

**NATIONAL OILHEAT RESEARCH ALLIANCE, INC.**

**DECEMBER 31, 2022 AND 2021**

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may be reproduced only  
in their entirety.**

NATIONAL OILHEAT RESEARCH ALLIANCE, INC.

DECEMBER 31, 2022 AND 2021

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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, a not-for-profit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, 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, 2022 and 2021, 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.

### **Prior Period Financial Statements**

The financial statements as of December 31, 2021, were audited by Ross, Langan & McKendree, LLP, who merged with UHY LLP as of January 1, 2023, and whose report dated September 21, 2022, expressed an unmodified opinion on those statements.

### **Emphasis of Matter - Adoption of New Accounting Pronouncement**

As discussed in Note 10 to the financial statements, in 2022, the Alliance adopted Accounting Standards Update No. 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

### **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.

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

### **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 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.

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 audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Expenses by State/Jurisdiction on pages 17-20 for the year ended December 31, 2022, 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.



McLean, Virginia  
October 11, 2023

NATIONAL OILHEAT RESEARCH ALLIANCE, INC.

STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2022 AND 2021

ASSETS

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash	\$ 9,920,538	\$ 10,082,112
Assessments receivable	2,656,113	2,697,953
Prepaid state assessments	27,293	55,928
Operating right-of-use asset	274,512	-
Cash held in escrow	5,944,434	3,815,660
Other assets	<u>73,271</u>	<u>70,375</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 18,896,161</u></b>	<b><u>\$ 16,722,028</u></b>

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable	\$ 221,320	\$ 145,168
Deferred contract revenue	272,052	-
Refunds payable	423,646	415,152
State grants payable	2,242,331	2,503,142
Obligation for unallocated state rebates	2,403,161	2,106,810
Operating lease liability	281,314	-
Other liabilities	<u>57,903</u>	<u>86,860</u>
<b>Total liabilities</b>	<b><u>5,901,727</u></b>	<b><u>5,257,132</u></b>
NET ASSETS		
Net assets without donor restrictions available for obligation - other than for consumer education, safety, and training	263,942	181,784
Designated net assets:		
Pre-2014 reauthorization net assets	55,933	55,933
Unavailable for obligation until October 1, 2028	8,042,151	5,947,053
National spending not yet incurred:		
Research, development, and demonstration - not yet obligated	4,179,055	4,966,214
Research, development, and demonstration - obligated under contract	67,594	67,594
Heating oil efficiency and upgrade - not yet obligated	192,521	145,880
Consumer education, safety, and training - not yet obligated	<u>193,238</u>	<u>100,438</u>
<b>Total net assets without donor restrictions</b>	<b><u>12,994,434</u></b>	<b><u>11,464,896</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 18,896,161</u></b>	<b><u>\$ 16,722,028</u></b>

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, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUE		
Assessments revenue, net of refunds	\$ 8,381,707	\$ 8,461,408
Other income	<u>107,300</u>	<u>61,087</u>
Total revenue	.....8,489,007	.....8,522,495
EXPENSES		
Program services:		
Research, development, and demonstration	2,673,141	2,466,539
Heating oil efficiency and upgrade	896,350	1,055,724
Consumer education, safety, and training	1,736,587	1,670,758
Unallocated state rebates	<u>1,178,557</u>	<u>1,255,095</u>
Total program expenses	.....6,484,635	.....6,448,116
Administrative costs	.....228,570	.....239,921
General and special projects:		
Assessment and collection costs	178,435	217,852
Annual report costs	<u>67,829</u>	<u>54,236</u>
Total general and special projects	<u>246,264</u>	<u>272,088</u>
Total expenses	<u>6,959,469</u>	<u>6,960,125</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	1,529,538	1,562,370
NET ASSETS, BEGINNING OF YEAR	<u>11,464,896</u>	<u>9,902,526</u>
NET ASSETS, END OF YEAR	<u>\$ 12,994,434</u>	<u>\$ 11,464,896</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, 2022 AND 2021

