NORA NORAweb.org
NATIONAL OILHEAT RESEARCH ALLIANCE

2014
Annual Report

2014 marked the reestablishment of the **National Oilheat Research Alliance** (NORA). There had been a hiatus since 2009, which Congress ended by passing the Farm bill in 2014. The complete audit statement for NORA follows this brief summary. As required by statute, NORA must do an annual report and audit. The attached audit is more detailed than in previous years and is meant to capture the detail on state expenditures. The law requires that said annual report be verified by an independent third party. Counsel for NORA has reviewed the attached audit and with enhanced information it complies with the requirements of the law.

A verified report is generally outside the scope of an audit and the terminology is not used in the accounting profession. Thus, NORA is using this alternative Annual Report to provide additional details on the activities of the Alliance and to provide participating parties an opportunity to comment and make recommendations. Thus, this report is not the official report, but is management's review of the activities.

Financial

The 2014 budget was developed by a Committee as prescribed by the By-Laws of the Alliance. The Committee developed a budget based on data regarding fuel sales developed by the Department of Energy. This budget was reviewed by the Board of Directors, released for public comment and submitted to the Secretary of Energy and the Congress. The budget for 2014 was implemented, and the activities of the Alliance were carried out in conformance with that budget.

NORA continues to rely on the state associations affiliated with NORA for the majority of its efforts. The state allocations and expenditures are included in the audited financials attached to this report. NORA has developed new procedures for state expenditures to ensure that all monies are spent in conformance with the Act. Previously, NORA provided funds to the states, who then undertook activities. Under the new procedures, the states continue to contract with local vendors, however, they submit the bills to NORA for payment with the appropriate supporting documents. Summary materials are displayed at NORAweb.org and full copies may be obtained from NORA to ensure that NORA operates in a transparent fashion.

Education & Training

A primary focus of the Alliance has been the development of quality employees for the heating oil industry. Principally, this involves the training of service professionals. NORA funding has been used by many of the state associations to train these service professionals at classes and facilities within their states.

Additionally, NORA began the process of developing a new learning management system for the individuals in the industry. NORA began the development of a website that could be used to track the records of all employees in the industry, and also provide online content for their learning. A continuing and

pressing goal is to provide on-line education as many technicians and companies do not have the ability to attend in-person training. Thus, having a resource base of on-line training is critical.

NORA's Gold Program also received approval to proceed in 2014. NORA's existing Gold Program has been primarily focused on understanding efficiency in the home and the operation of equipment. Early in 2014, NORA met with representatives of the Organization of Energy Service Professionals to discuss how the Gold program could be improved. It was decided that developing learning modules in key subject areas was the best approach. These subject areas included; steam, hydronics, energy efficiency, tanks, controls, air flow and venting. Later building performance was added.

Consumer Education

An important part of NORA's activities are educating the public to the benefits of oil heat, how to conserve energy, and the improvements in equipment. These activities are generally coordinated at the state level. However, NORA did redo its primary consumer facing page in 2014, Oilheatamerica.com.

Research and Development and Demonstration (RD &D)

Under the new NORA statute, NORA is much more focused on research and development. To that end, NORA hosted a meeting of interested parties in 2014 to lay the foundation for the next five years of RD&D. Fifty-eight industry experts were invited to Brookhaven National Laboratory. These individuals included senior engineers, research scientists, oilheat professionals, and managers of retail and wholesale oil companies.

At the Brookhaven workshop, the research accomplished to date by NORA was reviewed. Additionally, the groups assessed industry needs, developed and prioritized topic areas for RD&D, and developed and prioritized an initial RD&D project list and approved a framework for ongoing RD&D program management. The Summit participants also reviewed NORA's RD&D management framework for the next five years.

Table 1 presents the prioritized research topics forthcoming form this meeting of subject matter experts.

Table 1. Research Topics	Votes	Priority % in Topic	Priority % of Total
Develop Powerful Fuel Use Tracking/Savings Tools...simple to use with wide adoption goal	17	50%	8%
Combustion Monitoring	16	41%	7%
Quick Low Cost Method to Assess Fuel Quality (including % Bio)	14	50%	6%
B-100 Burner	14	33%	6%
FSA Calculator/NORA Stamp of Approval/IBR-Like Testing	12	38%	6%
Develop Virtual "Smart Meter" Technology for Instant Results & More Efficient Deliveries	12	35%	6%
Novel Atomization Technology Feasibility	11	26%	5%
Technical/Climate Change Info to State Energy Office/Stakeholders	10	25%	5%
Address the Myths with: Technical Data Sheets/Handouts to: Real Estate Community. AHJs (Authority Having Jurisdiction: Fire Marshals, Inspectors, etc.), Insurance Companies, Customers, Blenders, Students, Environmental Groups (NRDC, Sierra Club)	10	25%	5%
Modulation Burners	9	21%	4%
Best Practices Manual - Q.C. Programs, Housekeeping - Water/Contamination, I.D. Characteristics	8	29%	4%
Technical Work for Higher ASTM Spec. than 20%	8	20%	4%
Sensors/Diagnostic Tools	8	19%	4%
Self-Powered Systems	7	18%	3%
Emerging Issues Assessment Lubricity, Corrosion, ULSHO, etc.	6	21%	3%
Use High Production Gas Designed Heat Exchangers	6	19%	3%
Common Language	6	15%	3%
NORA Advanced Tech. Monitoring	6	15%	3%
Cloud Point/Coldflow Info and Specs	6	15%	3%

