

NORA Board Meeting
Hyatt Regency Newport,
1 Goat Island, Newport, RI
12.30 -2.30 Eastern Time
Conference Call
712-432-0460 #1090765

- I. Introduction – Chairwoman Allison Heaney and President John Huber
- II. Approval of Minutes
- III. Financial Information – Treasurer Eric Degesero
 - a. 2015 Year End Financials
 - b. Review of Audit Letter
 - c. July Statement of Activity and Statement of Financial Position
 - d. 2017 Budget and New State Allocations
 - e. State Reports
- IV. Petition for Recognition of NYSEC as New York State Qualified State Organization
- V. Research and Development – Director of Laboratory Dr. Thomas Butcher
 - a. Project Opportunity Notice Results and Report from Research Committee
 - b. Recommended Projects
 - c. Review of Research Activities
 - i. Projects Underway from previous PON
 - ii. Internal Projects at NORA Lab
 - d. Research Agenda Going Forward
 - e. Technology Conference on September 14
- VI. Education and Training Activities
- VII. Energy Efficiency
- VIII. Executive Committee and Officers
- IX. Old Business
- X. New Business
- XI. Adjournment

Minutes
Board of Directors
National Oilheat Research Alliance
Foxwoods, Connecticut
May 24, 2016, 12.30 p.m. -2.30 p.m.

I. Introduction – Chairwoman Allison Heaney and President John Huber

Ms. Allison Heaney called the meeting to order at 12:38 pm EST and directed Mr. John Huber to call the roll. Mr. Huber called the roll and the following members of the Board were present and quorum was met.

Greg Anderson
Rick Bologna
Kate Childs
Eric DeGesero
Dan Donovan
Bruce Harris
Mike Januario
Quincy Longacre
Roger Marran
John McCusker
David Neil
Ted Noonan
Stephan Sack
Charles Uglietto

Peter Aziz
Al Breda
Chris Daly
Tom Devino
Tom Flaherty
Allison Heaney
Jeff Jenkins
Bob Long
Steve McCracken
Matthew Meehan
Ed Noonan
Tom Santa
Ed Scott

II. Approval of Minutes

A motion to approve the minutes from the September 22, 2015, Newport Marriott, Rhode Island board meeting was made by Mr. Dan Donovan, seconded by Mr. David Neil and approved by voice.

III. Financial Information – Treasurer Eric Degesero

Mr. DeGesero discussed the 2014 audit, the 2015 Year End Financials which have been adjusted during the audit process, and the financial position as a result of the (non) winter of 2015-2016. This will necessitate changes to our 2016 budget.

a. 2015 Year End Financials, Review of Audit Progress

Mr. DeGesero reported that the audit took longer than expected because it covers the 2014 reauthorization year, which meant there were two different sets of rules. Mr. DeGesero stated that he does not anticipate that future audits will take as long.

In conducting the 2014 audit, the auditor found two deficiencies in internal controls that they deemed “*material weaknesses*”:

1. The auditor determined that remittances for 2014 that occurred after year-end were not accrued as a receivable. This was corrected by a journal entry, and was not considered material.
2. The auditor determined that refunds for 2014 that occurred after year-end should have been better anticipated and weren’t properly recorded as a liability. After further discussion with Mr. Huber, the auditor indicated that these were not material, but would need to be monitored to ensure they do not become material.

Both of these issues are hard to anticipate as one is dependent on weather and the other on what may or may not happen regarding a dealer requesting a refund so it is hard to estimate in advance either of them.

The auditor also found two “*significant deficiencies*”

1. Payments were recorded in periods when they were made, not when the services were provided. This occurred regarding a couple of invoices that were received after year end that were not booked to the previous year. The accounting firm adjusted these entries and has controls in place to ensure this deficiency does not occur in future.
2. Under the new NORA John accounts for his time to each project, under the old NORA he didn’t. There was an overlap in 2014. The accountant wants it done so his time is accounted per project and that has been done since the new NORA was effective.

Again, all issues have been remedied and it is important to note that the auditor stated:

We encountered no significant difficulties in dealing with management in performing and completing our audit. Delays that were experienced in modifying the financial information for consistency with the new NORA Law and the resulting number of journal entries.

b. Weather Impact on 2016 Budget – Resolution to Adjust 2016 Budget

Mr. DeGesero discussed the collections and that collections schedule follows the season, not the calendar.

For 2015 NORA had a positive 1st quarter and a rather negative 4th quarter. For the year we anticipated \$8.75m in collections and revied \$9,728,432 or \$978,432 more than anticipated.

When the 2016 budget was crafted it was built it on normal weather, and expected a further reduction based on conversions, and conservation.

In the 1st quarter of 2016 heating degree days were off by 14% in New England and the Middle Atlantic.

Collections for the 1st quarter 2016, which we anticipated to be \$4.13m were \$3.37m or \$760,000 short. However, there is concern that the shortfall may affect the rest of the year and quarters 2 and 3 do not provide meaningful information on collections for the year.

However, the Executive Committee is recommending that we make two offsetting adjustments in the budget which are reflected in the resolutions in your package. Essentially, the 2015 surplus will adjust the state accounts in 2016, and the 2016 weak first quarter will be an offsetting and equal adjustment to 2016. The end result is that state rebate accounts will be left unchanged.

RESOLUTION # 1

Whereas: The First Quarter of 2015 was unusually cold and despite a very warm fourth quarter, the surplus for the year was \$978,432.

Whereas: The NORA statute prescribes strict requirements for allocating funds between project areas, NORA must allocate \$978,432 between the prescribed areas.

Whereas: Any changes in budget are generally accommodated in the state grants, NORA will adjust the state grants in the subject areas specified by law.

Now therefore be it Resolved: That the surplus generated in 2015 budget be allocated to the states. This shall result in an increase in State Research and Development grants of \$293,530, an increase in Consumer Education and Education and Training grants of \$293,530, and an increase in Energy Efficiency grants of \$146,765, and an increase in rebates that can be used for either Energy Efficiency or Research and Development of \$244,608.

Now therefore be it further Resolved: That the allocation described above be appropriately distributed amongst the states for their 2016 grants.

Mr. Tom Santa made a motion to accept resolution # 1, it was seconded by Ms. Kate Childs and approved by voice.

RESOLUTION #2

Whereas: The First Quarter of 2016 was unusually warm, and the Executive Committee has recommended that the 2016 Budget be revised to accommodate the reduced revenues resulting from this weather. The Executive Committee is recommending that the 2016 Budget be revised downward by \$978,432.

Whereas: The NORA statute prescribes strict requirements for allocating funds between project areas, NORA must allocate \$978,432 between the prescribed areas.

Whereas: Any changes in budget are generally accommodated in the state grants, NORA will adjust the state grants in the subject areas specified by law.

Now therefore be it Resolved: That the reduced budget shall be allocated amongst the states. This shall result in a decrease in State Research and Development grants of \$293,530, a decrease in Consumer Education and Education and Training grants of \$293,530, and a decrease in Energy Efficiency grants of \$146,765, and a decrease in rebates that can be used for either Energy Efficiency or Research and Development of \$244,608.

Now therefore be it further Resolved: That the allocation described above be appropriately distributed amongst the states for their 2016 grants.

Mr. Rick Bologna made a motion to accept resolution # 2, it was seconded by Mr. Bob Long and approved by voice.

c. Annual Report

Turning to the 2015 Income statement, Mr. DeGesero highlighted a few items.

Sales revenue of items was \$13,600 over the budgeted amount of \$10,000. This was for sales of the manuals that NORA produces. The modest profit on these items helps defer some of the costs associated with the management of the store.

Program expenses of the states are shown as fully spent on these statements. More detail on actual state expenditures are detailed in the state reports distributed in your packet.

The program expense for states is monies that they have allocated but not yet spent, this is shown as a liability on the balance sheet in the first four lines under Current Liabilities.

The actual expenses of the program that are spent by the central funds are shown in the budget. Because NORA has strict ratios on expenditures we combine the budget for previous years that was not spent and carry it forward in column. Thus, in education and training total expenditures of \$404 by the central office are applied against the budget of \$451K, leading to a carryover of \$47K.

