

2012 Annual Report



The HVAC Inspection, Maintenance and Restoration Association

TREASURER'S REPORT *For the period January 1 to December 31, 2012*

Overview

The Association's finances remained stable in 2012, with revenues of \$1,548,091.16 and expenses of \$1,539,865, and well ahead of the budget of (\$156,934), which equates to a \$165,161 swing to the positive. The Association ended the year with total net assets of \$1,122,433 and an eight month operating reserve.

The Association has initiated a change from a cash basis to an accrual basis accounting system and as a result, year to year comparisons will not be fully representative of the current financial health of the Association. Association Headquarters' accounting policies require adherence to GAAP (Generally Accepted Accounting Principles) and GAAP requires accrual based accounting.

Accrual accounting is more accurate in terms of net income because it matches income with the expenses incurred to produce it. It is also more realistic for measuring performance. A business can be going broke and still generate a positive cash basis income for several years by holding invoices due to vendors (not paying expenses) and collecting dues revenue for future years.

The main difference between accrual basis and cash basis accounting is the time at which income and expenses are recognized and recorded. The cash basis method generally

recognizes income when cash is received and expenses when cash is paid. The accrual method recognizes income when it is earned (through the creation of assets such as accounts receivable) and expenses when they are incurred (through the creation of liabilities such as accounts payable).

Revenues

Membership dues account for 52% of the Association's revenues, followed by Certification (29%). Overall revenues for 2012 were \$1,548,091 compared to 2011 revenues of \$1,637,954. The decline in revenue is due in part to the change from cash basis to accrual basis accounting, but because of insufficient data from Q1 and Q2, we cannot attribute that decrease *entirely* to the change in accounting practice. For example, the decrease in overall revenue correlates directly to a decrease of \$110,221 in Annual Meeting revenue. When and how those meeting funds were realized during 2011 and Q1 and Q2 of 2012 have a direct impact on this comparison and therefore we can only make our best estimate based upon assumptions and limited detail. In spite of that significant revenue line decrease, other areas have continued to grow and supplement the association.

Revenue for Certification & Training is up more than \$60,000 over last year and we continue to evaluate, revise and

FINANCIAL SUMMARY REPORT	2012		2011
	2012 YEAR TO DATE ACTUAL	2012 BUDGET	2011 YEAR TO DATE ACTUAL
OPERATING REVENUES			
Administration	846,352.35	826,500.00	835,346.96
Annual Meeting	169,513.72	255,005.00	279,735.00
Certification & Training	452,409.00	378,075.00	392,470.00
Other Events	29,855.00	70,450.00	69,800.00
Publications	49,961.34	59,200.00	60,602.50
TOTAL OPERATING REVENUES	\$1,548,091.41	\$1,589,230.00	\$1,637,954.46
OPERATING EXPENSES			
Administration	1,043,728.78	1,257,151.00	1,092,438.25
Annual Meeting	248,820.41	281,607.00	304,317.43
Certification & Training	78,520.63	44,866.00	56,631.86
Other Events	101,077.71	71,540.00	55,230.73
Publications	67,716.92	91,000.00	91,308.04
TOTAL OPERATING EXPENSES	\$1,539,864.45	\$1,746,164.00	\$1,599,926.31

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improve our training content and programs in order to offer more value and increased interest.

Expenses

At 68%, Administration is the largest expense category and includes the following: management services, staffing, office space, credit card processing fees, insurance, committee expense, sales commission, postage, general design and printing, storage fees, telephone, website maintenance and hosting, staff travel and management transition fees.

It is important to note that more than \$12,000 in legal fees was incurred due to the transition of management and lack of cooperation from S&A, and an additional \$46,950 was incurred for management fees for the month of June. Overall, including the additional funds spent on transition, NADCA ended the year with expenses of \$1,539,865, which is \$60,061 less than 2011 expenses of \$1,599,926.31.

For the period, January 1, 2012 – June 30, 2012, NADCA paid monthly management fees of \$59,333 to Sufka & Associates. With transition of management to Association Headquarters, management fees for the period June 1, 2012 – December 31, 2012 decreased to \$46,950 per month. Management under Association Headquarters presented a savings of \$ 12,383 per month, for a total savings of \$74,300 for the year ending December 31, 2012.

