NRFC 2016 ANNUAL REPORT

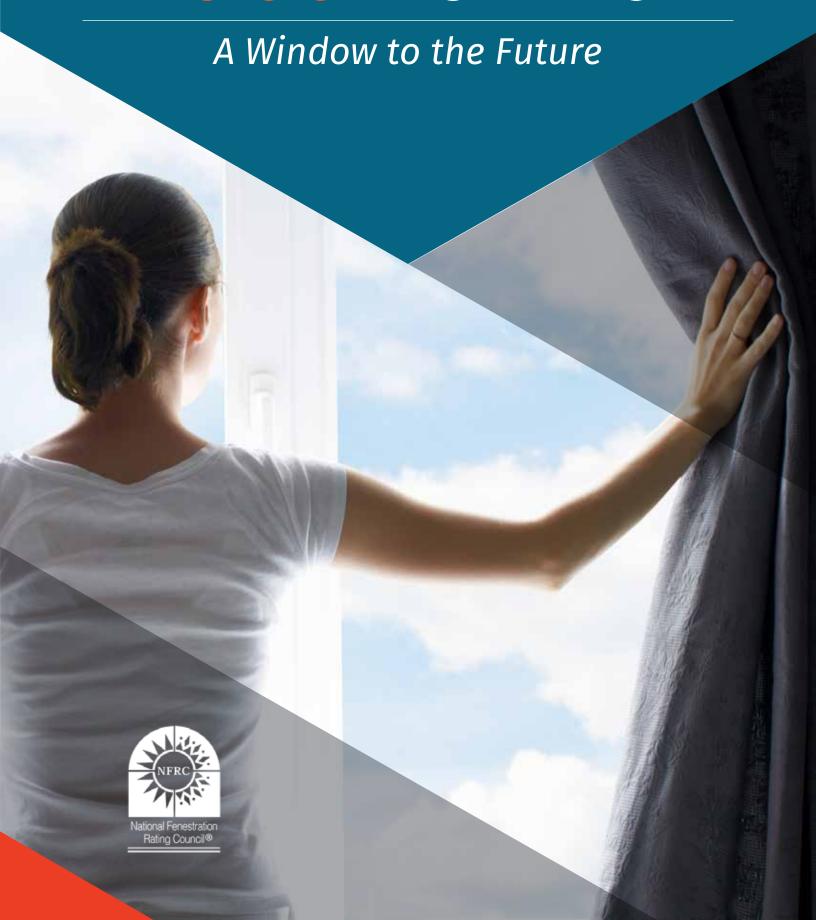




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Annual Report

2016 Message from

THE CEO

Deb Callahan



It is with great satisfaction that I invite your review of NFRC's 2016 activities and accomplishments.

NFRC is an organization whose work is as unique as it is important. Straddling the worlds of consumer needs and cutting-edge window ratings development, NFRC is both a champion to consumers and a partner with our members as we work together to develop fair, accurate, and credible window ratings.

2016 was a significant year for NFRC. We kicked off our efforts with a review of our branding. Twenty-six years young, we wanted assurance that our brand resonated with our core audiences. Through outreach to consumers, our members, retailers, energy officers, code officials, and design-build professionals, we gathered perceptions of NFRC's image and the work we do; and harvested feedback about what we could do better. These activities culminated with a renewed mission and vision. They also resulted in the creation of the following brand promise, which guided our activities throughout the year:

Only NFRC brings the industry together to set objective energy performance ratings for windows, doors, and skylights, giving consumers peace of mind through the ability to make informed decisions with confidence.

This promise connects NFRC's purpose, positioning, strategy, and staff to its stakeholder experience. It defines our organization and touches every aspect of our operations. Best of all, it carefully integrates our initiatives to provide our stakeholders with consistent information across all communication channels, resulting in a pleasant and rewarding experience every time they interact with NFRC.

To deliver on our brand promise, we worked with our members to integrate technology with industry best practices. This enabled us to improve our rating programs so we could ensure that consumers are getting the very best products from our program participants.