There are a couple of negatives in the expense line in column 3. These negatives resulted from adjustments made to correct the revenue surplus from earlier years. Additionally, several years ago Virginia made a specific research and development loan. This was repaid from central research and development expenses.

Other expenses that exceeded budget were the annual report. The expanded audit is serving as the annual report. This first year effort was greater than anticipated and is reflected in that number.

Additionally, there is a bad debt. NORA has had several projects with NYSERDA to do research. These projects have largely ended. As these have closed, there has been some error on the proper allocation of these projects. To correct these entries, and close these projects out, we have this bad debt entry.

On the balance sheet, the \$56,050 account receivable represents a payment from NYSERDA, and a refund from an insurance policy. The security deposit is for the research and development laboratory, and prepaid assets is the amount prepaid for the internet campaign.

Under liabilities, those are self-explanatory. The \$607 would have been a payment charged to 2016 that was made in 2015.

The assets are broken down into three categories. The first of \$775K are the funds NORA had in its weather reserve and was collected prior to reauthorization. These funds will be largely spent on the internet campaign. The \$472K is also pre reauthorization funds and again is destined for the internet campaign. The two funds total over \$1.2 million and thus will be \$200K after the internet campaign is pushed through.

The \$2,858,252 includes the funds NORA is obligated to spend at the national level on designated activities and the funds that due to the 2014 surplus are flowing into state rebate obligations.

Finally, the March financials. Most spending is on track as indicated in statement of activities.

The Office unallocated expense relates to higher than expected accounting fees, as many of the rebate programs undertaken by states require accounting time. These expenses will be allocated in future. The noteworthy numbers include the net loss of \$7,076,708. This number reflects essentially minimal income in 2016, and allocations of consequence to the states. As income is received, that number will move towards zero.

Mr. Roger Marran made a motion to accept the financial report, it was seconded by Mr. David Neil and approved by voice.

IV. Research and Development – Director of Laboratory Dr. Thomas Butcher

a. Project Opportunity Notice

Dr. Butcher discussed that its budgets for 2015 and 2016, has authorized funds to be spent on the project areas listed below. Successful research, development and demonstrations grants in the past ranged from \$20,000 to \$350,000. All projects will be managed by NORA's Liquid Fuels Research Center (LFRC). NORA PON No. 2016-001 seeks proposals to support the development, demonstration, and commercialization of Oilheat technologies and systems in the following categories: system level controls, new appliances and other new ideas. Under PON No.2016-001, NORA plans to award multiple cost-shared contracts in the subject areas up to a total of \$350,000 for each award. This funding allocation may be adjusted based upon the quantity and quality of the proposals received.

b. Research Laboratory

Dr. Butcher discussed the research facility located in Plainview, NY, on Long Island, the 3,500-square-foot facility is operated by NORA in cooperation with 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. Dr. Butcher discussed the high end blue gas analysis system housed at the laboratory that will allow NORA to measure and analyze the data. The fuel quality lab allows for fuel analysis. Outside lab services will be used when necessary and cost effective. The building features a classroom that accommodates up to 20 students; a working lab with live-firing boilers and electronic testing and analysis equipment; and 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. Dr. Thomas A. Butcher works at the facility, where he oversees NORA's research and development projects while also conducting research on heating equipment and liquid fuels.

c. Review of Research Projects

NYSERDA has partnered with NORA to conduct research on tankless coils and on the relationship between high efficiency heat pumps and boiler systems. The goal of each program is to have a booklet of best practices. These projects will be anchored at the NORA lab.

Fuel quality research will be conducted on biodiesel in the field. Additionally, pumps will be evaluated to determine wear.

NORA is having a workshop on September 14th, the winners of R&D projects will be there to present.

V. Education and Training – Don Farrell

Mr. Don Farrell discussed the new online learning system and all of its offering. The new website will give the industry access to certification and CEU tracking, online training and user communication.

VI. Consumer Education

a. Internet Campaign, Guest Ms. Karin Suttman

JL Media's Ms. Karin Suttman discussed the planned and implemented NORA internet campaign that concluded on April 15th. Ms. Suttman discussed that the campaign exceeded expectations, and that digital media was used in order to reach customers. Programmatic display advertising, social media (Facebook) and search engine optimization were the main tools used to reach and exceed goals and objectives. The campaign ran from January through April 15th. The target audience consisted of adults 25-40 and that audience was strategically targeted by state.

The key performance indicator to measure success for this campaign was the click through rate. More detailed information can be found online at the NORA website.

c. Policy on communications

Whereas the state and regional associations do not through membership represent all heating oil retailers and consumers in their states.

Therefore, NORA needs to provide guidance to ensure that all dealers are represented and benefit from the NORA program.

Therefore, NORA and if appropriate its counsel shall review all consumer education and communication materials prior to publication.

NORA shall not authorize or reimburse a state or regional association for these activities if the materials are designed to benefit particular companies based on their status as members of a particular association.

NORA shall not authorize or reimburse a state or regional association for these activities if the materials are focused on benefitting a particular business operation over alternative business operations (full service vs. no service companies) State or regional associations may identify themselves on the consumer education materials. Nothing herein shall prohibit NORA from identifying companies who have achieved high standards on a non-discriminatory evaluation, or who have employees who have achieved high standards of training developed by NORA.

Mr. Tom Santa made a motion to accept the *policy on communications* resolution, it was seconded by Mr. Dan Singer and approved by voice.

VII. Representation – Squire Patton Boggs – Ed Newberry

Mr. Newberry discussed that Mr. Josh Greene has since moved on and Ed Newberry has stepped back into the role of helping with the organization to ensure compliance and help the organization move forward.

VIII. Executive Committee

Mr. Huber stated that the 2016 Executive committee is comprised of passionate, intelligent industry professionals with a variety of experience that are dedicated to the issues of the industry and NORA.

Mr. Peter Aziz

Mr. Steve Clark

Mr. Eric DeGesero

Mr. Dan Donavan

Mr. Michael Estes
Ms. Allison Heaney
Mr. Jeff Jenkins
Mr. Jeff Lykins
Mr. Roger Marran
Mr. Steve McCracken
Mr. John McCusker
Mr. Edward Noonan
Mr. Ted Noonan
Mr. Tom Santa
Mr. Charlie Uglietto

Motion to accept the executive committee and was made by Ms. Kate Childs, seconded by Mr. David Neil and approved by voice.

IX. Old Business

No old business

X. New Business

No new business

XI. Adjournment

Mr. Aziz made a motion to adjourn, it was seconded by Ms. Kate Childs and approved by voice. Ms. Allison Heaney called for adjournment at 1:49 pm EST.

NATIONAL OILHEAT RESEARCH ALLIANCE, INC.

DECEMBER 31, 2015 AND 2014

**These financial statements
may be reproduced only
in their entirety.**

NATIONAL OILHEAT RESEARCH ALLIANCE, INC.

DECEMBER 31, 2015 and 2014

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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.

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

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 13-16 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.

Ross, Langan & Mc Kendrick
L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

July 28, 2016

NATIONAL OILHEAT RESEARCH ALLIANCE, INC.

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014

ASSETS

	<u>2015</u>	<u>2014</u>
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	7,080,586	4,125,103
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/losses9,747,6795,580,971
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 expenses7,351,9043,590,781
Administrative costs229,850303,785
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	<u>(309,005)</u>	<u>(406,356)</u>
Net change in cash from operating activities	4,936,966	1,494,970
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of noncurrent assets	<u>(13,321)</u>	<u>(35,500)</u>
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 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 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:

	<u>2015</u>	<u>2014</u>
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 ASSETS

Pre-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 in 2015	2015 State Grants Made After Year End	2015 National Spending Not Yet Incurred	Total
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	<u>\$ 1,736,928</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,736,928</u>

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.



September 6, 2016

Board of Directors
National Oilheat Research Alliance
600 Cameron Street, Suite 206
Alexandria, VA 22314

Dear Board Members:

We have audited the financial statements of the National Oilheat Research Alliance (the Alliance) for the year ended December 31, 2015, and have issued our report thereon dated July 28, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards in the United States of America, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 28, 2016. Professional standards also require that we communicate to you the following information related to our audit.

