

TREASURER'S REPORT

For the period January 1 to December 31, 2015



The HVAC Inspection, Maintenance
and Restoration Association

Overview

The Association's finances continue to solidify and support long-term sustainability for the Association, with revenues of **\$2,013,600** and expenses of **\$1,600,400** with a projected net income of **\$412,700**, well ahead of the budgeted net income of **(\$378,400)**, which equates to an approximate **\$791,100** swing to the positive. The Association ended the year with total net assets of **\$2,041,500**.

Revenues

Membership dues account for **46%** of the Association's revenues, followed by Certification & Training (**28%**) and Annual Meeting (**17%**). Overall revenues for 2015 were **\$2,013,600** compared to 2014 audited, actual revenues of **\$1,967,734**. This slight rise can be attributed to an increase in dues revenue of approximately **\$55,000**.

Expenses

Administration is the largest expense category at **53%** of total expense, and includes the following: management services, staffing, office space, committee expenses, certification job analysis projects and exam development, ANSI fees, public relations, legal fees, trademark enforcement legal fees, sales commission expense, credit card processing fees, insurance, postage, general design and printing, storage fees, taxes and filing fees, telephone, website maintenance and hosting, and staff travel.

Management Fees

NADCA's management contract with AH includes fee and scope of work documentation for all contract years. That scope drives the work of the organization and the overall management fee. The NADCA Board of Directors works with the Chief Staff Executive to model an appropriate scope of work tied directly to committee and board strategy each year.

Comparison to Budget

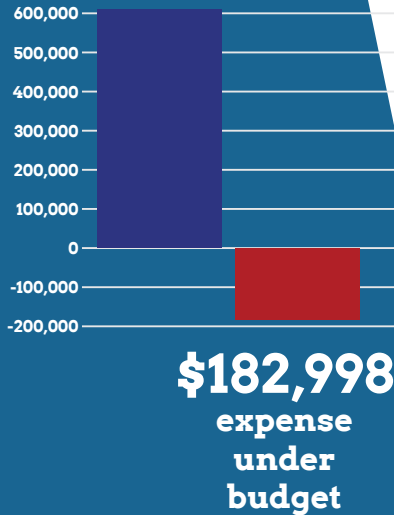
NADCA continues to present a conservative revenue growth budget and a realistic expectation on expenses each year. In 2015, we came in with a planned deficit budget of approximately **(\$378,400)**. Revenues for 2015 exceeded the conservative budget goals, with actual results of **\$2,013,600**, compared to a budget of **\$1,400,000**. Expenses continue to be tightly monitored and reduced whenever possible, while still making deliberate investments in the

Association around structure, staffing and sustainability. Overall expenses for 2015 were **\$1,600,000** compared to a budget of **\$1,780,400**. Overall the Association realized an unrestricted net income of **\$412,700**.

Closing

NADCA increased its net assets again in 2015, remains financially strong and continues to trend upward. The Association has the funds necessary to execute its operational and strategic initiatives, initiate additionally identified directives, and deliver a high level of support to the industry and our members. The Association has implemented a surplus and investment guideline and in Q4 began diversifying the fund investments to realize more productive gains and stabilize the long term health of the organization.

144%
of budgeted
revenue



Unrestricted Net Income Comparison



FINANCIAL SUMMARY	2015		2014
OPERATING REVENUES	2015 UNAUDITED FINANCIALS	2015 BUDGET	2014 AUDITED FINANCIALS
Administration	\$975,952	\$603,325	\$984,073
Annual Meeting	340,802	258,120	287,542
Certification & Training	564,425	455,940	576,334
Other Events	55,665	42,000	52,905
Publications	76,750	43,650	66,880
TOTAL OPERATING REVENUES	\$2,013,594	\$1,403,035	\$1,967,734
OPERATING EXPENSES			
Administration	\$841,345	\$969,106	\$779,645
Annual Meeting	403,932	401,625	381,728
Certification & Training	196,437	232,200	212,783
Other Events	66,458	82,800	64,950
Publications	90,261	95,700	91,206
TOTAL OPERATING EXPENSES	\$1,598,433	\$1,781,431	\$1,530,312

