

2014 ANNUAL REPORT

TREASURER'S REPORT

For the period January 1 to December 31, 2014

Overview

The Association's finances remain strong in 2014, with revenues of \$1,904,275 and expenses of \$1,526,760 with a projected net income of \$377,500, well ahead of the budgeted net income of (\$141,395), which equates to an approximate \$518,900 swing to the positive. The Association ended the year with total net assets of \$1,568,867.

NADCA completed the transition from cash basis to an accrual basis accounting system in 2013. Because the Association operated on a cash basis accounting system prior to that transition, revenue numbers for comparison year over year will be skewed. For example, revenue numbers for 2012 were inflated. That is attributed to dues revenue recognition (and other revenue) in 2012 that should have been deferred and recognized in 2013. With the close of 2014 and moving forward, the membership can now see year-end comparisons that accurately reflect the progression of the Association's finances.

Revenues

Membership dues account for 46% of the Association's revenues, followed by Certification & Training (30%) and Annual Meeting (16%). Overall revenues for 2014 were \$1,904,275 compared to 2013 revenues of \$1,811,672. The increase in revenue can be attributed to: Certification & Training coming in \$168,314 ahead of budget; Annual Meeting coming in \$87,077 ahead of budget; and \$24,405 in Other Event revenue.

Expenses

Holding steady for the second year in a row at 51%, Administration is the largest expense category and includes the following: management services, staffing, office

space, committee expenses, legal fees, sales commission expense, credit card processing fees, insurance, postage, general design and printing, storage fees, telephone, website maintenance and hosting, and staff travel.

NADCA's partnership with Association Headquarters allows the association to continue to realize significant savings in management fees as outlined below. Projections on previous management company fees are included at 4% annual increase, consistent with historical management contracts.

Management Fees



Comparison to Budget

Due to prior accounting method and the transition to accrual based accounting in 2013, the Association has not had an accurate historical record of their revenue versus expense. With 2014 coming to a close and the first full

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year of accrual based accounting completed, the year over year comparisons now become accurate and meaningful. NADCA budgeted conservative revenue growth and planned for a budgeted loss of approximately \$141,395.

\$92,603
revenue
increase
over 2013

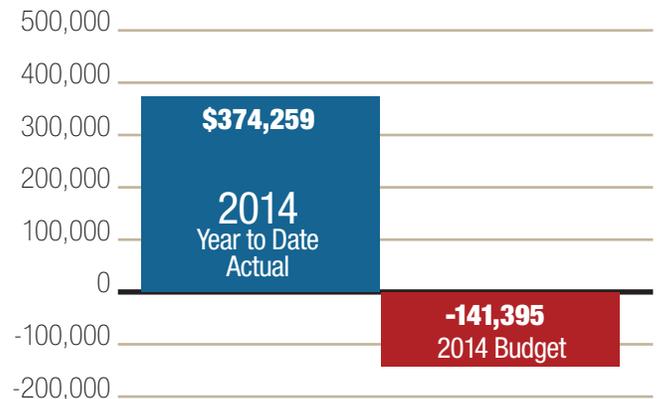
Actual revenue far exceeded the conservative budget by \$402,445. Revenues for 2014 far exceeded the conservative budget goals, with actual results of \$1,904,275, compared to a budget of \$1,501,830. Expenses continue to be monitored and reduced. Expenses were closely monitored and cut at every opportunity. Actual expenses for 2014 were \$1,526,760 compared to a budget of \$1,643,225. Overall the Association realized an unrestricted net income of \$374,259.

\$116,466
expense
under
budget

Closing

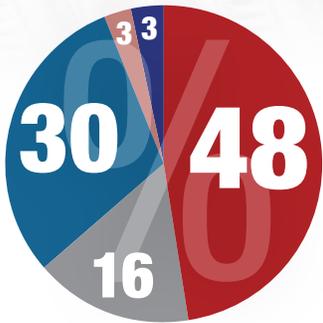
NADCA increased its net assets again in 2014, remains financially strong and continues to trend upward. The Association has the funds necessary to execute its operational and strategic initiatives, initiate additionally identified directives, and deliver a high level of support to the industry and our members. The Association will be working toward diversification of fund investments to realize more productive gains and stabilize the long term health of the organization.

