

ANNUAL REPORT

2015



National Oilheat Research Alliance

NORA 2015 Directors

NORA is governed by a Board that represents wholesalers and retailers in the industry in every state where NORA is active. Additionally, the Board includes representatives from the research and manufacturing communities. The Board meets twice a year and is responsible for the general governance of the Alliance.

The By-Laws established an Executive Committee to manage the organization. The members of the Executive Committee for 2015 were Mark Fitz, Eric Degesero, Dan Donovan, Jeff Jenkins, Michael Neish, Allison Heaney, Edward Noonan, Jeff Lykins, Steve Clark, Tom Santa, Steve Schooley and Roger Marran.

NORA 2015 Officers:

Chairperson
Allison Heaney

First Vice-Chairman
Tom Santa

Treasurer
Eric Degesero

President
John Huber

Greg Anderson

Peter Aziz

Sam Bell

Lori Berg

Bob Blanchard

Rick Bologna

Bob Boltz

Al Breda

Walter Brickowski

Kate Childs

Steve Clark

John Combs

Sean Cota

Chris Daly

Eric DeGesero

Tom Devine

Tom Devino

Dan Donovan

Mark Fitz

Tom Flaherty

Larry Galgoci

Bruce Harris

Allison Heaney

Michael Januario

Jeff Jenkins

Nancy Kister

Barry Knox

Bob Long

Quincy Longacre

Jeff Lykins

Roger Marran

Steve McCracken

George McQueeney

Matt Meehan

Charles Miller

David Neil

Michael Neish

Edward Noonan

Mark Petrunis

Joe Phillips

Ken Russ

Stephen Sack

Tom Santa

Susan Santopietro

Steve Schooley

Ed Scott

Daniel Singer

Charles Stafford

Charles Uglietto

Gene Waldman

Jeff Witham

Keith Wrisle

Professional education, through the Technician Certification Program, provides continuing education, training and certification for oilheat service technicians.

About NORA

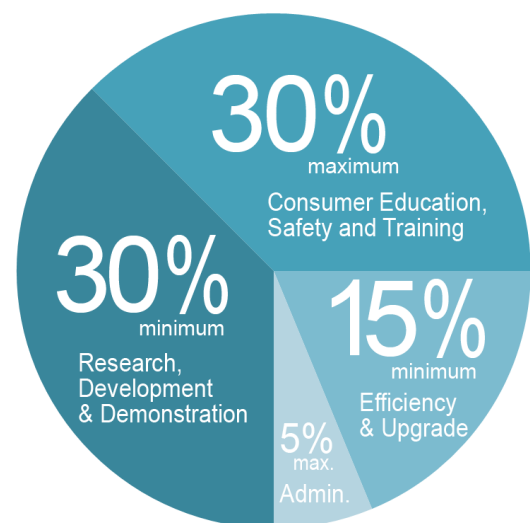
The National Oilheat Research Alliance (NORA)

was established by Act of Congress in 2000. Through a referendum of the industry, NORA was put in place in 2001. Over the past 15 years, NORA has been the leading voice for the oilheating industry and its consumers .

Perhaps the most visible transformation is in the fuel being sold in the industry. Through NORA's research, the industry and consumers have transitioned from a fossil fuel based product with sulfur levels of 2,000 ppm to a product with essentially no sulfur, less than 15 ppm, blended with biodiesel.

This transformation has lead to a very clean partially renewable fuel with a reduced carbon footprint.

This is a response to the need to combat greenhouse gases, along with reducing the service demands of the heating equipment.



NORA has a multi-faceted mission, with the driving goal of improving the oilheat product for its consumers

The first step in that process is to have a strong research and development program. NORA's primary research goals revolve around improving efficiency and developing a pathway for the use of biofuels. Energy efficiency and improving equipment operations has been critical to the success of the industry for many years and has always been a core function for NORA. In 2015, NORA worked to develop more efficient boilers in conjunction with the New York State Energy Research & Development Authority. It also launched several projects to improve burner designs. A key area for improved efficiency is the ability to modulate the flame, essentially having the flame of the burner better match the heating demands of the home. NORA is exploring two novel flame techniques. One is to reverse the spraying of oil and instead spray air through a film of oil. The second is

to preheat the oil prior to vaporization. Both of these techniques would enable greater flame modulation.

Oilheat has been considered by some to be a fuel used by the last generation. It has been considered to develop great comfort, but has also had a poor image for cleanliness. The industry's adoption of a low sulfur fuel has attacked the cleanliness of the flame and led to near zero emissions. However, there is now a consensus that responding to global warming requires the reduction of carbon dioxide emissions. NORA has concluded that a movement to biofuels presents a ready path to success in those efforts. NORA and its partner, the National Biodiesel Board, were able to establish a standard for biodiesel in heating oil at 5%. That effort essentially established that this blend was the same as heating oil. While 5% was a critical step,

we still have a significant journey ahead. NORA has thus had a number of meetings, established a working group on biodiesel and undertaken a number of steps to allow biodiesel to be used at higher blend levels.

Finally, the research and development arena includes efforts to help transition to higher efficiency equipment and to develop consumer education materials describing the benefits of using biofuels. Great research and new efficient equipment have no impact unless they reach consumers. NORA's research program includes efforts to enhance the understanding of these technology shifts.

The second major component of the industry is consumer education and training. Oilheat has proved itself to be a reliable and efficient fuel for generations. However, many of today's consumers associate it with the last generation. Helping



consumers understand that the equipment has improved and efficiencies are now exceeding 90% is vital.

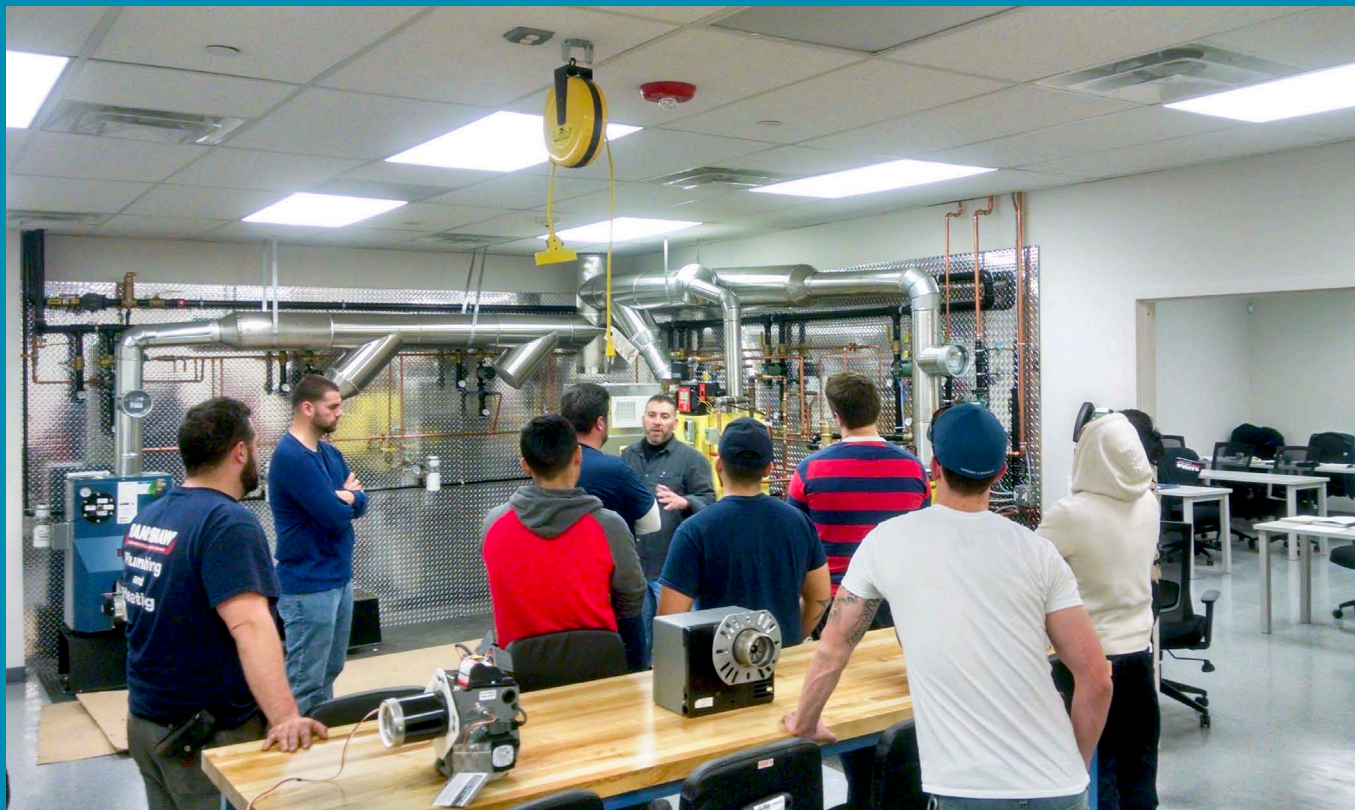
The oilheat industry also has a large and talented workforce. That workforce is encountering new challenges as the equipment they service becomes more efficient and computer controls become more widespread. Today's technician has to be able to service equipment that may have been manufactured either yesterday or in the 1930s. There have been hundreds of manufacturers over this time, so knowledge and analytic skills are key. NORA has developed a number of training tools to assist these professionals in responding to a need for improved skills. Such training includes typical classroom teaching. NORA is now moving aggressively to have a wide ranging collection of on-line training resources.