The following specific matters must be communicated:

- A. Qualitative Aspects of Accounting Practices
- B. Difficulties Encountered in Performing the Audit
- C. Disagreements with Management
- D. Corrected and Uncorrected Misstatements
- E. Management Representations
- F. Management Consultations with Other Independent Accountants
- G. Other Audit Findings or Issues
- H. Other Matters

Our comments on the above matters are presented in the attachment (Exhibit A) to this letter. The information contained therein is intended solely for the use of the Board of Directors and management of the Alliance and is not intended to be, and should not be, used by anyone other than these specified parties. We would welcome the opportunity to discuss the matters contained in this communication with you since they are best communicated in person.

Sincerely,

ROSS, LANGAN & McKENDREE, L.L.P.

A handwritten signature in black ink, appearing to read 'Momy', with a long horizontal flourish extending to the right.

Mark D. Myers, Partner
Certified Public Accountant

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SIGNIFICANT AUDIT FINDINGS

A. Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Alliance are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2015. We noted no transactions entered into by the Alliance during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The estimates affecting the financial statements were:

- Recognition of refund reserves based on subsequent payments
- Valuation of receivables based on subsequent and historical collections
- Allocation of expenses based on actual time spent

We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

B. Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

C. Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

D. Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatement was corrected by management during the audit process:

- To reclassify designated net assets reserved for future national spending and future state grants based on budgeted amounts – approximately \$1.7 million.

SIGNIFICANT AUDIT FINDINGS (continued)

E. Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 28, 2016.

F. Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Alliance’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other independent accountants.

G. Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Alliance’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

H. Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with generally accepted accounting principles in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.



July 28, 2016

National Oilheat Research Alliance
Board of Directors
600 Cameron Street, Suite 206
Alexandria, Virginia 22314

Dear Board Members:

In planning and performing our audit of the financial statements of the National Oilheat Research Alliance (the Alliance) as of and for the year ended December 31, 2015, in accordance with generally accepted auditing standards in the United States of America, we considered the Alliance's internal control over financial reporting (internal control) as a basis for designing our audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Alliance's internal control. Accordingly, we do not express an opinion on the effectiveness of the Alliance's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Alliance's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in the Alliance's internal control to be significant deficiencies:

- In 2015, the Alliance implemented an improved process for recognition of receivables at year-end. Management had accrued assessment receivables and refunds payable for actual receipts and payments through the date they closed the books, however additional amounts were received and paid after that date. During the audit, we noted amounts received for 2015 remittance fees after year-end that were not accrued as a receivable. Furthermore, we noted amounts paid after year-end for 2015 refunds that were not accrued as payables. This resulted in journal entries proposed by us and made by management during the audit. We recommend management to amend its revenue recognition process to establish a better estimate of receivables and refunds payable. Since more history has been established, the process should include a review of past remitters of receipts and past requestors of refunds to ensure an estimate of proper cut-off has been achieved.

Management's Response

Management will close books on March 1st. On notice of commencement of audit, management will identify and make appropriate journal entries to recognize prior year revenue or refunds. Management will also identify the 10 largest revenue payers and the 20 largest refund recipients of the prior year. Management will assess whether any of them have not filed appropriate paperwork by audit commencement. Management will then contact those parties to obtain appropriate accruals.

- Management made improvements to its recordkeeping and recognition of payroll allocations in 2015. However, during the audit, we noted payroll expenses were still incorrectly allocated among the programs based on time reports. This resulted in a reclassification entry proposed by us and made by management during the audit. We recommend the salary allocation be reconciled to actual payroll expense in total, including benefits, taxes, and accrued vacation.

Management's Response

Management understands and will build a full view of salaries including salary, pension contribution, vacation and any other benefits. On receipt of allocation from employee, this fully developed expense will be allocated to program areas. Any vacation used in a month will not affect allocation by category, but instead will be allocated in conformance with the program allocations. At year end, employee will note accrued vacation not utilized. This will be allocated based on the yearly percentages by category.

- The Alliance makes grants to states organizations each year based on budgeted assessments. The grants and the spending on those grants are tracked within the budget software contained in the general ledger. The grants payable balances, however, do not always agree to the status of the grants as recorded in the general ledger. During our audit, we noted a journal entry was proposed by us and made by management to adjust grants payable within the general ledger to match the status of the grants at year end. We recommend a periodic reconciliation process be put into place to ensure the budget software agrees to the general ledger software.

Management's Response

Management will do a periodic reconciliation.

- The Alliance has designated net assets that are reserved for future national spending based on budgeted amounts and future state grants based on differences between actual and budgeted assessments revenue. These designations are reflected in the Alliance's financial statements. Management improved its tracking of such designations in 2015, however, the general ledger was not adjusted to match the designations. This resulted in journal entries to reclassify net assets proposed by us using the Alliances inputs and made by management during the audit process. We recommend the Alliance reconcile the analysis to the general ledger and have a process in place to make these reclassifications.

National Oilheat Research Alliance
Board of Directors
Alexandria, Virginia
July 28, 2016
Page Three

Management's Response

Management will ensure that no state budgeted accounts go negative. This will require an internal reclassification of the state budget for rebates. This procedure will be watched more carefully.

The Alliance's written responses to the significant deficiencies identified in our audit have not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, the Board of Directors, and others within the Alliance, and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

ROSS, LANGAN & MCKENDREE, L.L.P.

A handwritten signature in black ink, appearing to read 'M. Myers', with a long horizontal flourish extending to the right.

Mark D. Myers, Partner
Certified Public Accountant

National Oilheat Research Alliance
Statement of Financial Position
July 31, 2016

2016

ASSETS

CURRENT ASSETS:

Cash and Cash Equivalents	\$11,369,671.52
Accounts Receivable	459.01
Assessments and Other Receivables	248,517.71
Security Deposit	21,146.10
Prepaid Assets	11,223.86

Total Current Assets	11,651,018.20

PROPERTY AND EQUIPMENT

Office Furniture and Equipment	61,891.15
Website	45,450.00
Computer Equipment	10,723.64

Less: Accumulated Depreciation	(23,359.99)
Less: Accumulative Amortization (Web Site)	(16,592.50)

Total Property and Equipment	78,112.30

TOTAL ASSETS	\$11,729,130.50
	=====

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

State Rebate Obligations (Pre 2014)	462,472.37
State Rebate Obligations 2014	711,663.18
State Rebate Obligations 2015	3,707,219.37
State Rebate Obligations 2016	5,759,838.93

Total Grants Payable	10,641,193.85
Accrued Salaries & Benefits	13,095.20
Reserve for BIO Diesel Testing	764.35
Accounts Payable	50,031.89
Contracts Payable	367,066.00
Accrued Expenses	8,242.48

Total Current Liabilities	\$11,080,393.77

NET ASSETS:

Unrestricted Net Assets	775,000.52
Prior Year Re-Authorization Assets	472,266.37
Designated Net Assets	2,858,252.26
Net Income (Loss)	(3,456,782.42)

Total Net Assets	648,736.73

TOTAL LIABILITIES AND NET ASSETS	\$11,729,130.50
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Restricted for Management's Use Only
See Accountants' Compilation Report

National Oilheat Research Alliance
Statement of Activities
For the Seven Months Ending July 31, 2016