Unrestricted Net Income Comparison

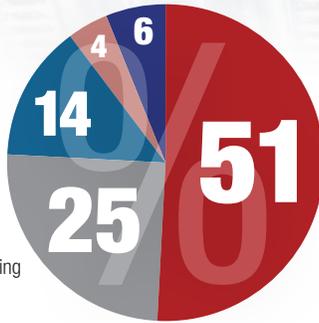


| FINANCIAL SUMMARY REPORT | 2014 | | 2013 |
|---------------------------------|---------------------------|--------------------|-------------------------|
| OPERATING REVENUES | 2014 UNAUDITED FINANCIALS | 2014 BUDGET | 2013 AUDITED FINANCIALS |
| Administration | \$902,515 | \$787,000 | \$857,140 |
| Annual Meeting | 306,087 | 219,010 | 233,892 |
| Certification & Training | 576,634 | 408,320 | 583,195 |
| Other Events | 52,905 | 28,500 | 45,904 |
| Publications | 66,134 | 59,000 | 91,541 |
| TOTAL OPERATING REVENUES | \$1,904,275 | \$1,501,830 | \$1,811,672 |

| OPERATING EXPENSES | 2014 UNAUDITED FINANCIALS | 2014 BUDGET | 2013 AUDITED FINANCIALS |
|---------------------------------|---------------------------|--------------------|-------------------------|
| Administration | \$777,496 | \$874,625 | \$710,291 |
| Annual Meeting | 381,411 | 340,400 | 324,342 |
| Certification & Training | 212,569 | 240,900 | 187,777 |
| Other Events | 64,418 | 77,900 | 68,483 |
| Publications | 90,866 | 109,400 | 91,918 |
| TOTAL OPERATING EXPENSES | \$1,526,760 | \$1,643,225 | \$1,382,811 |



Operating Revenues



Operating Expenses

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 tie back specifically to ACR, the NADCA Standard.

After completing the ASCS exam rewrite, this committee formed a sub-committee to begin the CVI exam rewrite process with a release date set for the Annual Meeting in Phoenix, AZ in 2016. This will mirror the ASCS process and will produce an updated and more relevant exam for those looking to become a Certified Ventilation Inspector.

Annual Meeting Committee

More than 430 attendees were present at NADCA's 25th Annual Meeting held at the Grand Hyatt in San Antonio, TX where industry veterans 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 30 exhibitors showcasing their equipment and services. Demonstrations were held in the exhibit hall and the attendees gathered to celebrate the Member Party in honor of the Hall of Fame inductees with a scenic river boat ride along San Antonio's famed Riverwalk to the Buckhorn Saloon and Museum.

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 committee completed the ASCS exam rewrite process and unveiled the new exam to more than forty test takers at the Annual Meeting in San Antonio.

This committee continues to work closely with the Education Committee to review newly developed content for CEC course instruction.

Education and Safety Committee

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 2014 the committee continued their 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 now more easily identify desired areas of study and opt for the course or courses that fit their target needs in an on-demand format. The committee is also working on a new webinar series that will provide tips & techniques for cleaning to ACR, the NADCA Standard for both residential and commercial projects. These segmented training sessions are shorter in length so they can be taken individually or multiple sessions can be purchased if the desire/need arise.

2014 Certification Summary

| PROGRAM | # OF CERTIFICANTS | NEW IN 2014 | 2013 # OF CERTIFICANTS | NEW IN 2013 | 2012 # OF CERTIFICANTS | NEW IN 2012 |
|---------|-------------------|-------------|------------------------|-------------|------------------------|-------------|
| ASCS | 1798 | 302 | 1660 | 265 | 1353 | 333 |
| CVI | 248 | 44 | 209 | 33 | 205 | 28 |

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Ventilation Maintenance Technician (VMT) Training Program

The Ventilation Maintenance Technician (VMT) Online Training program remains as the optimum way to train entry-level technicians in a cost-effective manner. More than 480 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, launched hands-on training for the VMT course offered at the Fall Technical Conference in Atlanta, GA, allowing attendees to apply those skills and theories taught by the VMT Training Program as they worked through the course instruction. Break out time was scheduled and attendees were able to step into the training area to touch and feel the tools and equipment and test out the techniques taught in the session.

White Paper: Interior Insulation Applications in HVAC Systems

In 2014, the Education and Safety Committee charged their White Paper Sub-Committee with the development of this paper designed to educate the industry on internally insulated sheet metal ductwork and HVAC system components.