Our independent verification program provided an additional layer of scrutiny to products that will reach the consuming public. Moreover, our new website, combined with our presence at scores of industry and home trade shows, served to educate the public about the value of the NFRC rating label, which appears on millions of fenestration products throughout the US and Canada.

NFRC's responsibility extends beyond the residential window market in which our origins are rooted. In 2016 we made significant strides in the continued development of a commercial rating program. NFRC tapped into the expertise of industry leaders and markets to develop a program on a much larger scale than our existing commercial program. Our objective is to make a significant impact on the way this commercial project obtains ratings. Our work here is significant, and NFRC is committed to the long-game.

In fact, NFRC is always committed to being better. We at NFRC hold steadfastly to our vision, but we remain flexible on our journey as we relentlessly pursue improvement. This flexibility allows us to innovate while never losing sight of the vision that founded our organization, and guides us to a window to the future.

Sincerely,

Deb Callahan

CEC

NFRC's Guiding Principles

In 2016, we redefined NFRC's identity by updating our mission, vision, values, brand promise and value proposition to reflect our original intent.

Mission

NFRC serves the public by driving widespread usage of fair, accurate and credible energy performance ratings; serves members by giving them a voice in the ratings development process; and serves the industry by creating an environment of competition that drives energy performance.

Vision

We envision a future where every window, door, and skylight purchase decision is made using the NFRC label to evaluate energy performance.

Values

INTEGRITY

We operate without bias, we base our decisions on evidence, and we always choose the consumer's best interest. We respect the integrity of the NFRC label and constantly re-evaluate our listing to ensure products have gone through the certification process.

COMPETENCE

We take our position as credible industry partners very seriously, and insist that our team members have the skills and expertise to be trustworthy of that responsibility.

COLLABORATION

We believe that driving the relevancy of energy performance ratings forward can only happen through open cooperation with all industry stakeholders; and we actively listen and respond to facilitate effective partnerships.



FACILITATION

We act as the conduit between consumer, manufacturer, and industry partners, and provide a platform that promotes competition by empowering consumers to make more informed product comparisons.

EDUCATION

We work to inform the general public of the differences between energy-efficient products so that they can make the most educated decisions possible, and we guide licensees through our program offerings to ensure they get the most value possible.

PASSION

We come to work excited about what we do, believe that improvement is always possible, and enthusiastically strive to reach our goals—every day.







Brand Promise

Only NFRC brings the industry together to set objective energy performance ratings for windows, doors, and skylights, giving consumers peace of mind through the ability to make informed purchase decisions with confidence.

Value Proposition

NFRC is a nonprofit organization that establishes objective window, door, and skylight energy performance ratings to help consumers compare products and make informed purchase decisions.

Who We AreESTABLISHED 1992

The NFRC is a 501(c)(3) nonprofit organization that serves the public.



The NFRC is a 501(c)(3) nonprofit organization that serves the public. NFRC operates the nation's largest independent, third-party rating and labeling system for the energy performance of fenestration products. We were founded in 1989 to address concerns that some fenestration product manufacturers were making unsubstantiated claims about how much energy their products would save. In 1992, Congress codified NFRC's role as the nation's organization for rating and labeling the energy performance of fenestration products in the National Energy Policy Act (EPAct). Since its formation, NFRC has met the mandate of EPAct by creating a nationally recognized rating, certification, and labeling program that serves the public by providing fair, accurate, and credible energy performance ratings for windows, doors, and skylights. Our procedures are referenced in national building codes maintained by the International Energy Conservation Code (IECC). NFRC's ratings are also a prerequisite for participation in ENERGY STAR® and other rebate programs. Our program helps consumers compare the energy performance of windows, doors, and skylights – otherwise known as fenestration products – and choose the ones that will save energy while also making their homes and buildings more comfortable. NFRC is a membership organization whose members include a variety of stakeholders, including architects, government and code officials, manufacturers, researchers, laboratories, and other not-for-profit organizations.