Annual Meeting Committee

More than **500** attendees were present at NADCA's 26th Annual Meeting held at the Marco Island Marriott in Marco Island, FL, where industry professionals came out to take advantage of the opportunity to learn, connect and network among the industry's most successful and experienced professionals. The exhibit hall

offered more than **35** exhibitors in **50** booths showcasing their equipment and services. The return of outdoor exhibits this year allowed our Associate Members to bring in trucks and heavy equipment for display. Although the beach party was rained out, attendees gathered inside to celebrate the Member Party in honor of the Hall of Fame inductees with a fantastic band, outstanding food, a little corn hole and the usual memory-making photo booth.

Certification Committee

The Certification Committee is tasked with developing and maintaining NADCA's industry-leading certification programs to ensure that members are performing air duct cleaning to the highest standards and in accordance with ACR, The NADCA Standard.

This year the CVI sub-committee completed the CVI exam re-write process and will be unveiling the new exam at the 2016 Annual Meeting in Phoenix, AZ. This process includes thorough review of the existing question bank to determine if the material is relevant or outdated, as well as work on drafting new questions that reflect current industry standards and best practices for the inspection of HVAC systems. This process produced an updated and more relevant exam for those looking to become a Certified Ventilation Inspector.

With the update to the CVI and the elevated exam content, the strategic decision was made for the ASCS certification to be a prerequisite for the CVI, effective March 7, 2016.

Education and Safety Committee

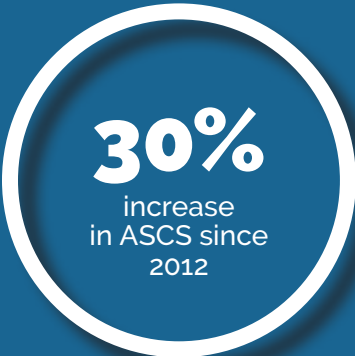
2015 Certification Summary

PROGRAM	2015 # OF CERTIFICANTS	NEW IN 2015	2014 # OF CERTIFICANTS	NEW IN 2014	2013 # OF CERTIFICANTS	NEW IN 2013	2012 # OF CERTIFICANTS	NEW IN 2012
ASCS	1,762	278	1,798	302	1,660	265	1,353	333
CVI	237	22	248	44	209	33	205	28

Education remains the core of NADCA's mission, and the Education & Safety Committee strives to maintain, update and develop new training programs that will keep our technicians and industry experts on top of new advancements in technology, products, and practice. In 2015 the committee continued their second full year of development work on NADCA's new online webinar library which offers on-demand webinars on a variety of industry related topics for continuing education credits. Participants can easily identify desired areas of study and opt for the course or courses that fit their target needs in an on-demand format. Library content continues to grow each year as a result of the work of this committee. The ACR webinar series development is almost complete and will be launched in 2016.



The HVAC Inspection, Maintenance and Restoration Association



Ventilation Maintenance Technician (VMT) Training Program

The Ventilation Maintenance Technician (VMT) Online Training program remains the optimum way to train entry-level technicians in a cost-effective manner. More than **600** technicians have registered for this course since it was launched in 2011, learning about basic safety, access openings, containment, tools and equipment, and how to clean HVAC systems in accordance with ACR, the NADCA Standard.

The Education Committee, alongside the Fall Technical Conference Committee, continues to provide unmatched hands-on training for the VMT course at the Fall Technical Conference each year, allowing attendees to apply those skills and theories taught by the VMT Training Program as they work through the course instruction. Attendees are able to step into a training area that replicates the HVAC system and related components, touch and feel the tools and equipment needed to perform the work, and test out the techniques taught in the session.

The VMT Program will soon be available in Italian as we continue to support and grow our International membership.

White Paper: Restoring Energy Efficiency Through HVAC Air Distribution System Cleaning

In 2015, the Education and Safety Committee charged their White Paper Sub-Committee with the development of this paper designed to educate members and the industry about critical aspects of HVAC systems – energy consumption and the roles that HVAC engineering, cleaning, and maintenance play in optimizing energy usage.