Comparison to Budget

NADCA continued to budget aggressively in 2012, planning for considerable deficit spending of approximately \$156,934. Revenues for 2012 didn't quite reach budget goals, with actual results of \$1,548,091, compared to a budget of \$1,589,230. Expenses were closely monitored and cut at every opportunity in an effort to minimize loss. Actual expenses for 2012 were \$1,539,865 compared to a budget of \$1,746,164. Overall the Association realized a net surplus of \$10,695.87.

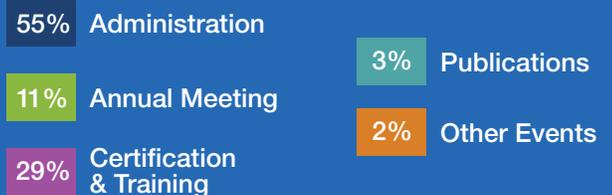
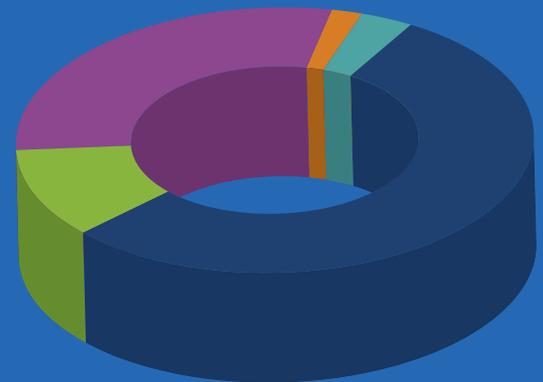
Closing

NADCA sustained its net assets in 2012 and remains financially strong. The Association has the funds necessary to execute its operation and strategic initiatives and deliver a high level of support to the industry and our members.

Annual Meeting Committee

NADCA's annual meeting was, for the first time in NADCA history, held outside the continental United States, at the

2012 REVENUES



2012 EXPENSES





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Wyndham Rio Mar Beach Resort in sunny Puerto Rico. More than 300 NADCA members and 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 twenty exhibitors showcasing their equipment and services.

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 worked to merge the Air Systems Cleaning Specialist (ASCS) certification with the Ventilation System Mold Remediator (VSMR) certification, and roll it into the **new** ASCS that will include requirements inclusive of the previously held VSMR. This comprehensive ASCS certification demonstrates the knowledge and skills necessary for both HVAC system cleaning and microbial remediation within an HVAC system.

The ASCS Bridging Exam was debuted at the Technical Conference in Chicago, with 100% of test takers passing the exam. This exam is also available online through NADCAtesting.com and offers English, French, Spanish and Italian language options.

The new ASCS exam was also debuted at the Technical Conference with 70% of test takers passing the exam. It has been translated to Spanish and French and is available to our International members in any of those languages at NADCAtesting.com.

2012 CERTIFICATION SUMMARY		
PROGRAM	# OF CERTIFICANTS	NEW IN 2012
ASCS	1353	333
VSMR	324	80
CVI	205	28
CVC	4	0
TOTALS	1886	441

Education and Safety Committee

Education remains at the core of NADCA's mission, and the Education & Safety Committee has been working to maintain, update and develop training programs that will keep our

industry professionals qualified and on the cutting edge of new advancements in technology and practice. In 2012 the committee worked to develop a new webinar series that will be rolled out in 2013, offering a more diverse library of options available in shorter segments. Participants will more easily be able to identify their desired areas of study and opt for just one course, several, or the full library of options available.

Ventilation Maintenance Technician (VMT) Training Program

The Ventilation Maintenance Technician (VMT) Online Training program is the optimum way to train entry-level technicians in a cost-effective manner. More than 130 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.

Paper: Chemical Product Applications

In 2012, the Education and Safety Committee initiated development of a paper designed to educate the industry and its customers regarding the use of chemical products in HVAC systems. This paper was developed by a diverse team of industry and government leaders and provides an overview of the products used within HVAC systems. This paper is available for download at NADCA.com and has been cited in news releases with readership of more than 2.5 million.