	July 2016	YTD 2016	2014 and 2015 unspent, and 2016 Budget	Remaining
INCOME				
Collections and Assessments				
Collections	\$1,361,735.05	\$5,616,364.41	\$8,404,086.09	\$2,787,721.68
Remittance Accrual	0.00	0.00	0.00	0.00
Refunds	(112,221.22)	(467,335.41)	0.00	467,335.41
Collection Costs	(8,776.00)	(71,611.04)	(170,000.00)	(98,388.96)
Net Collections	1,240,737.83	5,077,417.96	8,234,086.09	3,156,668.13
In Kind Contributions				
Sales Revenue	0.00	30,290.85	100,000.00	69,709.15
Other Revenue (Grants, etc)	38,350.00	47,399.50	200,000.00	152,600.50
Total Income	1,279,087.83	5,155,108.31	8,534,086.09	3,378,977.78
PROGRAM EXPENSES				
Consumer Education and Training (Max. 30%)	13,317.27	2,656,004.87	2,848,870.06	192,865.19
Education and Training (Central)	13,317.27	194,360.64	387,225.83	192,865.19
Education and Training (States)	0.00	2,461,644.23	2,461,644.23	0.00
Research Development and Demonstration (Min. 30%)	44,896.66	1,384,570.25	5,153,489.96	3,768,919.71
Research Development and Demonstration (Central)	44,896.66	797,924.16	4,566,843.87	3,768,919.71
Research Development and Demonstration (States)	0.00	586,646.09	586,646.09	0.00
Home Energy Efficiency Program (Min. 15%)	13,822.67	1,354,323.93	1,474,886.46	120,562.53
Home Energy Efficiency Program (Central)	13,822.67	59,821.91	181,563.85	121,741.94
Home Energy Efficiency Program (States)	0.00	1,294,502.02	1,293,322.61	(1,179.41)
Total Central	72,036.60	1,052,106.71	5,135,633.55	4,083,526.84
Total States	0.00	4,342,792.34	4,341,612.93	(1,179.41)
State Rebates	0.00	1,996,442.22	2,042,506.36	46,064.14
Old Grant Advertising	0.00	1,015,000.00	0.00	(1,015,000.00)
Office Unallocated Expenses				
Salaries and Consulting (Admin)	9,089.35	64,893.88	75,000.00	10,106.12
Accounting (Admin)	2,803.10	25,349.91	100,000.00	74,650.09
Insurance (Admin)	892.25	5,986.30	15,000.00	9,013.70
Taxes	282.87	1,582.17	7,000.00	5,417.83
Postage	3.96	2,199.19	1,000.00	(1,199.19)
Web Pages	3,216.52	15,921.72	50,000.00	34,078.28
Annual Report	729.53	27,654.58	15,000.00	(12,654.58)
Rent and Telephone	1,301.49	11,972.61	20,000.00	8,027.39
Travel	0.00	90.72	12,000.00	11,909.28
Meeting Expenses	0.00	6,903.55	15,000.00	8,096.45
Office Supplies	0.45	878.99	0.00	(878.99)
Dues & Memberships	0.00	0.00	0.00	0.00
Bank Fees	385.16	3,359.27	0.00	(3,359.27)
Legal Expense	0.00	0.00	30,000.00	30,000.00
Misc Expense	0.00	69.42	15,000.00	14,930.58
Advertising Expense	0.00	0.00	0.00	0.00
Fixed Assets <\$1,000	0.00	789.59	0.00	(789.59)
Equipment Maintenance	321.25	2,532.40	0.00	(2,532.40)
Bad Debts	0.00	0.00	0.00	0.00
Total Unallocated Expenses	19,025.93	170,184.30	355,000.00	184,815.70
Other Expenses/(Income)				
Cost of Goods Sold	63.72	36,011.63	80,000.00	43,988.37
Interest Expense	0.00	170.02	0.00	(170.02)
Interest	(169.48)	(816.49)	0.00	816.49
Total Other Expenses/(Income)	(105.76)	35,365.16	80,000.00	44,634.84
Net Revenue/(Expense)	1,188,131.06	(3,456,782.42)	(3,420,666.75)	36,115.67

with revised revenue

		CE and ET	R and D	Energy Efficiency	Rebate				2016%
	2017%	2,433,459.58	558,461.58	1,279,230.29	1,993,717.15	6,264,868.60			2016%
Connecticut	11.37%	276,684.35	63,497.08	145,448.48	226,685.64	712,315.56	Connecticut	10.43%	0.94%
District of Columbia	0.07%	1,703.42	390.92	895.46	1,395.60	4,385.41	District of Colum	0.05%	0.02%
Delaware	0.61%	14,844.10	3,406.62	7,803.30	12,161.67	38,215.70	Delaware	0.65%	-0.04%
Idaho	0.04%	973.38	223.38	511.69	797.49	2,505.95	Idaho	0.04%	0.00%
Indiana	0.14%	3,406.84	781.85	1,790.92	2,791.20	8,770.82	Indiana	0.18%	-0.04%
Kentucky	1.34%	32,608.36	7,483.39	17,141.69	26,715.81	83,949.24	Kentucky	1.11%	0.23%
Massachusetts	12.11%	294,691.96	67,629.70	154,914.79	241,439.15	758,675.59	Massachusetts	12.25%	-0.14%
Maryland	3.12%	75,923.94	17,424.00	39,911.99	62,203.98	195,463.90	Maryland	3.45%	-0.33%
Maine	7.41%	180,319.35	41,382.00	94,790.96	147,734.44	464,226.76	Maine	6.25%	1.16%
Michigan	3.18%	77,384.01	17,759.08	40,679.52	63,400.21	199,222.82	Michigan	1.99%	1.19%
North Carolina	3.22%	78,357.40	17,982.46	41,191.22	64,197.69	201,728.77	North Carolina	3.08%	0.14%
New Hampshire	4.51%	109,749.03	25,186.62	57,693.29	89,916.64	282,545.57	New Hampshire	4.29%	0.22%
New Jersey	5.83%	141,870.69	32,558.31	74,579.13	116,233.71	365,241.84	New Jersey	7.45%	-1.62%
New York	18.30%	445,323.10	102,198.47	234,099.14	364,850.24	1,146,470.95	New York	19.49%	-1.19%
Espa	10.00%	44,532.31	10,219.85	23,409.91	36,485.02	114,647.10	Espa	10.00%	0.00%
OHILI	25.11%	111,820.63	25,662.04	58,782.29	91,613.89	287,878.86	OHILI	25.11%	0.00%
NYOHA	28.89%	128,653.84	29,525.14	67,631.24	105,405.23	331,215.46	NYOHA	28.89%	0.00%
HVOHC	13.32%	59,317.04	13,612.84	31,182.01	48,598.05	152,709.93	HVOHC	13.32%	0.00%
UNYEA	22.68%	100,999.28	23,178.61	53,093.69	82,748.03	260,019.61	UNYEA	22.68%	0.00%
Total		445,323.103	102,198.47	234,099.14	-	781,620.72			0.00%
		-	-	-	-	-			0.00%
Nevada	0.04%	973.38	223.38	511.69	797.49	2,505.95	Nevada	0.02%	0.02%
Ohio	2.50%	60,836.49	13,961.54	31,980.76	49,842.93	156,621.72	Ohio	3.00%	-0.50%
Pennsylvania	14.04%	341,657.73	78,408.01	179,603.93	279,917.89	879,587.55	Pennsylvania	13.87%	0.17%
Rhode Island	2.73%	66,433.45	15,246.00	34,922.99	54,428.48	171,030.91	Rhode Island	2.60%	0.13%
South Carolina	1.23%	29,931.55	6,869.08	15,734.53	24,522.72	77,057.88	South Carolina	1.20%	0.03%
Virginia	3.22%	78,357.40	17,982.46	41,191.22	64,197.69	201,728.77	Virginia	3.41%	-0.19%
Vermont	2.44%	59,376.41	13,626.46	31,213.22	48,646.70	152,862.79	Vermont	2.35%	0.09%
Washington State	0.78%	18,980.98	4,356.00	9,978.00	15,550.99	48,865.98	Washington Sta	0.27%	0.51%
Wisconsin	1.77%	43,072.23	9,884.77	22,642.38	35,288.79	110,888.17	Wisconsin	2.60%	-0.83%
	2.00	2,433,459.58	558,461.58	1,279,230.29	1,993,717.15	6,264,868.60			

National Oilheat Research Alliance
2014 STATE GRANTS
For the Eight Months Ending August 31, 2016

