - includes those who spend *less than 50% of their time on projects*: Principals who charge less than 50% of their time to projects; marketing, HR, administrative, accounting staff, etc.

**OCCUPANCY/SPACE COSTS** - total expenses for rent, utilities, and maintenance.

**OFFICE SUPPLIES** - expenses for general office items, such as stationery, accounting supplies, etc.

**OPERATING PROFITS** - profit before year-end distributions and taxes. Generally accepted as the profit (or loss) that results from recurring business operations.

**OUTSIDE CONSULTANTS** - other firms (not moonlighters) retained to perform a portion of the services for a project.

**OVERHEAD RATE** - total indirect or overhead expense expressed as a percentage of direct labor (not as a percentage of direct personnel expense).

**PENSION** - payments made to a regulated, deferred retirement plan.

**PRODUCTION SUPPLIES** - general supplies used in the production of projects.

**PROFESSIONAL LIABILITY INSURANCE** - annual cost of professional liability insurance.

**PROFESSIONAL LICENSE FEES** - fees paid to a government for professional licenses and registrations.

**PROFESSIONAL SERVICE CORPORATION (PSC)** - a tax status created by the Income Tax Reform Act, covering certain architectural, engineering, and interior design firms (as well as other professions).

**PROFESSIONAL STAFF** - registered professionals (including principals) and graduates in the process of becoming registered who work more than 50% on projects.

**PROFIT** - annual total revenues less all project (direct) and operating expenses (overhead).

**PROFIT PER PARTNER/PRINCIPAL** - net profit divided by the number of partners/principals.

**PROFIT PER PROJECT MANAGER** - net profit divided by the number of project managers.

**PROFIT PER TECHNICAL STAFF** - net profit divided by technical staff.

**PROFIT PER TOTAL STAFF** - net profit divided by total staff.

**PROJECT FURNISHINGS/EQUIPMENT** - items provided to owners, such as interior furnishings, equipment, or goods, purchased by the design firm and billed (or included in fees) to the owner.

**PUBLIC RELATIONS EXPENSE** - business development expense promoting the firm in general rather than for a specific project.

**QUALIFICATION-BASED SELECTION (QBS)** - the selection process followed by most governmental entities (and many private-sector clients) where firms are selected on the basis of technical qualifications and contract fees are negotiated.

**RAW SALARY (OR LABOR) COST** - the actual salary paid to an individual, not including fringe benefits. The raw salary/labor rate for someone making \$20,800 per year is \$10.00 per hour.

**REIMBURSABLE EXPENSE** - project-related, non-labor expense paid by the client above and beyond the project fee.



- RETURN ON ASSETS** - earnings produced by the firm measured against its total assets.
- RETURN ON EQUITY** - the earnings produced by the firm measured against the equity (capital) in the firm.
- RETURN ON PAYROLL** - earnings produced by the firm measured against total payroll.
- RETURN ON NET REVENUES** - after-tax profit expressed as a percentage of net revenues.
- RETURN ON OVERHEAD** - net profit (before incentive/bonus) divided by total general overhead costs.
- REVENUE** - compensation earned from projects.
- REVENUES PER TECHNICAL STAFF** - net revenues divided by technical staff.
- REVENUES PER TOTAL STAFF** - net revenues divided by total staff.
- REVENUE SURPLUS OR DEFICIT** - target net revenues (i.e., target multiplier multiplied by direct labor) minus actual net revenues.
- STAFF SIZE CHANGE (PERCENTAGE)** - The net increase in staff at year's end over the staff at the beginning of the year.
- STATE WORK QUALIFICATIONS** - to qualify as working in a state for the state-by-state calculations, a firm must have both clients and projects in a state but may or may not have an office location in the state. As an example, a firm with a Chicago office performing work in Illinois, Wisconsin, and Indiana for clients located in each of these states would qualify as performing work in all three states. This definition was developed to provide information on firms serving a market, and thus representing business conditions in that state market.
- TAXES AND PERMITS** - taxes and permits, other than income-based taxes. Includes property taxes, business licenses, and other government business fees.
- TECHNICAL PROJECT STAFF** - includes engineers in training, drafters, technicians, and designers who work on projects more than 50% of their time.
- TECHNICAL STAFF** - includes those who spend *more than 50% of their time on projects*: Registered professionals (including principals), graduates in the process of becoming registered, designers, drafters and technicians, IT, spec typists, etc.
- TELEPHONE** - expense for basic telephone service, plus toll calls, not charged to projects.
- TOTAL COST, AVERAGE ANNUAL** - the total operating cost (including payroll, fringe benefits, and all overhead costs) divided by the total number of staff. Excludes bonus and profit distribution and income taxes.
- TOTAL COST OVERHEAD** - the overhead allocation method where overhead is allocated to all direct project costs, including labor, subconsultants, and other direct costs.
- TOTAL HOURLY COSTS (THC)** - total hourly costs, including both direct labor and overhead, provide a chargeable hour. They are computed by adding direct labor expenses and overhead costs together and dividing this sum by direct labor hours.
- TOTAL STAFF** - Technical staff + Non-technical staff, as defined in this appendix.
- TOTAL STAFF TO BUSINESS DEVELOPMENT STAFF (also Business Development Staff Ratio)** - total staff divided by business development staff, expressed as a ratio.
- TURNOVER RATE** - the rate of change in individual staff positions measured by the number of staff leaving a firm during the year.
- UNALLOWABLE OVERHEAD** - total of all overhead items disallowed by federal government auditors, expressed as a percentage of direct labor.
- UPPER QUARTILE** - the 75th percentile, or the point at which 25% of the responses are above the value and 75% of the responses are below the value.
- VALUE ADDED OVERHEAD** - the overhead allocation method where overhead is allocated to all direct project costs except subconsultants.