"Rating councils are important because they independently determined that the final product meets certain performance values. Their work gives consumers more confidence." - Deb Callahan, CEO

Meetings and Membership

NFRC is committed to building and nurturing a diverse community of competent and trustworthy members who think critically and are dedicated to developing fair, accurate, and credible energy performance ratings that serve the public. Our membership program identifies emerging opportunities, develops and executes plans for recruiting and retaining members, and provides consistent educational products and services to increase member efficiency and engagement.

Throughout NFRC's history, improvements have been made by members who organized, networked, joined forces, expressed their opinions openly – and voted. Each NFRC member company gets one vote, and each vote carries equal weight – whether you're a small business owner or a large manufacturer.

NFRC makes important decisions that influence how manufacturers' products are perceived by consumers. Voting as an NFRC member company gives you a voice, and enables you to participate in our consensus-based process. Voters determine NFRC testing standards, which research projects NFRC will undertake, and which new ratings programs will be implemented.

What do you care about? Using NFRC's energy performance rating label to build credibility with your customers? Providing consumers with certified products that build your credibility? Introducing new ideas to develop existing standards?

Does NFRC know how you feel about these issues?

You will see through your own member experience that one vote makes a difference. When your ideas get voted into action, you'll enjoy the satisfac-

85

member organizations were represented on NFRC Task Groups, subcommittees and committees; and a total of 16 ballots were submitted for consideration.

tion of knowing that you're creating positive changes in our industry. Even if your preferences do not prevail, choosing not to vote leaves the future of your business in the hands of your competitors. You can't win if you don't play.

NFRC holds two meetings each year – a spring committee meeting and a fall membership meeting. Attending these meetings will help you to become a more educated voter; learn more about industry issues and where your competitors stand; and become a smarter and better informed business person. Attending NFRC meetings is the best way for member companies to stay up-to-date on certification programs and provides excellent opportunities for cross-industry networking and professional training.

With a constantly evolving industry, it has never been more important for members to take on active leadership roles with NFRC. In 2016, over 85 member organizations were represented on NFRC Task Groups, subcommittees and committees; and a total of 16 ballots were submitted for consideration.

The Prospective Leaders Network (PLN) is part of our Member Engagement Work Group's continuing effort to identify ways to create a more welcoming environment for new members. The first phase of the project was launched at our fall meeting in Denver, where we added the following educational sessions to our meeting schedule:

- Understanding NFRC Documents
- Using the CPD
- NFRC & the IVP
- Getting Involved with NFRC

We will continue to offer these sessions and more, including quarterly webinars, in 2017 and beyond.



What We Do

NFRC develops and administers energy-related rating and certification programs that serve the public by providing fair, accurate, and credible information on fenestration performance. Our vision is to be the leader in energy performance information, education, and certified ratings for fenestration products.



World's Best Window Co.

Series "2000" Casement

Vinyl Clad Wood Frame
Double Glazing•Argon Fill •Low E
XYZ-X-1-00001-00001

ENERGY PERFORMANCE RATINGS

U-Factor (U.S. / I-P)

Solar Heat Gain Coefficient

0.35

0.32

ADDITIONAL PERFORMANCE RATINGS

Visible Transmittance

Air Leakage (U.S. / I-P)

0.51

≤0.3

Condensation Resistance

51

Manufacturer stipulates that these ratings conform to applicable NFRC procedures for determining whole product performance. NFRC ratings are determined for a fixed set of environmental conditions and a specific product size. NFRC does not recommend any product and does not warrant the suitability of any product for any specific use. Consult manufacturer's literature for other product performance information.

www.nfrc.org

With changes in technology and innovation in mind, NFRC members are constantly looking to improve, simplify, and expand NFRC's programs and procedures. While staff undertakes the jobs required to make and implement those modifications, the changes are largely the result of NFRC's consensus process and are industry-driven.

In 2016, there were several significant advancements in all of the programs – some complete, some just beginning. There were a total of 16 ballots presented to membership for consideration in 2016, including moves towards program simplification and the approval of an entirely new rating for ventilation.



