“To protect life and property from fire through the widespread acceptance of the fire sprinkler concept.”
My first Annual Report as President of the National Fire Sprinkler Association provides an opportunity to take a look at the measurements that matter. I will begin by sharing that the only thing that didn’t transition in 2015 was this Annual Report! As we worked to prepare this report, it was exciting to reflect on the past year and all the tough decisions that were made during the transition of leadership, but it was also exciting to think about what the 2016 annual report will look like. There is momentum building and strategic changes position us for a future that is innovative, inclusive to all, and productive.

I can’t thank the board enough for their support, guidance, and decision making during 2015, the 3 board meetings and Expo were all very productive! I also can’t thank the personnel at NFSA for all they have contributed and embraced. The biggest thanks goes to our members, for their support of the fire sprinkler industry. Membership in an association is a commitment to improving and advancing the industry and the professionals within it. We are blessed to have many who give much.

The NFSA has a pure mission, one pure enough to be written into our bylaws. Your association has utilized the resources you have provided over the past 110 years to make progress on fulfilling that mission. I pledge to you that we will not only continue the efforts, but that we will continually improve. We pledge our continued work, as a team that is growing stronger together, to serve you, our valued members.

The NFSA will continue our transition with a new vision and a continued focus on member service that advances our industry. We are at a critical time in our history and the actions in 2015 will strengthen our position for the future!

Thank you so much for your support and involvement with the NFSA. We look forward to a bright future and your continued help in fulfilling our mission, “To protect lives and property from fire through the widespread acceptance of the fire sprinkler concept.”

A Very Grateful,
Shane Ray
Alexander Siu, CPA
Director of Finance & Administration

NFSA improved relationships with members by implementing a strong financial system that serves our members with accurate financial reporting. Combined with higher margins, robust organic growth made for superb consolidated results in 2016 – and gave us the ideal launching pad to servicing our members in 2017.

It’s no accident that NFSA is operating from a position of tremendous strength. We’ve achieved strong financial performance because we’re able to foresee the future of sprinkler industry, execute and deliver leading member benefit solutions at scale, with unrivaled security and reliability for members.

Jim Archer
Technology Services Manager

### 2016 Financial Performance

<table>
<thead>
<tr>
<th>Category</th>
<th>2016</th>
<th>2015</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Revenues</td>
<td>$6,214,860</td>
<td>$6,049,750</td>
<td>+2.7</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>$5,871,467</td>
<td>$5,827,190</td>
<td>+0.8</td>
</tr>
<tr>
<td>Increase in Net Assets</td>
<td>$498,891</td>
<td>$199,921</td>
<td>+149.5</td>
</tr>
</tbody>
</table>
Revenue and Income: Total revenues were $6.2 million, resulting in organic growth of 2.7 percent. Membership Dues and Assessments made up 69 percent of the total revenues at $4.2 million which is attributable to 98% Membership Retention with timely renewal notices generated by our Association Management System (AMS). We added tremendous value to our members through training, seminars and conferences which resulted in revenues of $1.2 million that made up 21 percent of total revenues. The remaining 3 percent and 7 percent revenues came from showcasing our members through magazine in the form of advertising and other, respectively.

Operational Expenses: Due to our focus on internal controls, controlling costs for our members, continual strengthening of accounting procedures, policies and systems, including tightening on timeliness for monthly close, invoicing and collections of receivables resulted in greatly improved cash-flow and financial record keeping through the year. This allowed us to keep operating expenses low at a mere change of 0.8 percent. The future of our expense management is promising with implementation of the new robust expense system, Concur.

2016 Financial Performance (dollars in thousands)

<table>
<thead>
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</table>
The NFSA Engineering Department serves the mission of the Association by providing technical support in a variety of ways. Engineering Departmental and individual staff goals and objectives have been developed to support the overall NFSA organizational goals and objectives. As part of these goals and objectives the Engineering Department has supported numerous Chapters by speaking at local Chapter Meetings, speaking at SFPE meetings and conducting training classes throughout the year. The Engineering Staff underwent some significant changes over 2016 and will continue to evolve in an effort to all of these support these goals and objectives.