Paper: Ozone Applications in HVAC Systems

The committee began work on a position paper on the use of ozone in HVAC systems. While NADCA continues to promote source removal as the single best method for cleaning and decontaminating HVAC systems, we recognize that treatment for odors or the reduction of microbial contamination may be required. Currently a broad range of information exists regarding the use and efficacy of ozone and as industry leaders, NADCA recognizes the need to provide direction and guidance. The paper specifically address application method, typical use, toxicity, EPA requirements and the pros and cons of working with ozone. This paper is available for download at NADCA.com.

International Affairs Committee

NADCA's International membership remains strong, with constituents in nearly 30 countries. NADCA's International Affairs Committee is appointed to focus on the needs and interest of members from outside the United States.

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In 2012, NADCA President, Matt Mongiello, was a guest at the AIISA Annual Meeting in Italy. Matt met with AIISA leaders to thank them for their continued support of NADCA and their recognition of ACR, The NADCA Standard. NADCA and AIISA have had a mutually beneficial contract in place in the past and we will continue to work with AIISA to once again develop an agreement that both engages our Italian counterparts in the work of the association, while offering them training, certification and educational opportunities in their native language.

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.

Social Media

NADCA had a continued presence on Facebook, Twitter, YouTube and LinkedIn during 2012. NADCA's Twitter followers jumped from 275 in 2011, to 505 in 2012. LinkedIn is the leader in NADCA social media activity, with 258 members and a very active discussion board with topics ranging from coil cleaning to dirty ducts to mold. Social media continues to trend upward and NADCA recognizes the need to be active in this arena.

Articles and News Releases

NADCA continues to utilize a variety of public relations initiatives in order to promote the activities of the association and the advancement of the industry. Releases and article topics in 2012 included: *Clearing the Air: What an HVAC Cleaner Should Really Do in Your Home*; *Considering Air Duct Cleaning? What Home Owners Should Know*; *Take Steps Now to Keep Indoor Air Clean During the Winter*; *Save Money with Energy Efficiency Tips*; *How to Make Sure Your Indoor Air is Healthy*; and *Ideas to Make your Home More Energy Efficient This Winter*.

In November 2012, NADCA received the Golden Thinker Award from public relations firm North America Precis Syndicate (NAPS), for superior achievement in media relations. This award is given each year to individuals who

have created the feature releases that have received the most pick-up by America's newspaper editors. NAPS distributes releases for some of the best and brightest minds in PR, most Fortune 500 companies, nearly all of the 100 largest national advertisers, all of the 20 largest PR firms, over 100 associations and many government agencies.

This award is given to accounts that are in the *top one-quarter of one percent!* Stories distributed generally result in 100–400 placements, with 400 rarely being achieved. *Our release brought in 864 placements with 81% of them being in the top 50 markets.* This type of promotion and publicity serves to drive business to NADCA members.

Commercial Activities

NADCA continued to support an active exhibit schedule in 2012, taking booths at ASHRAE's Air-Conditioning, Heating & Refrigeration (AHR) Expo; the ACCA/IAQA Indoor Air Quality show; and the International Facilities Management Association (IFMA) show. These events provide opportunities for NADCA to reach mechanical engineers, specifiers, facilities managers, air conditioning contractors, and other key industry segments.

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 member surveys.



	2008	2009	2010	2011	2012
# OF NEW APPLICATIONS	207	175	193	189	186
# OF NEW MEMBERS	157	132	121	137	132



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Elavon Merchant Processing Program

In 2012 NADCA continued to work with Elavon to provide discounted credit card processing services to NADCA members. The program, available exclusively to NADCA members, can reduce members' merchant processing fees by 15% or more. Growth of this program has been slower than anticipated and program promotion will be stepped up in 2013 to increase participation.

2012 NADCA Membership Summary

Membership peaked in 2012 at 941 members, a 3% increase over 2011 membership numbers.

MEMBER TYPE	# OF MEMBERS
Regular Certified	676
Associate	29
International	175
Supplemental	48
International Supplemental	9
Affiliate	4
TOTAL MEMBERS	941

■ In 2012, 118 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 41 terminations in 2011 and 27 companies terminated in 2010. When AH took control of the data and began to work through the details, it was discovered that NADCA had been carrying memberships for companies that were not compliant with membership criteria, members that should have been terminated but had not been. Management has cleaned up this process, resulting in a higher than average number of terminations in 2012.