Make FSA More Useful	5	15%	2%
Tankless Coil Cost Analysis Options to Improve Efficiency	4	13%	2%
Self-Learning Systems	4	10%	2%
Target 50% by 2030, 100% by 2050	4	10%	2%
Flue Gas Dilution Venting System for Near or Fully-Condensing Equipment	3	9%	1%
Oil-fired Whole House Generator	3	9%	1%
Retrofit Options: e.g. Flue Gas Economizer, Controls, Etc.	2	6%	1%
Extended Service Times	1	3%	0%
Low Cost System Components	1	3%	0%
Strategic Partnerships to Develop More Oil/Fats - New Sources	1	3%	0%
Scientifically Capture Field Data over B20	1	3%	0%
CFD	1	2%	0%
Permitting for B100 Tanks/Less Spill Impacts	0	0%	0%
Low Cost Near-Condensing Boilers	0	0%	0%
Listing Barriers	0	0%	0%
ULS Specific Heat Exchangers	0	0%	0%

Fuel Use/Tracking

Measurement and analysis tools for improved fuel use monitoring are sought. Fuel use monitoring is useful in optimizing delivery planning, analysis of the impacts of equipment upgrades and other energy efficiency measures, and identifying potential fuel leak conditions. Products to be developed may include accurate fuel tank level sensors, run-time monitors, intelligent thermostats/aquastats or other sensor devices or software products to analyze fuel use, provide K-factors, and signal delivery needs.

In prior development efforts, concepts have been developed which monitored run time remotely. Products have also been developed which measure pressure in the fuel supply line in a one-pipe system. Pressure during burner off periods provided information on fuel tank level.

Products which can be installed in a home and provide real time information on fuel use via phone or internet connection. Such products could be installed temporarily for use in an energy efficiency study or could be an integrated part of a larger heating system monitoring concept. Software tools which provide fuel use analysis are also of interest and this may be on-line tools or programs. Unique sensor concepts for determining fuel level or use are of interest. Monitors which provide alarm signals when tank levels are low appear to be well developed, and are unlikely to receive funding.

Combustion Monitoring

With increased interest in low cost tools for enhanced efficiency of service operations, improved sensor concepts are sought which can provide diagnostics on oil burner conditions. Such information can be used to indicate burner systems which are likely to require service in the near future. This information can also be used to indicate the likely nature of a burner fault, leading to pre-planning of repair services needed. Measurements may be used locally or as part of an on-line service management system.

In prior efforts, flame optical diagnostics, burner power draw, optical flue gas smoke number measurements, in-stack CO and oxygen monitoring, and ignition delay have been explored for combustion monitoring.

The development of unique measurement concepts for oil burner combustion monitoring. Projects do not need to address ways that the measurements can be used (communication or display links) but rather are expected to focus on the development of very cost effective sensor and diagnostic concepts.

Fuel quality-related issues have long been the most important part of oil-fired heating system service requirements. Fuel marketers, at the retail level, have limited measurement tools available to rapidly identify the quality of the fuel they are delivering. A range of instrument options, including portable

Fourier transform infrared spectroscopy (FTIR) analyzers, are commercially available (e.g. www.compass-instruments.com) but not commonly used in the heating oil market. Instrument cost and typical retail marketer company size are factors which affect this. Lower cost, monitoring tools for contamination levels have also been offered in the past.

Novel fuel quality evaluation products. Projects may also address the development of fuel quality evaluation programs which may include a combination of rapid on-site evaluation tools, "shared" local instrumentation arrangements, and rapid-response laboratory evaluation. Part of any project may include laboratory validation of field fuel quality measurement tools.

B-100 Burner

The heating oil industry has a strong interest in enabling the use of biodiesel. Currently, B-5 (5% blends of biodiesel in heating oil) are formally accepted as equivalent to heating oil. Some marketers are using B-20 blends across their entire customer base. Some other marketers are using, on a limited basis, biodiesel blends up to B-100. The burners currently in widespread use are not approved under UL standards for biodiesel blends beyond the standard 5%. The goal of this category is to eliminate the burner limitation as a barrier to widespread use of higher biodiesel blends by supporting the development and commercialization of a burner listed to use any blend level up to B-100. ASTM D6751 defines the biodiesel which would be used in any fuel blend and is expected to be the basis for the listing approval.

The development and commercialization of a home oil burner, fully approved for use with biodiesel blends up to B-100. The burner should be developed as a replacement for the current generation of oil burners and so, is expected to have a fixed firing rate and meet the same performance parameters and reliability level as current systems. Use of components very similar to those in current burners is expected to improve market acceptance but is not mandatory. Pump dry lift, time-to-prime, resistance to vent system transient and steady state backpressure, and startup smoke emissions should be considered. Burner cost, industry engagement, and commercialization plans should be addressed in the proposal. Advanced features such as modulation or two stage firing are not required, but a burner that is full service and can meet a variety of needs will be considered advantageous.

Remote Analysis Technologies

There is broad interest in technologies for remote monitoring, diagnostics, and control of heating systems. This includes communicating thermostats, burner primary controls, and aquastats along with potentially other home systems such as air conditioning and alarms. These systems can provide on-line customer service management, delivery optimization, optimize space heat and domestic hot water temperature settings to enhance efficiency, implement on-line outdoor reset incorporating weather forecasts, enable right-sizing of future systems more efficiently and accurately than a heat loss exercise, enable continuous deployment of advanced algorithms, and implement demand side management for cooling systems. This is a field which is evolving rapidly but which needs demonstrated and documented energy savings information to enhance acceptance.