Currently a broad range of information exists regarding cleaning and restoration of interior insulation in HVAC systems. In working with a wide spectrum of parties associated with the HVAC and insulation industries, NADCA recognized the need to provide direction in this area.

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 Marco Island, FL 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 in good standing.

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 249 members from more than 25 countries. NADCA's International Affairs Committee is appointed to focus on the needs and interest of members from outside the United States.

In 2014, NADCA President, Bill Benito, traveled to Italy to present ACR, the NADCA Standard to NADCA's Italian counterpart, AIISA. Benito stressed the importance of ACR and shared copies of the standard with government officials, owners and technicians at AIISA's 10th anniversary celebration.

NADCA continues to enjoy a mutually beneficial relationship with AIISA. In 2014, 71 NADCA members came from our partnership with AIISA, an increase of 34% over 2013.

NADCA's international impact was extended through outreach and events including participation in the 2014 FIRAS Congress in Canada and by offering customized training in Australia to help increase the number of ASCS certified individuals located in that country.

Also in 2014, board member Carlos Gonzalez-Boothby represented NADCA at AHR Expo Mexico to expand NADCA's presence internationally, recruit members from Latin America, and promote ACR, the NADCA Standard.

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 2014, NADCA continued its relationship with Association Headquarter's MarCom (Marketing & Communications) team and engaged in targeted campaign work. The result of the campaigns has been measurable, targeted growth and value beyond the dollars invested. For example, NADCA invested in a short-term membership campaign that drew 17 new members, including eight international members resulting in \$23,742 in membership revenue. ***That equates to a 265% return on NADCA investment.***

The Industry Relations (IR) team saw significant growth in new products and services. The demand for additional sponsorship and marketing opportunities saw the team get creative to meet our members' needs.

The results speak for themselves:

- Increased sponsorship sales for the Annual Meeting and Fall Tech Conference by more than 600%.
- Increased DucTales advertising revenue by 14%.
- Implemented new website advertising platform and launched sales in excess of \$5,000

Over the past two years, the IR team at Association Headquarters has revitalized relationships with past exhibitors, created partnerships with new sponsors, developed new revenue opportunities, and boosted existing ones.

Social Media

NADCA continues to increase its presence on Facebook, Twitter, YouTube and LinkedIn. NADCA's Twitter followers jumped from 275 in 2011 to 849 in 2014, an increase of more than 200%. LinkedIn continues to be the most active social media forum for NADCA, with 507 group members and a very dynamic discussion board. Topics range from NADCA-specific certification and renewal questions, to EPA activity, to job-specific information exchange. NADCA's Facebook page is also growing, with more than 600 followers representing a 37% growth over 2013.

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.

Articles and News Releases

NADCA continues 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 Precip Syndicate (NAPS) and MarCom have resulted in a range of releases and article topics. NADCA's investment of just over \$45,000 with MarCom generated more than \$216,419 in ad rate value for the Association. This included coverage in top industry and consumer-facing publications including: *Today's Facility Manager*, *ACHR News*, *SNIPS Magazine*, *HVACR Business Magazine*, *Facility Care Manager*, *Men's Health Magazine*, *The Miami Herald*, *The Washington Post (Media Planet)*, *The Charlotte Observer*, plus more.

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

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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, HVAC Cleaning in Healthcare Facilities, and the NADCA White Paper on UV Applications in HVAC Systems 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. 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

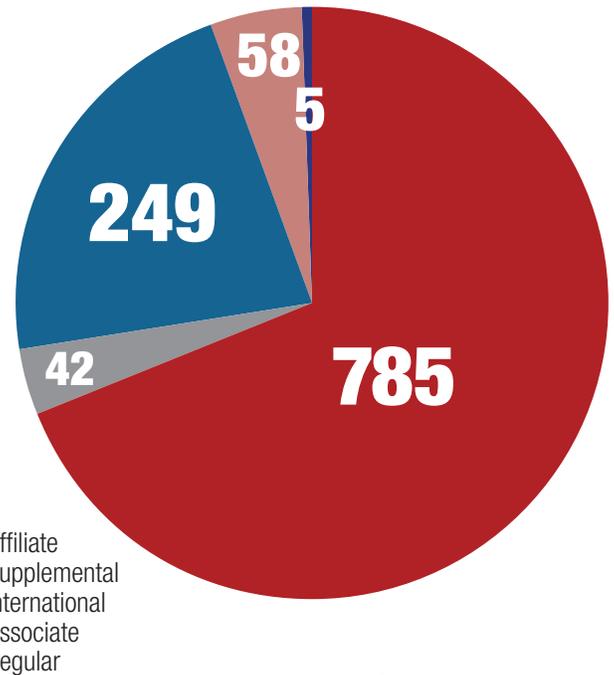
The Membership Committee is tasked with enhancing member benefits and promoting those benefits to current and prospective members in order to increase and retain membership. The Committee also oversees NADCA's growth strategy and member surveys.