This paper covers the specific topics of:

- How cleaning reduces HVAC energy consumption
- How energy consumption can be calculated with pre-cleaning and post-cleaning measurements.
- Mechanical and other issues within HVAC systems that contractors encounter while inspecting and/or cleaning that can be reported and corrected to maximize HVAC energy efficiency.

This paper was developed by some of the nation's top professionals together with NADCA's technical team. It will be presented for the first time at NADCA's Annual Conference in Phoenix, AZ and will subsequently be available in webinar format. This paper will be available for free download at **NADCA.com**.

Finance Committee

This committee was formed in 2013 to provide financial oversight for the organization. The Finance Committee is chaired by the most recent outgoing Board Treasurer, and consists of the current Board President, current Board Treasurer, and three NADCA members at-large, in good standing.

600 technicians

In addition to reviewing and approving the annual budget presentation to the Board of Directors, the committee also reviews the pricing structure throughout the organization, making recommendations and changes in support of the budget and strategic goals of the Association. They approve the audit firm and subsequent audit documents, set long term financial goals and surplus spending guidelines, and review quarterly financial statements.

International Affairs Committee

NADCA's International membership continues to grow with targeted marketing bringing our total International member count to **275** members from **27** countries. NADCA's International Affairs Committee is appointed to focus on the needs and interest of members from outside the United States. In support of our international efforts, NADCA participates in presentations and events across the globe. In 2015, ACR, The NADCA Standard, was presented for the first time in Medellin, Colombia. JADCA, our Japanese affiliate, remains engaged and committed to increasing awareness around the need for duct cleaning in their country.

NADCA continues to enjoy a mutually beneficial relationship with AIISA. In 2015, **78** NADCA members came from our partnership with AIISA and that number continues to climb.

Industry and Public Relations Committee

The Industry and Public Relations Committee undertakes a wide array of initiatives each year for the purpose of generating business opportunities for NADCA members and growing the association. In 2015, NADCA continued its relationship with AH's Red Chair Communications (formerly the MarCom team) and continued to engage in targeted campaign work. The results of these campaigns show measurable growth and value beyond the dollars invested.

The committee's ACR Marketing Task Force worked with AH's Red Chair Communications to develop a new marketing campaign to promote ACR, the NADCA Standard and the NADCA General Specification to engineers, architects, facility managers and specifiers. The campaign will launch in February 2016. NADCA has also invested dollars to employ a full time marketing associate to drive more saturation of the ACR and General Specification documents.

In addition to ACR marketing in the commercial market, the committee has also worked with AH's Red Chair Communications to develop a consumer facing *Breathing Clean* campaign that will launch in early 2016 to highlight the importance proper cleaning by a NADCA professional to residential consumers. Newly developed branding and collateral has been developed to support these important campaigns.

The Industry Relations (IR) team continues to solidify relationships, demonstrate value and recognize significant growth in sponsorship, exhibits, and new products and services. The results speak for themselves:

- **18%** increase in sales (2014 v 2015) for the Annual Meeting
- **14%** increase in *DucTales* advertising (2014 v 2015)
- **19%** increase in overall sales (2014 v 2015)



18%
increase
in sales

14%
increase
in advertising

19%
increase
in overall
sales

The IR team at AH works to nurture and build upon relationships with exhibitors and sponsors and continues to develop new revenue opportunities as the industry grows.

2015 saw the release of the very first NADCA Buyer's Guide in the November/December issue of *DucTales*. This is a valuable resource for our Regular Members looking to purchase equipment and services and serves as a tremendous member benefit for our Associate Members. This issue generated additional advertising revenue to help offset production and will continue to be a sales piece for all Associate Members through 2016, as it will be distributed at all NADCA events.

Anti-Fraud Task Force

NADCA's Anti-Fraud Task Force (AFTF) remains focused on execution of the plan to assist government officials in reducing the presence of duct cleaning scammers. AFTF has been gathering data and tracking those identified as providing disreputable service and using bait-and-switch tactics against unknowing consumers. NADCA's AFTF acts as relay point for information needed by officials, including the office of the Attorney General, consumer groups, and media contacts who are working to bring scammers to justice.