At the heart of the program is NORA's certification program, which assesses whether a technician has enough knowledge to be certified by NORA. Generally, the program starts with Bronze technicians, who go to a qualified vocational school and take a test. After they gain experience and demonstrate an eagerness to learn by taking additional courses, NORA upgrades them to Silver. Alternatively, experienced technicians may take a class and become Silver if they successfully pass. In 2015, NORA revamped its Gold program to emphasize technical expertise, and has been developing supporting course materials, which are now available on-line.

The final program area is energy efficiency. Improving energy efficiency in the home is a core mission of NORA. NORA's first step in this area was to develop transpar-

ency. Based on research conducted in partnership, NORA developed an effective way to assess in-home and in-use efficiency. This was translated into an easy-to-use web application that provides an opportunity for both service professionals and customers to pick the right equipment for their home.

Additionally, a number of NORA states are using funds to encourage the replacement of aged and inefficient equipment. These rebates encourage customers to convert to high efficient equipment and to replace old storage tanks with modern safe tanks.



NORA activities cover a broad range of areas at the state, regional and national levels. The prescribed areas of involvement are: Research, Development & Demonstration; Consumer Education, Training & Safety and Efficiency & Upgrades.

Liquid Fuel Research & Training Facility



Located in Plainview, NY, the 3,500-square-foot facility will be operated by NORA and the **New York Oil-heating Association (NYOHA)** and the **Oil Heat Comfort Corp. (OHCC)**. It is known as both the *NORA Liquid Fuels Research and Development Laboratory* and the *NYOHA/OHCC Technical Training Institute*.

The building features a classroom that accommodates up to 20 students; a working lab with live-firing boilers and electronic testing and analysis equipment; plus offices and a boardroom. It will host industry training and consumer education programs, enabling trainers to teach at a dedicated facility rather than having to rent space for events.

Renowned energy researcher Dr. Thomas A. Butcher will keep an office at the facility, where he will oversee NORA's research and development projects while also conducting research on heating equipment and liquid fuels.

NORA President John Huber said, "It is really exciting to have a bricks-and-mortar presence of our own that we can all use together. This gives us a great opportunity to connect with people working in the industry and help them serve heating oil customers more effectively."

"The ability to conduct real time on-site research allows NORA to fulfill its R&D mission and provide a real service to the industry and consumers."

NORA Chairperson Allison Heaney, President of New York City-based Skaggs-Walsh, said the center will benefit the industry tremendously. "It is very exciting to have a research facility where Dr. Tom Butcher can continue with his great testing of Bioheat® fuel and continue to assure that we are selling fuel of the highest quality," she said.

"I also think it is amazing that both Long Island and New York City now have this space where we can bring our technicians together and train them to deliver even better service for our customers."

"It's a beautiful facility—with boilers ready to fire—that will allow students to work hands-on with the equipment. I'm very excited to have it."

Dr. Butcher also expressed great enthusiasm about the opportunities that the new facility creates. "I think this is hugely important. Many industry groups can now come to this place and share their education and research," he said. "We will really help each other."

Consumer Education Outreach



An aggressive internet focused consumer outreach program extolling the virtues of heating with Bioheat® (heating oil blended with renewable biodiesel) performed even better than anticipated.

NORA, through its Board of Directors and Executive Committee, have allocated nearly \$1 million to ensure consumers understand the value of oilheating. This campaign was planned in 2015, and the kickoff began in early in 2016.

This was a digital media outreach plan expected to lead to nearly 100 million impressions and more than 500,000 visits to NORA's website *OilheatAmerica.com*. This effort ensures oilheating customers understand the true value of oilheat.

NORA's digital campaign commenced in mid-January 2016 and included Search Engine Marketing* (SEM), Social Media Marketing** and Internet Display Advertising.*** With close to 12 million impressions, the

Internet Display Advertising brought the message to consumers throughout twenty three states and the District of Columbia while boasting a robust click-through of 0.10%. New York led the way with 2.4 million impressions.

Search Engine Marketing was the strongest performer against projections. The impressions created were more than double the goal and reached 6 million. Clicks also over-achieved with a rate almost three times the expectation.

The Social Media campaign also surpassed its goal for impressions by more than 43% and the click-through rate was a strong 1.13%.

The campaign continued through April last year and the program was closely monitored and adjustments were made as needed to bring the attributes of Oilheat/Bioheat® to American consumers.

**Search engine marketing (SEM) is a form of Internet marketing that involves the promotion of websites by increasing their visibility in search engine results pages (SERPs) primarily through paid advertising.*

***Social Media Marketing is the process of gaining website traffic or attention through social media sites. Social media marketing programs usually center on efforts to create content that attracts attention and encourages readers to share it across their social networks.*

****Internet Display Advertising is advertising on web sites. It includes many different formats and contains items such as text, images, flash, video and audio. The main purpose of internet display advertising is to deliver general*

advertisements and brand messages to site visitors.

Four New Gold Certification Manuals



Oilheat service technicians wishing to upgrade their NORA Silver Certification to the prestigious Gold level have a revised and updated Gold program to follow.

To achieve Gold Certification status, a Silver Certification is a prerequisite and the technician must successfully complete four out of eight Gold certification topic modules.

Currently, six of the eight modules are available for credit including four new releases by NORA: *Advanced Air Flow*, *Advanced Hydronics*, *Advanced Efficiency* and *Advanced Venting*. Additionally, NORA will be releasing *Advanced Controls* and *Advanced Steam* in the near future. The remaining two, *Oil Tank Installation and Maintenance* and *BPI's Program Building Science Principles Reference Guide* are already in place.

In addition to completing four of the eight courses, the technician must already hold a Silver Certification and have an additional two years field experience (beyond the three years required for the Silver Certification).

The four newest modules, *Advanced Warm Airflow*, *Advanced Hydronics*, *Advanced Efficiency* and *Advanced Venting* are presented through live classes and will also be presented as online classes in the future. Each of the modules carries six continuing education credits that may be used for Silver Certification renewal or the classes may be applied towards the Gold Certification upgrade. An accompanying training manual for each has been published and can be purchased as part of the certification program or as a stand-alone self-learning guide.

The manuals are available for purchase at the NORA Marketplace at NORASTore.org or available as free downloads at NORAWeb.org

Technicians currently holding Gold status are not affected by the updated program and their certification remains valid. To obtain a renewal, the requirement for 24 Continuing Education Units (CEUs) during the five year life-span of the certification will remain in effect.

John Huber, NORA's president, commented, "NORA's mission, as defined in the NORA statute and through its management, is to provide the best technical education possible to those technicians serving the millions of Americans heating their homes with oil. The NORA certification programs not only do this, they also give technicians goals to achieve and certifications to proudly carry while offering

the best service to their customers. The Gold Program raises the bar to a very high standard of excellence.”

Product Development Opportunities



With a minimum of 30% of the National Oilheat Research Alliance's budget required, by law, to be spent on Research & Demonstration, the Board of Directors, in its budgets for 2015 and 2016, authorized funds to be spent on the project areas listed below.

Successful research, development and demonstration grants in the past ranged from \$20,000 to \$350,000.

All projects are managed by NORA's Liquid Fuels Research Center (LFRC).

NORA PON No. 2016-001 sought proposals to support the development, demonstration and commercialization of Oilheat technologies and systems in the following categories:

Category A: System Level Controls

Category B: New Appliances

Category C: Other New Ideas

Energy Efficiency Report



Recognizing the importance of energy efficiency for both the US consumer and for the retail heating oil companies that service them, NORA developed a new energy efficiency program. NORA's commitment to energy efficiency is so strong that 15% of NORA collections were spent on the program.