With the relocation behind us with the closure of the 2016 calendar year, the Engineering Department is refocusing for 2017 to meet and exceed member expectations in support of the overall NFSA goals and objectives.
The Engineering Department has supported the NFSA Goals and Objectives in 2016:

Goal #1 – Increase the number of properties and lives protected by automatic fire sprinklers.
The Engineering Department worked with Public Fire Protection to participate in ICC Code and NFPA Standards impacting sprinkler system installation regulations. This effort will continue throughout 2017.

Goal #2 – Maintain members with customer service!
The Engineering Department supports this goal by providing a variety of services which provide value to members. These services include, but are not limited to, Expert of the Day (EOD), Video EOD, Tech Notes, Tech Tuesdays and training seminars, and responding to a multitude of member requests throughout the year.

Goal #3 – Ensure training availability to members that enhances and promotes the fire sprinkler industry.
The Engineering Department completed four Layout Technician Training Classes (LTTC) during 2016. This class continues to be a successful program for the NFSA. A total of 88 students completed the LTTC class in 2016.

The Engineering staff has worked closely with Jim Lake, Director of Training, and Rick Dunn, Consultant, to launch the pilot LTTC blended learning program to compliment the two week LTTC class. This new blended class included a three month on-line self-paced learning component developed from the training materials used for the two week LTTC class. This was followed by a one week in-class practicum component. Since the in-class portion of the class had not been previously conducted the outcome was uncertain, but indications are that the class is extremely promising. The in-class practicum was conducted in Newburgh, NY during the week of January 30 through February 3, 2017.

We’ve been also busy updating the LTTC materials to reference the 2016 NFPA 13, 13D, 13R and 14 documents. Cooperation within both the Engineering and Training Department has ensured successful incorporation of the updates.

The Engineering Department has collaborated with Training, Public Fire Protection and IT Departments to launch Tech Tuesdays, Video EODs, Tech Notes and supported the EOD program. The support and interactions of all these staff members behind the scenes is essential to provide these services to members. In addition, Engineering staff has continued to support the National Fire Sprinkler Magazine, the successor to SQ.
Goal #4 – Establish an infrastructure at NFSA that allows for the effective and efficient utilization of resources.

Roland Asp, Manager of Installation Standards; Louis Guerrazzi, Manager of Products Standards; and Bob Upson, Manager of Engineering Services; have all transitioned from New York to Maryland. Operations at the Patterson, New York office have ceased and operations at the Linthicum Heights, Maryland office are on the upswing. Although Victoria Valentine has resigned from the NFSA and is now Director of Professional Qualifications and Industry Alliances for the Society of Fire Protection Engineers (SFPE), Mark Hopkins, P.E., Vice President of Engineering, joined in May 2016. He has brought a new perspective to the Engineering Department, which will be evident in 2017. It will build on the excellent things that have formed the basis of the Engineering Department and have established its outstanding reputation.

Considerable efforts were undertaken to ensure that library and historical records were documented and packed in a manner to allow for archiving and limited access. Efforts are continuing to re-establish the library in the MD office. Along with this relocation, NFSA has been improving its infrastructure, which has resulted in some temporary lags in EOD support. The overall process is currently being revamped in addition to adapting to these infrastructure changes. We appreciate your patience and are striving to maintain the best possible services to all members.

Goal #5 – Improve outreach (internally & externally) that brings new members, partners, stakeholders, and teammates.