In 2013, NADCA was pleased to surpass 1,000 members for the first time in the organization's history. In 2014, that growth trend continued and membership peaked at 1,139 companies. Development of enhanced member benefits, updated and focused educational content and a membership campaign that spanned both US and International markets continue to propel the organization forward. Targeted content marketing with our in-house MarCom experts found pockets of opportunity for membership and industry education, highlighting the fantastic ROI (return on investment) and professionalism of the Association. Through the on-going work of the Membership Committee and staff in assisting pending members with completion of their ASCS certification, and creating a streamlined, online renewal process, NADCA has built a strong foundation for the targeted growth outlined in the organization's long term strategic goals.

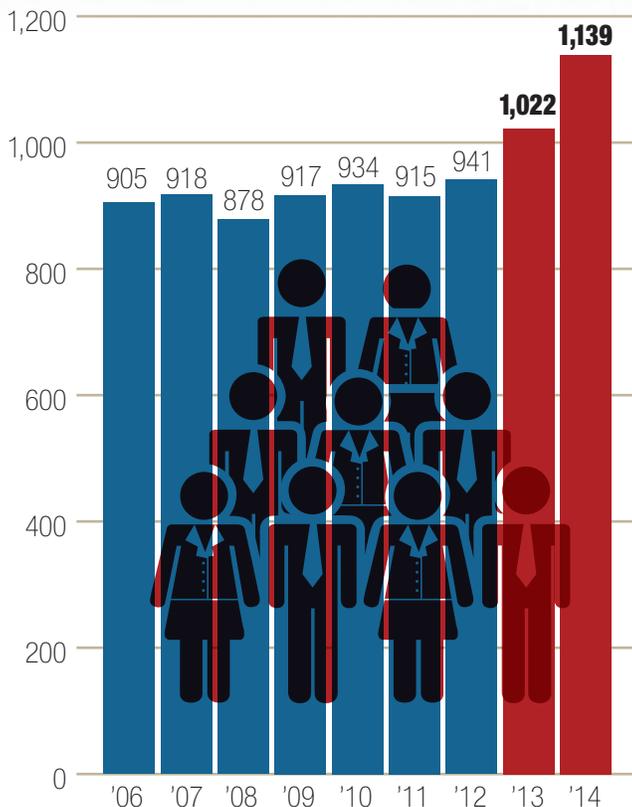
2014 NADCA Membership Summary Number of Members by Type

Membership reached an all-time high in 2014 with

1139 members



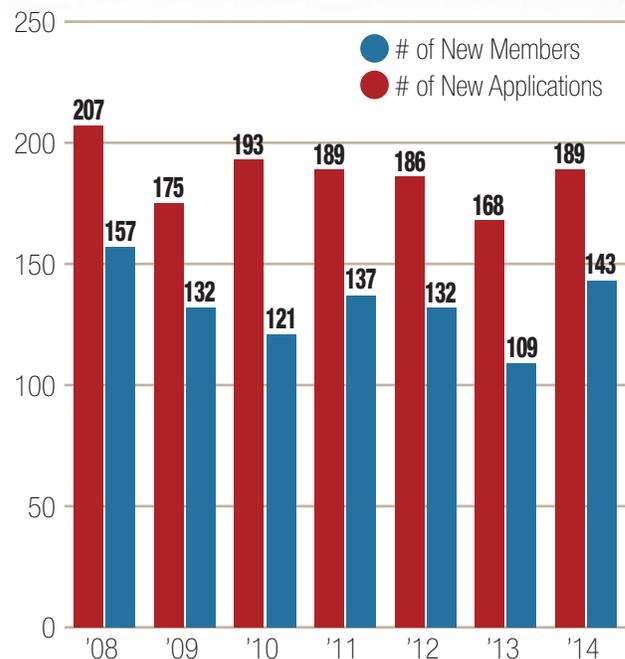
Membership History



■ In 2014, **55** 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 **44** terminations in 2013, **118** terminations in 2012, **41** terminations in 2011 and **27** companies terminated in 2010.