The Product Certification Program (PCP) - NFRC's Residential Program

Much of the progress made in NFRC's testing and certification processes begins at the NFRC task group level. In 2016, there were quite a few active task groups that made significant strides in the development of and improvements to NFRC's programs. Below are just a few examples:

- The Certification Process –
 Streamline Task Group was
 formed to tackle the NFRC certification process with the goal of
 removing any non-value-added
 steps that complicate and slow
 certification. Chaired by Steve
 Strawn, the PCP flow charts and
 other certification requirements
 have been reviewed for streamlining in 2017.
- While the Certification Process - Streamline Task Group works to streamline the certification process, a Residential Component-Based Calculation (RCBC) is being investigated. Also chaired by Steve Strawn and already several years in the works, the RCBC Task Group published its first white paper in early 2016 and presented its first ballots at the Fall 2016 Membership Meeting. In 2017, the RCBC Task Group will be conducting additional research to ensure the accuracy of the resulting ratings.
- Another primary initiative in 2016
 came from the Door Task Group,
 chaired by Steve Jasperson, with
 the successful balloting of the
 Simplified Door Rating Method
 for Side Hinged Exterior Doors.
 In 2017, this group will continue
 to add value for NFRC's exterior
 door manufacturer members
 by maintaining and providing a
 forum for the development and
 improvement of simulation and

- testing methods; and rating, certification and labeling procedures for exterior doors.
- The Fritted Glass Task Group is looking for a means to obtain spectral data for fritted glass that will allow WINDOW calculations for IGUs. In 2016, this task group (under the direction of chair Jacob Jonsson), carried out thorough testing of a complicated scattering sample. The task group will also attempt to define a research project to validate calculation of IGU properties with scattering samples.
- Other task groups at NFRC are in place to support ongoing programs. One example of this is the NFRC 101 Task Group, chaired by Joseph Hayden. This group maintains the NFRC 101: Thermophysical Properties of Materials document and is continually adding, changing, or removing materials from the document.
- The final highlight comes from the Ventilation Rating Task Group that, following a six-year effort, culminated in a brand new rating for NFRC participants. The NFRC 401: Procedure for Determining Fenestration Product Ventilation Rating is anticipated for full



implementation in the spring of 2017. NFRC thanks Ray Garries for successfully leading this group through the process.

The staff at NFRC are very grateful for the time, effort, and knowledge provided by those on the task groups. A full list of the NFRC task groups can be found on NFRC's website and all are invited to participate. Questions about any of the activities listed above may be submitted to pcp@ nfrc.org and they will be forwarded to the appropriate staff member.

Component Modeling Approach (CMA) - NFRC's Commercial Program

NFRC is showing its commitment to our commercial program and market by further ensuring the organization is appropriately staffed to continue our momentum and direction for success.

With the assistance of a dedicated work group consisting of NFRC board and staff members, the Cadmus Group completed an initial market and commercial program analysis. NFRC will be reviewing the report feedback and making adjustments as needed while gathering more detailed commercial fenestration market and stakeholder intelligence.

Throughout 2017 and beyond, NFRC will continuously look for areas of improvement to our existing tools and programs, and we will work diligently toward providing enhanced yet simplified, essential solutions.

Information on our Component Modeling Approach Program can be found on NFRC.org/CMA or requested from CMA@nfrc.org.



NFRC's Software Programs

The residential and commercial programs at NFRC are supported by NFRC's software tools. All of these tools saw significant changes and improvements in 2016, including less downtime for users.

CERTIFIED PRODUCTS DIRECTORY (CPD) AND ATTACHMENTS PRODUCTS DIRECTORY (APD)

Changes to the CPD/APD this year included the addition of the five-year certification for all products certified or recertified after February 29, 2016. In addition, changes were completed for the CSV Lab Report Adoption Release, which improves uploading of data for laboratories. More detailed notes on changes to the CPD can be found on the CPD Software Notes page of the NFRC community website.

THE COMPONENT MODELING APPROACH SOFTWARE TOOL (CMAST)

Very early in 2016, NFRC was able to implement the CMAST Smart Sync improvement. Additional improvements to CMAST include bid report centralization, the ability to store more information about the Bid Report, the addition of one-touch reconnection, and the additions of automatic download after entity has been uploaded, a glazing component search, and other enhanced features. Detailed information on the changes made to CMAST can be found on the CMAST Software Notes page of the NFRC community website.