	Education (6114)			Research and Development (6214)			Energy Efficiency (6814)			Rebate (6914)			Total		
	Budget	Actual	Remaining	Budget	Actual	Remaining	Budget	Actual	Remaining	Budget	Actual	Remaining	Budget	Actual	Remaining
Connecticut	\$116,634.40	\$116,634.40		\$23,177.73	\$23,177.73		\$62,991.10	\$62,991.10		\$84,766.95	\$84,766.95		\$287,570.18	\$287,570.18	
District of Columbia	985.31		985.31	195.80		195.80	532.13		532.13	716.08		716.08	2,429.32		2,429.32
Delaware	10,282.37	10,282.37		2,043.29		2,043.29	5,553.14	2,510.44	3,042.70	7,472.84		7,472.84	25,351.64	12,792.81	12,558.83
Idaho	1,121.74		1,121.74	222.91		222.91	605.81		605.81	815.24		815.24	2,765.70		2,765.70
Indiana	2,792.20	1,925.58	866.62	554.86		554.86	1,507.97	1,507.97		2,029.27	417.62	1,611.65	6,884.30	3,851.17	3,033.13
Kentucky	20,596.48	20,596.48		4,092.89	4,092.89		11,123.42	11,123.42		14,968.76	14,968.76		50,781.55	50,781.55	
Maryland	37,071.13	37,071.13		7,366.70	7,366.70		20,020.79	20,020.79		26,941.92	26,941.92		91,400.54	91,400.54	
Massachusetts	138,514.41	138,514.41		27,525.30	27,525.30		74,806.66	74,806.66		100,667.12	64,720.11	35,947.01	341,513.49	305,566.48	35,947.01
Maine	70,733.00	70,733.00		14,055.92	14,055.92		38,200.35	38,200.35		51,406.11	51,406.11		174,395.38	174,395.38	
Michigan	38,065.57	38,065.57		7,564.31	7,564.31		20,557.85		20,557.85	27,664.64		27,664.64	93,852.37	45,629.88	48,222.49
New Hampshire	60,173.75	60,173.75		11,957.60		11,957.60	32,497.68		32,497.68	43,732.04		43,732.04	148,361.07	60,173.75	88,187.32
New Jersey	106,379.25	106,379.25		21,139.47	21,139.47		57,451.61	57,451.61		77,312.48	77,312.48		262,282.81	262,282.81	
North Carolina	39,441.56	39,441.56		7,837.75	7,837.75		21,300.97	21,300.97		28,664.66	28,664.66		97,244.94	97,244.94	
ESEA (New York)	25,946.48	25,946.48		5,156.03		5,156.03	14,012.76		14,012.76	18,856.94		18,856.94	63,972.21	25,946.48	38,025.73
NYOHA	82,431.97	82,431.97		16,380.71	7,120.00	9,260.71	44,518.55	44,518.55		59,908.49	59,908.49		203,239.72	193,979.01	9,260.71
UNYEA	58,846.62	58,846.62		11,693.88		11,693.88	31,780.95	22,050.00	9,730.95	42,767.53		42,767.53	145,088.98	80,896.62	64,192.36
Hudson Valley	27,088.13	27,088.13		5,382.90		5,382.90	14,629.32			19,686.64		19,686.64	66,786.99	61,404.09	5,382.90
Long Island	65,151.61	65,151.61		12,946.80	12,946.80		35,186.05	35,186.05		47,349.77	47,349.77		160,634.23	160,634.23	
Nevada	598.47		598.47	118.93		118.93	323.21		323.21	434.95		434.95	1,475.56		1,475.56
Ohio	35,311.81	35,311.81		7,017.09	7,017.09		19,070.64		19,070.64	25,663.31	8,416.47	17,246.84	87,062.85	50,745.37	36,317.48
Oregon	5,126.78	3,092.70	2,034.08	1,018.78		1,018.78	2,768.79		2,768.79	3,725.96		3,725.96	12,640.31	3,092.70	9,547.61
Pennsylvania	168,801.05	168,801.05		33,543.41		33,543.41	91,162.35	18,458.06	72,704.29	122,676.94		122,676.94	416,183.75	187,259.11	228,924.64
Rhode Island	38,991.77	38,991.77		7,748.36	7,748.36		21,058.06	21,058.06		28,337.77	28,337.77		96,135.96	96,135.96	
South Carolina	6,063.62		6,063.62	1,204.95		1,204.95	3,274.74		3,274.74	4,406.81		4,406.81	14,950.12		14,950.12
Vermont	24,615.68	24,615.68		4,891.58	4,891.58		13,294.05	13,294.05		17,889.76	15,161.26	2,728.50	60,691.07	57,962.57	2,728.50
Virginia	35,296.90	33,578.87	1,718.03	7,014.13	7,014.13		19,062.59	19,062.59		25,652.48	9,590.16	16,062.32	87,026.10	69,245.75	17,780.35
Washington State	7,612.55	7,612.55		1,512.75		1,512.75	4,111.26		4,111.26	5,532.52		5,532.52	18,769.08	7,612.55	11,156.53
Wisconsin	23,325.39	3,350.00	19,975.39	4,635.17		4,635.17	12,597.20		12,597.20	16,952.02		16,952.02	57,509.78	3,350.00	54,159.78
Totals	1,248,000.00	1,214,636.74	33,363.26	248,000.00	159,498.03	88,501.97	674,000.00	478,169.99	195,830.01	907,000.00	537,649.17	369,350.83	3,077,000.00	2,389,953.93	687,046.07

National Oilheat Research Alliance
2015 STATE GRANTS
For the Eight Months Ending August 31, 2016

	Education (6115)			Research and Development (6215)			Energy Efficiency (6815)			Rebate (6915)			Total		
	Budget	Actual	Remaining	Budget	Actual	Remaining	Budget	Actual	Remaining	Budget	Actual	Remaining	Budget	Actual	Remaining
Connecticut	\$227,946.61	\$227,946.61		\$68,833.01	\$3,604.72	\$65,228.29	\$118,657.03	\$9,223.16	\$109,433.87	\$164,494.99		\$164,494.99	\$579,931.64	\$240,774.49	\$339,157.15
District of Columbia	1,925.62		1,925.62	581.48		581.48	1,002.38		1,002.38	1,389.60		1,389.60	4,899.08		4,899.08
Delaware	20,095.20	20,095.20		6,068.15		6,068.15	10,460.51		10,460.51	14,501.47		14,501.47	51,125.33	20,095.20	31,030.13
Idaho	2,192.26		2,192.26	662.00		662.00	1,141.17		1,141.17	1,582.02		1,582.02	5,577.45		5,577.45
Indiana	5,456.90		5,456.90	1,647.82		1,647.82	2,840.57		2,840.57	3,937.91		3,937.91	13,883.20		13,883.20
Kentucky	40,252.45	25,614.42	14,638.03	12,155.03	12,155.03		20,953.31	20,520.11		29,047.71	8,438.23	20,609.48	102,408.50	66,727.79	35,680.71
Maryland	72,449.46	72,449.46		21,877.56	643.30	21,234.26	37,713.38	37,713.38		52,282.30	52,282.30		184,322.70	163,088.44	21,234.26
Massachusetts	270,703.73	189,942.89	80,760.84	81,744.37	1,230.20	80,514.17	140,914.14		140,914.14	195,350.17		195,350.17	688,712.41	191,173.09	497,539.32
Maine	138,236.06	81,147.80	57,088.26	41,743.13	16,500.02	25,243.11	71,958.43	715.80	71,242.63	99,756.43		99,756.43	351,694.05	98,363.62	253,330.43
Michigan	74,392.92	1,007.43	73,385.49	22,464.42	1,549.93	20,914.49	38,725.04		38,725.04	53,684.77		53,684.77	189,267.15	2,557.36	186,709.79
New Hampshire	117,599.73	117,599.73		35,511.58		35,511.58	61,216.24		61,216.24	84,864.47		84,864.47	299,192.02	117,599.73	181,592.29
New Jersey	207,900.82	207,900.82		62,779.79	25,000.00	37,779.79	108,222.25	108,222.25		150,029.18	90,333.49	59,695.69	528,932.04	431,456.56	97,475.48
North Carolina	77,082.07	77,082.07		23,276.46	2,720.02	20,556.44	40,124.88	40,124.88		55,625.37	51,719.90	3,905.47	196,108.78	171,646.87	24,461.91
ESEA	50,708.15	50,708.15		15,312.33		15,312.33	26,396.00		26,396.00	36,592.94		36,592.94	129,009.42	50,708.15	78,301.27
NYOHA	146,546.55	146,546.55		44,252.64		44,252.64	76,284.43	12,021.33	64,263.10	105,753.59		105,753.59	372,837.21	158,567.88	214,269.33
UNYEA	114,600.41	114,600.41		34,605.87		34,605.87	59,654.96		59,654.96	82,700.04		82,700.04	291,561.28	114,600.41	176,960.87
Hudson Valley	67,441.84	67,441.84		20,365.40		20,365.40	35,106.68	12,742.44	22,364.24	48,668.61		48,668.61	171,582.53	80,184.28	91,398.25
Long Island	127,784.53	127,784.53		38,587.08	38,587.08		66,517.92	66,517.92		92,214.21	53,669.32	38,544.89	325,103.74	286,558.85	38,544.89
Nevada	1,169.61		1,169.61	353.19		353.19	608.84		608.84	844.04		844.04	2,975.68		2,975.68
Ohio	69,011.16	45,653.07	23,358.09	20,754.20	570.00	20,184.20	35,923.58		35,923.58	49,801.09		49,801.09	175,490.03	46,223.07	129,266.96
Oregon	4,448.22	4,448.22		1,375.22		1,375.22	2,313.21		2,313.21	3,171.04		3,171.04	11,307.69	4,448.22	6,859.47
Pennsylvania	329,894.00	157,750.01	172,143.99	99,211.29		99,211.29	171,725.49		171,725.49	238,064.14		238,064.14	838,894.92	157,750.01	681,144.91
Rhode Island	76,203.03	76,203.03		22,917.06	22,917.06		39,667.29	27,069.42	12,597.87	54,991.02	19,399.48	35,591.54	193,778.40	145,588.99	48,189.41
South Carolina	11,850.35		11,850.35	3,563.84		3,563.84	6,168.67		6,168.67	8,551.67		8,551.67	30,134.53		30,134.53
Vermont	48,107.32	34,011.37	14,095.95	14,467.64		14,467.64	25,042.14	1,646.66	23,395.48	34,716.08		34,716.08	122,333.18	35,658.03	86,675.15
Virginia	68,982.01		68,982.01	59,105.43	11,808.59	47,296.84	35,908.41		35,908.41	49,780.06		49,780.06	213,775.91	11,808.59	201,967.32
Washington State	14,877.47	14,877.47		4,474.20		4,474.20	7,744.43		7,744.43	10,736.15		10,736.15	37,832.25	14,877.47	22,954.78
Wisconsin	45,585.65		45,585.65	13,709.28		13,709.28	23,729.49		23,729.49	32,896.35		32,896.35	115,920.77		115,920.77
Totals	2,433,444.13	1,860,811.08	572,633.05	772,399.47	137,285.95	635,113.52	1,266,720.87	336,517.35	930,203.52	1,756,027.42	275,842.72	1,480,184.70	6,228,591.89	2,610,457.10	3,618,134.79