In order to have a good understanding of existing energy efficiency programs and to establish a baseline, NORA commissioned Warm Thoughts Communications, Clifton, NJ to review a select group of state energy programs. This review was completed and the report *Understanding the Energy Efficiency Landscape and Implications for NORA Initiatives* was issued.

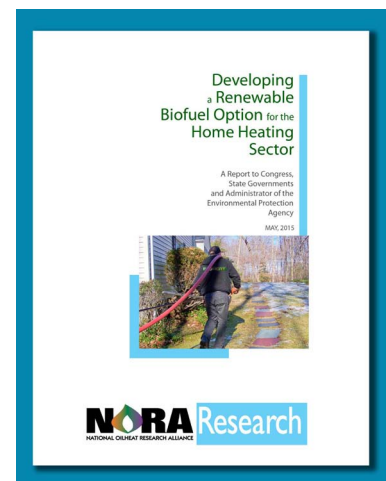
This report describes various existing state programs and reviews several particularly successful programs and their relationship to the retail oil dealers who are the backbone of NORA.

The report's primary recommendation for NORA was to facilitate the development of energy efficiency programs for retail service compa-

nies. This would provide companies an opportunity to provide additional services to their customers, improve their workforce and enhance energy efficiency. A NORA committee later examined the types of materials that should be developed to facilitate this program.

It should be noted that this report is not official NORA policy, but does provide guidance for moving forward in this critical area.

Biodiesel/Bioheat® Report



Pursuant to Public Law 113-79 (the Agricultural Act of 2014), Congress required NORA to prepare a report on the utilization rate and analysis of the use of biofuels in Oilheating equipment.

The new report, titled *Developing a Renewable Biofuel Option for the Home Heating Sector*, was released on May 13, 2015 and is the most comprehensive report of its kind.

The complete report is available at www.NORAweb.org.

Some of the key components of the report:

- One of the biggest transitions in heating oil has been the move to ultra-low sulfur heating oil (ULSHO). This fuel lowers maintenance, improves efficiency and reduces pollution from heating systems
- Biodiesel blends at 20% (B-20) with ultra-low sulfur heating oil (ULSHO) are lower in Greenhouse Gas Emissions (GHG) than natural gas when evaluated over 100 years, while blends of 2% (B-2) or more are lower in GHG than natural gas when evaluated over 20 years
- Biodiesel blended at 5% would require approximately 300 million gallons of biodiesel produced per year, assuming the biodiesel industry average of 50 million gallons per year per plant. Bioheat® would be responsible for six plants built and continuously operated. Therefore, nearly 270 full-time jobs could be directly attributed to Bioheat®
- Studies on the operation of Bioheat® on the basic burner operation with biodiesel blends at B-20 (at least) is the same as with unblended heating oil

NORA and the National Biodiesel Board (NBB) have communicated the value of using biodiesel and selling Bioheat®. NORA features information about Bioheat® on its consumer website, *OilheatAmerica.com*. NBB has a webpage, *Bioheatonline.com* that describes the advantages of Bioheat®.

Further, the Alliance and its affiliated state associations have worked to provide education to consumers and retail oil companies through the use of mass media and brochures.

State and local governments have utilized a number of strategies to encourage the use of biofuels in their communities. It is often necessary to encourage its use with incentives or mandates to develop the infrastructure and overall market acceptance for a new fuel.

Tank Securement Procedures



During severe flood events, such as those occurring from Hurricane Irene and Super-Storm Sandy, many coastal and low elevation inland areas were subjected to high water conditions. As a result, a number of outdoor above-ground home heating oil tanks were dislodged and, in some cases, caused property damage.

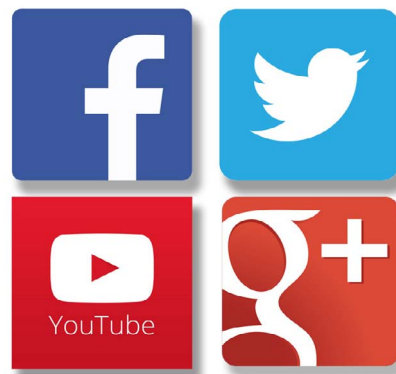
In response to the combined effects of these events, the **Oil Heat Institute of Long Island (OHILI)** and **NORA**, in collaboration with local government agencies and oilheat industry experts, developed the Recommended Practice (RP) in an effort to mitigate these problems in future flood events.

The research, testing and approval of this RP went through the National Fire Protection (NFPA) 31 Technical Committee and was balloted successfully for publication as a reference document.

The Report of Recommended Procedures should be used as guidance when installing new tanks or upgrading existing installations.

The complete report is available at NORAweb.org/storage-tanks

Social Media Campaign



Oilheat America, the source for information on the benefits of using heating oil for space and hot water heating, expanded its public outreach efforts by launching new Facebook, Twitter, YouTube and Google+ pages. Internet-connected computer and mobile device users can visit and follow or subscribe to these pages by clicking the social media icons at *OilheatAmerica.com*.

As with *OilheatAmerica.com*, social media updates will focus on Oilheat's core attributes: Safe, Efficient, Clean, Abundant and Independent while including information on Bioheat® the new "oilheat" containing a renewable biodiesel blend.

OilheatAmerica.com's social media pages will be updated with links to information found on the Oilheat America website. These updates will then be shared by followers and

subscribers, as well as social media users who find them via friends' timelines or boosted (sponsored) posts.

Built to be friendly and accessible to the widest possible audience, the new social media platforms will connect Oilheat America with consumers, business owners, policymakers and anyone else who is interested in heating oil. Oilheat America looks to leverage the power of social media to spread knowledge of heating oil and to strengthen ongoing dialogues with the individuals who use it and the organizations that buy, sell and distribute it.

New OilheatAmerica.com



NORA launched the updated OilheatAmerica.com, extolling the core attributes of Oilheat: Safe, Renewable, Efficient, Clean, Domestic, Abundant and Independent. Content was created to explain each attribute and how it benefits the consumer. Designed and developed for today's Internet user, the new site features a clean design, shorter copy, and a responsive design for ease and accessibility from mobile devices, smartphones and tablets as well as desktop

and laptop computers. The wealth of valuable Oilheat information from the previous incarnation of OilheatAmerica was maintained in the expansive Knowledge Base section, including the FAQs and Equipment sections.

John Huber, NORA's president, said, "We are so pleased with the updated information and design of the new *OilheatAmerica.com*. By focusing on the core attributes of Oilheat and the growing audience on mobile devices, today's launch of *OilheatAmerica.com* provides additional access to consumers and direct support to the men and women who are the Oilheat industry."

New to the site are expanded information on Bioheat® Fuel and state mandates for Ultra Low Sulfur Heating Oil (ULSHO) and biofuels, rotating "quick facts," and sections developed specifically for commercial and industrial users, home buyers and sellers, real estate professionals, builders and HVAC professionals and home inspectors.