NFRC Outreach

NFRC makes it a priority to understand the people it serves.

We realize that purchasing fenestration products is a significant investment for many people and that most only do it once in a lifetime. That's why we don't just provide technical data, we provide solutions.

These solutions serve experts and people who are just beginning to learn about fenestration. How do we do it? By putting ourselves in their position, understanding what they are trying to accomplish, and making it easier for them to get things done. We help them understand the benefits behind the technical details so they can make the best decision for themselves.

Perhaps what is more important about our outreach initiatives is that the messages we send and receive from our stakeholders do far more than transmit information. They influence behavior, shape attitudes, and strengthen relationships.

At the heart of all our outreach initiatives is the moment of connection between communicator and audience. As stated in our vision, NFRC seeks to build a future where every fenestration product purchase is made using our label to compare energy performance.

To that end, our outreach work strives to help our stakeholders feel confident about their purchase – whether it's replacing one window or every fenestration product in their house. We're building awareness of our solutions through a variety of communications channels, including our website, trade shows, and retailers.

During 2017, NFRC will continue improving its communications with key audiences such as consumers, energy officers, design-build professionals, and building code officials. Our messages will also continue to reinforce NFRC's brand along with its mission, vision, values, and brand promise.

We will also continue providing resources, tools, and guidance to our stakeholders so they can in turn educate their stakeholders.

This is the path to continual improvement, development, and innovation. As we expand knowledge about the benefits of our label, we also cultivate understanding, awareness, and appreciation for the important role fenestration products play in making homes and buildings more comfortable and energy efficient while also contributing to green building and sustainability.



U.S. DEPARTMENT OF ENERGY (DOE) AND THE ENVIRONMENTAL PROTECTION AGENCY (EPA)

Throughout 2016, NFRC staff met with representatives from several government agencies – most notably the DOE and the EPA. These outreach efforts serve to strengthen our programs and ensure that participants in ENERGY STAR are meeting the requirements of the program. Information on the program may be requested from IVP@nfrc.org.



PASSIVE HOUSE

In November 2016, NFRC hosted a webinar aimed at teaching NFRC Certified Simulators how to perform simulations for fenestration in Passive House projects. The webinar included a presentation by Dr. Graham S. Wright, Senior Scientist for PHIUS, as he demonstrated the process for altering existing NFRC simulations to make them compatible with the PHIUS certification program.



KOREA ARCHITECTURAL FAÇADE ASSOCIATION (KAFA)

In October 2016, NFRC representatives traveled to Seoul, South Korea, to provide a presentation on "Testing and Rating Fenestration Products", and hosted the second annual NFRC Simulation Training and Workshop. These trainings are open to KAFA members and have resulted in a number of NFRC/KAFA Certified Simulators. The 2017 NFRC/KAFA training is planned but not yet scheduled.

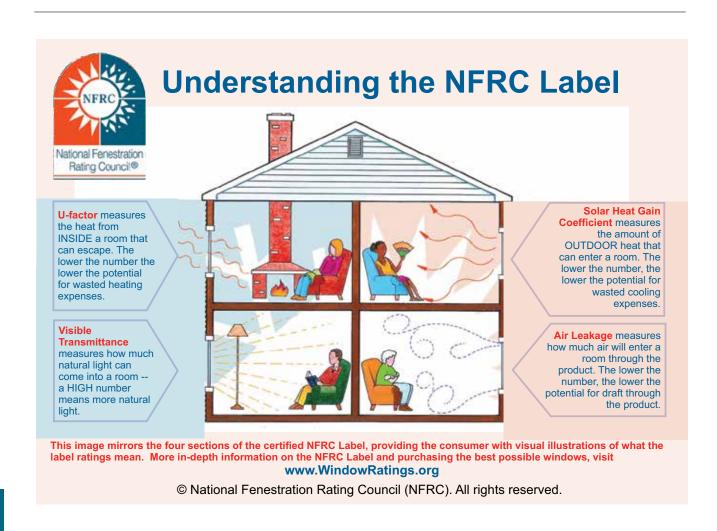
Retailer Initiative

Our retailer initiative attracted 24 new retailers in 2016. This initiative provides window and door retailers with fact sheets to educate their customers at the point of purchase.

