

NATIONAL OILHEAT RESEARCH ALLIANCE, INC.

DECEMBER 31, 2021 AND 2020

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in their entirety.**

NATIONAL OILHEAT RESEARCH ALLIANCE, INC.

DECEMBER 31, 2021 AND 2020

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of National Oilheat Research Alliance, Inc. (the Alliance), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Alliance and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Alliance's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Alliance's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Alliance's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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 15-18 for the year ended December 31, 2021, 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

September 21, 2022

NATIONAL OILHEAT RESEARCH ALLIANCE, INC.

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020

ASSETS

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash	\$ 10,082,112	\$ 10,842,158
Assessments receivable	2,697,953	2,534,377
Prepaid state assessments	55,928	-
Cash held in escrow	3,815,660	1,779,828
Other assets	<u>70,375</u>	<u>113,292</u>
TOTAL ASSETS	<u>\$ 16,722,028</u>	<u>\$ 15,269,655</u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable	\$ 145,168	\$ 89,987
Refunds payable	415,152	490,606
State grants payable	2,503,142	3,172,763
Obligation for unallocated state rebates	2,106,810	1,531,943
Other liabilities	<u>86,860</u>	<u>81,830</u>
Total liabilities5,257,1325,367,129
NET ASSETS		
Net assets without donor restrictions available for obligation - other than for consumer education, safety, and training	181,784	396,039
Designated net assets:		
Pre-2014 reauthorization net assets	55,933	55,933
Unavailable for obligation until October 1, 2028	5,947,053	3,817,660
National spending not yet incurred:		
Research, development, and demonstration - not yet obligated	4,966,214	5,315,615
Research, development, and demonstration - obligated under contract	67,594	127,884
Heating oil efficiency and upgrade - not yet obligated	145,880	141,559
Consumer education, safety, and training - not yet obligated	<u>100,438</u>	<u>47,836</u>
Total net assets without donor restrictions	<u>11,464,896</u>	<u>9,902,526</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 16,722,028</u>	<u>\$ 15,269,655</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, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUE		
Assessments revenue, net of refunds	\$ 8,461,408	\$ 7,984,164
Other income	<u>61,087</u>	<u>39,621</u>
Total revenue8,522,4958,023,785
EXPENSES		
Program services:		
Research, development, and demonstration	2,466,539	2,386,988
Heating oil efficiency and upgrade	1,055,724	927,801
Consumer education, safety, and training	1,670,758	1,810,188
Unallocated state rebates	<u>1,255,095</u>	<u>1,176,350</u>
Total program expenses6,448,1166,301,327
Administrative costs239,921225,789
General and special projects:		
Assessment and collection costs	217,852	227,615
Annual report costs	<u>54,236</u>	<u>23,624</u>
Total general and special projects	<u>272,088</u>	<u>251,239</u>
Total expenses	<u>6,960,125</u>	<u>6,778,355</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	1,562,370	1,245,430
NET ASSETS, BEGINNING OF YEAR	<u>9,902,526</u>	<u>8,657,096</u>
NET ASSETS, END OF YEAR	<u>\$ 11,464,896</u>	<u>\$ 9,902,526</u>

The accompanying notes are an integral part of these financial statements.

NATIONAL OILHEAT RESEARCH ALLIANCE, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021							
	PROGRAM SERVICES							
	Research, Development, and Demonstration	Heating Oil Efficiency and Upgrade	Consumer Education, Safety, and Training	Unallocated State Rebates	Total Program Services	Administrative Costs	General and Special Projects	Total 2021
Grants	\$ 1,055,573	\$ 1,000,046	\$ 1,413,359	\$ 1,255,095	\$ 4,724,073	\$ -	\$ -	\$ 4,724,073
Salaries, taxes, and benefits	697,652	46,067	37,083	-	780,802	49,508	46,646	876,956
Professional fees	518,239	7,261	217,530	-	743,030	181,163	200,826	1,125,019
Occupancy	80,921	882	672	-	82,475	873	918	84,266
Other expenses	114,154	1,468	2,114	-	117,736	8,377	23,698	149,811
TOTAL EXPENSES	\$ 2,466,539	\$ 1,055,724	\$ 1,670,758	\$ 1,255,095	\$ 6,448,116	\$ 239,921	\$ 272,088	\$ 6,960,125