Along with all these functions, the Engineering Department has continued to provide support members throughout the country on a regular and on-going basis in many ways. Through individual support via email, telephone conversations, member visits and speaking at Chapter Meetings. The Engineering staff has also spoken at SFPE meetings, other association meeting and has supported a number of other functions in support of NFSA. One such function, is participation in the ICC Ad-Hoc committee on tall wood buildings. This concept has been embraced and will become part of the work that requires support by our industry.
The NFSA Labor Relations/Legal Department provides a broad range of legal services to NFSA members, the NFSA Board of Directors and Councils and Association staff leadership. These diversified legal and labor initiatives support all NFSA members, whether contractors, manufacturers, suppliers, etc. The following are selected highlights of the many areas in which the Department represents, advises and/or collaborates with NFSA constituents:

- Serving as Chief spokesperson in labor contract negotiations on behalf of hundreds of contractors throughout the United States, in negotiations with 16 different local unions.
- Serving as management trustees on various local Health and Welfare, Annuity, Supplemental Pension and Supplemental Unemployment Funds with various local unions nationwide.
- Over 40,000 people are impacted by NFSA Labor/Legal collective bargaining and trustee responsibilities, including approximately:
  - 12,000 active employees
  - 7,000 retirees
  - 6,000 vested participants (not retired)
  - 2,000 beneficiaries (i.e. widows) receiving benefits
  - 17,000 additional family members eligible for medical benefits
- Collaboration with various contractors’ negotiating committees and locally based contractors in both strategic preparation and negotiations of each of our agreements.

Fred Barall
Sr. Vice President
Industrial Relations &
General Counsel

Rory Schnurr
Labor Relations
Manager &
Associate Counsel
• Managing the economic impact of labor negotiations. The potential cost of such negotiations is very significant for the industry. The economic value of competitive and successful contract outcomes to the contractors is in the range of tens of millions of dollars each year.

• Providing leadership and subject matter expertise to the NFSA Labor Relations Advisory Committee and various negotiating committees throughout the country.

• Working closely with the NFSA Board of Directors to provide training and advice on various general corporate, not-for-profit, governance, antitrust, ethics, intellectual property and other issues with potential legal impact.

• Oversight of all NFSA litigation including interface with outside counsel.

• Performing nationwide outreach and mobilization of contractors in preparation of collective bargaining efforts.

• Drafting of consulting agreements.

• Preparation of licensing agreements re NFSA logo, etc.

• Assisting NFSA President, Board of Directors and Leadership Team with various employment, personnel and policy related issues, letters, handbooks and documents.

• Assisting member contractors through day to day contract interpretation and labor law advice.

• Representation of members in grievance procedure and various litigation venues.

• Preparation of letters to local authorities regarding various building code issues.

• Collaborating with other Departments to provide ad hoc legal advice as issues arise.

• Writing NFSA internet on-line forum terms and conditions.

• Reviewing NFSA Hiring practices, employee selection and interviewing guidelines.

• Advising regarding NFSA insurance and risk protection for Chapters and committees.

**Collective Bargaining Highlights**

In 2016, the NFSA Labor Relations/Legal Department negotiated competitive collective bargaining agreements with the following United Association sprinkler fitters’ local unions:
- Road Fitters Local Union 669 (covering all or part of 48 states)
- Philadelphia Local 692
- Newark Local 696
- Seattle Local 699
- Kansas City Local 314

In preparation for all negotiations nationwide, the Department conducted a series of meetings with contractors. These meetings enabled the NFSA staff to learn about contractor priorities and to promote contractor unity. In recent negotiations cycles, this ongoing communication and
collaboration with contractors throughout the United States has enabled NFSA to represent a higher percentage of overall work volume than in the past in virtually all local negotiations.

The NFSA Labor Relations/Legal Department sincerely appreciates the support of numerous contractors across the country for their time and many contributions to the NFSA negotiations effort.

The negotiations processes and relationships with the U.A. Sprinkler locals continue to be constructive and collaborative.

**UPCOMING NEGOTIATIONS TIME-TABLE: 2017 and 2018**

Looking forward to the next two calendar years, the NFSA Labor/Legal staff will remain very busy with contract negotiations. We will be participating along with our local committees in eleven (11) new negotiations, as follows:

The following contract renewals are scheduled in 2017:

<table>
<thead>
<tr>
<th>Local Union</th>
<th>Expiration Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chicago Local 281</td>
<td>May 31, 2017</td>
</tr>
<tr>
<td>Florida Local 821</td>
<td>June 30, 2017</td>
</tr>
<tr>
<td>Milwaukee Local 183</td>
<td>June 30, 2017</td>
</tr>
<tr>
<td>Detroit Local 704</td>
<td>July 31, 2017</td>
</tr>
<tr>
<td>Los Angeles Local 709</td>
<td>August 31, 2017</td>
</tr>
<tr>
<td>Boston Local 550</td>
<td>September 15, 2017</td>
</tr>
</tbody>
</table>

The following contract renewals are scheduled in 2018:

<table>
<thead>
<tr>
<th>Local Union</th>
<th>Expiration Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cleveland Local 120</td>
<td>April 30, 2018</td>
</tr>
<tr>
<td>Minneapolis Local 417</td>
<td>May 31, 2018</td>
</tr>
<tr>
<td>Pittsburgh Local 542</td>
<td>June 30, 2018</td>
</tr>
<tr>
<td>San Francisco Local 483</td>
<td>July 31, 2018</td>
</tr>
<tr>
<td>St. Louis Local 268</td>
<td>August 31, 2018</td>
</tr>
</tbody>
</table>

As with all other negotiations, the NFSA staff will continue to work with the local contractors and our bargaining committee to determine goals, objectives and priorities and to reach a fair and mutually acceptable agreement. We will be in contact with applicable local area contractors well in advance of contract expiration dates to begin the above processes.

The Labor/Legal staff also continues to educate all stakeholders (local unions and contractors) regarding the significant advantages derived from IP’s overall market promotion efforts.

**Trusteeship Partnership with Contractors**

Regarding the national NASI Pension and Health and Welfare Funds, the NFSA staff trustees continued to work closely with two contractor Trustees: Gregg Huennekens of United States Alliance Fire Protection, Inc. and Jon Ackley of Dalmatian Fire, Inc. to assure that the funds are run as efficiently and successfully as possible. During 2016 and as expected in the coming year, NFSA has filled several vacancies with new trustees to enhance Contractor participation on these Boards. The three new trustees are Ricky Jackson of Northstar Fire Protection of Texas, Inc., Rob Vincent of Shambaugh & Son, L.P. and Marty Corcoran of Wolverine Fire Protection Co. Each of the three has already adapted well to their new toles and made positive contributions in these new roles.
About the Department
The Outreach and Government Relations department serves as the primary liaison to fire and public policy organizations. One or more members of the department serve as representatives for the NFSA to the Congressional Fire Services Institute, National Advisory Council, Home Fire Sprinkler Coalition Steering Committee, The Phoenix Society for Burn Survivors, and the Fire & Life Safety Section Board of the International Association of Fire Chiefs. Outreach efforts to the U.S. Fire Administration, Campus Fire Safety groups, Common Voices Coalition, National Fallen Firefighters Foundation, NFPA, and ICC are also coordinated by Outreach and Government Relations.

As members, you know the results-driven work done by the National Fire Sprinkler Association. One of the primary jobs of the Outreach and Government Relations Department is to make sure everyone else knows too. The Department works daily to disseminate information on NFSA initiatives; to our members, the industry, government officials and the public-at-large. The efficiency of these communications has garnered our Association with a large following from all walks of life. The Department is on-call 24/7 and responds to news relevant to the industry in an efficient, timely manner. Through our efforts, we have become the go-to source for national media outlets when breaking news concerning the industry occurs. All member and non-member communications are handled here, including social media, NFSM—our member magazine, e-communications, press releases and Association announcements.
2016 Highlights
The Outreach and Government Relations Department has:

- Acted as liaison to all National Fire Service Organizations to engage, promote and educate regarding the life- and property-saving benefits of fire sprinklers.
- Always engaged, and continues to engage in legislative activities in Washington, D.C. that impact our industry.
- Spearheaded the planning, promotion and execution of our Annual Seminar, Board Meetings, and presence at the NFPA Expo and many local industry-related events.
- Revamped and successfully launched a “new” Association magazine, National Fire Sprinkler Magazine. The publication once again was the recipient of the Marcom Gold Award for Excellence. Improvements include an updated design and increased member participation.
- Successfully created a new logo and brand identity for the organization, including all staff in the process.
- Successfully produced and implemented many new and innovative marketing materials, including targeted ads and videos. Subjects range from keeping pets fire-safe, to the difference fire sprinklers make in residential fires. All of these materials have been shared, at no cost, on our social media sites, reaching thousands, at no cost to the association.