Over the past twelve months, the AFTF Chair has contacted the Attorney General in every US State, introduced NADCA and forged relationships wherever possible, with the goal of positioning NADCA as the voice of quality and professionalism in the industry.

Website Redesign Task Force

This task force was charged with thorough review and content audit of the NADCA website, with an eye for a rebuild that will provide a more user-friendly interface. They spent much of 2015 laying the groundwork for a redesign project launch in 2016. The flow of information, whether to consumer, member or industry affiliate, will be much improved with the new roadmap and work plan developed by this task force. Look for the launch of NADCA's revised and refreshed website in Q4 of 2016.

Social Media

NADCA continues to increase its presence on Facebook, Twitter, YouTube and LinkedIn. NADCA's Twitter followers jumped from **275** in 2011 to **991** in 2015, an increase of more than **250%**. LinkedIn continues to be the most active social media forum for NADCA, with **559** group members and a very dynamic discussion board. Topics range from NADCA-specific certification and renewal questions, to ACR, The NADCA Standard, the NADCA General Specification, and even job-specific information exchange. NADCA's Facebook page is also growing, with more than **780** followers, a **30%** growth over 2014.

We continue to drive people to **www.nadca.com** across all of our projects, in an effort to increase the visibility of the association and educate the industry.



250%
increase
in followers



780
followers

Articles and News Releases

NADCA utilizes a multi-pronged approach to consumer outreach. In 2015, NADCA continued to utilize several public relations initiatives in order to promote the activities of the association and the advancement of the industry. Strategic partnerships with North American Precis Syndicate (NAPS) and Red Chair Communications have resulted in a range of releases and article topics. This included coverage in top industry and consumer-facing publications including: *Today's Facility Manager*, *ACHR News*, *SNIPS Magazine*, *HVAC Insider*, *Facility Care Manager*, *Memphis Commercial Appeal*, *The Tribune*, plus more.

Syndicated news magazine *Inside Edition* ran a feature story about scammers overcharging unsuspecting homeowners for duct cleaning services. NADCA's AFTF Chair was the featured expert who consulted and helped to confront the unscrupulous cleaning companies. NADCA was also featured on CBS and KY3 as the Association's recognition as the industry voice continues to grow.

Commercial Activities

NADCA allocates a portion of their Industry & Public Relations budget to participation and exhibition at several industry events. With booths at the Restoration Industry Association (RIA), Indoor Air Quality Association (IAQA) and ASHRAE's Air-conditioning, Heating & Refrigeration (AHR) Expo, NADCA harnessed opportunities to reach target individuals and companies across the industry, including mechanical engineers, specifiers, facilities managers, air conditioning contractors, indoor air quality specialists and other key industry segments. NADCA presentations on ACR, The NADCA Standard, the White Paper on Interior Applications in HVAC Systems, and the DEDP Standard were delivered at these industry events and were well-received in these circles.

NADCA continues to support our affiliate partnerships and maintains its Memorandum of Understanding (MoU) with IICRC, IAQA, and IKECA. Additionally, NADCA is an endorsing association partner with the AHR Expo. Through these agreements, our associations offer reciprocal support and benefit in the areas of education, marketing and promotion. The executive management teams remain in communication with regard to scheduling and direction of the association in order to maximize all opportunities and work together to avoid scheduling conflicts.

Membership Committee

The Membership Committee is tasked with enhancing member benefits and promoting those benefits to current and prospective members in order to increase and retain membership. The Committee also oversees NADCA's growth strategy and member surveys. In 2013, NADCA was pleased to surpass **1,000** members for the first