	2020							
	PROGRAM SERVICES							
	Research, Development, and Demonstration	Heating Oil Efficiency and Upgrade	Consumer Education, Safety, and Training	Unallocated State Rebates	Total Program Services	Administrative Costs	General and Special Projects	Total 2020
Grants	\$ 1,008,204	\$ 858,123	\$ 1,554,636	\$ 1,176,350	\$ 4,597,313	\$ -	\$ -	\$ 4,597,313
Salaries, taxes, and benefits	701,178	46,896	22,720	-	770,794	37,324	60,457	868,575
Professional fees	479,839	18,793	213,076	-	711,708	182,726	132,310	1,026,744
Occupancy	73,670	1,845	891	-	76,406	1,458	2,374	80,238
Other expenses	124,097	2,144	18,865	-	145,106	4,281	56,098	205,485
TOTAL EXPENSES	\$ 2,386,988	\$ 927,801	\$ 1,810,188	\$ 1,176,350	\$ 6,301,327	\$ 225,789	\$ 251,239	\$ 6,778,355

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, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,562,370	\$ 1,245,430
Adjustments to reconcile change in net assets to net change in cash from operating activities:		
Changes in assets and liabilities:		
Assessments receivable	(163,576)	431,752
Prepaid state assessments	(55,928)	80,408
Other assets	42,917	(10,180)
Accounts payable	55,181	(11,000)
Refunds payable	(75,454)	58,076
State grants payable	(669,621)	669,698
Obligation for unallocated state rebates	574,867	(763,110)
Other liabilities	<u>5,030</u>	<u>6,265</u>
NET CHANGE IN CASH AND CASH HELD IN ESCROW	1,275,786	1,707,339
CASH AND CASH HELD IN ESCROW, BEGINNING OF YEAR	<u>12,621,986</u>	<u>10,914,647</u>
CASH AND CASH HELD IN ESCROW, END OF YEAR	<u>\$ 13,897,772</u>	<u>\$ 12,621,986</u>
SUPPLEMENTAL BREAKDOWN OF CASH AND CASH HELD IN ESCROW:		
Cash	\$ 10,082,112	\$ 10,842,158
Cash held in escrow	<u>3,815,660</u>	<u>1,779,828</u>
Total cash and cash held in escrow	<u>\$ 13,897,772</u>	<u>\$ 12,621,986</u>

NATIONAL OILHEAT RESEARCH ALLIANCE, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 1 - THE ORGANIZATION

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 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 Public Law 106-469 ceased on February 6, 2010. On February 7, 2014, the Public Law 113-79 extended the provisions of Public Law 106-469 to February 6, 2019. Funding under Public Law 113-79 resumed effective April 1, 2014. On December 20, 2018, Public Law 115-334, *the Agriculture Improvement Act of 2018* was signed. Public Law 115-334 extended and modified the provisions of Public Law 113-79 to February 6, 2029.

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. Beginning February 6, 2019, Public Law 115-334 increased the limit on administrative costs to 7 percent of assessments revenue. Furthermore, Public Law 115-334 requires in each calendar year beginning February 6, 2019, the Alliance may not obligate an amount greater than the sum of (1) 75 percent of the amount of assessments estimated to be collected in the calendar year; (2) 75 percent of the amount of assessments actually collected in the most recent calendar year for which an audit report has been submitted less the amount estimated in (1) above; and (3) amounts permitted in preceding calendar years to be obligated that have been obligated. The assessments collected in excess of the amounts permitted to be obligated in (1), (2), and (3) above, shall be deposited in an escrow account and be unavailable for use until October 1, 2028, when it can be used consistent with the provisions of Public Law 106-469. In the years ended December 31, 2021 and 2020, the Alliance was in compliance with these percentages. 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 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 accounting principles generally accepted in the United States of America (GAAP). The Alliance reports information regarding its financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions.