Best Practices



Advanced Fuels



Research

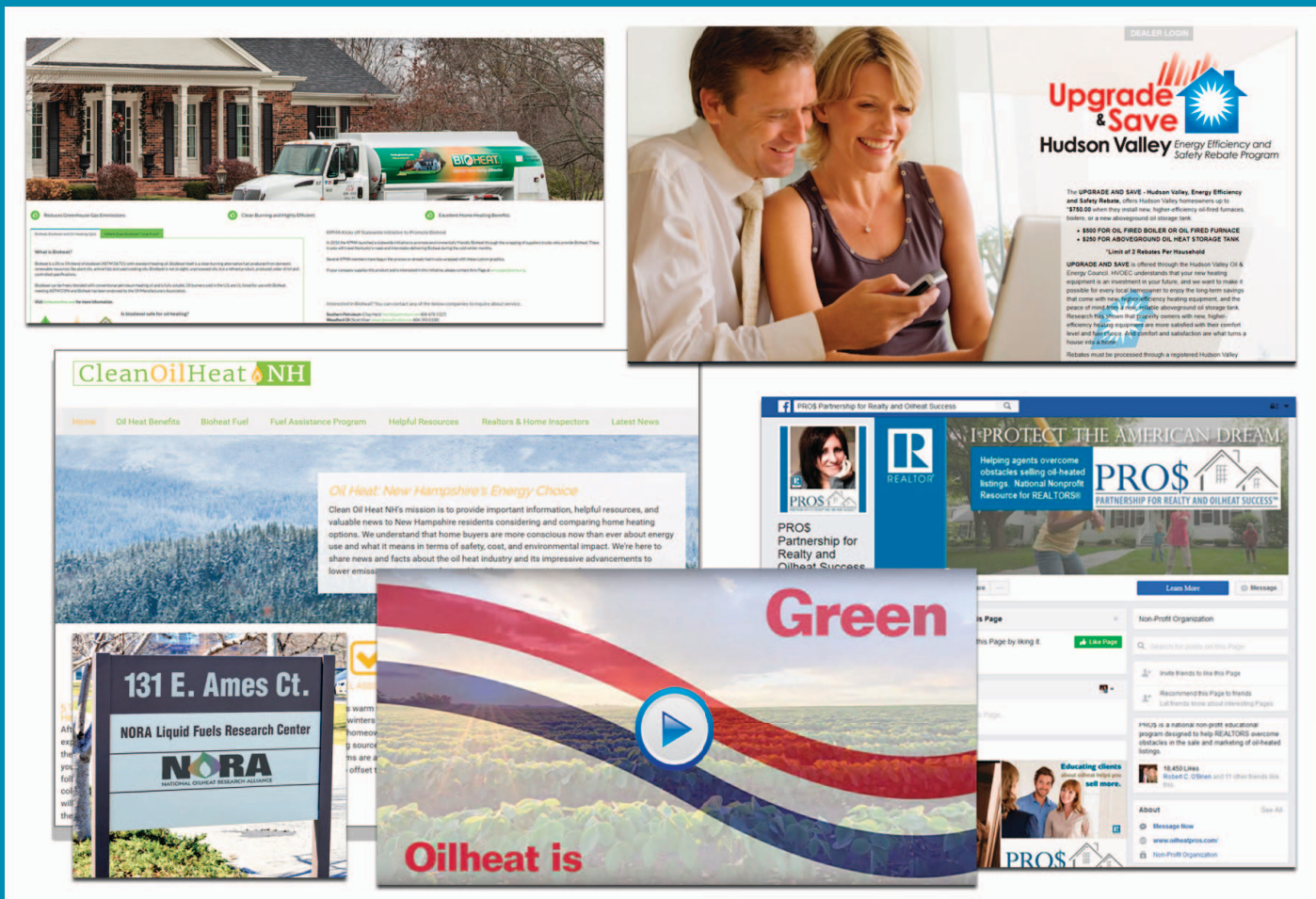


Consumer Education



Industry Education





Samples of state activities and programs

State activities

NORA is an alliance of more than twenty-one state and local Associations representing heating oil marketers across the U.S. Each state association is qualified to request rebates from NORA for programs that meet the criteria of the NORA Statute. These programs all operate under the three tenants of NORA: Research, Development & Demonstration; Consumer Education Safety & Training; and Efficiency & Upgrades.

Maryland & Delaware

The Mid-Atlantic Petroleum Distributors Association (MAPDA) continued to focus on the area of their greatest vulnerability: the real estate community. The reality is that Realtors, home inspectors and new homebuyers who are unfamiliar with oilheat have misconceptions about tanks, systems and using heating oil as a home's heat source. MAPDA has combated this challenge since 2007, through the *Partnership for Realty and Oilheat Success Program*, which focuses on achieving three primary goals:

1. Engage with Realtors so they understand oilheat's potential as an energy efficient fuel and convey that to homebuyers
2. Get pro-oil and pro-efficiency materials into the hands of homebuyers, who will be moving into homes heated with oil
3. Build bridges between Realtors and local heating oil companies, who can provide support and expertise today and in the future

In 2015, these goals were achieved as more than 35 in-office presentations were conducted by Mid-Atlantic area dealers, educating more than 650 agents in person, and more than 1,000 Realtors at various trade shows and conferences.

Looking ahead, MAPDA will be continuing its focus on the real estate community in 2016 and beyond and will be launching a tank replacement rebate program to help Maryland and Delaware homeowners replace their tanks with new above ground tanks.

Kentucky

Kentucky businesses supplying oilheat and Bioheat® benefited greatly from the NORA checkoff program in 2016. The funds provided by the program contributed to several new initiatives for the state.

Of particular interest, Kentucky introduced Bioheat® vinyl truck tank wraps to promote the use of Bioheat® in the Commonwealth. Partnering with several organizations in the state that supply the product, the Kentucky Petroleum Marketers Association (KPMA) worked with a local artist to design Bioheat® truck wraps that included the company's logo and Kentucky's oilheat dedicated website, *heatingkentucky.com*.

Heatingkentucky.com is a website the KPMA developed to connect oilheat customers with suppliers in the state. The website also promotes the features and benefits of Bioheat® for interested consumers. The truck wrap project has garnered a great deal of interest across Kentucky. The first truck, owned by Woodford Oil of Danville, KY, was unveiled at the 3rd Annual Tank & Technical Conference in Lexington. The KPMA is in the process of having 20 of these trucks wrapped.

Maine

The Maine Energy Marketers Association (MEMA) created a digital education effort that helped Maine citizens understand the cleanliness, value and current applications of today's modern oilheat. The message of the program was "Modern oilheating systems, in well-insulated homes, al-

low homeowners to achieve the same amount of warmth using 40% less fuel. This reduces emissions while lowering heating costs."

MEMA has also created education programs for customer service personnel to be fully able to talk to customers about the facts of heating oil.

Finally, with the help of NORA, MEMA is training dozens of technicians, giving them the latest skills needed to install high efficiency boilers and furnaces, integrating other fuels into the central system and understanding and promoting renewable liquid biofuels (Bioheat®) use in the home.

NORA provides the people of Maine the opportunity to better understand the role and environmental benefits of renewable liquid biofuels; the high-efficiency operation of today's modern oilheating equipment, and the training to those who professionally install and service oilheat equipment.

Massachusetts

In 2015, the Massachusetts Energy Marketers Association (MEMA) utilized it's NORA funds on several projects targeting the heating oil industry and heating oil consumers. MEMA conducted Silver certification training classes across the state and supported Bronze certification classes, as well. Additionally, MEMA trained hundreds of oilheat service technicians statewide on the newly-adopted installation code for Massachusetts (NFPA 31), and advanced the skills technicians who attended NORA workshops on non-technical skill sets for interacting with customers.

For business owners and customer service representatives, MEMA arranged NORA seminars on the evolution of the industry to Bioheat® fuel; communicating the attributes of energy efficiency and new equipment installation; best practices for employee and vehicle safety; and new concepts on service department efficiencies, and purchasing and marketing fuel and equipment.

MEMA also used NORA funds to create fresh marketing and customer communication tools for retailers including newsletters and billing inserts focused on energy efficiency and Bioheat® fuel. MEMA also conducted a statewide media outreach campaign aimed at educating consumers on the evolution of Oilheat to Bioheat®. The campaign included print, television, radio and internet media.

“Having access to NORA funds has enabled our association to help advance the skills of Oilheat business owners and their employees, bring new jobs to the industry, and educate Oilheat consumers on important industry developments and initiatives including advancing energy efficiency and clean, renewable Bioheat® fuel,” said MEMA President Michael Ferrante.

Michigan

Michigan ran a statewide program of radio advertisements. The radio ads included over 10,000 spots in both 2015 and 2016 hitting a cross section of talk shows and radio networks across the entire state. A full page ad was placed in the Detroit Tigers game program and Detroit Red Wings yearbook. Both the radio ads and print ads focused on the benefits of oilheat

being clean, efficient, safe and renewable. A Bioheat® seminar was held that was well attended with productive discussion taking place.

A statewide internet campaign has begun that will be used to bring information to oilheat customers in Michigan. This web-based campaign done through search engines and social media with content-based advertising is helping to ensure consumers in Michigan understand the value of oilheat. These outreach ads vary, but focus on consistent temperature, quick, clean, safe, reliable and plentiful heat.

New Hampshire

In 2015, with the help of NORA funding, the Oil Heat Council of New Hampshire (OHCNH) created a consumer education program that ran state-wide both in print media and online. The focus of this campaign was the good news surrounding oilheat: low cost, increased efficiency, Bioheat® and abundant supply. The campaign ran in the early fall and then again just before the end of the year.

A consumer facing website (cleanoilheatnh.com) was created to be a dedicated resource for New Hampshire oilheat consumers. A blog and other content on the site are updated quarterly to keep the site current and relevant.

In November and December of 2015, OHCNH conducted two separate focus groups, one in Concord and one in Portsmouth. The sessions were used as both an opportunity to gain a higher level of understanding as to the average oilheat consumer's knowledge about oilheat and also as an opportunity for education. An extensive re-

port of the focus group's findings was distributed to all oil companies in the state of New Hampshire.