The fact sheets explain how to interpret the values found on the NFRC energy performance rating label, which is displayed on many products. Nearly 300 retailers have used NFRC's infographic fact sheet to educate their customers.

We find that one of the biggest challenges facing retailers is customers going home to contemplate their pur-

chase, but never returning to the store. Our fact sheets help retailers overcome this challenge by providing their customers with the information they need to make a purchase decision on the spot. We provide these fact sheets free of charge to draw attention to NFRC activities and programs.



ServingTHE PUBLIC

Although NFRC invests heavily in its programs to provide manufacturers with a reliable means for certifying and labeling their products, our organization ultimately exists to serve the public.

The unique value NFRC provides is empowering consumers to compare specific energy performance features so they can choose the windows, doors, and skylights that will make their home more comfortable and energy efficient. For the past 27 years, NFRC has not only empowered consumers to make more educated purchasing decisions, but has provided them with peace of mind about those decisions.

This is important because purchasing fenestration products is a major investment for many people, and consumers owe it to themselves to understand exactly what they are getting for their money.

Our label reaches consumers through multiple channels:



Our Environmental Impact

"Improving the efficiency of buildings is one of the most promising ways for the United States to bolster the economy, improve public health, and protect the environment."

- Low-Emissivity Windows by Jeffrey Rissman and Hallie Kennan





As stated in the by-laws of the Corporation, "...the purpose of the Corporation is to establish and administer a fair and credible system to rate energy performance and other performance attributes of fenestration products and to coordinate the uniform application of a certification and labeling process consistent with that rating system." A very heavy concentration of NFRC's efforts since its inception has been on the energy performance attributes of windows, and continues to be so. However, as new technologies migrate to production, and consumer needs and trends change in fenestration, NFRC is uniquely positioned with manufacturers, testing labs, and other entities to execute its mission on behalf of the consumer with a "uniform application of a certification and labeling process". Development in this area could lead to a new program, or enhance a current program. Performance attributes are of value to the consumer.

NFRC is the only fenestration product certification program the EPA recognizes for ENERGY STAR. According to ENERGY STAR, replacing old windows with ENERGY STAR certified windows lowers household energy bills by an average of 12 percent nationwide. More than ever, design professionals and the public alike are placing increasing emphasis on green

building, sustainable construction, and energy efficiency. NFRC continues to investigate the specific needs in the commercial market to determine the potential for creating a ratings program that replicates our success in the residential market. NFRC offers a library of educational videos to help our stakeholders better navigate our program so they can gain the maximum benefits. This is an important time in the fenestration industry. Sweeping regulatory changes, disruptive technologies, and increasingly stringent building codes are among the challenges all of us must address. NFRC is dedicated to collaborating with all of its stakeholders to develop programs that meet these challenges.

NFRC encourages the work of the following organizations:

- U.S. Department of Energy
- U.S. Environmental Protection Agency
- U.S. Green Building Council
- Lawrence Berkeley National Laboratory
- Canadian Standards Association
- American Institute of Architects
- American Society for Testing and Materials
- American Society of Heating, Refrigeration, and Air-Conditioning
- Engineers National Institute of Building Sciences



Our Data

Data is of value to NFRC and other parties outside of NFRC. While we are hard at work educating and informing consumers and our membership, we are also generating large amounts of data. This data is generated from testing, standards development, and window specification programs. What do we do with this information and how can it help us further our goals? NFRC has the great responsibility of protecting this data and to make certain data available to the consumer for their validation of window information and performance. As building science and modeling have evolved over the last decade, this data has vast potential for various parties. Additionally, there may be opportunities to support various research programs to facilitate the advancement of the fenestration industry to the benefit of the consumer.