Accounting Estimates

The preparation of financial statements in conformity with GAAP 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.

NATIONAL OILHEAT RESEARCH ALLIANCE, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

Assessments Revenue

The Public Laws 113-79 and 115-334 require 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 based on actual sales.

Assessments Receivable

An estimate of assessments to be received, but not remitted to the Alliance as of year-end, was recognized as assessments receivable of \$2,697,953, \$2,534,377, and \$2,966,129 as of December 31, 2021, 2020, and 2019, respectively. Receivables are charged to bad debt loss as they are deemed uncollectible based upon a periodic review of the accounts. As of December 31, 2021 and 2020, no allowance for uncollectible accounts was considered necessary by management.

Refunds Payable

Under the Public Laws 113-79 and 115-334's collections rules, any dyed distillate or blends are subject to assessment. Some of this fuel is used for non-heating applications and can be refunded. Assessments revenue is presented in the accompanying statements of activities net of refunds recorded of \$965,253 and \$1,408,745 for the years ended December 31, 2021 and 2020, respectively. The Alliance recorded a refunds payable of \$415,152, \$490,606, and \$432,530 as of December 31, 2021, 2020, and 2019, respectively, for estimated refunds remaining unpaid based on historical and subsequent refunds paid.

State Grants Payable and Obligation for Unallocated Rebates

Each year, the Alliance makes grants to state organizations to accomplish its mission. Grants are paid as the state organizations provide documentation of the expenditure of funds. Under Public Laws 113-79 and 115-334, the Alliance has entered into various grant agreements with state organizations, which may require periodic payment of grant funds. Grant obligations are recognized at the time the agreements are made. The outstanding grant liability by program was as follows as of December 31:

	<u>2021</u>	<u>2020</u>
Research, development, and demonstration	\$ 1,011,293	\$ 1,407,279
Heating oil efficiency and upgrade	343,767	529,392
Consumer education, safety, and training	<u>1,148,082</u>	<u>1,236,092</u>
Total state grants payable	2,503,142	3,172,763
Unallocated state rebates	<u>2,106,810</u>	<u>1,531,943</u>
Total state grants payable and obligation for unallocated state rebates	<u>\$ 4,609,952</u>	<u>\$ 4,704,706</u>

NATIONAL OILHEAT RESEARCH ALLIANCE, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Allocation of Expenses

The cost of providing the various programs and other activities have been presented on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on estimates of time and effort of staff.

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, 2021 and 2020.

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.

Reclassifications

Certain prior year amounts have been reclassified to conform with current year presentation.

Subsequent Events

The Alliance has evaluated subsequent events through September 21, 2022, which is the date the financial statements were available to be issued.

NOTE 3 - CONCENTRATIONS OF CREDIT RISK

The Alliance maintains cash and investments in federally insured banks and broker-managed accounts and has exposure to credit risk on those accounts. Cash held with commercial banks is insured up to Federal Deposit Insurance Corporation (FDIC) limits. As of December 31, 2021, the Alliance had \$4,534,407 cash in excess of FDIC limits. Assets held in broker-managed accounts 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 \$9,104,210 as of December 31, 2021. Management does not consider this a significant concentration of credit risk.

As of December 31, 2021, 30 percent of the Alliance's accounts receivable and 32 percent of total revenue and gains/losses were from three companies.