Social Media
Started in 2009, NFSA’s social media accounts have grown steadily throughout the past seven years, now reaching a combined audience of almost 18,000 followers. Each account serves a different purpose and a slightly different audience, ensuring the fire sprinkler message reaches those from all walks of life.

Twitter
The followers of our Twitter account are quite varied. Of special interest may be that homemakers account for 23% of our followers, disproving the “we’re preaching to the choir” belief that is held by some. The @NFSAorg audience breaks down as follows:

<table>
<thead>
<tr>
<th>OCCUPATION TYPE</th>
<th>% OF AUDIENCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional/Technical</td>
<td>36%</td>
</tr>
<tr>
<td>Homemaker</td>
<td>23%</td>
</tr>
<tr>
<td>White-Collar Worker</td>
<td>21%</td>
</tr>
<tr>
<td>Health Services</td>
<td>19%</td>
</tr>
<tr>
<td>Self-Employed</td>
<td>17%</td>
</tr>
<tr>
<td>Management</td>
<td>17%</td>
</tr>
<tr>
<td>Retired</td>
<td>14%</td>
</tr>
<tr>
<td>Sales/Marketing</td>
<td>11%</td>
</tr>
<tr>
<td>Tradesman/Laborer</td>
<td>10%</td>
</tr>
<tr>
<td>Student</td>
<td>6%</td>
</tr>
</tbody>
</table>
Facebook
Experience has shown that NFSA’s Facebook account, Nat Firesprinkler, does best when posts occur on weekends. A concerted effort is made each Saturday and Sunday to keep the page active and engaging for its followers. Stats available through Facebook insights allow us to know that 78% of our followers are men, 22% are women; 65% of our followers have a college education. While the majority of our followers are from the United States, we are happy to report that we have people from Canada, Egypt, Croatia, Australia, and many others in the group.

LinkedIn Page
Our LinkedIn Page, National Fire Sprinkler Association, is followed by professionals in the following industries: Construction, Public Safety, Government Administration, Engineering and Facilities Services. The page is widely viewed and shared, with an impressive reach at about 5,000 per week.

Follow us on our social networks:
🐦@NFSAorg
facebook Nat Firesprinkler
LinkedIn National Fire Sprinkler Association

Use the #fastestwater hashtag on all of your social media and help us spread the word:

Fire Sprinklers Save Lives!

As you can see, through our Social Media network, your Association is able to reach many people, in all walks of life, through targeted messaging regarding news and promotions relevant to our industry. Each network is vital in its own way. Knowing how to effectively utilize these channels has enabled us to deliver the fire sprinkler message to a wide array of followers, from those who are in our industry, to those who may be thinking about fire sprinklers for the first time. We will continue to grow and learn as social media networks develop, to keep our standards high and effectively remain as the Voice of the Fire Sprinkler Industry.
The NFSA By-Laws establish that the purpose of the Association is to promote and enhance the business of manufacturing and installing fire sprinkler systems and fire sprinkler devices, and to foster and promote the recognition of the fire sprinkler industry as a unique identity in itself and to conduct such programs and undertake such projects and services as are in keeping with these objectives.

Field Operations serves the purpose of the Association by coordinating a nationwide network of field service personnel and programs and by providing educational programs and seminars on a regional and national basis designed to promote and enhance the fire sprinkler market and to serve the goals and objectives of the Association.

Within the many changes that occurred in 2016 the Field Operations Department transitioned from a single operating unit to multiple task oriented teams in alignment with the NFSA Goals and Objectives. This transition seeks to use of the skills and passions of field operations personnel in not just their regional service to members but also in specific areas such as training, membership, public fire protection and outreach. The result has been an increased energy and capacity to deliver member services in the midst of a transitional year.

