



**NORA Board Meeting
Newport Marriott, Salon II Ballroom
September 23rd, 2024 10:00 am**

Join Zoom Meeting <https://us02web.zoom.us/j/83397437940>

Meeting ID: 833 9743 7940 One tap mobile
833-974-37940 US

- I. Introduction – Chairman Kate Duffey
- II. Approval of Minutes
- III. Financial Information –
 - 2023 NORA Audit
 - August 2024 Financials
- IV. Research and Development – Director of Laboratory Dr. Thomas Butcher
- V. Education and Training – Bob O'Brien
- VI. NORA 2024 Activities – President Michael Devine
 - Chevron – REG Renewable Diesel Field Study / 2024 - 2025 heating season
 - NORA Technical Workshop / Tuesday, September 24th
 - SUNY Morrisville Event / Friday, October 4th
 - NORA Plainview Video Shooting / November 11th – 13th
 - Conferences Participation / Reporting on upcoming events in 2024
 - **SNEC** – September 23rd – 24th, Newport, RI
 - **Empire State Energy Conference** – October 2nd - 4th, Turning Stone Casino, NY
 - **EMA Conference** – October 5th – 7th Las Vegas, Nevada
 - **XBX** – October 15th, Lancaster, PA
 - **PPA Fall Energy Conference** – October 15th – 17th, Lancaster PA
 - **Biodiesel Technical Workshop** – October 29th – 30th Kansas City, Missouri
- VII. Old Business –
- VIII. New Business –
- IX. Adjournment

NORA Board Meeting
Mohegan Sun Resort & Casino
Earth Ballroom
May 20th, 2024
3:30 pm

I. **Introduction** – Chairman Kate Duffey called the meeting to order.

The following members of the NORA Board of Directors were in attendance and constituted a Quorum.

Roger Marran	Kate Duffey
Rick Bologna	Eric DeGesero
Allison Heaney	Mario Bouchard
Dan Mattice	Jacqueline Hart
Ted Noonan	Claudette Townsend
Gary Sippin	Dan Singer
Brent Moore	Chris Fazio
Kristyn Schweitzer	John McCusker
Bill Reichert Jr.	Mark Caspers
Katie Foster	Randy Groft
Hal Johnson	Levi Bourne

II. Approval of Minutes – A motion was made by Jacqueline Hart and was seconded by Allison Heaney to approve the 9-28-23 Board of Directors Meeting. All approved

III. Financial Information – Cecilia Rubio and Michael Devine provided the Financial report to the NORA Board of directors.

- Degree Day & Gallons Losses – NORA President Michael Devine shared a PowerPoint presentation that showed the loss of degree days over an accelerated time curve to provide some insights into heating oil gallons decline in recent years.
- Preliminary 2023 Financials – NORA President Michael Devine provided an initial look at early 2023 financial statements, these would be updated as the Q4 revenues continued to come into NORA.
- Q1 2024 Financials – Michael provided an initial look at the Q1 2024 financial statements, however he acknowledged that the majority of the Q1 revenues had not yet arrived so this was more of an initial expense review.

IV. Research and Development – Director of Laboratory Dr. Thomas Butcher – Dr. Butcher provided the Board of Directors a PowerPoint presentation that highlighted the activities at the NORA Research Center that have taken place since our last meeting and also provided some insights into the projects that the research team would be focused on in 2024.

V.

VI. Education and Training – Bob O’Brien – Bob O’Brien provided a PowerPoint presentation on the expanding education activities that NORA is moving forward with in 2024. Additionally, Bob touched base on the next phase of activities in 2024 for the IECC, he has created a Codes Committee at NORA so that there is a larger and more diverse dialog regarding codes for liquid heating equipment and fuels as the process unfolds.

VII. NORA 2024 Activities – President Michael Devine

- 131 East Ames Ct. Expansion and New Term Lease - The discussions with the landlord for 131 East Ames Court the NORA research center are progressing well. They have continued to honor our square footage price for the additions that we have proposed maintaining the \$25.14 per square foot price. We are currently paying \$95,196 per year in rent for 3786 ft.², the additional space would increase to \$136,212 for 5,927 ft.². While we are increasing our square footage from of the research center, providing the BPI certification, we expect that we will be able to cover the increased rent through charging the BPI programs on a moving forward basis.
- DCAS Meeting April 4th - April 4 - On April 4, NORA hosted the DCAS team at the NORA research and educational center on Long Island. Those in attendance in the meeting included the NORA team, Scott Fenwick Technical Director of Clean Fuels Alliance America, the Preferred Utilities, senior management team and representatives from DCAS and other agencies in New York City. The discussions were very productive and all parties felt very comfortable of where the roadmap could lead us as far as decarbonizing the New York City municipal buildings some of our takeaways and follow up items included, highlighting and clarifying the role of renewable diesel and reducing harmful and toxic aromatics in regular diesel The workplace health and safety benefits and understanding the air quality and GHC lifestyle analysis of renewable fuels.