Field demonstration of concepts for remote monitoring, diagnostics, and control of heating systems. The projects may include a limited amount of product development but are expected to focus on demonstration of existing platforms and documentation of performance and energy saving potential. A key part of these products is expected to be the web interface and it is expected that service organizations (one or more) will be engaged in this project to provide feedback on utility and market potential.

Atomization Technology

Current oil burners use simplex swirl atomizers operating at fuel pressures ranging from 100 psi to 150 psi. These atomizers have a long history of reliable operation and low cost with a fixed firing rate. The most common oil burner firing rate is in the range of 0.65 to 0.85 gallons per hour. In newer, low heat loss homes lower firing rates are needed to meet the peak space heat demand ~ 0.1 to 0.4 gallons per hour. Lower firing rates would also enable new product concepts such as room space heaters. Recently, manufacturers of simplex nozzles have offered new products with firing rates as low as 0.25 gph. Traditionally there has been concern about plugging and blockage with such small nozzles.

A recent study at BNL has shown such small nozzles to operate reliably if high thermal stress following burner shut-down is avoided.

The overall goal of this category is to enable exploration of new concepts which provide both low firing rates and modulation with reasonable product cost. Atomization quality meeting or exceeding the performance of current simplex swirl atomizers is expected. Many atomization technologies have been explored including two-pressure pumps, modulation with pulsed fuel delivery, air atomization, spinning head, and vaporization/air premixing concepts. It is recognized that novel atomization concepts are key to enabling future oil burner products.

Under this category, novel atomization / fuel preparation concepts can be proposed for further evaluation as a step prior to burner development. The focus should be on evaluation of system cost and power consumption requirements. The construction of atomizer prototypes and drop size distribution measurements should be included. Under this category, integration with burners for commercialization is not required. If an atomization concept, based on the work completed under this category, is shown to have strong potential, a follow-on project which may include a burner manufacturer, is expected. As appropriate proposals may include limited combustion demonstrations. Atomization concepts which are already developed and considered "ready" for burner integration and commercialization are not invited under this category. Future NORA PON's are expected to call for advanced, integrated burner development.

Tankless Coil Boilers with High Annual Efficiency

Tankless coil boilers have long been a dominant product offering. These systems have the advantages of relatively low cost, good performance during the heating season, and small space requirements. The major drawback of tankless coil boilers has been high fuel use during non-heating seasons due to a need to maintain the boiler at high temperature to meet expected domestic hot water loads essentially instantly. With tank type water heaters (direct or indirect) setpoints are typically in the 130 F range. In tankless coil boilers, during the non-heating seasons, it is not uncommon for the boiler temperature to be maintained in the 170-200 F range to deliver consistent domestic hot water at just 130. Factors which contribute to this high temperature include heat exchanger coil size, coil fouling over time, and non-uniform distribution of temperature within the boiler (local cold sections). High boiler temperature leads to very high off-cycle losses. In some incentive programs, tankless coil boilers have been explicitly excluded.

Having a low cost, high annual efficiency tankless coil boiler product could create a retrofit market as well as new customer options.

Recently, BNL has been involved with field tests of a new commercial control concept which maintains a tankless coil boiler at a low temperature until there is a demand period. Approaches like this could dramatically reduce idle losses. Beyond controls, other concepts which could contribute to high annual efficiency in a tankless coil boiler include: larger coils, better boiler jacket insulation, high combustion efficiency, flue dampers, forced boiler water recirculation during hot water draws, and integration of an external plate type heat exchanger to allow lower setpoints.

Development of a low cost tankless coil product, which seeks to achieve low idle losses and high annual efficiency, while meeting domestic hot water demand expectations of the market. The product should be sized for potential retrofit to existing homes. Field evaluation of refit tankless coil boiler controls may also be addressed. To gain market acceptance, clear documentation of the performance of this system will be needed.

Field Experience with High Biodiesel Blend Levels

The industry has a strong interest in the increased use of biodiesel blends. Currently, some marketers are using blends with biodiesel content ranging from 20 to 100%. This experience base provides a valuable resource from which future design and operation guidance can be obtained. Some information on experience with higher blends in this area has been obtained in a pilot project currently in progress sponsored by NYSERDA, the National Biodiesel Board, and NORA.

Field studies to capture experience with long term (three years or greater) experience with biodiesel blends above 25%. This may include fuel tank sampling, equipment inspection, review of service records, monitoring, surveys and structured interviews with service personnel.

2014 NORA Board of Directors

Al Breda
Eric Degesero
Ed Scott
Greg Anderson
Roger Marran
Bob Boltz
Charles Miller
Charles Stafford
Rick Bologna
Ed Noonan
Michael Januario
Jeff Witham
Jim Buhrmaster
Lori Berg
Steve Clark
Mark Petrunis
Mike Neish

Mark Fitz
Nancy Kister
John Combs
Sam Bell
Sean Cota
Larry Galgoci
Joe Phillips
Ken Russ
Charles Uglietto
Daniel Singer
Jeff Jenkins
Bruce Harris
Peter Aziz
David Neil
Dan Donovan
Allison Heaney
Barry Knox

Bob Blanchard
Carla Romita
Tom Flaherty
Stephen Sack
Steve Schooley
Gene Waldman
Jeff Lykins
Keith Wrisley
Tom Devine
Walter Brickowski
Quincy Longacre
Steve McCracken
Chris Daly
Kate Childs
Tom Devino
Tom Santa

John Huber, *President*
National Oilheat Research Alliance

NORA
NORAweb.org
NATIONAL OILHEAT RESEARCH ALLIANCE

600 Cameron Street
Suite 206
Alexandria, VA 22314

703.340.1660
INFO@NORAweb.org

NATIONAL OILHEAT RESEARCH ALLIANCE, INC.