Additionally, OHCNH invested in home inspector and real estate outreach, wherein NORA-approved training is being provided to home inspectors and real estate agents statewide. Content was added to OHCNH's cleanoilheatnh.com specific to these stakeholders and electronic newsletters are distributed to class participants.

The OHCNH was able to expand its training classes and offer them at a lower cost to members.

New Jersey

2015 saw a significant expansion of NORA activities in New Jersey under the direction of the Fuel Merchants Association of New Jersey (FMA). FMA led the charge to develop the *NORA Oilheat Consumer Attitude, Perception and Behavior Research Study*, which ultimately captured responses and insights from nearly 3,000 oilheat users across the Northeast.

FMA expanded its outreach to the real estate community, through the *Partnership for Realty and Oilheat Success Program*. More than 1,000 agents were trained and educated in-person, and tens of thousands of pro-oil and pro-energy efficiency materials were made available to Realtors and homeowners to help them make better decisions during the transaction of an oil-heated home.

Two issues of the *Efficiency Matters in New Jersey* newsletter were created and distributed to more than 125,000 oilheat homeowners, promoting en-

ergy efficiency, Bioheat®, saving energy and money with oilheat. More than 100 oilheat customer service representatives, technicians, drivers and other customer-facing employees attended the *Keeping Your Customers with Oil* employee training sessions.

Finally, FMA launched an innovative, new social media campaign called *Love My Oilheat New Jersey*, which has grown to have more than 5,000 followers in a little over a year.

NORA-funded efforts in New Jersey were an enormous success in 2015, and have laid the groundwork for even stronger results in 2016.

Hudson Valley New York

The Hudson Valley Oil and Energy Council has been extremely active supporting its member companies and the oilheat industry in general across the six New York counties that comprise the association. NORA funds have provided critical resources to communicate the value of heating with oil while also helping customers recognize that oilheat is an excellent option for achieving energy efficiency in the home. Currently, the HVOEC is focusing on two programs to generate positive impact for consumers while supporting the Hudson Valley oilheat industry.

Homeowners often make decisions about their energy choices during the real estate transaction. We provide information, tools and tips to help buyers, sellers and Realtors make the best decisions during this process. Hudson Valley aims to:

- Educate Realtors so they have a

better understanding about the benefits of heating oil and so they can serve their clients with more accurate information

- Get oilheat and energy efficiency information into the hands of homebuyers and homesellers, so that they are making better energy decisions for their home
- Build bridges between Realtors, oilheat homeowners and local oilheat dealers

This program reaches hundreds of Real Estate offices, thousands of agents and countless homeowners through a combination of in-office educational presentations, oilheat and energy efficiency material distribution, printed and email newsletters, trade show engagement and local Realtor association efforts.

Upgrade and Save Hudson Valley Rebate Program—The Upgrade and Save Hudson Valley Program provides financial assistance for heating system and oil tank. The direct financial benefit provided by these rebates reduces the consumers investment while ultimately improving the energy efficiency of their oil-heated home. Rebates of \$250 for the installation of a new aboveground oil tank and \$500 for a new oil-fired boiler or furnace are available.

Oilheat Comfort Corporation New York

2015 was the most exciting and successful year, by far, for the Oil Heat Comfort Corp. (OHCC) of Long Island, NY.

Through the judicious use of the financial resources provided to OHCC by NORA, a partnership with NORA established the first, totally independent, Liquid Fuels R&D and Technical Education Center. Located in Plainview, NY, this “state of the art” facility has a multi-unit fully operational heating laboratory, classroom, and R&D capacity. OHCC has been able to use this new space to conduct both introductory and advanced industry-oriented technical training classes, extend the outreach program to Realtors and home inspectors, and perform important oil tank and fuel quality research.

In addition, OHCC provided incentives for homeowners on Long Island to upgrade their home heating systems and oil storage tanks. Through the *Upgrade & Save L.I. Energy Efficiency and Safety Rebate Program* (which provided direct consumer rebates) OHCC encouraged homeowners to install new, high-efficiency heating systems and above-ground oil tanks. This was an enormously successful program which OHCC intends to continue into the upcoming year.

North Carolina

The NCPCM Heating Fuels Committee approved the following in 2015:

Developed new mobile friendly ncoilheat.org web site & has set up a new *Pro-Oilheat/Core Benefits* Video and Internet Display Advertising thru Google. Visitors to the site are immediately greeted with a pro-Oilheat message, displaying one of the fuel's seven core benefits: Safe, Renewable, Efficient, Clean, Domestic, Abundant

and Independent. By clicking on any of these benefits, visitors are brought to a new webpage providing helpful information.

The new *NCOilheat.org* web site includes an updated *Tar Heels Trivia Challenge*, as well as refreshed sections for homeowners, real estate professionals, contractors, home inspectors and building professionals. New Social Media programs include Facebook, Twitter, YouTube, and Google with Realtor Live Webinar for the spring of 2016.

The Committee approved \$50,000 for heating oil equipment rebates of \$1,000 per unit; \$500 to the homeowner and \$500 to the HVAC contractor. The Committee approved approximately \$7K for heating oil new tank rebates of \$300 per tank. Additionally, the committee approved Thermo Pride Oil Unit donations to seven Community Colleges and to provide Oilheat training to HVAC technicians. The Committee also approved the *UNC Tar Heels Trivia Challenge* with a chance to win two UNC Football tickets and two UNC Men's Basketball tickets with radio ads.

Ohio

The Ohio Oilheat Council (OHC) is a statewide collective created to administer the funds collected by NORA, allocated for checkoff-approved activities. The council implements forward-thinking programs and projects relating to safety, training, consumer education, energy efficiency, and research and development in the oilheat industry.

A powerful resource for oilheat marketers across the state, the Ohio

Oilheat Council delivers timely information and insight on industry trends and ongoing challenges. The Council also takes great pride in educating Ohio consumers about the benefits of oilheat, how to find a supplier in their community, tips for properly maintaining oilheat equipment, energy efficiency and much more. The Ohio Oilheat Council's activities heated up in 2016. Throughout the year, the council:

- Offered HVAC education and training courses designed to educate specialists who install and service oil-fired residential heating products on the latest oilheat technologies
- Created a monthly e-newsletter, which quickly became the go-to resource for Ohio's oilheat marketers in need of tips for navigating the latest industry trends and technologies and business impacting regulations
- Kicked-off a Realtor outreach and education program
- Initiated the development of a rebate program to incentivize homeowners to upgrade their equipment, *Upgrade and Save Ohio*

There's even more on the horizon. Beginning in early 2017, the Oilheat Council will launch a revamped Ohio Oilheat Council website and debut an all-new, consumer-focused public relations campaign. Plus, the Council will unveil renovations and enhancements to its interactive Bioheat® exhibit at the M-PACT Show in Indianapolis in mid-April. In the spring, we look forward to partnering with the National Biodiesel Board to educate Ohioans about the benefits of Bioheat® with a co-branded vehicle wrap program specially designed of delivery trucks.

Pennsylvania

The PPA hosted NORA-accredited training and educational courses throughout the state of Pennsylvania. Over 155 organizations participated in these various courses, which resulted in individuals receiving NORA accreditation. The consistent educational theme for each course focused on energy efficiency and product safety. The PPA also worked within local markets across the state by implementing awareness programs directed to better educating oilheat consumers and industry stakeholders.

Rhode Island

The National Oilheat Research Alliance and the check off program has enabled the Oil Heat Institute of Rhode Island (OHIRI) to bring awareness, as well as offer and participate in many programs to further educate consumers on the benefits of advanced heating oil (Bioheat®), energy efficiency recommendations and equipment replacement/upgrades. Additionally, NORA funds were used for employee educational training.

The industry faces a tightening labor pool due to an aging workforce and inability to attract millennials to a career in the trades. With the support of NORA funds, OHIRI has conducted Basic Oilheat Technician and Pipefitter courses for 40 individuals in the last two years. Employees in the field, the fuel delivery drivers and the service technicians, are the main spokespeople and trusted contact with the homeowner. They are the eyes and ears of what the heating oil consumer is experiencing first hand. OHIRI has offered education programs developed by in-

dustry partners to maximize and help these frontline employees with tools to better serve their customers' needs by providing whole home energy efficiency products and services. Customer service representatives (CSR) also play a key role with the heating oil consumer. OHIRI has offered classes that help the CSR better understand the technical aspects of their customer's needs. Combined, the continuing education for the field employee, as well as back office CSRs, will further the efforts of promoting the use of intelligent and evolving heating oil and equipment.