NORA has responded with the assistance of Clean Fuels and providing the studies and white papers and we are continuing to forward materials that we believe will be beneficial to DCS in this transition process . The goals are to transfer 30,000,000 gallons of number four and number two heating oil to 100% renewable liquid heating fuels.

- Chevron - REG RFP – NORA was approached by Chevron REG to gauge our interest in providing a Request for Proposal for a Renewable Diesel & Biodiesel blend field study in Massachusetts and New York. On May 29th NORA will host an initial workshop to explore the concepts with members of the Chevron - REG Technical and commercial teams and we have included several liquid heating marketers who are interested in listening and perhaps taking part in this RFP. The goals would be to identify marketers who would allow for 100% renewable liquid fuels to be delivered to some part of their customer base during the 2024 – 2025 heating season.
- Department of Energy Request for Records - On March 29, NORA provided the Department of Energy with the updated report with the items that they had requested. Subsequently, the DOE sent an email acknowledging receipt of the package and informed us that they would be reaching out if they had any questions or needed any additional material.

- VIII. Executive Committee & Officers for 2024 – A new slate of Officers, Members of the Executive Committee and Board of Directors were submitted for a vote of approval by the NORA Board of Directors. There were no other nominations from the floor, subsequently Allison Heaney made a motion to approve the names as submitted and Claudette Townsend seconded the motion, there was no further discussions, all members of the Board of Directors voted to approve, there were no objections or and no one abstained.
- IX. Old Business – None
- X. New Business – None
- XI. Adjournment – A motion to adjourn was made by Claudette Townsend and was seconded by Allison Heaney all were in favor and the meeting was adjourned.

**NATIONAL OILHEAT RESEARCH
ALLIANCE, INC.**

DECEMBER 31, 2023 AND 2022

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

NATIONAL OILHEAT RESEARCH ALLIANCE, INC.

DECEMBER 31, 2023 AND 2022

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7-15
SUPPLEMENTARY INFORMATION	
Supplemental Schedules of Expenses by State/Jurisdiction	16-19

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
National Oilheat Research Alliance, Inc.
Norwalk, Connecticut

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, 2023 and 2022, 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, 2023 and 2022, 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.

Emphasis of Matter – Adoption of New Accounting Pronouncement

As discussed in Note 10 to the financial statements, the Alliance adopted Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* in 2023. 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.

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 Board of Directors
National Oilheat Research Alliance, Inc.
Norwalk, Connecticut

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

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 16-19 for the year ended December 31, 2023, 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
the report date

NATIONAL OILHEAT RESEARCH ALLIANCE, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022

ASSETS

	2023	2022
ASSETS		
Cash and cash equivalents	\$ 9,212,417	\$ 9,920,538
Assessments receivable	2,424,760	2,656,113
Prepaid state assessments	1,018	27,293
Operating right-of-use asset	664,986	274,512
Cash held in escrow	8,114,766	5,944,434
Other assets	56,343	73,271
TOTAL ASSETS	<u>\$ 20,474,290</u>	<u>\$ 18,896,161</u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable	\$ 153,115	\$ 221,320
Deferred contract revenue	375,490	272,052
Refunds payable	490,229	423,646
State grants payable	1,970,550	2,242,331
Obligation for unallocated state rebates	2,868,676	2,403,161
Operating lease liability	687,625	281,314
Other liabilities	75,274	57,903
Total liabilities	<u>6,620,959</u>	<u>5,901,727</u>
NET ASSETS		
Net assets without donor restrictions available for obligation - other than for consumer education, safety, and training	56,271	263,941
Designated net assets:		
Pre-2014 reauthorization net assets	55,933	55,933
Unavailable for obligation until October 1, 2028	9,962,430	8,042,151
National spending not yet incurred:		
Research, development, and demonstration - not yet obligated	3,214,931	4,179,055
Research, development, and demonstration - obligated under contract	67,594	67,594
Heating oil efficiency and upgrade - not yet obligated	230,025	192,521
Consumer education, safety, and training - not yet obligated	266,147	193,239
Total net assets without donor restrictions	<u>13,853,331</u>	<u>12,994,434</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 20,474,290</u>	<u>\$ 18,896,161</u>