NATIONAL OILHEAT RESEARCH ALLIANCE, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 4 - PROGRAM SERVICES

The Public Laws 113-79 and 115-334 place 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 and the requirements of Public Laws 113-79 and 115-334. 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 Public Laws 113-79 and 115-334 require the Alliance to ensure not less than 30 percent of the assessments collected for each calendar year after the amounts required to be escrowed and not obligated until October 1, 2028, under Public Law 115-334 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 2021, the Alliance granted or expended \$2,466,539 for the research, development, and demonstration program, including \$1,747,285 in national spending of past year's assessments revenue. In 2021, the Alliance Board voted to reallocate up to \$1.0 million in national spending not yet incurred for research, development, and demonstration to those states that have utilized their budgeted grants for research, development, and demonstration for additional research, development, and demonstration spending. Any amount of the \$1.0 million not spent in 2021, will be reallocated in 2022 in addition to up to another \$1.0 million for grants to states that have used their research, development, and demonstration budgets. Amounts of these additional grants not spent at the end of 2022 will be forfeited. In 2021, the Alliance granted \$307,545 in such funds to states that is included in the amounts granted or expended above. The Alliance also budgeted \$1,270,000 in additional national spending from 2021 assessments revenue to be spent subsequent to year-end for the research, development, and demonstration program, making the total for 2021, 31 percent of net assessments revenue after deducting the amount added to net assets unavailable for obligation until October 1, 2028. Additionally, unallocated state rebates of 2021 assessments revenue will be used for the research, development, and demonstration program.

Heating Oil Efficiency and Upgrade

The Public Laws 113-79 and 115-334 require the Alliance to ensure not less than 15 percent of the assessments collected for each calendar year after the amounts required to be escrowed and not obligated until October 1, 2028, under Public Law 115-334 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.

NATIONAL OILHEAT RESEARCH ALLIANCE, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 4 - PROGRAM SERVICES (continued)

Heating Oil Efficiency and Upgrade (continued)

In 2021, the Alliance granted or expended \$1,055,724 for the heating oil efficiency and upgrade program, including \$55,679 in grants and spending of past year's assessments revenue. The Alliance also budgeted \$60,000 in additional national spending from 2021 assessments revenue to be spent subsequent to year-end for the heating oil efficiency and upgrade program, making the total for 2021, 17 percent of net assessments revenue after deducting the amount added to net assets unavailable for obligation until October 1, 2028. Additionally, unallocated state rebates of 2021 assessments revenue will be used for the heating oil efficiency and upgrade program.

Consumer Education, Safety, and Training

The Public Laws 113-79 and 115-334 require the Alliance to ensure not more than 30 percent of the assessments collected for each calendar year after the amounts required to be escrowed and not obligated until October 1, 2028, under Public Law 115-334 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 2021, the Alliance granted or expended \$1,670,758 for the consumer education, safety, and training program, including \$47,836 in grants and spending of past year's assessments revenue. The Alliance also budgeted \$310,000 in additional national spending from 2021 assessments revenue for the consumer education, safety, and training program, of which \$100,438 remained unspent as of December 31, 2021, making the total for 2021 27 percent of net assessments revenue after deducting the amount added to net assets unavailable for obligation until October 1, 2028.

Unallocated State Rebates

In addition to the specific program commitments discussed previously, the Alliance has committed \$1,255,095, which is 20 percent of net 2021 assessment revenue after deducting the amount added to net assets unavailable for obligation until October 1, 2028, for state rebates that have not yet been allocated to a program specified in Public Law 115-334. 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 Public Laws 113-79 and 115-334 as discussed previously.

NOTE 5 - ADMINISTRATIVE EXPENSE CAP

Public Law 115-334 requires the Alliance to limit expenditures for "Administrative" costs to 7 percent of revenue generated by assessment remittances net of amounts unavailable for obligation until October 1, 2028. In 2021, the Alliance expended \$239,921 for Administrative expenses, which was 4 percent of net assessments revenue after deducting the amount added to net assets unavailable for obligation until October 1, 2028, in the year ended December 31, 2021. In 2020, the Alliance expended \$225,789 for Administrative expenses, which was 5 percent of net assessments revenue in the year ended December 31, 2020. Thus, management believes the Alliance is in compliance with this provision of Public Laws 113-79 and 115-334.