	2022							
	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 2022
Grants	\$ 959,941	\$ 869,848	\$ 1,549,387	\$ 1,178,557	\$ 4,557,733	\$ -	\$ -	\$ 4,557,733
Salaries, taxes, and benefits	827,900	24,166	35,419	-	887,485	36,350	36,711	960,546
Professional fees	669,331	1,450	150,354	-	821,135	169,594	207,640	1,198,369
Occupancy	84,180	-	-	-	84,180	2,100	-	86,280
Other expenses	131,789	886	1,427	-	134,102	20,526	1,913	156,541
<b>TOTAL EXPENSES</b>	<b>\$ 2,673,141</b>	<b>\$ 896,350</b>	<b>\$ 1,736,587</b>	<b>\$ 1,178,557</b>	<b>\$ 6,484,635</b>	<b>\$ 228,570</b>	<b>\$ 246,264</b>	<b>\$ 6,959,469</b>

	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
<b>TOTAL EXPENSES</b>	<b>\$ 2,466,539</b>	<b>\$ 1,055,724</b>	<b>\$ 1,670,758</b>	<b>\$ 1,255,095</b>	<b>\$ 6,448,116</b>	<b>\$ 239,921</b>	<b>\$ 272,088</b>	<b>\$ 6,960,125</b>

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, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,529,538	\$ 1,562,370
Adjustments to reconcile change in net assets to net change in cash from operating activities:		
Operating lease	6,802	-
Changes in assets and liabilities:		
Assessments receivable	41,840	( 163,576)
Prepaid state assessments	28,635	( 55,928)
Other assets	( 2,896)	42,917
Accounts payable	76,152	55,181
Deferred contract liability	272,052	-
Refunds payable	8,494	( 75,454)
State grants payable	( 260,811)	( 669,621)
Obligation for unallocated state rebates	296,351	574,867
Other liabilities	( 28,957)	5,030
 NET CHANGE IN CASH AND CASH HELD IN ESCROW	 1,967,200	 1,275,786
 CASH AND CASH HELD IN ESCROW, BEGINNING OF YEAR	 <u>13,897,772</u>	 <u>12,621,986</u>
 CASH AND CASH HELD IN ESCROW, END OF YEAR	 <u>\$ 15,864,972</u>	 <u>\$ 13,897,772</u>
 SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITY:		
Noncash change in operating right-of-use asset	<u>\$ ( 89,623)</u>	<u>\$ -</u>
Noncash change in operating lease liability	<u>\$ 86,107</u>	<u>\$ -</u>
 SUPPLEMENTAL BREAKDOWN OF CASH AND CASH HELD IN ESCROW:		
Cash	\$ 9,920,538	\$ 10,082,112
Cash held in escrow	<u>5,944,434</u>	<u>3,815,660</u>
Total cash and cash held in escrow	<u>\$ 15,864,972</u>	<u>\$ 13,897,772</u>

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



NATIONAL OILHEAT RESEARCH ALLIANCE, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021

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, 2022 and 2021, the Alliance was in compliance with these percentages. From time to time, the Alliance may receive inquiries from government agencies and other organizations, 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, 2022 AND 2021

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 \$2,656,113, \$2,697,953, and \$2,534,377 as of December 31, 2022, 2021, and 2020, 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, 2022 and 2021, 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 \$1,065,987 and \$965,253 for the years ended December 31, 2022 and 2021, respectively. The Alliance recorded a refunds payable of \$423,646, \$415,152, and \$490,606 as of December 31, 2022, 2021, and 2020, respectively, for estimated refunds remaining unpaid based on historical and subsequent refunds paid.

Other Income

Other income includes contract revenue which is earned from research and development contracts with third parties and is recognized when services have been completed based on time and materials expended. Contract revenue received in advance of when service is provided is recorded as deferred contract liability and was \$272,052 as of December 31, 2022. There was no deferred contract liability as of December 31, 2021 or 2020.

Other income also includes sales of oilheat related publications that are reported net of cost of sales and are recorded at the time of shipment. Also included in other income is interest income on the Alliance's bank accounts. A detail of other income as of December 31, 2022, is as follows:

Contract revenue	\$	77,948
Gross sales of publications		116,864
Less: cost of sales	(	114,956)
Interest income		26,616
Other income		<u>828</u>
Total other income	\$	<u>107,300</u>

NATIONAL OILHEAT RESEARCH ALLIANCE, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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>2022</u>	<u>2021</u>
Research, development, and demonstration	\$ 781,233	\$ 1,011,293
Heating oil efficiency and upgrade	367,009	343,767
Consumer education, safety, and training	<u>1,094,089</u>	<u>1,148,082</u>
Total state grants payable	2,242,331	2,503,142
Unallocated state rebates	<u>2,403,161</u>	<u>2,106,810</u>
Total state grants payable and obligation for unallocated state rebates	<u>\$ 4,645,492</u>	<u>\$ 4,609,952</u>

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, 2022 and 2021.