DECEMBER 31, 2014 AND 2013

NATIONAL OILHEAT RESEARCH ALLIANCE, INC.

DECEMBER 31, 2014 and 2013

TABLE OF CONTENTS

Ross, Langan & McKendree, LLP
RLM CPA

7900 Westpark Drive, Suite T420
McLean, VA 22102

703-893-2660
fax 703-893-2123

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
National Oilheat Research Alliance, Inc.
Alexandria, Virginia

Scope

We have audited the accompanying statements of the National Oilheat Research Alliance, Inc. (the Alliance), which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Alliance as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Correction of Error

As discussed in Note 11 to the financial statements, certain errors resulting in overstatement of amounts previously reported for the gain on reversal of grants payable, unrestricted net assets, change in net assets, and understatement of state grant rebates remaining under NORA Public Law 106-469 and total liabilities as of December 31, 2013, were discovered by management of the Alliance during the current year. Accordingly, amounts reported for these accounts have been restated in the 2014 financial statements now presented, and an adjustment has been made to net assets as of December 31, 2013, to correct the error. Our opinion is not modified with respect to that matter.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Expenses by State/Jurisdiction for the year ended December 31, 2014 in Schedules 1-4 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Koss, Lenzen & McKendree L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

January 14, 2016

NATIONAL OILHEAT RESEARCH ALLIANCE, INC.

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2014 AND 2013

ASSETS

	2014	2013 (Restated)
CURRENT ASSETS		
Cash	$ 3,286,187	$ 1,826,717
Assessments receivables	2,869,163	-
Other receivables	84,743	46,840
Other current assets	21,023	38,598
Total current assets	6,261,116	1,912,155
OTHER NONCURRENT ASSETS	33,300	19
TOTAL ASSETS	$ 6,294,416	$ 1,912,174

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 559,388	$ 29,193
Other current liabilities	32,756	26,053
State grants payable	1,852,176	-
Obligation for unallocated state rebates	906,381	-
State grant rebates remaining under NORA Public Law 106-469	774,402	1,180,758
TOTAL LIABILITIES	4,125,103	1,236,004
NET ASSETS		
Unrestricted undesignated net assets	207,760	-
Designated net assets-		
Pre-2014 reauthorization net assets	487,232	676,170
State grants and rebates made after year end	297,416	-
National spending not yet incurred	1,176,905	-
Total unrestricted net assets	2,169,313	676,170
TOTAL LIABILITIES AND NET ASSETS	$ 6,294,416	$ 1,912,174

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

NATIONAL OILHEAT RESEARCH ALLIANCE, INC.

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013 (Restated)
CHANGE IN UNRESTRICTED NET ASSETS		
REVENUE AND GAINS/LOSSES		
Assessments revenue - net of refunds	$ 5,521,669	$ -
Contract revenue	37,903	45,942
Gain on reversal of grants payable	-	618,247
Other income, net of cost of sales of $71,708 in 2014 and $52,512 in 2013	21,399	21,444
Total revenue and gains/losses	5,580,971	685,633
EXPENSES		
Program expenses:		
Research, development, and demonstration	579,435	169,396
Heating oil efficiency and upgrade	700,841	-
Consumer education, safety, and training	1,403,505	36,709
Unallocated state rebates	907,000	-
Total program expenses	3,590,781	206,105
Administrative expenses:		
Administrative costs	303,785	466,246
General and special projects:		
Assessment and collection costs	193,262	-
Total expenses	4,087,828	672,351
CHANGE IN UNRESTRICTED NET ASSETS	1,493,143	13,282
NET ASSETS, BEGINNING OF YEAR	676,170	662,888
NET ASSETS, END OF YEAR	$ 2,169,313	$ 676,170

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

NATIONAL OILHEAT RESEARCH ALLIANCE, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 1,493,143	$ 13,282
Adjustments to reconcile change in unrestricted net assets to net cash provided by/(used in) operating activities:		
Depreciation and amortization	2,219	289
Change in assets and liabilities:		
Increase in assessments receivables	(2,869,163)	-
(Increase)/decrease in other receivables	(37,903)	45,240
Decrease in other current assets	17,575	36,638
Increase in other noncurrent assets	-	7,283
Increase/(decrease) in accounts payable and accrued expenses	530,195	(3,142)
Increase/(decrease) in other current liabilities	6,703	(11,029)
Increase in grants payable	1,852,176	-
Increase in obligation for unallocated state rebates	906,381	-
Decrease in state grant rebates remaining under NORA Public Law 106-469	(406,356)	(872,061)
Total adjustments	1,827	(796,782)
Net cash provided by/(used in) operating activities	1,494,970	(783,500)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of noncurrent assets	(35,500)	-
NET CHANGE IN CASH	1,459,470	(783,500)
CASH, BEGINNING OF YEAR	1,826,717	2,610,217
CASH, END OF YEAR	$ 3,286,187	$ 1,826,717