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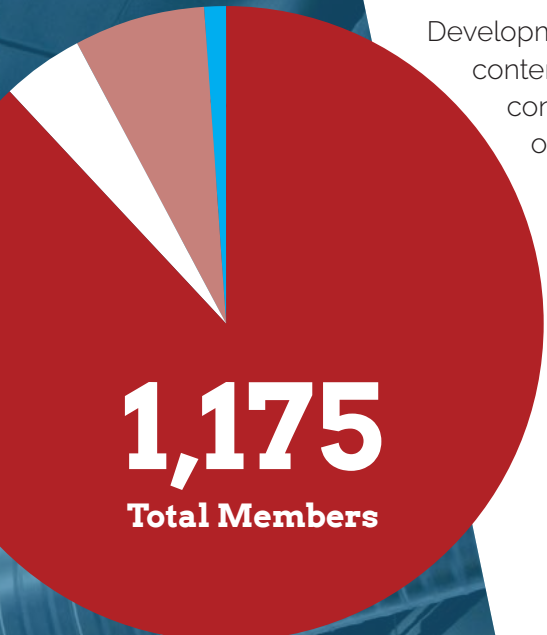
25%

3-year
trend

1,175
members

time in the organization's history. In 2014, that growth trend continued and membership peaked at **1,039** companies. In 2015, NADCA set another membership record with **1,175** members. This is a **25%** increase in membership over the past **3** years.

Development of enhanced member benefits, updated and focused educational content and a membership campaign that spans both US and International markets continues to propel the organization forward. Targeted content marketing with our in-house marketing and communication experts continues to focus on opportunities for membership and industry education, highlighting the fantastic ROI (return on investment) and professionalism of the Association. With the streamlined online renewal process, including CEC availability via the online webinar library, NADCA has built a strong foundation for the targeted growth outlined in the organization's long term strategic goals.

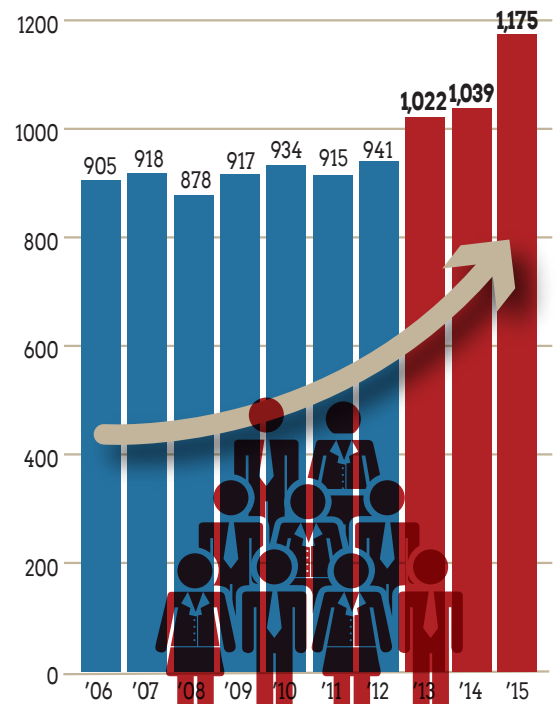


- Affiliate
- Supplemental
- Associate
- Regular Certified

Membership History

- In 2015, **138** companies had their membership terminated for not meeting membership requirements (non-compliance with ASCS certified staff or lack of proof of insurance). This compares to **55** terminations in 2014, **44** terminations in 2013, **118** terminations in 2012, **41** terminations in 2011 and **27** companies terminated in 2010.

As of December 31, 2015, there were **33** pending member companies. Pending companies can remain in pending status for a maximum of six months. During this time they are required to provide proof of insurance and have at least one individual pass the ASCS examination. At the conclusion of the six month period, all pending companies who have not complied with the qualifications of membership are terminated. Should they wish to pursue membership again in the future, they must initiate the application process from the beginning.



NADCA Regional Coordinators

NADCA's Regional Coordinators work to provide support and mentoring to new and existing members within their region. NADCA again welcomed several new Regional Coordinator volunteers who have been working to support and build the Member Mentor program in their areas, and work to ensure that members receive access to a network of support. The Regional Coordinator program is important because NADCA members face various challenges in their day-to-day work that can be very specific to climate, licensing and local regulation. Finding mentorship from an individual who understands and navigates similar challenges is an invaluable part of the NADCA membership benefit blueprint.