National Oilheat Research Alliance
2016 STATE GRANTS
For the Eight Months Ending August 31, 2016

	Education (6116)			Research and Development (6216)			Energy Efficiency (6816)			Rebate (6916)			Total		
	Budget	Actual	Remaining	Budget	Actual	Remaining	Budget	Actual	Remaining	Budget	Actual	Remaining	Budget	Actual	Remaining
Connecticut	\$256,780.56	\$186,245.57	\$70,534.99	\$61,194.59		\$61,194.59	\$134,909.87		\$134,909.87	\$213,059.19		\$213,059.19	\$665,944.21	\$186,245.57	\$479,698.64
District of Colombia	1,271.60		1,271.60	303.04		303.04	668.09		668.09	1,055.09		1,055.09	3,297.82		3,297.82
Delaware	15,879.15	1,010.45	14,868.70	3,784.24		3,784.24	8,342.74		8,342.74	13,175.45		13,175.45	41,181.58	1,010.45	40,171.13
Idaho	894.57		894.57	213.19		213.19	470.00		470.00	742.25		742.25	2,320.01		2,320.01
Indiana	4,308.49		4,308.49	1,026.78		1,026.78	2,263.63		2,263.63	3,574.89		3,574.89	11,173.79		11,173.79
Kentucky	27,204.92		27,204.92	6,483.33	3,350.77	3,132.56	14,293.19		14,293.19	22,572.81		22,572.81	70,554.25	3,350.77	67,203.48
Maryland	84,888.96	36,940.80	47,948.16	20,230.29		20,230.29	44,599.79	4,702.86	39,896.93	70,435.13		70,435.13	220,154.17	41,643.66	178,510.51
Massachusetts	301,645.43		301,645.43	71,886.55		71,886.55	158,481.41		158,481.41	250,285.04		250,285.04	782,298.43		782,298.43
Maine	153,735.76		153,735.76	36,637.49		36,637.49	80,771.19		80,771.19	127,559.56		127,559.56	398,704.00		398,704.00
Michigan	49,072.79		49,072.79	11,694.77		11,694.77	25,782.34		25,782.34	40,717.29		40,717.29	127,267.19		127,267.19
New Hampshire	105,519.06	21,336.56	84,182.50	25,146.75		25,146.75	55,438.63		55,438.63	87,552.60		87,552.60	273,657.04	21,336.56	252,320.48
New Jersey	183,364.89	56,576.97	126,787.92	43,698.55		43,698.55	96,338.03		96,338.03	152,143.82		152,143.82	475,545.29	56,576.97	418,968.32
North Carolina	75,862.48	85,219.91	(9,357.43)	18,079.15	800.00	17,279.15	39,857.37		39,857.37	62,945.57		62,945.57	196,744.57	86,019.91	110,724.66
ESEA	47,965.87	36,327.57	11,638.30	11,430.97		11,430.97	25,200.77		25,200.77	39,798.84		39,798.84	124,396.45	36,327.57	88,068.88
NYOHA	138,573.39	90,562.28	48,011.11	33,024.08		33,024.08	72,805.04		72,805.04	114,978.85		114,978.85	359,381.36	90,562.28	268,819.08
UNYEA	108,786.59	33,798.05	74,988.54	25,925.45		25,925.45	57,155.36		57,155.36	90,263.77		90,263.77	282,131.17	33,798.05	248,333.12
Hudson Valley	63,890.53	27,835.26	36,055.27	15,226.06		15,226.06	33,567.43		33,567.43	53,012.06		53,012.06	165,696.08	27,835.26	137,860.82
Long Island	120,442.29	112,031.19	8,411.10	28,703.17	3,274.53	25,428.64	63,279.14		63,279.14	99,934.89		99,934.89	312,359.49	115,305.72	197,053.77
Nevada	418.70		418.70	99.78		99.78	219.98		219.98	347.41		347.41	1,085.87		1,085.87
Ohio	73,734.81		73,734.81	17,572.09		17,572.09	38,739.51		38,739.51	61,180.17		61,180.17	191,226.58		191,226.58
Pennsylvania	341,369.79		341,369.79	81,353.45		81,353.45	179,352.19		179,352.19	283,245.63		283,245.63	885,321.06		885,321.06
Rhode Island	64,057.01	39,763.75	24,293.26	15,265.73		15,265.73	33,654.90		33,654.90	53,150.19		53,150.19	166,127.83	39,763.75	126,364.08
South Carolina	29,548.64		29,548.64	7,041.88		7,041.88	15,524.55		15,524.55	24,517.47		24,517.47	76,632.54		76,632.54
Vermont	57,747.34		57,747.34	13,762.04		13,762.04	30,339.86		30,339.86	47,914.85		47,914.85	149,764.09		149,764.09
Virginia	83,982.86		83,982.86	20,014.35		20,014.35	44,123.73		44,123.73	69,683.31		69,683.31	217,804.25		217,804.25
Washington State	6,621.65	137.86	6,483.79	1,578.04		1,578.04	3,478.94		3,478.94	5,494.20		5,494.20	17,172.83	137.86	17,034.97
Wisconsin	64,076.10		64,076.10	15,270.28		15,270.28	33,664.93		33,664.93	53,166.03		53,166.03	166,177.34		166,177.34
Totals	2,461,644.23	727,786.22	1,733,858.01	586,646.09	7,425.30	579,220.79	1,293,322.61	4,702.86	1,288,619.75	2,042,506.36		2,042,506.36	6,384,119.29	739,914.38	5,644,204.91



*Representing New York's
Heating Fuels Industry*

August 22, 2016

Mr. John Huber, President
National Oilheat Research Alliance
600 Cameron Street
Alexandria, VA 22314

Dear John,

As you know, the Oil Heat Institute of L.I., the New York Oil Heating Association, and the PETRO/Star Gas companies operating in New York State recently separated from our state association and formed the NYS Energy Coalition, (NYSEC). NYSEC is currently an "industry coalition" for the purposes of registration and reporting with the NY Joint Commission on Public Ethics, (JCOPE) but is in the process of incorporating under Sec. 501(c) of the Internal Revenue Service code.