Leadership Development Committee

The Leadership Development Committee is charged with identifying qualified candidates who are interested in serving on NADCA's Board of Directors, as well as serving to nominate candidates for the NADCA Hall of Fame.

This Committee identified a slate of highly qualified candidates to fill two open positions on the 2013–2015 Board of Directors. The following directors were elected to serve three-year terms beginning in March 2013:

- Regular Director: Larry Pearson of Panoramic Building Performance Solutions in Bradenton, FL.
- Associate Director: Jimmy Meyer of Meyer Machine & Equipment in Antioch, IL.

NADCA again used electronic ballots for this vote. All members without an email address on file were sent the ballot via fax and USPS. Ballots were sent to each regular NADCA member's primary email address on file 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 these newly elected board members. Their willingness to share their time and expertise with others serves to prove they are committed to their service as a NADCA director.

Regional Technical Advisory Committee (RTAC)

The Regional Technical Advisory Committee (RTAC) supports NADCA members through regional training conferences and direct technical assistance.

Technical Conference

NADCA's 2012 Technical Conference was held September 20–23 at the Hyatt Regional O'Hare in Rosemont, IL, a suburb of Chicago. This event broke all prior attendance records with 94 technicians and industry professionals present! The Regional Technical Conference is designed to help member companies become the best they can be by offering certification and training to all levels of technicians. Two tracks were offered this year, 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 set of skills.

Energy Research Task Force

The NADCA Energy Research project, Phase 1 was completed in 2012 and the findings were released. This study realized a 11% savings from cleaning even a lightly fouled system. This savings has been confirmed at up to 45% if done in conjunction with sealing leaky ductwork. NADCA has published the preliminary findings and the paper can be found at NADCA.com. This is an effective tool for members in promoting the benefits of air duct cleaning.

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Standards Committee

The Standards Committee is tasked with developing NADCA's standards—primarily, *ACR, The NADCA Standard for Assessment, Cleaning & Restoration of HVAC Systems*. Committee members and staff have worked tirelessly this year to revise and re-organize the Standard. The quality, integrity and technical detail of ACR 2006 has been maintained, while the flow of text to reflect a sequence consistent with the work flow of an actual HVAC cleaning and restoration project has been put in place. ACR, The NADCA Standard 2013 will be released at the General Business Meeting in New Orleans, March 16, 2013.

Bylaws Committee

In 2012 the Bylaws Committee initiated several minor revisions to the NADCA Bylaws. This document specifies how the Association is to be governed. The revisions, which were approved by NADCA members via electronic ballot in December 2012, helped bring the Association current with regard to several Articles, specifically the executive management functions.

Ethics Committee

The Ethics Committee was appointed in 2011 for the primary purpose of evaluating the Associations 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 to grow as the number of trademark violations reported to NADCA is on the rise. The committee is also charged with reviewing allegations of unethical conduct of NADCA members. 2012 saw a significant number of ethics complaints reported, reviewed and acted upon by the committee and Board of Directors. This effort goes 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 will help 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.

Management Review

In 2011, the Board of Directors engaged several management firms in a proposal and bidding process and thoroughly vetted each company, its staff and its resources. Contract proposals were closely analyzed and the board unanimously supported a change in management. The decision has given the Association the resources and expertise needed to accomplish the tasks before us, including the recent completion of ACR, The NADCA Standard, the ASCS bridging exam, the development of the new ASCS certification, and creation of a strong alliance with the EPA and fellow industry partners ASHRAE, IAQA, AIA, IKEKA, and RIA, to name a few.

The firm chosen to lead NADCA into the future, Association Headquarters (AH), with offices in Mt. Laurel, NJ and Washington, DC and over 35 years in association management offers a seasoned staff of association professionals across all aspects of management to service our needs. More than 170 staff members support an executive department, a trade show/meetings/conference department, a fully staffed accounting and finance department, IT, web development, marketing and promotions, sponsorship and exhibit sales, and an internal creative/design department. AH has global reach with 12 offices in European countries, which will go a long way in servicing our international members and fulfilling our strategic goal of growth into these markets. Association Headquarters is an association management company accredited by the AMC institute (to ANSI standard). Learn more about your new management firm at associationheadquarters.com.