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.

NATIONAL OILHEAT RESEARCH ALLIANCE, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

In the statement of financial position as of December 31, 2022, the Alliance recorded an operating right-of-use asset and operating lease liability, initially measured at the present value of the total lease payments using a risk-free rate that approximates the remaining lease term. The Alliance considers the likelihood of exercising renewal or termination clauses in measuring its operating right-of-use assets and operating lease liabilities. Lease costs are calculated and allocated over the lease term on a straight-line basis. Short-term leases (those with an initial term of twelve months or less and no purchase option) are expensed over their terms, with no corresponding right-of-use asset or lease liability recorded. The Alliance expenses non-lease and variable components as they are incurred.

Subsequent Events

The Alliance has evaluated subsequent events through October 11, 2023, 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, 2022, the Alliance had \$6,661,883 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 \$8,931,059 as of December 31, 2022. Management does not consider this a significant concentration of credit risk.

As of December 31, 2022, 33 percent of the Alliance's accounts receivable and 36 percent of total revenue and gains/losses were from four companies.

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.

NATIONAL OILHEAT RESEARCH ALLIANCE, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021

NOTE 4 - PROGRAM SERVICES (continued)

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 2022, the Alliance granted or expended \$2,673,141 for the research, development, and demonstration program, including \$2,083,944 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. In 2021, the Alliance granted \$307,545 in such national funds to states. The remaining amount of the \$1.0 million not spent in 2021, was 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. In 2022, the Alliance granted \$370,743 in such national funds to states that is included in the amounts granted or expended above. Amounts of these additional grants not spent at the end of 2022 were forfeited by states and be used for future national spending. However, subsequent to year-end, the Alliance agreed to extend this additional grant through the end of 2023. The Alliance also initially budgeted \$1,270,000 in additional national spending from 2022 assessments revenue to be spent subsequent to year-end for the research, development, and demonstration program. In response to higher net assessments revenue than budgeted, subsequent to year-end, the Alliance budgeted another \$13,143 to be spent for the research, development, and demonstration program, making the total for 2022, 30 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 2022 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.

In 2022, the Alliance granted or expended \$896,350 for the heating oil efficiency and upgrade program, including \$26,502 in grants and spending of past year's assessments revenue. The Alliance also initially budgeted \$60,000 in additional national spending from 2022 assessments revenue to be spent subsequent to year-end for the heating oil efficiency and upgrade program. In response to higher net assessments revenue than budgeted, subsequent to year-end, the Alliance budgeted another \$13,143 to be spent for the heating oil efficiency and upgrade program, making the total for 2022, 15 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 2022 assessments revenue will be used for the heating oil efficiency and upgrade program.

NATIONAL OILHEAT RESEARCH ALLIANCE, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021

NOTE 4 - PROGRAM SERVICES (continued)

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 2022, the Alliance granted or expended \$1,736,587 for the consumer education, safety, and training program, including \$100,438 in grants and spending of past year's assessments revenue. The Alliance also budgeted \$280,000 in additional national spending from 2022 assessments revenue for the consumer education, safety, and training program, of which \$193,238 remained unspent as of December 31, 2022, making the total for 2022, 29 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 \$1,178,557, which is 19 percent of net 2022 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 2022, the Alliance expended \$228,570 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, 2022. In 2021, the Alliance expended \$239,921 for Administrative expenses, which was 4 percent of net assessments revenue in the year ended December 31, 2021. Thus, management believes the Alliance is in compliance with this provision of Public Laws 113-79 and 115-334.

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 \$178,435 and \$217,852 for the years ended December 31, 2022 and 2021, respectively.