Leadership Development Committee

The Leadership Development Committee is charged with identifying qualified candidates who are interested in serving on NADCA's Board of Directors.

This Committee identified a slate of four highly qualified candidates to fill two open positions on the 2016–2018 Board of Directors. The following Associate Director was elected to serve his first three-year term beginning in March 2016: **Frank Forrest** from Carlisle HVAC in Wylie, TX.

Re-elected to a second term on the Board of Directors is **Carlos Gonzalez-Boothby** from Indoor Environmental Consultants in San Juan, PR.

NADCA continues to utilize technology that brings efficiency and security to the process. Ballots were sent to each regular NADCA member's primary email address through ballot voting software company, Big Pulse. Electronic ballots maintain a higher level of accuracy and protect the integrity of the process.

NADCA members can be confident they will receive exemplary levels of support and participation from the newly elected Associate board member, as well as those returning to continue their service. Their willingness to share their time and expertise with others serves to prove they are committed to their service as a NADCA director and the industry at large.

Fall Technical Conference

NADCA's Fall Technical Conference Committee supports NADCA members through regional training conferences and direct technical assistance.

NADCA continues to experience tremendous success as this conference grows not only in size but in technical expertise and value. Another record-setting attendance of **150** owners, managers and technicians traveled to St. Louis in September.

Registration for this event has increased more than **75%** since 2012, a testament to the quality training and hands-on instruction provided by speakers and the volunteer committee members. The Fall Technical Conference is designed to help industry members become the best they can be by offering certification, training and hands-on application to all levels of technicians. The committee



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Fall Technical
Conference

150
attendees

3-year trend

75%
growth

continued the two-track program format and again offered both the Technician Track for those who are new to our industry, and the Advanced Track for industry professionals wanting to develop a greater depth of knowledge and a more comprehensive skill set.

Fall Technical Conference is prime training ground for new technicians to get their hands dirty and learn in both a classroom and technical, hands-on environment. In 2015, more than **60** technicians attended the full-day ASCS training course and followed up with taking the ASCS exam the following morning while the material was still fresh in their minds. This is a **32%** increase in participation over 2014.

Standards Committee

The Standards Committee is tasked with developing NADCA's standards — primarily, *ACR, The NADCA Standard for Assessment, Cleaning & Restoration of HVAC Systems*. ACR, The NADCA Standard is available for free at www.nadca.com. To date, there have been more than **4,700** downloads of the Standard from more than **75** countries, and more than **4,200** hard copies of the booklet have been sold or given away at industry educational sessions. Committee members continue to present ACR sessions at industry events and pursuit of promotional opportunities for this NADCA Standard continues. As a part of the organization's strategic initiatives, NADCA has begun roll out of an ACR marketing campaign to targeted architects, engineers, and facility managers across the US and globally.

The Standards Committee is committed to reviewing and updating ACR, The NADCA Standard on a regular and consistent basis. The group will convene in 2016 for a cursory review of the Standard and will report any updates out to the membership upon completion.

The Dryer Exhaust Duct Performance Standard (DEDP), developed in 2014 is an extremely technical and effective Standard for the benefit of NADCA members. The DEDP Standard lays out NADCA's research-based approach to testing the performance of residential dryer exhaust ducts. It provides best practices for you to test dryer exhaust duct performance and static pressure; validate performance of dryer exhaust ducts in new residential construction installations; and inform customers of conditions that may be impacting their dryer's venting performance.

In 2015, the Standards Committee fully updated the *NADCA General Specifications for the Cleaning and Restoration of Commercial Heating, Ventilating and Air Conditioning Systems*. The updated General Specification is available for free download at www.nadca.com. This customizable document is an excellent tool for commercial specifiers to use for developing their specification and scope of work for commercial HVAC system cleaning projects. The NADCA General Specification outlines what proper HVAC system cleaning entails and promotes the use of NADCA members and certified ASCSs for commercial cleaning projects.

ACR Downloads

2,336

from more than
60 countries

DEDP Downloads

1,666

from more than
40 countries

Bylaws Committee

In 2015 the Bylaws Committee reviewed the bylaws but initiated no revisions. This document specifies how the Association is to be governed. A copy can be found in the Member section of www.nadca.com.