NATIONAL OILHEAT RESEARCH ALLIANCE, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 6 - ASSESSMENT AND COLLECTION COSTS

The Alliance has 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 Public Laws 113-79 and 115-334. Assessment and collection costs were \$217,852 and \$227,615 for the years ended December 31, 2021 and 2020, respectively.

NOTE 7 - FINANCIAL ASSETS AND LIQUIDITY

Financial assets available within one year for operations that are not subject to restrictions that make them unavailable for general operations as of December 31, were as follows:

	<u>2021</u>	<u>2020</u>
Cash, except cash held in escrow	\$ 10,082,112	\$ 10,842,158
Assessments receivable due within one year	2,697,953	2,534,377
Prepaid state assessments	55,928	-
Other receivables	33,367	42,609
Less: state grants payable	(2,503,142)	(3,172,763)
Less: obligation for unallocated state rebates	(2,106,810)	(1,531,943)
Less: amounts to be transferred to escrow	(2,131,393)	(2,037,832)
Less: designated net assets for national spending not yet incurred	<u>(5,280,126)</u>	<u>(5,632,894)</u>
 Total financial assets available within one year for operations	 <u>\$ 847,889</u>	 <u>\$ 1,043,712</u>

The Alliance has a budgetary process to develop estimates and make grant payables to comply with Public Laws 113-79 and 115-334. Liquid assets are maintained in cash accounts to minimize risk of loss.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

The Alliance has entered into operating lease agreements for a liquid fuels research center. The Alliance also had a month-to-month lease for its office space that was terminated in 2021 and transitioned to a mail service agreement. Total rent under the leases was \$94,582 and \$104,798 for the years ended December 31, 2021 and 2020, respectively \$21,904 and \$24,578, respectively, of which was shared with two state agencies and is therefore included in grants in the accompanying statement of functional expenses. The Alliance extended the lease for the liquid fuels research center through December 31, 2025. Future minimum lease payments are as follows for the years ending December 31:

2022	\$ 89,736
2023	92,428
2024	95,200
2025	<u>98,056</u>
 Total future minimum lease payments	 <u>\$ 375,420</u>

NATIONAL OILHEAT RESEARCH ALLIANCE, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 9 - NET ASSETS

Pre-2014 Reauthorization Designated Net Assets

As discussed previously, Public Law 113-79 became effective April 1, 2014. The Alliance designated the remaining net assets under the former Public Law 106-469 for use in a national oilheat education program. As of December 31, 2021 and 2020, \$55,933 remained unspent and are designated for future use.

National Spending Not Yet Incurred Designated Net Assets

The Alliance budgets national spending in the accomplishment of its mission under Public Laws 113-79 and 115-334. The Alliance recorded \$5,280,126 and \$5,632,894 in national spending of assessments revenue, which had not yet been incurred as of December 31, 2021 and 2020, respectively. The Alliance has designated net assets in these amounts for future program spending, some of which, the Alliance has approved contracts to expend.

Net Assets Unavailable for Obligation Until October 1, 2028

Public Law 115-334 established a requirement that funds be maintained in escrow and be unavailable for use until October 1, 2028. Net assets unavailable for obligation until October 1, 2028, is an accumulation of these net assets plus interest. The Alliance makes contributions annually to the escrow for the prior year's assessments after the conclusion of the audit. The following is a detail of amounts unavailable for use until October 1, 2028, as of December 31:

	<u>Assessments</u>	<u>Interest</u>	<u>Total</u>
Unavailable balance, January 1, 2020	\$ 1,779,971	\$ 1,002	\$ 1,780,973
Income on escrow Assessments	-	1,855	1,855
	<u>2,034,832</u>	<u>-</u>	<u>2,034,832</u>
Unavailable balance, December 31, 2020	3,814,803	2,857	3,817,660
Income on escrow Assessments	-	261	261
	<u>2,129,132</u>	<u>-</u>	<u>2,129,132</u>
Unavailable balance, December 31, 2021	<u>\$ 5,943,935</u>	<u>\$ 3,118</u>	5,947,053
Cash held in escrow account, December 31, 2021			<u>3,815,660</u>
Amount to be deposited in escrow after year-end			<u>\$ 2,131,393</u>

Net Assets Available for Obligation - Other Than For Consumer Education, Safety, and Training

The amount reported as net assets without donor restrictions available for obligation - other than for consumer education, safety, and training are the net amounts available for future obligation for all purposes other than consumer education, safety, and training, since Public Laws 113-79 and 115-334 have placed limits on the use of assessments revenue from consumer education, safety, and training.

NATIONAL OILHEAT RESEARCH ALLIANCE, INC.

SUPPLEMENTAL SCHEDULE OF EXPENSES BY STATE/JURISDICTION -
RESEARCH, DEVELOPMENT, AND DEMONSTRATION
FOR THE YEAR ENDED DECEMBER 31, 2021

	Initial Amounts Granted/ Expended in 2021	Additional Amounts Expended From National Budget	2021 National Spending Not Yet Incurred	Total
STATE GRANTS:				
Connecticut	\$ 82,543	\$ -	\$ -	\$ 82,543
Indiana	996	-	-	996
Kentucky	7,424	-	-	7,424
Maine	56,568	75,620	-	132,188
MAPDA (Delaware, Maryland, and Washington, D.C.)	26,064	29,705	-	55,769
Massachusetts	85,258	-	-	85,258
Michigan	5,355	-	-	5,355
Nevada	200	-	-	200
New Hampshire	33,045	18,685	-	51,730
New Jersey	49,910	-	-	49,910
New York:				
UNYEA	37,905	-	-	37,905
HVOEC	22,262	-	-	22,262
NYSEC	90,251	120,631	-	210,882
North Carolina	26,904	35,966	-	62,870
Ohio	23,889	-	-	23,889
Pennsylvania	99,008	-	-	99,008
Rhode Island	26,858	-	-	26,858
South Carolina	10,550	-	-	10,550
Virginia	23,275	26,938	-	50,213
Vermont	17,547	-	-	17,547
Washington	3,223	-	-	3,223
Wisconsin	18,994	-	-	18,994
NATIONAL	<u>1,410,965</u>	<u>-</u>	<u>1,270,000</u>	<u>2,680,965</u>
TOTAL STATE GRANTS AND NATIONAL SPENDING	<u>\$ 2,158,994</u>	<u>\$ 307,545</u>	<u>\$ 1,270,000</u>	<u>\$ 3,736,539</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 heating oil efficiency and upgrade program.

NATIONAL OILHEAT RESEARCH ALLIANCE, INC.

SUPPLEMENTAL SCHEDULE OF EXPENSES BY STATE/JURISDICTION -
HEATING OIL EFFICIENCY AND UPGRADE
FOR THE YEAR ENDED DECEMBER 31, 2021