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

NATIONAL OILHEAT RESEARCH ALLIANCE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - THE ORGANIZATION

The National Oilheat Research Alliance, Inc. (the Alliance) is a non-profit trade organization developed under the National Oilheat Research Alliance Act of 2000 (NORA), Public Law 106-469, legislation passed by the U.S. Congress and signed into law in November 2000. The law was amended in 2014 under NORA Public Law 113-79. The Alliance was created to educate consumers about the benefits of oilheat, to perform research and development, to encourage heating oil efficiency and upgrades, and to provide technical training to provide better customer service. The Alliance's Board consists of members from the oilheat industry, retail markets, wholesale distributors, public members, and representatives from the states with the highest oilheat sales. The Alliance was incorporated on January 31, 2001. Funding under the NORA Public Law 106-469 ceased on February 6, 2010. On February 7, 2014, the NORA Public Law 113-79 extended the provisions of NORA Public Law 106-469 to February 6, 2019. Funding under NORA Public Law 113-79 resumed effective April 1, 2014.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting following the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), which is the sole source of authoritative generally accepted accounting principles in the United States. The Alliance reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Accounting Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that could affect certain reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, the reported amounts of revenue and expenses and their functional allocations during the year. Actual results could differ from those estimates.

Assessments Receivables

An estimate of assessments to be received, but not remitted to the Alliance at the end of the reporting period, is recognized. Receivables are charged to bad debt expense as they are deemed uncollectible based upon a periodic review of the accounts. At December 31, 2014 and 2013, no allowance for uncollectible accounts was considered necessary.

Assessment Revenue

The NORA Public Law 113-79 requires wholesale distributors of No. 1 distillate and No. 2 dyed distillate to remit an assessment of two-tenths of one cent per gallon at the point of sale to the Alliance. If the No. 1 distillate or No. 2 dyed distillate is imported after the point of sale, the assessment is to be made when the product enters the United States. Assessments are to be remitted to the Alliance at least quarterly.

Under NORA Public Law 113-79's collections rules, any dyed distillate or blends are subject to assessment. Some of this fuel is used for non-heating applications and is refunded. Assessments revenue is presented in the accompanying statements of activities net of refunds recorded of $883,316 for the year ended December 31, 2014. There were no refunds in the year ended December 31, 2013.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other Receivables and Contract Revenue

Other receivables consist of amounts due from research and development contracts. Bad debts are recognized based on historical experience and management's evaluation of outstanding accounts receivable. Accounts are written off when all reasonable efforts for collection have been utilized. No allowance was deemed necessary by management at December 31, 2014 or 2013. Contract revenue is recognized when services have been completed.

Subsequent Events

The Alliance has evaluated subsequent events through January 14, 2016, which is the date the financial statements were available to be issued.

Reclassifications

Certain 2013 amounts have been reclassified to conform with 2014 classifications.

NOTE 3 - INCOME TAX STATUS

The Alliance received a determination letter from the Internal Revenue Service (IRS) that it has been granted an exemption from federal income taxes and it qualifies under Section 501(c)(6) of the Internal Revenue Code. The Alliance believes its operations are consistent with the nature of their exemption granted by the IRS. There is no current liability for income taxes on unrelated business income and no temporary differences resulting in deferred taxes as of December 31, 2014 and 2013.

The Alliance is required to measure, recognize, present, and disclose in its financial statements uncertain income tax positions the Alliance has taken in the tax years that remain subject to examination or expects to take on an income tax return. The Alliance recognizes the tax benefits from uncertain income tax positions only if it is more likely than not the tax position will be sustained on examination by tax authorities. Prior year income tax returns may be subject to audit in various tax jurisdictions, most of which define open tax years as three years from the later of the due date or the date the return was filed. The Alliance recorded no liability for uncertain income tax positions for any open tax years.

NOTE 4 - PROGRAM SERVICES

The NORA Public Law 113-79 places requirements on how the Alliance can spend the assessments it collects. Upon amendment of the NORA Public Law 113-79 effective April 1, 2014, the Alliance made an estimate of what total assessments would be during the first year. Grants were made to states and national campaigns were undertaken based on this estimate. Actual assessments revenue differed from the estimate. The difference between the estimate and actual assessments are to be reflected in the grants made in future years. The law establishes strict percentage allocations for program spending and these percentages are tied to the revenue received from assessments. Management has developed procedures to ensure these percentages are reflected in budgets and carried forward as appropriate. Variances between the percentages disclosed in the program descriptions below are descriptive of the current year's operations and management believes they do not indicate non-compliance with the statute.

NOTE 4 - PROGRAM SERVICES (continued)

Research, Development, and Demonstration

The NORA Public Law 113-79 requires the Alliance to ensure not less than 30 percent of the assessments collected for each calendar year under the NORA Public Law 113-79 are used by qualified state associations or the Alliance to conduct research, development, and demonstration activities relating to oilheat fuel, including the development of energy-efficient heating systems to be placed into the marketplace. This also includes the Alliance, in conjunction with an institution or organization engaged in biofuels research, to develop consumer education materials describing the benefits of using biofuels as or in oilheat fuel based on the technical information developed. In 2014, the first nine months under the new law, the Alliance granted $579,435 for the research, development, and demonstration program. Subsequent to year end, the Alliance made additional state grants of $128,570 and budgeted $959,251 in additional national spending from 2014 assessment revenue for the research, development, and demonstration program making the total 30 percent of net assessments revenue. Additionally, unallocated state rebates of 2014 revenue will be used for the research, development, and demonstration program.