NATIONAL OILHEAT RESEARCH ALLIANCE, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021

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>2022</u>	<u>2021</u>
Cash, except cash held in escrow	\$ 9,920,538	\$ 10,082,112
Assessments receivable due within one year	2,656,113	2,697,953
Prepaid state assessments	27,293	55,928
Other assets	16,683	33,367
Less: state grants payable	( 2,242,331)	( 2,503,142)
Less: obligation for unallocated state rebates	( 2,403,161)	( 2,106,810)
Less: amounts to be transferred to escrow	( 2,097,717)	( 2,131,393)
Less: designated net assets for national spending not yet incurred	<u>( 4,632,408)</u>	<u>( 5,280,126)</u>
 Total financial assets available within one year for operations	 <u>\$ 1,245,010</u>	 <u>\$ 847,889</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 - LEASE COMMITMENTS

The Alliance has an operating lease agreement for a liquid fuels research center. Total rent expense under the lease was \$95,373 and \$94,582 for the years ended December 31, 2022 and 2021, respectively. The Alliance shared \$23,843 and \$21,904, respectively, of the rent with a state agency and that is therefore included in grants in the accompanying statements of functional expenses. The remainder is included in occupancy in the accompanying statements of functional expenses. The Alliance extended the lease through December 31, 2025. The remaining weighted-average lease term is 36 months. The lease contains an option for a second renewal term through December 31, 2030, that has not been exercised and is not considered reasonably certain. The Alliance has recorded an operating right-of-use asset of \$274,512 and an operating lease liability of \$281,314 as of December 31, 2022, based on a weighted-average discount rate of 1.37 percent. 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.

Future minimum lease payments are as follows for the years ending December 31:

2023	\$ 92,428
2024	95,200
2025	<u>98,056</u>
Undiscounted future cash flows	285,684
Less: discount to present value	<u>( 4,370)</u>
Total lease liability	<u>\$ 281,314</u>

NATIONAL OILHEAT RESEARCH ALLIANCE, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021

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, 2022 and 2021, \$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 \$4,632,408 and \$5,280,126 in national spending of assessments revenue, which had not yet been incurred as of December 31, 2022 and 2021, 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 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.

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, 2021	\$ 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	5,943,935	3,118	5,947,053
Income on escrow Assessments	-	380	380
	<u>2,094,718</u>	<u>-</u>	<u>2,094,718</u>
Unavailable balance, December 31, 2022	<u>\$ 8,038,653</u>	<u>\$ 3,498</u>	8,042,151
Cash held in escrow account, December 31, 2022			<u>5,944,434</u>
Amount to be deposited in escrow after year-end			<u>\$ 2,097,717</u>



NATIONAL OILHEAT RESEARCH ALLIANCE, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021

NOTE 10 - ADOPTION OF NEW ACCOUNTING PRONOUNCEMENT

The Alliance implemented Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. This guidance is intended to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. ASU No. 2016-02 requires lessees to report a right-of-use asset along with a lease liability.

The Alliance adopted ASU No. 2016-02 as of January 1, 2022, and, as a result, the statement of financial position as of December 31, 2022, includes an operating right-of-use asset and an operating lease liability, which are not reflected in the statement of financial position as of December 31, 2021. The Alliance recorded an operating right-of-use asset and operating lease liability of \$364,136 and \$367,421, respectively, as of January 1, 2022. There was no effect on the beginning net assets from the implementation of this standard.

The Alliance elected to apply all practical expedients available under the ASU, allowing it to (1) not reassess whether any expired or existing contracts previously assessed as not containing leases are, or contain, leases, (2) not reassess the lease classification for any expired or existing leases, (3) not reassess initial direct costs for any existing leases, and (4) to use hindsight in determining the lease term.

NATIONAL OILHEAT RESEARCH ALLIANCE, INC.