In 2015, OHIRI along with several other New England heating oil associations, participated in a consumer research study to better understand customers and the future of oilheat. The study reported the demographics of the heating oil customer in each state, consumer sentiment, historical trends, and perceptions of heating oil/Bioheat®. Illuminated in the study was the direct correlation between awareness of the renewable component of heating oil (biodiesel) that would give the consumer a more favorable feeling about staying with oilheat.

In 2016, OHIRI launched an *Upgrade & Save* rebate program incentivizing replacement of inefficient boilers/burners and heating oil tanks. To date, 20 RI oilheat dealers are participating, providing 26 boiler/furnace replacements and 10 tank replacements with a total of \$15,500 rebates to RI heating oil consumers

Other programs and initiatives that OHIRI has participated in and offered with NORA funding include:

- *Great Outdoor Challenge* — 2015 & 2016 Bioheat® education, distribution of energy efficiency ideas,

general consumer awareness and hands on children's educational activities

- *Realtor outreach and education*—website and resources for RI Realtors on the benefits of and promoting of heating oil home listings
- *Energy Efficiency Newsletter*—Two issues 2015/2016
- *Keeping your Customers with Oil Heat*—customer service rep training
- *Tech Advantage*—Improving Client Interaction for service technicians
- *Radio campaign(s)* —Bioheat® radio campaign
- *Print advertisement*—Bioheat® print campaign
- *Upgrade & Save*—Rhode Island rebate program 2016-2017
- *OHIRI website upgrade*—upgraded *warmth4ri.com* website to serve as a consumer and heating oil dealer resource

NORA is essential to the future of the oilheat industry. The ongoing research and development that is taking place at Brookhaven National Laboratory on development of new technologies and better performing heating oil, technical training for oilheat technicians (NORA Gold, Silver and Bronze), Energy Efficiency initiatives, consumer outreach and awareness support each of the participating heating oil states. NORA published the *Biodiesel in Home Heating* report in May 2015, indicating that Biodiesel will play a much bigger role in the future of delivered fuels. Bioheat® is the bridge renewable fuel that requires no modification, is renewable, domestic, efficient and in line with regional/national greenhouse gas reduction strategies. Here in Rhode Island, we are a leader in renewable energy and energy efficiency programs. RI is the only state that has a mandate

requiring biodiesel blends in heating oil. The *Biodiesel Heating Oil Act* of 2013 established the mandate starting in 2014 at 2% blend of biodiesel in every gallon of heating oil ramping up to 5% by July 2017.

Vermont

Vermont oilheat technicians have benefited greatly from NORA training programs. The Vermont Fuel Dealers Association held training seminars to provide heating technicians with NORA credit hours. Hundreds have attended these seminars and benefitted greatly from the knowledge and expertise provided by NORA certified trainers.

NORA has also helped develop a seminar that provided continuing education credits for Vermont Realtors. Realtors also participated in the NORA Tank Seminar, which informs Realtors on oilheat tank safety and Vermont Aboveground Storage Tank Regulations.

In addition, the University of Vermont Center of Rural Studies is conducting an analysis of the implementation of energy efficiency measures and renewable energy installations, as well as the training needs for home energy companies in order to advance the installation of more energy efficient heating equipment.

Virginia

In Virginia during 2015, the Virginia Petroleum, Convenience and Grocery Association (VPCGA) focused on helping Virginia Oil Distributors provide excellent service and help consumers save money heating their homes with high efficiency heating

equipment. VPCGA provided the required training updates to delivery and office personnel in handling hazardous materials with classes in seven Virginia locations utilizing approved HM-126 Hazardous Materials training materials and the NORA Oil Delivery Video.

Secondly, Virginia focused on training, both for entry level technicians and more experienced ones with classes held in three locations in Virginia. The classes featured training on Basic Oil Burner service, Electrical Fundamentals, Advanced Electrical with emphasis on the newer high efficiency oil-fired equipment, and Control Systems on newer and older oil-fired systems.

Next, the new NORA/VPCGA rebate program was created for high-efficiency, oil-fired equipment installations and replacement above ground heating oil storage tanks. With this program VPCGA was able to assist homeowners upgrade to equipment that will save them money on their annual heating bills and eliminate dangerous tanks before they leak. With this program, 92 pieces of older equipment and 60 oil tanks were replaced in a two month period. (It is estimated that there was an average efficiency improvement of 17% on the 92 new installations, saving an estimated 10,166 gallons of heating oil in just the first year alone.)

In the fall of that year, a radio advertising program was run in the Western areas of Virginia that helped customers in those remote areas realize the savings that are available to them with upgrades to modern high efficiency equipment and annual maintenance of their systems.

2015 programs provided the experience to evolve in to a new *Upgrade and Save Virginia* program in 2016 that helped bring even more assistance to members and their customers and provided the safe and efficient services that customers need and deserve.

Wisconsin

WPMCA is excited to announce it has launched the NORA-funded *Love My Oilheat Love Wisconsin* Customer Communication and Rebate Program. The program will be focused on positively influencing thousands of Wisconsin oil customers about the benefits of heating oil, helping them to recognize the value of continuing to heat with oil and driving awareness of the soon-to-be available WPMCA rebates for new, higher-efficiency heating equipment.

"We expect the campaign will be in full swing by the end of December, when the Love My Oilheat website will be ready to launch," said WPMCA President and CEO Matt Hauser. "Then we'll be able to promote the available rebates and fully administer the program for all Wisconsin dealers."

The *Love My Oilheat Wisconsin* Program will include:

- A customer-facing website that will focus on the benefits of oilheat, promote the value that local oil dealers provide, and allow homeowners to access and download information about available rebates
- Search Engine Optimization and Pay-Per-Click Advertising to attract visitors, promote oilheat and drive awareness of rebates available to homeowners
- *Love My Oilheat* Social Media cam-

paign generating positive engagement and goodwill with Wisconsin heating oil customers

- *Efficiency Matters in Wisconsin* promotes energy efficiency and supports member dealers efforts at positioning themselves as the local expert who is part of the energy solution and not part of the problem

Idaho Nevada Oregon South Carolina

As the smaller states in NORA, these states have been marshalling resources and depend on NORA to fulfill many objectives. These include: developing new and efficient equipment, analyzing equipment and service issues, issuing training materials through the internet for heating oil dealers and relying on NORA's Social Media campaign and overlay internet campaign to reach oilheating customers in these states.



Financial report

The following pages contain the complete financial report for the National Oilheat Research Alliance for its 2015-2014 fiscal years.

Audit Report Contents

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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, 2015 and 2014, 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.

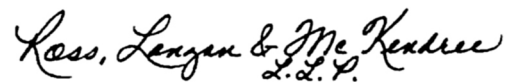
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2015 and 2014, 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.

Report on Supplementary Information

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 on pages 31-34 for the year ended December 31, 2015, 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.



CERTIFIED PUBLIC ACCOUNTANTS

July 28, 2016

NATIONAL OILHEAT RESEARCH ALLIANCE, INC.

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014

	ASSETS	
	2015	2014
CURRENT ASSETS		
Cash	\$ 8,209,832	\$ 3,286,187
Assessments receivable	2,519,503	2,869,163
Other current assets	<u>398,279</u>	<u>105,766</u>
Total current assets	11,127,614	6,261,116
OTHER NONCURRENT ASSETS	<u>58,490</u>	<u>33,300</u>
TOTAL ASSETS	<u>\$ 11,186,104</u>	<u>\$ 6,294,416</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 298,113	\$ 193,891
Refunds payable	324,823	365,497
Other current liabilities	37,505	32,756
State grants payable	3,604,358	1,852,176
Obligation for unallocated state rebates	2,350,390	906,381
State grant rebates remaining under NORA Public Law 106-469	<u>465,397</u>	<u>774,402</u>
TOTAL LIABILITIES	<u>7,080,586</u>	<u>4,125,103</u>
NET ASSETS		
Unrestricted undesignated net assets	775,000	207,760
Designated net assets-		
Pre-2014 reauthorization net assets	472,266	487,232
State grants and rebates made after year end	404,660	297,416
National spending not yet incurred	<u>2,453,592</u>	<u>1,176,905</u>
Total unrestricted net assets	<u>4,105,518</u>	<u>2,169,313</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 11,186,104</u>	<u>\$ 6,294,416</u>