NATIONAL OILHEAT RESEARCH ALLIANCE, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUE		
Assessments revenue, net of refunds	\$ 7,209,975	\$ 8,381,707
Other income	561,900	107,300
Total revenue	7,771,875	8,489,007
EXPENSES		
Program services:		
Research, development, and demonstration	3,041,576	2,673,141
Heating oil efficiency and upgrade	820,638	896,350
Consumer education, safety, and training	1,554,774	1,736,587
Unallocated state rebates	922,404	1,178,557
Total program expenses	6,339,392	6,484,635
Administrative costs	262,327	228,568
General and special projects:		
Assessment and collection costs	246,501	178,435
Annual report costs	64,758	67,831
Total general and special projects	311,259	246,266
Total expenses	6,912,978	6,959,469
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	858,897	1,529,538
NET ASSETS, BEGINNING OF YEAR	12,994,434	11,464,896
NET ASSETS, END OF YEAR	\$ 13,853,331	\$ 12,994,434

NATIONAL OILHEAT RESEARCH ALLIANCE, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023							
	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 2023
Grants	\$ 1,174,414	\$ 802,853	\$ 1,369,747	\$ 922,404	\$ 4,269,418	\$ -	\$ -	\$ 4,269,418
Salaries, taxes, and benefits	888,574	16,792	46,321	-	951,687	63,113	33,730	1,048,530
Professional fees	687,102	993	115,494	-	803,589	170,101	277,403	1,251,093
Occupancy	144,230	-	-	-	144,230	2,100	-	146,330
Other expenses	147,256	-	23,212	-	170,468	27,013	126	197,607
TOTAL EXPENSES	\$ 3,041,576	\$ 820,638	\$ 1,554,774	\$ 922,404	\$ 6,339,392	\$ 262,327	\$ 311,259	\$ 6,912,978

	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	20,524	1,915	156,541
TOTAL EXPENSES	\$ 2,673,141	\$ 896,350	\$ 1,736,587	\$ 1,178,557	\$ 6,484,635	\$ 228,568	\$ 246,266	\$ 6,959,469

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, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 858,897	\$ 1,529,538
Adjustments to reconcile change in net assets to net change in cash from operating activities:		
Operating lease	15,837	6,802
Changes in assets and liabilities:		
Assessments receivable	231,353	41,840
Prepaid state assessments	26,275	28,635
Other assets	16,928	(2,896)
Accounts payable	(68,205)	76,152
Deferred contract liability	103,438	272,052
Refunds payable	66,583	8,494
State grants payable	(271,781)	(260,811)
Obligation for unallocated state rebates	465,515	296,351
Other liabilities	17,371	(28,957)
NET CHANGE IN CASH, CASH EQUIVALENTS, AND CASH HELD IN ESCROW	1,462,211	1,967,200
CASH, CASH EQUIVALENTS, AND CASH HELD IN ESCROW, BEGINNING OF YEAR	15,864,972	13,897,772
CASH, CASH EQUIVALENTS, AND CASH HELD IN ESCROW, END OF YEAR	<u>\$ 17,327,183</u>	<u>\$ 15,864,972</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITY:		
Noncash change in operating right-of-use asset	<u>\$ (390,474)</u>	<u>\$ (89,623)</u>
Noncash change in operating lease liability	<u>\$ 406,311</u>	<u>\$ 86,107</u>
SUPPLEMENTAL BREAKDOWN OF CASH, CASH EQUIVALENTS, AND CASH HELD IN ESCROW:		
Cash and cash equivalents	\$ 9,212,417	\$ 9,920,538
Cash held in escrow	8,114,766	5,944,434
Total cash, cash equivalents, and cash held in escrow	<u>\$ 17,327,183</u>	<u>\$ 15,864,972</u>

NATIONAL OILHEAT RESEARCH ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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 the public 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, 2023 and 2022, 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. In the year ended December 31, 2023 and subsequent to year-end, the Alliance received such inquiries. 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, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

The Alliance considers all highly liquid investments available for current use with a maturity of three months or less to be cash equivalents. Cash and cash equivalents consist of cash held in bank accounts. The Alliance also has cash held in an escrow account under the requirements of the Public Law 115-334 that is reported separate from cash and cash equivalents in the accompanying statements of financial position.