Ethics Committee

The Ethics Committee was appointed for the primary purpose of evaluating the Association's logo use policies, as well as other policies related to the use of NADCA's intellectual property. The committee works with the NADCA attorney, when needed, to police and protect NADCA's trademarks. These efforts continue on behalf of NADCA members in order to monitor and prevent misuse of the NADCA logo for competitive advantage.

As a part of NADCA's ongoing efforts to protect members' investment and prevent use of the NADCA logo by non-member companies, NADCA continues their partnership with Yoshki and their logo protection software. This was rolled out to members in 2014 and 2015 saw an increased push toward compliance.

When members use the Yoshki logo and a customer clicks that logo from the member's website in order to verify NADCA membership, the customer gets confirmation of NADCA membership. If the company is not a NADCA member, the verification will fail.

If a non-member company is using the logo, it will not be verifiable. Additionally, if past members who have not renewed membership continue to use the Yoshki logo, customers will see the failed verification notification when clicking the logo from the former member's website. It is imperative that all members in good standing adopt use of this software in order to protect their investment, the Association and the industry from less-than-ethical competitors.

The committee is also charged with reviewing allegations of unethical conduct of NADCA members. 2015 saw few ethics complaints reported, but the committee remained active in reviewing those complaints and taking action when deemed necessary. The efforts of this committee go a long way toward protecting the integrity and value of NADCA membership and the dues investment.

Strategic Planning

NADCA's strategic plan sets the direction and establishes priorities for the Association. It defines our view of success and prioritizes the activities that will make this view a reality. The strategic plan helps to guide committees, board members and executive management toward fulfilling the initiatives outlined in the plan, thereby achieving the short and long term goals of the Association. NADCA staff maintains a focus on the directives of the plan and delivers measurable results that can be tied directly to the strategic mission of the organization.



The HVAC Inspection, Maintenance
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3-5
year goals

NADCA's Board of Directors, along with three members-at-large, convened at the headquarters office in 2014 for a one-day strategic planning session. The facilitator walked the group through deep-dive conversations and exercises to help identify and prioritize the goals and activities of the Association for the next **3-5** years. From this planning session, each respective committee was charged with identification and execution of key action items to achieve their relevant strategic initiative in order to maintain the forward movement of the organization.

Much of 2015 has been spent initiating and executing these action items to move the organization toward achieving those **3-5** year goals.

All tactics outlined in the strategic plan have been initiated and are well underway as year one of the plan closes out. Over the next two years NADCA strives to see progress and completion of these set targets.

1	2	3	4	5
ACR Marketing Plan	2000 Members by 2020	Fall Tech Growth	Website Update	Annual Income/Budget
				
<ul style="list-style-type: none"> ACR Presentations E-Marketing Campaign Facility Manager Video ACR Ad Campaign NADCA member tagline ACR Marketing - Members 	<ul style="list-style-type: none"> Member Get a Member Market Research Study E-Marketing Campaign Int'l Recruitment Campaign New Member Welcome Renewal Campaign 	<ul style="list-style-type: none"> Fall Tech Marketing Plan Promotion for New Members Certification Video 	<ul style="list-style-type: none"> Consumer Marketing - Residential - Commercial Member Resources 	<ul style="list-style-type: none"> Review of NADCA Fees Investment Guidelines

Management Review

NADCA is entering its fourth year of partnership with AH, a leader in the Association Management community. They were the first licensee of the American Society of Association Executives (ASAE) Certificate in Association Management Program, they are charter-accredited by the AMC Institute (to an American National Standards (ANSI) standard) and employ the highest number of credentialed staff members of any association management company (AMC) world-wide. AH is also the first and only AMC to be Gold Certified by the Customer Service Institute of America.

NADCA's scope of work is the driving document behind their management agreement. The Board of Directors reviews the scope of work against the strategic objectives for the year and makes approvals based upon those established directives. The partnership with AH has been one of mutual respect, professionalism, transparency, accountability and success! The numbers speak for themselves.



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