Heating Oil Efficiency and Upgrade

The NORA Public Law 113-79 requires the Alliance to ensure not less than 15 percent of the assessments collected for each calendar year under the NORA Public Law 113-79 are used by qualified state associations or the Alliance to carry out programs to assist consumers (i) to make cost-effective upgrades to more fuel efficient heating oil systems or otherwise make cost-effective modifications to an existing heating system to improve the efficiency of the system, (ii) to improve energy efficiency or reduce energy consumption through cost-effective energy efficiency programs for consumers, or (iii) to improve the safe operation of a heating system. In 2014, the first nine months under the new law, the Alliance granted $700,841 for the heating oil efficiency and upgrade program. Subsequent to year end, the Alliance made additional state grants of $64,285 and budgeted $73,159 in additional national spending from 2014 assessment revenue for the heating oil efficiency and upgrade program making the total 15 percent of net assessments revenue. Additionally, unallocated state rebates of 2014 assessments revenue will be used for the heating oil efficiency and upgrade program.

Consumer Education, Safety, and Training

The NORA Public Law 113-79 requires the Alliance to ensure not more than 30 percent of the assessments collected for each calendar year under the NORA Public Law 113-79 are used (i) to conduct consumer education activities relating to oilheat fuel, including providing information to consumers on energy conservation strategies, safety, new technologies that reduce consumption or improve safety and comfort, the use of biofuel blends, and federal, state, and local programs designed to assist oilheat fuel consumers, (ii) to conduct worker safety and training activities relating to oilheat fuel, including energy efficiency training, (iii) to carry out other activities recommended by the Secretary of the Energy, or (iv) to establish a data collection process to track equipment, service, and related safety issues to develop measures to improve safety. In 2014, the first nine months under the new law, the Alliance granted $1,403,505 for the consumer education, safety, and training program. Subsequent to year end, the Alliance made additional state grants of $128,570 and budgeted $144,495 in additional national spending from 2014 assessment revenue for the consumer education, safety, and training making the total 30 percent of net assessments revenue program.

NOTE 4 - PROGRAM SERVICES (continued)

Unallocated State Rebates

In addition to the specific program commitments discussed previously, the Alliance has committed $907,000, which is 16.4 percent of net assessment revenue, for state rebates that have not yet been allocated to a program specified in the NORA Public Law 113-79. Subsequent to year end, the Alliance allocated $24,009 of these state rebates to programs. The states develop detailed plans for use of the rebates to do research, development, and demonstration and/or heating oil efficiency and upgrades. These funds will be allocated between programs in accordance with the requirements of NORA Public Law 113-79 as discussed previously.

NOTE 5 - STATE GRANTS PAYABLE AND OBLIGATION FOR UNALLOCATED REBATES

Under NORA Public Law 113-79, the Alliance has entered into various grant agreements which may require periodic payment of grant funds. The outstanding grant liability is as follows as of December 31:

	2014
Research, development, and demonstration	$ 235,974
Heating oil efficiency and upgrade	595,454
Consumer education, safety, and training	1,020,748
Unallocated state rebates	906,381
Total	$ 2,758,557

NOTE 6 - ADMINISTRATIVE EXPENSE CAP

NORA Public Law 113-79 requires the Alliance to limit expenditures for "Administrative" costs to five percent of revenue generated by assessment remittances beginning April 1, 2014. In 2014, the Alliance expended $303,785 for administrative expenses, including $109,386 incurred before the NORA Public Law 113-79 was effective that were paid from previously accrued assets, rather than the assessments received in 2014. Since the NORA Public Law 113-79 effective date, the Alliance expended 4 percent of net assessments revenue in the year ended December 31, 2014. Thus, management believes the Alliance is in compliance with the NORA Public Law 113-79.

NOTE 7 - COLLECTION COSTS

The Alliance has also developed an audit system for collections compliance, and has the legal authority to conduct audits to ensure member compliance. Collection costs include the costs incurred to process annual assessments, to publicize the collection system, and to ascertain compliance as stipulated by NORA Public Law 113-79. Collection costs were $193,262 for the year ended December 31, 2014. There were no collection costs in the year ended December 31, 2013.

NOTE 8 - STATE GRANT REBATES REMAINING UNDER NORA PUBLIC LAW 106-469

Under NORA Public Law 106-469, the Alliance entered into various grant agreements, which may require periodic payments of grant funds. The outstanding grant liability, which is recorded as a current liability in the accompanying statements of financial position, was granted to state organizations in accordance with NORA Public Law 106-469. Because of the expiration of the NORA Public Law 106-469, the Alliance communicated to grant recipients during 2013 that some of the remaining grants would not be funded so the assets could be used to fund operations. As a result, the Alliance recorded a gain on reversal of grants payable of $618,247 in the year ended December 31, 2013. As of December 31, 2014 and 2013, $774,402 and $1,180,758, respectively, remained outstanding.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

From time to time, the Alliance may receive inquires from government agencies, because of the nature of its funding sources. Management does not expect the result of such inquiries to impact the financial information of the Alliance.

NOTE 10 - CONCENTRATIONS OF CREDIT RISK

Financial instruments which potentially subject the Alliance to concentrations of credit risk include cash deposits with commercial banks and cash and investments held in broker-managed accounts. The Alliance cash management policies limit its exposure to concentrations of credit risk by maintaining a cash account at a financial institution whose deposits are insured by the Federal Deposit Insurance Corporation (FDIC). As of December 31, 2014, the Alliance held no cash in excess of FDIC limits.