SUPPLEMENTAL SCHEDULE OF EXPENSES BY STATE/JURISDICTION -  
RESEARCH, DEVELOPMENT, AND DEMONSTRATION  
FOR THE YEAR ENDED DECEMBER 31, 2022

	Initial Amounts Granted in 2022	Additional Amounts Expended From National Budget	Total
STATE GRANTS:			
Connecticut	\$ 81,369	\$ -	\$ 81,369
Indiana	263	-	263
Kentucky	1,527	3,617	5,144
Maine	42,957	28,381	71,338
MAPDA (Delaware, Maryland, and Washington, D.C.)	20,720	22,255	42,975
Massachusetts	70,989	38,092	109,081
Michigan	3,497	-	3,497
Nevada	174	-	174
New Hampshire	27,926	8,182	36,108
New Jersey	33,686	-	33,686
New York:			
UNYEA	32,265	28,793	61,058
HVOEC	19,359	-	19,359
NYSEC	77,437	4,007	81,444
North Carolina	13,620	39,210	52,830
Ohio	13,722	-	13,722
Pennsylvania	82,394	142,131	224,525
Rhode Island	24,320	-	24,320
South Carolina	5,202	8,282	13,484
Virginia	13,914	36,441	50,355
Vermont	13,584	11,352	24,936
Washington	2,976	-	2,976
Wisconsin	7,297	-	7,297
	<u>589,198</u>	<u>370,743</u>	959,941
Total State Grant Expense	<u>\$ 589,198</u>	<u>\$ 370,743</u>	959,941
NATIONAL SPENDING IN 2022			<u>1,713,200</u>
TOTAL 2022 EXPENSE			<u>\$ 2,673,141</u>
2022 NATIONAL BUDGET NOT YET SPENT			<u>\$ 1,296,784</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, 2022

	<u>Amounts Granted in 2022</u>
STATE GRANTS:	
Connecticut	\$ 120,025
Indiana	388
Kentucky	2,253
Maine	63,365
MAPDA (Delaware, Maryland, and Washington, D.C.)	30,564
Massachusetts	104,713
Michigan	5,159
Nevada	256
New Hampshire	41,194
New Jersey	49,688
New York:	
UNYEA	47,593
HVOEC	28,556
NYSEC	114,224
North Carolina	20,093
Ohio	20,241
Pennsylvania	122,271
Rhode Island	35,875
South Carolina	7,674
Virginia	20,524
Vermont	20,038
Washington	4,390
Wisconsin	<u>10,764</u>
 Total State Grant Expense	 \$ 869,848
 NATIONAL SPENDING IN 2022	 <u>26,502</u>
 TOTAL 2022 EXPENSE	 <u>\$ 896,350</u>
 2022 NATIONAL BUDGET NOT YET SPENT	 <u>\$ 73,143</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, 2022

	<u>Amounts Granted in 2022</u>
STATE GRANTS:	
Connecticut	\$ 217,973
Indiana	704
Kentucky	4,092
Maine	115,075
MAPDA (Delaware, Maryland, and Washington, D.C.)	55,506
Massachusetts	190,166
Michigan	9,368
Nevada	465
New Hampshire	74,810
New Jersey	90,237
New York:	
UNYEA	86,432
HVOEC	51,859
NYSEC	207,438
North Carolina	6,181
Ohio	36,758
Pennsylvania	222,056
Rhode Island	65,150
South Carolina	13,937
Virginia	37,272
Vermont	36,389
Washington	7,972
Wisconsin	<u>19,547</u>
 Total State Grant Expense	 \$ 1,549,387
 NATIONAL SPENDING IN 2022	 <u>187,200</u>
 TOTAL 2022 EXPENSE	 <u>\$ 1,736,587</u>
 2022 NATIONAL BUDGET NOT YET SPENT	 <u>\$ 193,238</u>

NATIONAL OILHEAT RESEARCH ALLIANCE, INC.

SUPPLEMENTAL SCHEDULE OF EXPENSES BY STATE/JURISDICTION -  
UNALLOCATED STATE REBATES  
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Amounts Granted in 2022</u>
UNALLOCATED STATE REBATES:	
Connecticut	\$ 158,440
Indiana	512
Kentucky	2,974
Maine	83,645
MAPDA (Delaware, Maryland, and Washington, D.C.)	40,346
Massachusetts	138,227
Michigan	6,809
Nevada	338
New Hampshire	54,377
New Jersey	65,592
New York:	
UNYEA	62,826
HVOEC	37,695
NYSEC	150,783
North Carolina	56,835
Ohio	26,719
Pennsylvania	161,408
Rhode Island	47,356
South Carolina	10,130
Virginia	27,092
Vermont	26,450
Washington	5,795
Wisconsin	<u>14,208</u>
TOTAL 2022 EXPENSE	<u>\$ 1,178,557</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.