	Amounts Granted/ Expended in 2021	2021 National Spending Not Yet Incurred	Total
STATE GRANTS:			
Connecticut	\$ 99,202	\$ -	\$ 99,202
Indiana	1,197	-	1,197
Kentucky	8,921	-	8,921
Maine	67,984	-	67,984
MAPDA (Delaware, Maryland, and Washington, D.C.)	31,324	-	31,324
Massachusetts	102,465	-	102,465
Michigan	6,437	-	6,437
Nevada	240	-	240
New Hampshire	39,715	-	39,715
New Jersey	161,026	-	161,026
New York:			
UNYEA	45,556	-	45,556
HVOEC	26,755	-	26,755
NYSEC	108,466	-	108,466
North Carolina	32,335	-	32,335
Ohio	28,710	-	28,710
Pennsylvania	118,991	-	118,991
Rhode Island	32,279	-	32,279
South Carolina	12,680	-	12,680
Virginia	27,973	-	27,973
Vermont	21,088	-	21,088
Washington	3,873	-	3,873
Wisconsin	22,828	-	22,828
NATIONAL	<u>55,679</u>	<u>60,000</u>	<u>115,679</u>
TOTAL STATE GRANTS AND NATIONAL SPENDING	<u>\$ 1,055,724</u>	<u>\$ 60,000</u>	<u>\$ 1,115,724</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.

NATIONAL OILHEAT RESEARCH ALLIANCE, INC.

SUPPLEMENTAL SCHEDULE OF EXPENSES BY STATE/JURISDICTION -
CONSUMER EDUCATION, SAFETY, AND TRAINING
FOR THE YEAR ENDED DECEMBER 31, 2021

	Amounts Granted/ Expended in 2021	2021 National Spending Not Yet Incurred	Total
STATE GRANTS:			
Connecticut	\$ 167,110	\$ -	\$ 167,110
Indiana	2,016	-	2,016
Kentucky	15,028	-	15,028
Maine	114,520	-	114,520
MAPDA (Delaware, Maryland, and Washington, D.C.)	52,766	-	52,766
Massachusetts	172,606	-	172,606
Michigan	10,842	-	10,842
Nevada	405	-	405
New Hampshire	66,902	-	66,902
New York:			
UNYEA	76,741	-	76,741
HVOEC	45,070	-	45,070
NYSEC	182,717	-	182,717
North Carolina	54,468	-	54,468
Ohio	48,363	-	48,363
Pennsylvania	200,445	-	200,445
Rhode Island	54,374	-	54,374
South Carolina	21,360	-	21,360
Virginia	47,122	-	47,122
Vermont	35,524	-	35,524
Washington	6,524	-	6,524
Wisconsin	38,454	-	38,454
NATIONAL	<u>257,401</u>	<u>100,438</u>	<u>357,839</u>
TOTAL STATE GRANTS AND NATIONAL SPENDING	<u>\$ 1,670,758</u>	<u>\$ 100,438</u>	<u>\$ 1,771,196</u>

NATIONAL OILHEAT RESEARCH ALLIANCE, INC.

SUPPLEMENTAL SCHEDULE OF EXPENSES BY STATE/JURISDICTION -
UNALLOCATED STATE REBATES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Amounts Granted/ Expended in 2021	2021 National Spending Not Yet Incurred	Total
UNALLOCATED STATE REBATES:			
Connecticut	\$ 138,496	\$ -	\$ 138,496
Indiana	1,671	-	1,671
Kentucky	12,455	-	12,455
Maine	94,913	-	94,913
MAPDA (Delaware, Maryland, and Washington, D.C.)	43,732	-	43,732
Massachusetts	143,051	-	143,051
Michigan	8,986	-	8,986
Nevada	335	-	335
New Hampshire	55,446	-	55,446
New Jersey	83,742	-	83,742
New York:			
UNYEA	63,601	-	63,601
HVOEC	37,353	-	37,353
NYSEC	151,429	-	151,429
North Carolina	45,142	-	45,142
Ohio	40,082	-	40,082
Pennsylvania	166,123	-	166,123
Rhode Island	45,064	-	45,064
South Carolina	17,702	-	17,702
Virginia	39,054	-	39,054
Vermont	29,441	-	29,441
Washington	5,407	-	5,407
Wisconsin	<u>31,870</u>	<u>-</u>	<u>31,870</u>
TOTAL UNALLOCATED STATE REBATES	<u>\$ 1,255,095</u>	<u>\$ -</u>	<u>\$ 1,255,095</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.