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, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
CHANGE IN UNRESTRICTED NET ASSETS		
REVENUE AND GAINS/LOSSES		
Assessments revenue - net of refunds	\$ 9,728,432	\$ 5,521,669
Contract revenue	-	37,903
Other income, net of cost of sales of \$70,547 in 2015 and \$71,708 in 2014	<u>19,247</u>	<u>21,399</u>
Total revenue and gains/losses	<u>9,747,679</u>	<u>5,580,971</u>
EXPENSES		
Program expenses:		
Research, development, and demonstration	1,382,176	579,435
Heating oil efficiency and upgrade	1,366,329	700,841
Consumer education, safety, and training	2,866,471	1,403,505
Unallocated state rebates	<u>1,736,928</u>	<u>907,000</u>
Total program expenses	<u>7,351,904</u>	<u>3,590,781</u>
Administrative costs	<u>229,850</u>	<u>303,785</u>
General and special projects:		
Assessment and collection costs	180,385	193,262
Annual report costs	34,369	-
Expenditures of pre-2014 reauthorization funds	<u>14,966</u>	<u>-</u>
Total general and special projects	<u>229,720</u>	<u>193,262</u>
Total expenses	<u>7,811,474</u>	<u>4,087,828</u>
CHANGE IN UNRESTRICTED NET ASSETS	1,936,205	1,493,143
NET ASSETS, BEGINNING OF YEAR	<u>2,169,313</u>	<u>676,170</u>
NET ASSETS, END OF YEAR	<u>\$ 4,105,518</u>	<u>\$ 2,169,313</u>

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, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,936,205	\$ 1,493,143
Adjustments to reconcile change in unrestricted net assets to net change in cash from operating activities:		
Depreciation and amortization	9,277	2,219
Changes in assets and liabilities:		
Assessments receivable	349,660	(2,869,163)
Other receivables	-	(37,903)
Other current assets	(292,513)	17,575
Other noncurrent assets	(21,146)	-
Accounts payable and accrued expenses	104,222	164,698
Refunds payable	(40,674)	365,497
Other current liabilities	4,749	6,703
State grants payable	1,752,182	1,852,176
Obligation for unallocated state rebates	1,444,009	906,381
State grant rebates remaining under NORA Public Law 106-469	(309,005)	(406,356)
Net change in cash from operating activities	4,936,966	1,494,970
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of noncurrent assets	(13,321)	(35,500)
NET CHANGE IN CASH	4,923,645	1,459,470
CASH, BEGINNING OF YEAR	<u>3,286,187</u>	<u>1,826,717</u>
CASH, END OF YEAR	<u>\$ 8,209,832</u>	<u>\$ 3,286,187</u>

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 United States 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.

Pursuant to Public Law 113-79, Congress established a limit on the use of assessments revenue of 30 percent for consumer education, safety, and training; a minimum of at least 30 percent of assessments revenue for research, development, and demonstration; a minimum of at least 15 percent of assessments revenue for heating oil efficiency and upgrade; and a limit on the use of assessments revenue of 5 percent for administrative costs. In the years ended December 31, 2015 and 2014, the Alliance was in compliance with these percentages.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIESBasis 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 of America. 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 generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that could affect certain reported amounts of assets, liabilities, revenue, and expenses, the disclosure of contingent assets and liabilities at the date of the financial statements, and functional allocations during the year. Actual results could differ from those estimates.

Assessments Receivable

An estimate of assessments to be received, but not remitted to the Alliance at the end of the year, is recognized. Receivables are charged to bad debt expense as they are deemed uncollectible based upon a periodic review of the accounts. As of December 31, 2015 and 2014, no allowance for uncollectible accounts was considered necessary by management.

NATIONAL OILHEAT RESEARCH ALLIANCE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)Assessments 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 of America. Assessments are due 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 \$1,185,051 and \$883,316 for the years ended December 31, 2015 and 2014, respectively.

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, 2015 and 2014.

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. The Alliance recorded no liability for uncertain income tax positions for any open tax years.

Subsequent Events

The Alliance has evaluated subsequent events through July 28, 2016, which is the date the financial statements were available to be issued.

Reclassifications

Certain 2014 amounts have been reclassified to conform with 2015 classifications.

NOTE 3 - CONCENTRATIONS OF CREDIT RISK

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 \$8,455,324 as of December 31, 2015. Management does not consider this a significant concentration of credit risk.

NATIONAL OILHEAT RESEARCH ALLIANCE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - COMMITMENTS AND CONTINGENCIES

The Alliance has entered into operating lease agreements for office space and a liquid fuels research center. Future minimum lease payments are as follows for the years ending December 31:

2016	\$ 74,739
2017	77,407
2018	79,729
2019	82,121
2020	<u>84,584</u>
Total	<u>\$ 398,580</u>

From time to time, the Alliance may receive inquiries 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 5 - PROGRAM SERVICES

The NORA Public Law 113-79 places requirements on how the Alliance can spend the assessments it collects. At the beginning of each year, the Alliance makes an estimate of what total assessments are anticipated to be in the coming year. Grants are made to state organizations and national campaigns are undertaken based on the estimates. Actual assessments revenue differ from the estimates. The difference between the estimates 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.

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 2015, the Alliance granted or expended \$1,382,176 for the research, development, and demonstration program, including \$166,499 in grants and spending of past years assessments revenue. The Alliance also budgeted \$2,000,000 in additional national spending and \$127,029 in future grants to be made to state organizations from 2015 assessments revenue to be spent subsequent to year end for the research, development, and demonstration program making the total for 2015, 34 percent of net assessments revenue. Additionally, as of December 31, 2015, \$368,574 in additional national spending from 2014 assessments revenue remains to be spent in future periods and unallocated state rebates of 2015 revenue will be used for the research, development, and demonstration program.

NATIONAL OILHEAT RESEARCH ALLIANCE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 5 - PROGRAM SERVICES (continued)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 2015, the Alliance granted or expended \$1,366,329 for the heating oil efficiency and upgrade program, including \$54,221 in grants and spending of past years assessments revenue. The Alliance also budgeted \$100,000 in additional national spending and \$92,545 in future grants to be made to state organizations from 2015 assessments revenue for the heating oil efficiency and upgrade program, of which \$73,551 remained unspent as of December 31, 2015, making the total for 2015, 15 percent of net assessments revenue. Additionally, unallocated state rebates of 2015 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 Energy, or (iv) to establish a data collection process to track equipment, service, and related safety issues to develop measures to improve safety.

In 2015, the Alliance granted or expended \$2,866,471 for the consumer education, safety, and training program, including \$108,444 in grants and spending of past years assessments revenue. The Alliance also budgeted \$300,000 in additional national spending and \$185,084 in future grants to be made to state organizations from 2015 assessments revenue for the consumer education, safety, and training program, of which \$11,468 remained unspent as of December 31, 2015, making the total for 2015, 30 percent of net assessments revenue program.

Unallocated State Rebates

In addition to the specific program commitments discussed previously, the Alliance has committed \$1,736,928, which is 18 percent of net 2015 assessment revenue, for state rebates that have not yet been allocated to a program specified in the NORA Public Law 113-79. The Alliance plans to allocate these state rebates to the research, development, and demonstration and/or heating oil efficiency and upgrade programs. State organizations develop detailed plans for use of the rebates to do work under these programs. These funds will be allocated between programs in accordance with the requirements of NORA Public Law 113-79 as discussed previously.

NATIONAL OILHEAT RESEARCH ALLIANCE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 6 - STATE GRANTS PAYABLE AND OBLIGATION FOR UNALLOCATED REBATES

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

	2015	2014
Research, development, and demonstration	\$ 859,871	\$ 235,974
Heating oil efficiency and upgrade	1,376,589	595,454
Consumer education, safety, and training	1,367,898	1,020,748
Unallocated state rebates	<u>2,350,390</u>	<u>906,381</u>
Total	<u>\$ 5,954,748</u>	<u>\$ 2,758,557</u>

NOTE 7 - 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. As of December 31, 2015 and 2014, \$465,397 and \$774,402, respectively, remained outstanding.

NOTE 8 - 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 2015, the Alliance expended \$229,850 for administrative expenses, which was 2 percent of net assessments revenue in the year ended December 31, 2015. Thus, management believes the Alliance is in compliance with NORA Public Law 113-79.

NOTE 9 - 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 \$180,385 and \$193,262 for the years ended December 31, 2015 and 2014, respectively.

NOTE 10 - DESIGNATED NET ASSETSPre-2014 Reauthorization Designated Net Assets

As discussed previously, NORA Public Law 113-79 became effective April 1, 2014. The Alliance designated the remaining net assets under the former NORA Public Law 106-469 for use in a national oilheat education program. As of December 31, 2015 and 2014, \$472,266 and \$487,232, respectively, remain unspent and are designated for future use. Management has plans to expend these funds in the year ended December 31, 2016.