As of December 31, 2014, there were 55 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.

New Applications/New Members



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 five highly qualified candidates to fill four open positions on the 2015-2017 Board of Directors. The following director was elected to serve her first three-year term beginning in March 2015: April Yungen from Air Management Industries in Rancho Cucamonga, CA.

Re-elected to a second term on the Board of Directors is Richard Lantz from Interior Maintenance Company in Lansdowne, PA and Dan Stradford from Action Duct Cleaning in Altadena, CA.

Re-elected to a third term on the Board of Directors is Rick MacDonald from Armstrong Duct, Vent & Chimney Cleaning in Manchester, NH.

NADCA again used electronic ballots for this vote. All members without an email address on file were sent the

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61%

increase in attendance
since 2012

ballot via fax and/or USPS. 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.

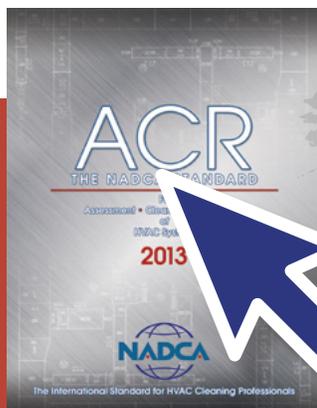
NADCA members can be confident they will receive exemplary levels of support and participation from the newly elected board members and those returning to continue their service. Their willingness to share their time and expertise with others serves to prove they are committed to their service as a NADCA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

Fall Technical Conference Committee

NADCA's Fall Technical Conference Committee, formerly known as The Regional Technical Advisory Committee (RTAC), supports NADCA members through regional training conferences and direct technical assistance. Previously, NADCA's Regional Coordinators fell under the direction of this committee. In 2014, a subcommittee of Regional Coordinators was created and now falls within the Membership Committee as these coordinators work to provide support and mentoring to new and existing members within their region. NADCA welcomed several new Regional Coordinator volunteers who will be working to reinvigorate the Member Mentor program and work to ensure that members receive access to a network of support.

Fall Technical Conference

NADCA once again brought in a record number of attendees at the 2014 Fall Technical Conference. The event was held September 16–18 and was set to take place at the Sheraton Gateway Hotel in Atlanta, Georgia. Due to an unexpected (and last minute) city-mandated shut down of the meeting space at this property at 5:00pm on September 15th, the event was relocated to the Renaissance. NADCA staff and speakers never missed a beat. All materials were moved to the Renaissance, meeting rooms were set, sleeping room reservations were transferred and guests were shuttled over in time for a 7am start on September 16th!



ACR Downloads

2400 from more than **75** countries

Registration for this event has increased more than 60% since 2012, a testament to the quality training and hands-on instruction provided by speakers and the volunteer committee members. More than 130 technicians and industry professionals were in attendance. 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 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.

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, more than 2,400 people from over 75 countries have downloaded the free pdf, and more than 3,500 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, the MarCom team will be rolling out an ACR marketing campaign to targeted facility managers across the US and globally in 2015.

A new NADCA standard was developed and released in 2014 by the DEDP sub-committee. This committee has worked closely and with great dedication to formulate an extremely technical and effective Standard for the benefit of NADCA members. The Dryer Exhaust Duct Performance Standard (DEDP) lays out NADCA's research-based approach to testing the performance of residential dryer exhaust ducts. The DEDP Standard 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.

Bylaws Committee

In 2014 the Bylaws Committee initiated one minor revision to the NADCA Bylaws. This document specifies how the Association is to be governed. A copy of the bylaws can be found in the Member section of www.nadca.com.

Ethics Committee

The Ethics Committee was appointed in 2011 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. The committee is also charged with reviewing allegations of unethical conduct of NADCA members. 2014 saw very 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.

As a part of NADCA's ongoing efforts to protect members' investment and prevent use of the NADCA logo by non-member companies, a new logo protection software was rolled out to members in 2014. NADCA contracted with Yoshki, a software provider who will now offer all members the opportunity to set themselves apart, to have the ability to very clearly identify themselves as an ethical, legitimate, certified and trained air duct cleaning company. What's even more important is that the non-member will no longer have use of the legitimate NADCA membership verification logo.

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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.