It is my understanding that in determining the "Qualified State Association", NORA needs to determine which organization represents retail marketers in a State. The two primary associations in NYSEC are the Oil Heat Institute of Long Island and the New York Oil Heating Association, both of which have represented heating oil retailers for many decades. This representation includes participation in the political process at the county and state level, as well as the development of educational materials for consumers. The leaders of the two primary organizations are committed to this task, and view NYSEC as an opportunity to better coordinate their efforts, subsequent to their

withdrawal from the Empire State Energy Association. PETRO, which also participates in NYSEC, sells distillate products throughout the state, and is the largest heating oil retailer in New York.

Furthermore, NYSEC is committed to working with all retail heating oil dealers throughout the state, either as individual companies or as members of associations. It is committed to the success of the heating oil industry in the state and has hired professionals in Albany to ensure that the interests of the entire industry are considered by state officials. NYSEC is further committed to an open and transparent process to ensure the continued success of the heating oil industry, even though there is not a statewide heating oil association.

The attached...(NYSERDA *Patterns and Trends*, 2013, Table C-2)...shows that the regions of New York State represented by NYSEC, i.e. New York City, Nassau and Suffolk Counties on Long Island and half of Westchester County represent some 11.276 Mbbls of distillate sales, or 61.9% of the 2013 total. Clearly, NYSEC represents the majority of all distillate sales throughout the state.

Accordingly, we therefore respectfully request that the NORA Board of Directors officially recognize NYSEC as the Designated State Association for the State of New York for the allocation and disbursement of NORA funds within the state.

In making its determination, the Board should note both the long-standing commitment of both NYOHA and OHILI to the success of NORA, as well as the number and range of projects undertaken by both associations to support NORA's industry activities. The Board should also be aware that these two organizations have worked diligently with NORA to ensure its continued success, and its retail members, as well as professional staff, have served for many years as voluntary leaders of NORA.

In making its determination, we suggest that it is appropriate that the 10% ESEA allocation for state-wide activities be eliminated in its entirety. Furthermore, we would

suggest that NORA proportionally reallocate its FY-2017 funds designated for New York, based upon the attached NYSERDA data, as follows:

NYOHA ¹	=	5.679 Mbbls	=	31.2%
OHILI ²	=	5.597 Mbbls	=	30.7%
HVOHC ³	=	3.224 Mbbls	=	17.7%
UNYEA ⁴	=	18.99 Mbbls	=	10.0%

Please do not hesitate to contact me should you have any questions.

Sincerely yours,

Kevin Rooney

- (1) NYOHA is comprised of Bronx, Kings, New York, Queens, Richmond and 50% of Westchester Counties.
- (2) OHILI is comprised of Nassau and Suffolk Counties.
- (3) HVOHC is comprised of Albany, Columbia, Dutchess, Greene, Orange, Putnam, Rensselaer, Rockland and Ulster... www.travelhudsonvalley.com)...plus50% of Westchester County.
- (4) UNYEA is comprised of all remaining upstate counties.

From: Tom Peters <tpeters@eseany.org>

Sent: Monday, August 29, 2016 5:46 PM

To: John Huber

Cc: 'Jim Buhrmaster'

Subject: RE: NYSEC Letter

John,

As I explained during our telephone conversation, ESEA continues to be the statewide association representing heating oil marketers, and ESEA continues to be the qualified state association in New York. ESEA will continue to share NORA funds with all of the local oiheat associations throughout the state, and will continue to provide NORA with a sharing schedule as we have in the past. Therefore, the NORA Board of Directors should not grant this request from these two local associations or at the very least, table their request and allow the ESEA Board of Directors to consider it.

Tom

Thomas J. Peters, CEO

Empire State Energy Association

56 Clifton Country Road, Suite 108

Clifton Park, NY 12065

Tel: 518-280-6645/Fax: 518-935-9250

www.eseany.org

Allison

I received a copy of the attached letter this morning. Essentially, it requests that NORA evaluate its qualified state association in New York and change that recognition from The Empire State Energy Association to the New York State Energy Coalition. I have also reviewed with our outside counsel.

Unless you have an objection, I will put this matter on the agenda for our September 12th Board meeting.

John

Cc: Tom Peters
Jim Buhrmaster
Kevin Rooney
Rocco Lacertosa

**Bio-
RESEARCH
National Oilheat Research Alliance**

**RESEARCH COMMITTEE MEETING
SEPTEMBER 12, 2016**

Research Committee Report

The research committee August 8, 2016 to review six proposals and is making the following four recommendations to the Board.

9/8/2016
page: 2

Energy Kinetics

Proposal Title:	High Efficiency Tankless Coil/Oilheat	Duration (months)	18
Primary Contact:	Roger Marran		
	Proposal	Research Committee Recommendation	Research Committee Adjustment
NORA Cost:	\$345,818	\$310,818	Approve project as amended by removing NORA cost-share (\$35,000) for marketing task.
Cost Share:	\$461,342	\$496,342	
Total Cost:	\$807,160	\$807,160	
Brief Project Description			
Energy Kinetics intends to leverage the technology of its existing high efficiency boilers to produce a low cost boiler capable of providing “instant” hot water for new construction and to replace existing tankless coil boilers with improved efficiency and lower idle loss. Significant decreases in idle loss will be achieved through better insulation and through operating the boiler at significantly lower idle temperatures than employed by existing tankless coil designs.			

PB Heat

Proposal Title:	Oil-Fired Condensing Heat Exchanger/Boiler	Duration (months)	21
Primary Contact:	Dave Searce		
	Proposal	Research Committee Recommendation	Research Committee Adjustment
NORA Cost:	\$350,000	\$400,000	Empower Research Committee to approve project after final review of updated project (see below)
Cost Share:	\$87,738	\$87,738	
Total Cost:	\$437,738	\$437,738	
Brief Project Description			
PB Heat, LLC intends to demonstrate a compact, condensing heat exchanger/boiler prototype aimed at helping oil customers realize energy efficiency and fuel savings similar to modulating, condensing gas-fired boilers at a competitive cost. The heat exchanger is compact, cleanable, scalable and multi-fuel compatible.			
NORA staff has determined HX technology is novel and likely viable. Recommends adding Task 0 – proof of concept for burner combustion in small diameter and short length chamber. Recommend to Board that it empowers the Research Committee to commit funds to the project if upon final detailed review with staff is positive.			

Babington Burner Company, LLC

Proposal Title:	B50 Compatible Boiler with Automatic Modulating Control	Duration (months)	18
Primary Contact:	Andy Babington		
	Proposal	Research Committee Recommendation	Research Committee Adjustment
NORA Cost:	\$338,987	\$425,687	
Cost Share:	\$338,987	\$338,987	
Total Cost:	\$677,974	\$764,674	
Brief Project Description			
Design, fabricate, test and deliver three self-modulating B50 Compatible Plug and Play Burner prototypes matched with EK, PB Heat and Slant Fin boilers for NORA to test and evaluate. Our design concept and approach is to integrate the existing B100 FlexFire prototype, currently being developed under PON 2014.			