In addition, the Alliance has exposure to credit risk on its cash and investments held in broker-managed accounts. The assets are insured by the Securities Investor Protection Corporation (SIPC), which protects investors for up to $500,000 including a maximum of $250,000 for claims of cash if the brokerage firm holding the assets becomes insolvent, but it does not insure the underlying assets of $3,328,697 as of December 31, 2014. Management does not consider this a significant concentration of credit risk.

NOTE 11 - PRIOR YEAR RESTATEMENT

The Alliance has state grant rebates remaining under NORA Public Law 106-469. In 2013, the Alliance communicated to grant recipients that some of the remaining grants would not be funded so the assets could be used to fund operations. The amount recorded as a gain on reversal of grants payable in 2013 was overstated by $73,889. The net impact in December 31, 2013 from this error is as follows:

Increase in state grant rebates remaining under NORA Public Law 106-469	$ 73,889
Increase in total liabilities	$ 73,889
Decrease in gain on reversal of grants payable	$ 73,889
Decrease in change in net assets	$ 73,889
Decrease in unrestricted net assets	$ 73,889

NOTE 12 - DESIGNATED NET ASSETS

Pre-2014 Reauthorization Designated Net Assets

As discussed previously, the NORA Public Law 113-79 became effective April 1, 2014. The Alliance has designated the remaining net assets under the former NORA Public Law 106-469 as of March 31, 2014 of $487,232 for use in a national oilheat education program.

State Grants and Rebates Made After Year End Designated Net Assets

Upon the reauthorization of the NORA Public Law 113-79, the Alliance established a budget for net assessment revenue and made state grants and obligations for state rebates based on this budget. Actual results were higher than this initial budget. Therefore, subsequent to year end, the Alliance communicated additional state grants and rebates to the states totaling $297,416 to be in compliance with NORA Public Law 113-79. Net assets of this amount are designated by the Alliance for future use as state grants and rebates as of December 31, 2014.

National Spending Not Yet Incurred Designated Net Assets

Included within the initial budget is $1,176,905 in national spending of 2014 assessments revenue, which had not yet been incurred as of December 31, 2014. The Alliance has designated net assets in this amount as of December 31, 2014 for future program spending.

NATIONAL OILHEAT RESEARCH ALLIANCE, INC.

SUPPLEMENTAL SCHEDULE OF EXPENSES BY STATE/JURISDICTION -
RESEARCH, DEVELOPMENT, AND DEMONSTRATION
FOR THE YEAR ENDED DECEMBER 31, 2014

	Amounts Granted/ Expended in 2014	2014 State Grants Made After Year End	2014 National Spending Not Yet Incurred	Total
STATE GRANTS-				
Connecticut	$ 23,178	$ 12,016	$ -	$ 35,194
Delaware	2,043	1,059	-	3,102
Idaho	223	116	-	339
Indiana	555	288	-	843
Kentucky	4,093	2,122	-	6,215
Maine	14,056	7,287	-	21,343
Maryland	7,367	3,819	-	11,186
Massachusetts	27,525	14,270	-	41,795
Michigan	7,564	3,922	-	11,486
Nevada	119	62	-	181
New Hampshire	11,958	6,199	-	18,157
New Jersey	21,139	10,959	-	32,098
New York -				
NYOHA	16,381	7,725	-	24,106
UNYEA	6,496	6,734	-	13,230
HVOEC	5,383	3,101	-	8,484
OHILI	18,144	7,458	-	25,602
ESEA	5,156	1,711	-	6,867
North Carolina	7,838	4,063	-	11,901
Ohio	7,017	3,638	-	10,655
Oregon	1,019	528	-	1,547
Pennsylvania	33,543	17,390	-	50,933
Rhode Island	7,748	4,017	-	11,765
South Carolina	1,205	625	-	1,830
Virginia	7,014	3,636	-	10,650
Vermont	4,892	2,536	-	7,428
Washington	1,513	784	-	2,297
Washington, D.C.	196	102	-	298
Wisconsin	4,635	2,403	-	7,038
NATIONAL	331,435	-	959,251	1,290,686
TOTAL STATE GRANTS AND NATIONAL SPENDING	$ 579,435	$ 128,570	$ 959,251	$ 1,667,256

In addition to the these amounts, the unallocated state rebates detailed in Schedule 4 will be used for either this program or for the heating oil efficiency and upgrade program.

See independent auditor's report.

NATIONAL OILHEAT RESEARCH ALLIANCE, INC.

SUPPLEMENTAL SCHEDULE OF EXPENSES BY STATE/JURISDICTION -
HEATING OIL EFFICIENCY AND UPGRADE
FOR THE YEAR ENDED DECEMBER 31, 2014