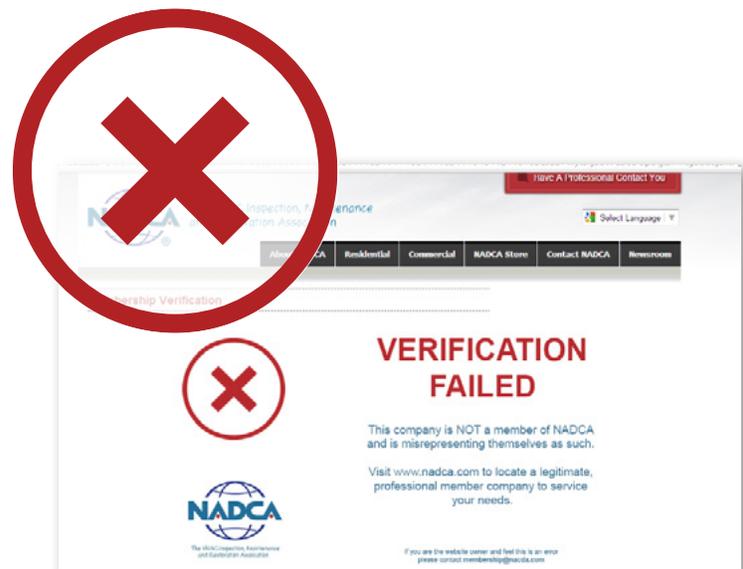
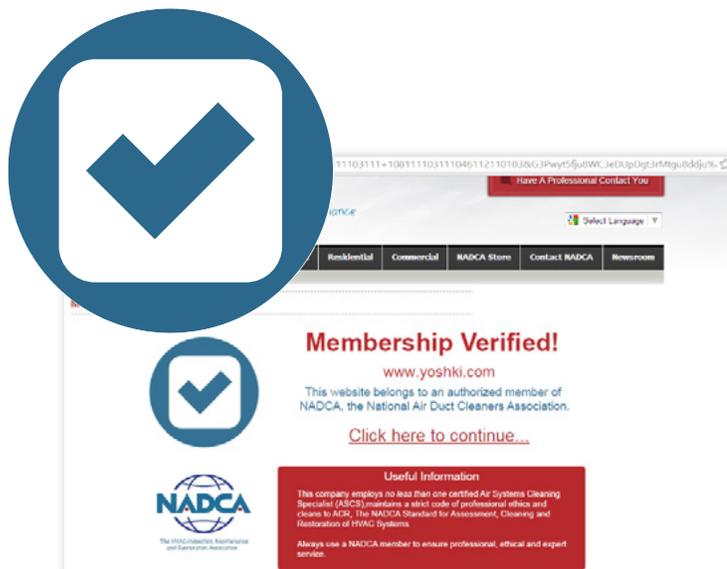
Anti-Fraud Task Force

In addition to the efforts outlined above, NADCA has established an Anti-Fraud Task Force (AFTF) led by board member, Mark Zarzeczny, which is tasked with developing a plan to assist government officials in reducing the presence of duct cleaning scammers. AFTF will work to develop a database of scammers and act as a 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.

Strategic Planning

NADCA's Board of Directors, along with three members-at-large, convened at the headquarters office in May 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.

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.





Management Review

NADCA initiated a management change in 2012 and selected Association Headquarters (AH). AH is 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 world-wide.

Since the Association's transition to AH, membership has grown 21%; Fall Tech attendance is up over 60%; ACR was updated and the DEDP Standard was released; the organization transitioned successfully from cash to accrual based accounting methods and updated the chart

of accounts to support more transparent and accurate financials; certification & training revenue is up more than 60% since 2011; three white papers have been released; the ASCS exam and training materials have been updated; the Finance Committee was formed to ensure another layer of fiscal responsibility; re-design of DucTales print version and new online format implemented; built online webinar library for on-demand learning; made available a new Safety Manual and created additional non-dues revenue stream; monthly electronic newsletter developed; prospect database created and consistently mined for marketing opportunities; online dues and certification renewal platform implemented; and custom training opportunities created and marketed, resulting in revenue of more than \$30,000 back to NADCA since inception. NADCA has consistently exceeded budgeted revenue goals and continues to cut expenses in order to achieve a favorable bottom line.

The results are quantifiable. Success is measured against the goals set and the delivery of seamless, professional and expert service to NADCA.



*The HVAC Inspection, Maintenance
and Restoration Association*

NADCA

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