Stone Mountain Technologies

Proposal Title:	High Efficiency Tankless Coil/Oilheat	Duration (months)	14
Primary Contact:	Michael Garrabrant		
	Proposal	Research Committee Recommendation	Research Committee Adjustment
NORA Cost:	\$255,307	\$280,847	Empower Research Committee to approve project after final review of updated project (see below)
Cost Share:	\$63,840	\$70,662	
Total Cost:	\$319,147	\$351,509	

Brief Project Description

Stone Mountain Technologies, Inc. (SMTI), with the support of The Department of Energy, Gas Technology Institute (GTI), and the Oak Ridge National Laboratory, is developing a natural gas-fired absorption heat pump designed to provide space and water heating COPs greater than 1.0 at low temperatures. This technology is designed to compete against cold climate electric heat pumps, condensing furnaces-boilers, and water heaters. Unlike the Robur technology, the SMTI technology can accommodate several retention head combustion designs and can be manufactured for substantially less cost. This proposal will develop an oil-fired prototype based on the Babington Modulating Oil burner technology, performance tested at SMTI using #2 heating oil and then delivered to the NORA laboratory for additional fuels testing.

Research Committee was interested in this product because of high cold climate heating efficiency >140% delivering 150F hot water to compete with electric and natural gas cold climate heat pumps in the future. They also wanted to consider a heating and cooling version recognizing the lower cooling efficiency. The modified proposal includes a parametric design study on the best option for adding cooling while delivering the heating only prototype for proof of concept for testing.

POEM Technology, LLC

Proposal Title:	Energy Auditing with Inexpensive Wireless Tank Gauges		Duration (months)	6
Primary Contact:	Michael Garrabrant			
	Proposal	Research Committee Recommendation	Research Committee Adjustment	
NORA Cost:	\$119,000	\$0	Did not see market value especially not tied to back office systems	
Cost Share:	\$30,000			
Total Cost:	\$149,000			

Brief Project Description

POEM Technology, LLC proposes to take advantage of a unique opportunity to provide efficiency in delivery as well as a unique energy auditing infrastructure applicable to residential and commercial heating oil systems. The recent availability of very inexpensive and versatile radio modules will bring the Internet of Things (IoT) infrastructure to the world of retail oil suppliers. POEM Technology already manufactures a line of inexpensive wireless tank gauges, but we propose to develop an even more economical line of gauges at a price that will allow oil suppliers to provide them as corporate giveaways. To this end, we will develop new versions of our cellular and WiFi radio devices to take advantage of recent dramatic price reductions in the radio modules. Even as the IoT infrastructure becomes more complex, the world of tank monitoring does not change. This allows us to use radio technology at the low end of the price range yet still provide outstanding advantages. Additionally, the further incorporation of external temperature sensing will enable either free or very low cost energy auditing.



Resolution

Research and Development Projects

The National Oilheat Research Alliance promulgated a project opportunity notice this spring. NORA solicited proposals from manufacturers, researchers and others in the oilheating industry to advance the agenda of the NORA Act. In particular the focus is on improving efficiency.

NORA received six proposals in that effort, five of which were complete. NORA's technical team of Dr. Butcher and Richard Sweetser reviewed the proposals and gathered additional information which was the subject of a meeting of the Research Committee of NORA which was established by Chairperson Heaney. After discussion, the Committee indicated which projects were worthy of support and requested NORA staff to do further outreach to the proposals that were positively reviewed. The Research report delivered by Dr. Butcher summarizes those discussions and the Committee's review.

Developing new technologies is critical to the future success of the industry and to providing full value to oilheating consumers.

Now be it Resolved: That the NORA President is authorized to enter into contracts with those company's proposals in accordance with the funding described in this report.

NORA Board Meeting

Education Update

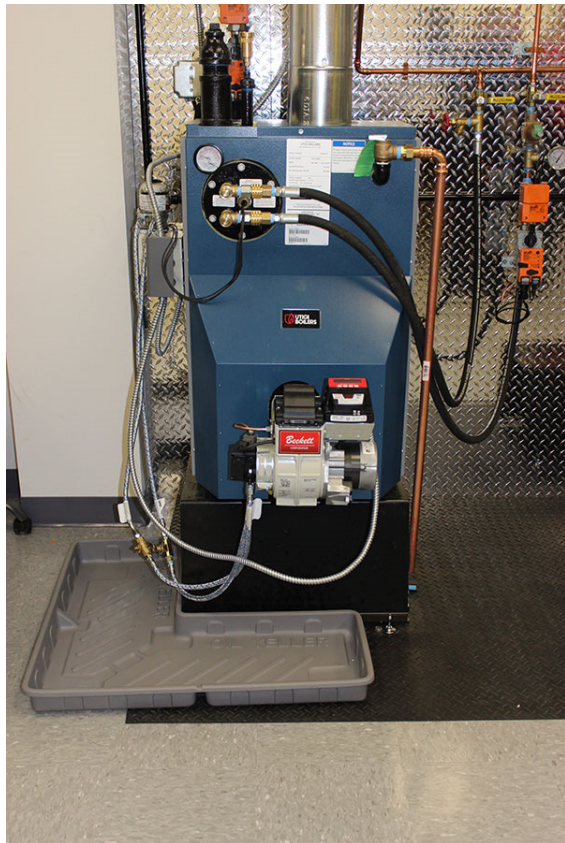
9-12-16



Training Center



Research – Dr. Tom Butcher



Training Center



Activities to date

Education - April through August

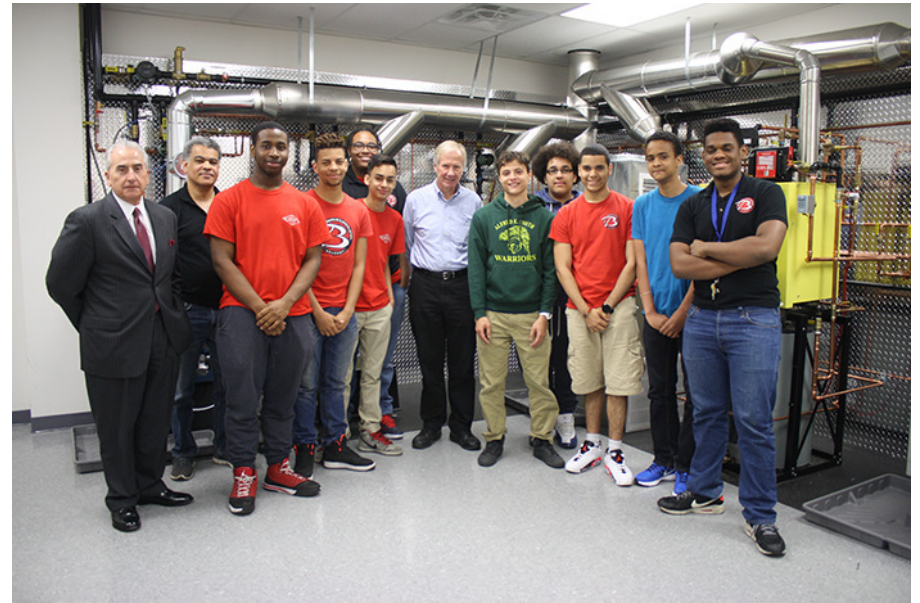
NYOHA/OHCC

- A/C Startup & troubleshooting
- Intro to Oilheat
- Silver certification
- Gold tank
- Gold hydronics
- Basic & advanced electric
- CSR training

Manufacturers

- Beckett
- Carlin
- Energy Kinetics
- Peerless

Bronx Design & Construction Academy



Bronx Design & Construction Academy

- **Presentation of their study.**
- **Tour of facility.**
- **Q & A with Dr. Butcher, Rocco Lacertosa, Kevin Rooney and school faculty.**



New Gold Program



- Efficiency
- Tank installation & maintenance
- Venting (T. Begoske)
- Hydronics (D. Holdorf)
- Air Flow (R. Adams)
- BPI Certificate
- Advanced controls (R. Simons)
- Steam (R. Michael)

Train the trainer

NAOESP



- PA Petroleum
- Maine
- CEMA
- ECR (Utica/Dunkirk)
- Peerless
- Beckett
- NYOHA/OHILI

Going forward

- **Association activity.**
- **Company involvement.**
- **Insurance company referrals.**
- **Community colleges & vocational schools.**