In 2016 NFSA Regional Staff continued to serve the members through wide-ranging activities within the NFSA Goals and Objectives. For example, Regional Staff sought to increase the number of properties and lives protected by sprinklers by attending State and Local Codes and Standards Meetings; State Fire Sprinkler Coalition Meetings; State and Local Legislative Hearings and Meetings and Outreach Events including Sprinkler Demonstrations, Area Interest Meetings, Meetings with Allies and Adversaries. All of this while also collaborating with the Public Fire Protection team on the all-important work of saving the residential sprinkler requirements in the IRC.
With new editions of standards come the need to support state and local adoptions. These adoptions require the often-tedious attention to detail in meetings where sprinklers can often be an afterthought or a specific target. NFSA staff participated in the process of state and local codes work in 19 states in 2016, the most activity seen in North Carolina, California, Colorado, Massachusetts, Washington and Oregon.

State Fire Sprinkler Coalition meetings provide grassroots level support and promotion of the fire sprinkler concept. NFSA was represented at 77 of these meetings in 16 states with the most activity in California, Massachusetts, Oregon, Washington, Connecticut and Maine.

The core of NFSA’s grassroots effectiveness is our Chapters. Figure 1 shows the location of all these chapters and they were extremely busy this year with over 125 meetings. NFSA Regional Staff are intimately involved in the logistics of each and every meeting from the planning stage through the meeting. And we are not done growing here. A new NFSA Chapter in St. Louis was added this year and support by our new Missouri State Coordinator. We just keep growing!!!

Additionally Regional Staff activities include the recruitment of new members, attending meetings of allied (and adversarial) groups, participation in side-by-side sprinkler demonstrations and other media events. They also provide boots-on-the-ground intelligence when tragedy strikes. From San Antonio, TX to Oakland, CA as well as other incidents that did not make national news.
your Regional Staff are involved in the NFSA team that responds to provide local support to our allies in the fire service and government as well as making sure our friends in the press get the story correct.

**Ensure Training Availability that Enhances and Promotes the Fire Sprinkler Industry**

NFSA continues to be a strong leader in the delivery of high quality training and education seminars throughout the country. Your Regional Staff plays a crucial role in identifying the need for training, promoting NFSA training programs, scheduling, and delivery of the training.

2016 was a very busy year for NFSA training. NFSA conducted 233 days of training out of 240 potential training days. Many days of the year saw seminars in multiple locations. We conducted 74 open registration seminars and 47 contract seminars in 28 states and 4 countries.

NFSA seminars reached over 1700 individuals and provided a major non-dues revenue source for the Association.

As important as where we trained is what subjects we conducted training in. Inspection, Testing and Maintenance continues to be the most requested subject area for training. With six different seminars providing a variety of perspectives and guidance on ITM NFSA is far and away the leader in training on this topic.
2016 also saw a dramatic growth in the topics of Sprinkler System Plan Review and Rough and Final Inspection. It also being a year of new edition of standards like NFPA 13 and California Edition of NFPA 25, 2016 saw a great deal of interest in these topics as well.

Other highlights include that NFSA is an ICC Preferred Provider and we sit on the ICC Professional Development Council this give us strategic access to a group of people that have a huge impact on our industry; building officials and fire officials.

In response to member requests NFSA piloted a brand new training experience. The Layout Technician Training Course – Blended Learning Format. Similar to the highly popular NFSA 2-Week Technician Training Course which is conducted entirely in-class this course blends on-line and in-class modules and is designed to take a person with basic knowledge of math, physical science and drafting skills and teach them to be productive basic sprinkler layout and detailing technicians. All of the skills necessary for NICET Level II Certification will be covered by the course.

This blended format allows for a combination of the convenience of self-paced and interactive online learning and intense in-class sessions to drive the applications of the knowledge.

NFSA also provided tailored in-house training to individual members and worked with our Chapters to provide tailored training that served a specific local need.

Your Regional Staff are some of the hardest working and dedicated individuals in the country and a group you can be extremely proud of. Their focus on detail and passion for the concept of fire sprinklers fuels their service to you.