NFRC's energy performance data helps like-minded organizations educate their stakeholders about the important role windows, doors, and skylights play in contributing to improved comfort and energy efficiency. It also helps design-build professionals create greener and more sustainable structures.

Financial

NFRC is lean and financially strong. It has no loans or long-term debt. We have increased our cash reserves, and our resilience led to exceptional financial performance over the last 12 months. Moreover, NFRC voluntarily conducts an annual independent audit. While this is not required, it is good governance and provides some important benefits, including:

- Building our reputation as a credible, transparent organization.
- Providing our stakeholders insight into our internal processes — ensuring our controls are strong, clear, and documented.
- · Affording protection against data breaches.

Several key performance indicators speak to our strengths:

We have expenses in reserve. We are positioned to withstand market fluctuations and capitalize on emerging opportunities. While the general rule is to

- have 25 percent of budgeted expenses in reserve, NFRC had 89 percent going into the end of 2016.
- We're using our resources efficiently. The Better Business Bureau's (BBB) standard for program expenses in relation to total expenses is 65 percent.
 NFRC has exceeded this amount by 10 percent for the past four years, and is currently at 73 percent.
- Our revenue exceeds our expenses. NFRC is a good steward of its working capital and manages its business efficiently. The industry average for similarly sized organizations is 1.9 percent — NFRC exceeds this average at 10.9 percent.
- We get more done with less. Each of our employees produces a total revenue of \$305,160 that's \$88,689 higher than the industry average for similarly sized organizations. We added four new positions in 2016 and still managed to exceed the industry standard.

NFRC's successes in all of these areas show that our current initiatives are strengthening our organization and allowing us to move forward. Our strong financial standing positions enable us to create more value for our members by increasing our ability to take mission-related risks, and to absorb or respond to temporary changes in our environment or circumstances.

Annual Report

Financial

HEALTH

BALANCE SHEET SUMMARY

Assets

Current assets	\$5,929,628
Property and equipment	\$698,742
Other assets	\$42,730
Total Assets	\$6,671,100

Liabilities

Current liabilities	\$31,950
Other liabilities	\$75,791
Net assets	\$6,563,359
Total Liabilities & Net Assets	\$6,671,100

STATEMENT OF ACTIVITIES

Revenue

Certification	\$5,005,111
Meetings & workshops	\$216,160
Membership dues	\$546,896
Other revenue	\$29,875
Total Revenue	\$5,798,042

\$5,800,000 \$5,700,000 \$5,600,000 \$5,500,000 \$5,300,000 \$5,200,000 \$5,100,000 Total revenue Total expense

Expense

Program services	\$3,837,058
Meetings & workshops	\$86,516
Supporting services	\$1,306,782
Total expense	\$5,230,356
Change in Net Assets	\$567,686

NFRC meets its stakeholders' needs by:

- Continually refining its programs.
- Developing a strong network of business partners.
- Ensuring financial viability, which provides resources for improvements, innovations, and growth.

Our Window to the Future

"A strategy that emphasizes energy efficiency is the most economically and environmentally sensible way of meeting the twin objectives of providing energy for sustainable development and avoiding dangerous interference in the climate system."

The fenestration industry of the future cannot be served by an organization of the past. Our consensus based process relies on our stakeholders' expertise in science, engineering, and technology to continue providing value. Our stakeholders deliver the insight that leverages individual talent into collective, ongoing success. While NFRC is a ratings organization, we are also in the relationship business. The more effectively we collaborate, the better we serve our stakeholders, improve our reputation, and increase our relevance. More effective problem solving happens by combining talent, experience, and infrastructure. By maximizing these resources, NFRC re-energizes its connection with established

stakeholders and constantly reaches new ones. This kind of collaboration makes NFRC a learning organization. Each time we collaborate, we optimize our capacity to step outside our comfort zone and grow to new heights. NFRC believes in preserving the best of the past while anticipating the future. Our determination to succeed and willingness to break new ground remains evident. The fenestration industry and the bigger arena of green building and sustainability are being reshaped through education and technology, creating new opportunities for NFRC to lead the way. Good ideas can come from anywhere. The more voices we hear, the better. We welcome you to join us.