	Amounts Granted/ Expended in 2014	2014 State Grants Made After Year End	2014 National Spending Not Yet Incurred	Total
STATE GRANTS-				
Connecticut	$ 62,991	$ 6,008	$ -	$ 68,999
Delaware	5,553	530	-	6,083
Idaho	606	58	-	664
Indiana	1,508	144	-	1,652
Kentucky	11,123	1,061	-	12,184
Maine	38,200	3,643	-	41,843
Maryland	20,021	1,910	-	21,931
Massachusetts	74,807	7,135	-	81,942
Michigan	20,558	1,961	-	22,519
Nevada	323	31	-	354
New Hampshire	32,498	3,100	-	35,598
New Jersey	57,452	5,480	-	62,932
New York -				
NYOHA	44,519	3,863	-	48,382
UNYEA	17,655	3,366	-	21,021
HVOEC	14,629	1,550	-	16,179
OHILI	49,311	3,729	-	53,040
ESEA	14,013	855	-	14,868
North Carolina	21,301	2,032	-	23,333
Ohio	19,071	1,819	-	20,890
Oregon	2,769	264	-	3,033
Pennsylvania	91,162	8,695	-	99,857
Rhode Island	21,058	2,008	-	23,066
South Carolina	3,275	312	-	3,587
Virginia	19,063	1,818	-	20,881
Vermont	13,294	1,268	-	14,562
Washington	4,111	392	-	4,503
Washington, D.C.	532	51	-	583
Wisconsin	12,597	1,202	-	13,799
NATIONAL	26,841	-	73,159	100,000
TOTAL STATE GRANTS AND NATIONAL SPENDING	$ 700,841	$ 64,285	$ 73,159	$ 838,285

In addition to the these amounts, the unallocated state rebates detailed in Schedule 4 will be used for either this program or for the research, development, and demonstration program.

See independent auditor's report.

NATIONAL OILHEAT RESEARCH ALLIANCE, INC.

SUPPLEMENTAL SCHEDULE OF EXPENSES BY STATE/JURISDICTION -
CONSUMER EDUCATION, SAFETY, AND TRAINING
FOR THE YEAR ENDED DECEMBER 31, 2014

	Amounts Granted/ Expended in 2014	2014 State Grants Made After Year End	2014 National Spending Not Yet Incurred	Total
STATE GRANTS-				
Connecticut	$ 116,634	$ 12,016	$ -	$ 128,650
Delaware	10,282	1,059	-	11,341
Idaho	1,122	116	-	1,238
Indiana	2,792	288	-	3,080
Kentucky	20,596	2,122	-	22,718
Maine	70,733	7,287	-	78,020
Maryland	37,071	3,819	-	40,890
Massachusetts	138,514	14,270	-	152,784
Michigan	38,066	3,922	-	41,988
Nevada	598	62	-	660
New Hampshire	60,174	6,199	-	66,373
New Jersey	106,379	10,959	-	117,338
New York -				
NYOHA	82,432	7,725	-	90,157
UNYEA	32,693	6,734	-	39,427
HVOEC	27,088	3,101	-	30,189
OHILI	91,306	7,458	-	98,764
ESEA	25,946	1,711	-	27,657
North Carolina	39,442	4,063	-	43,505
Ohio	35,312	3,638	-	38,950
Oregon	5,127	528	-	5,655
Pennsylvania	168,801	17,390	-	186,191
Rhode Island	38,992	4,017	-	43,009
South Carolina	6,064	625	-	6,689
Virginia	35,297	3,636	-	38,933
Vermont	24,616	2,536	-	27,152
Washington	7,613	784	-	8,397
Washington, D.C.	985	102	-	1,087
Wisconsin	23,325	2,403	-	25,728
NATIONAL	155,505	-	144,495	300,000
TOTAL STATE GRANTS AND NATIONAL SPENDING	$ 1,403,505	$ 128,570	$ 144,495	$ 1,676,570

See independent auditor's report.

NATIONAL OILHEAT RESEARCH ALLIANCE, INC.

SUPPLEMENTAL SCHEDULE OF EXPENSES BY STATE/JURISDICTION -
UNALLOCATED STATE REBATES
FOR THE YEAR ENDED DECEMBER 31, 2014

	Amounts Granted/ Expended in 2014	2014 State Rebates After Year End	2014 National Spending Not Yet Incurred	Total
UNALLOCATED STATE REBATES-				
Connecticut	$ 84,767	$(2,244)	$ -	$ 82,523
Delaware	7,473	(198)	-	7,275
Idaho	815	(22)	-	793
Indiana	2,029	(54)	-	1,975
Kentucky	14,969	(396)	-	14,573
Maine	51,406	(1,361)	-	50,045
Maryland	26,942	(713)	-	26,229
Massachusetts	100,667	(2,665)	-	98,002
Michigan	27,665	(732)	-	26,933
Nevada	435	(12)	-	423
New Hampshire	43,732	(1,158)	-	42,574
New Jersey	77,312	(2,047)	-	75,265
New York -				
NYOHA	59,908	(1,443)	-	58,465
UNYEA	42,767	(1,255)	-	41,512
HVOEC	19,687	(579)	-	19,108
OHILI	47,350	(1,393)	-	45,957
ESEA	18,857	(319)	-	18,538
North Carolina	28,665	(759)	-	27,906
Ohio	25,663	(679)	-	24,984
Oregon	3,726	(99)	-	3,627
Pennsylvania	122,677	(3,247)	-	119,430
Rhode Island	28,338	(750)	-	27,588
South Carolina	4,407	(117)	-	4,290
Virginia	25,652	(679)	-	24,973
Vermont	17,890	(474)	-	17,416
Washington	5,533	(146)	-	5,387
Washington, D.C.	716	(19)	-	697
Wisconsin	16,952	(449)	-	16,503
TOTAL UNALLOCATED STATE REBATES	$ 907,000	$(24,009)	$ -	$ 882,991

These unallocated state rebates will be allocated to either the research, development, and demonstration or the heating oil efficiency and upgrade programs based on detailed plans for use of the rebates to be submitted by the states.

See independent auditor's report.