NATIONAL OILHEAT RESEARCH ALLIANCE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 10 - DESIGNATED NET ASSETS (continued)State Grants and Rebates Made After Year End Designated Net Assets

The Alliance establishes a budget for net assessments revenue and makes state grants and obligations for state rebates based on this budget. Actual results were higher than this initial budget. Therefore, the Alliance will communicate additional state grants and rebates to the states totaling \$404,660 to be in compliance with NORA Public Law 113-79. Net assets of this amount were designated by the Alliance for future use as state grants and rebates as of December 31, 2015.

National Spending Not Yet Incurred Designated Net Assets

Included within the 2014 and 2015 budgets is \$2,453,592 in national spending of 2014 and 2015 assessments revenue, which had not yet been incurred as of December 31, 2015. The Alliance has designated net assets in this amount as of December 31, 2015 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, 2015

	Amounts Granted/ Expended in 2015	2015 State Grants Made After Year End	2015 National Spending Not Yet Incurred	Total
STATE GRANTS-				
Connecticut	\$ 68,833	\$ 13,766	\$ -	\$ 82,599
Delaware	6,068	842	-	6,910
Idaho	662	57	-	719
Indiana	1,648	175	-	1,823
Kentucky	12,155	1,563	-	13,718
Maine	41,743	8,258	-	50,001
Maryland	21,878	4,303	-	26,181
Massachusetts	81,744	15,231	-	96,975
Michigan	22,464	2,940	-	25,404
Nevada	353	27	-	380
New Hampshire	35,512	5,368	-	40,880
New Jersey	62,780	8,516	-	71,296
New York -				
NYOHA	44,253	7,368	-	51,621
UNYEA	34,608	5,761	-	40,369
HVOEC	20,365	3,391	-	23,756
OHILI	38,587	6,424	-	45,011
ESEA	15,312	2,549	-	17,861
North Carolina	23,276	4,333	-	27,609
Ohio	20,754	3,164	-	23,918
Oregon	1,375	88	-	1,463
Pennsylvania	99,211	17,183	-	116,394
Rhode Island	42,017	3,451	-	45,468
South Carolina	3,564	1,616	-	5,180
Virginia	59,105	4,209	-	63,314
Vermont	14,468	3,020	-	17,488
Washington	4,474	516	-	4,990
Washington, D.C.	581	69	-	650
Wisconsin	13,709	2,841	-	16,550
NATIONAL	<u>590,677</u>	<u>-</u>	<u>2,000,000</u>	<u>2,590,677</u>
TOTAL STATE GRANTS AND NATIONAL SPENDING	<u>\$ 1,382,176</u>	<u>\$ 127,029</u>	<u>\$ 2,000,000</u>	<u>\$ 3,509,205</u>

In addition to these amounts, the unallocated state rebates detailed in accompanying supplemental schedule of expenses by state/jurisdiction - unallocated state rebates 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, 2015

	Amounts Granted/ Expended in 2015	2015 State Grants Made After Year End	2015 National Spending Not Yet Incurred	Total
STATE GRANTS-				
Connecticut	\$ 118,657	\$ 10,028	\$ -	\$ 128,685
Delaware	10,461	614	-	11,075
Idaho	1,141	41	-	1,182
Indiana	2,841	127	-	2,968
Kentucky	20,953	1,139	-	22,092
Maine	71,958	6,016	-	77,974
Maryland	37,713	3,135	-	40,848
Massachusetts	140,914	11,096	-	152,010
Michigan	38,725	2,142	-	40,867
Nevada	609	19	-	628
New Hampshire	61,216	3,911	-	65,127
New Jersey	108,222	6,204	-	114,426
New York -				
NYOHA	76,284	5,367	-	81,651
UNYEA	59,658	4,197	-	63,855
HVOEC	35,107	2,470	-	37,577
OHILI	66,518	4,680	-	71,198
ESEA	26,396	1,857	-	28,253
North Carolina	40,125	3,157	-	43,282
Ohio	35,924	2,305	-	38,229
Oregon	2,313	64	-	2,377
Pennsylvania	171,725	12,523	-	184,248
Rhode Island	39,667	2,514	-	42,181
South Carolina	6,169	1,177	-	7,346
Virginia	35,908	3,066	-	38,974
Vermont	25,042	2,200	-	27,242
Washington	7,744	376	-	8,120
Washington, D.C.	1,002	50	-	1,052
Wisconsin	23,729	2,070	-	25,799
NATIONAL	<u>99,608</u>	<u>-</u>	<u>73,551</u>	<u>173,159</u>
TOTAL STATE GRANTS AND NATIONAL SPENDING	<u>\$ 1,366,329</u>	<u>\$ 92,545</u>	<u>\$ 73,551</u>	<u>\$ 1,532,425</u>

In addition to these amounts, the unallocated state rebates detailed in the accompanying supplemental schedule of expenses by state/jurisdiction - unallocated state rebates 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, 2015

	Amounts Granted/ Expended <u>in 2015</u>	2015 State Grants Made After <u>Year End</u>	2015 National Spending Not Yet Incurred	<u>Total</u>
STATE GRANTS-				
Connecticut	\$ 227,947	\$ 20,057	\$ -	\$ 248,004
Delaware	20,095	1,227	-	21,322
Idaho	2,192	83	-	2,275
Indiana	5,457	254	-	5,711
Kentucky	40,252	2,278	-	42,530
Maine	138,236	12,033	-	150,269
Maryland	72,449	6,270	-	78,719
Massachusetts	270,704	22,192	-	292,896
Michigan	74,393	4,283	-	78,676
Nevada	1,170	39	-	1,209
New Hampshire	117,600	7,821	-	125,421
New Jersey	207,901	12,408	-	220,309
New York -				
NYOHA	146,547	10,735	-	157,282
UNYEA	114,600	8,395	-	122,995
HVOEC	67,442	4,940	-	72,382
OHILI	127,785	9,360	-	137,145
ESEA	50,708	3,714	-	54,422
North Carolina	77,082	6,314	-	83,396
Ohio	69,011	4,610	-	73,621
Oregon	4,448	129	-	4,577
Pennsylvania	329,894	25,034	-	354,928
Rhode Island	76,203	5,029	-	81,232
South Carolina	11,850	2,354	-	14,204
Virginia	68,982	6,132	-	75,114
Vermont	48,107	4,401	-	52,508
Washington	14,877	752	-	15,629
Washington, D.C.	1,926	100	-	2,026
Wisconsin	45,586	4,140	-	49,726
NATIONAL	<u>433,027</u>	<u>-</u>	<u>11,468</u>	<u>444,495</u>
TOTAL STATE GRANTS AND NATIONAL SPENDING	<u>\$ 2,866,471</u>	<u>\$ 185,084</u>	<u>\$ 11,468</u>	<u>\$ 3,063,023</u>

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, 2015

	Amounts Granted/ Expended in 2015	2015 State Rebates After Year End	2015 National Spending Not Yet Incurred	Total
UNALLOCATED STATE REBATES-				
Connecticut	\$ 164,495	\$ -	\$ -	\$ 164,495
Delaware	14,501	-	-	14,501
Idaho	1,582	-	-	1,582
Indiana	3,938	-	-	3,938
Kentucky	29,048	-	-	29,048
Maine	99,756	-	-	99,756
Maryland	52,282	-	-	52,282
Massachusetts	195,350	-	-	195,350
Michigan	53,685	-	-	53,685
Nevada	844	-	-	844
New Hampshire	84,864	-	-	84,864
New Jersey	150,029	-	-	150,029
New York -				
NYOHA	105,754	-	-	105,754
UNYEA	82,701	-	-	82,701
HVOEC	48,669	-	-	48,669
OHILI	92,214	-	-	92,214
ESEA	36,593	-	-	36,593
North Carolina	55,625	-	-	55,625
Ohio	49,801	-	-	49,801
Oregon	3,171	-	-	3,171
Pennsylvania	238,064	-	-	238,064
Rhode Island	35,892	-	-	35,892
South Carolina	8,552	-	-	8,552
Virginia	49,780	-	-	49,780
Vermont	34,716	-	-	34,716
Washington	10,736	-	-	10,736
Washington, D.C.	1,390	-	-	1,390
Wisconsin	32,896	-	-	32,896
TOTAL UNALLOCATED STATE REBATES	\$ 1,736,928	\$ -	\$ -	\$ 1,736,928

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.



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