State Grants Payable and Obligation for Unallocated Rebates

Under Public Laws 113-79 and 115-334 each year, the Alliance makes grant contributions to state organizations to accomplish its mission. Grants are recorded as payables at the beginning of the year when the grant budget estimate is finalized. Periodically, at the discretion of the Board, the grants payable is adjusted up or down during the year when there are significant differences between budgeted and actual assessments revenue. Grants are paid as the state organizations provide documentation of the expenditure of funds. The outstanding grant liability by program was as follows as of December 31:

	2023	2022
Research, development, and demonstrations	\$ 814,672	\$ 781,233
Heating oil efficiency and upgrade	355,126	367,009
Consumer education, safety, and training	800,752	1,094,089
Total state grants payable	1,970,550	2,242,331
Unallocated state rebates	2,868,676	2,403,161
Total state grants payable and obligation for unallocated state rebates	<u>\$ 4,839,226</u>	<u>\$ 4,645,492</u>

Leases

The Alliance determines if an arrangement is a lease at inception by determining whether the agreement conveys the right to control the use of the identified asset for a period of time, whether the Alliance has the right to obtain substantially all of the economic benefits from use of the identified asset, and the right to direct the use of the asset. Lease liabilities are recognized at the commencement date based upon the present value of the remaining future minimum lease payments over the lease term using a risk-free rate as of the commencement date. The Alliance's lease terms include options to renew or terminate the lease when it is reasonably certain that the Alliance will exercise the option.

The lease right-of-use assets are initially measured at the carrying amount of the lease liability and adjusted for any prepaid or accrued lease payments, remaining balance of lease incentives received, unamortized initial direct costs, or impairment charges relating to the right-of-use-asset. The Alliance's lease contains escalation clauses, which are factored into the right-of-use asset where appropriate. Lease expense for minimum lease payments are recognized on straight-line basis over the lease term. The Alliance's lease agreements do not contain any material residual value guarantees or material restrictive covenants. 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.

NATIONAL OILHEAT RESEARCH ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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 revenue is heavily impacted by weather in the states with the highest oilheat usage, the economy, and other factors that impact the sale of distillate.

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 \$2,424,760, \$2,656,113, and \$2,697,953 as of December 31, 2023, 2022, and 2021, respectively. Management reviews historical, current, and future conditions of the individual wholesale distributors to determine expected credit losses. As of December 31, 2023 and 2022, no allowance for credit losses 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 \$1,169,277 and \$1,065,987 for the years ended December 31, 2023 and 2022, respectively. The Alliance recorded a refunds payable of \$490,229, \$423,646, and \$415,152 as of December 31, 2023, 2022, and 2021, respectively, for estimated refunds remaining unpaid based on historical and subsequent refunds paid.

Other Income and Deferred Contract Revenue

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 \$375,490 and \$272,052 as of December 31, 2023 and 2022, respectively. A detail of other income as of December 31, is as follows:

	2023	2022
Contract revenue	\$ 346,562	\$ 77,948
Gross sales of publications	82,172	116,864
Less: cost of sales	(90,112)	(114,956)
Interest income	219,833	26,616
Other income	3,445	828
Total other income	<u>\$ 561,900</u>	<u>\$ 107,300</u>

NATIONAL OILHEAT RESEARCH ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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, 2023 and 2022.

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 [REDACTED], which is the date the financial statements were available to be issued.

NOTE 3 - 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 (central) 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.

NATIONAL OILHEAT RESEARCH ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 3 - PROGRAM SERVICES (continued)

Research, Development, and Demonstration (continued)

In 2023, the Alliance granted or expended \$3,041,576 for the research, development, and demonstration program, including \$1,867,162 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 another \$370,743 to states. In 2023, the Alliance granted \$613,441 in such national funds to states that is included in the amounts granted or expended above. The Alliance also budgeted \$1,169,917 in additional national spending from 2023 assessments revenue to be spent subsequent to year-end for the research, development, and demonstration program making the total for 2023, 32 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 2023 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 2023, the Alliance granted or expended \$820,638 for the heating oil efficiency and upgrade program, including \$17,785 in national spending of past year's assessments revenue. The Alliance also budgeted \$55,289 in additional national spending from 2023 assessments revenue to be spent subsequent to year-end for the heating oil efficiency and upgrade program, making the total for 2023, 16 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 2023 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.

NATIONAL OILHEAT RESEARCH ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 3 - PROGRAM SERVICES (continued)

Consumer Education, Safety, and Training (continued)

In 2023, the Alliance granted or expended \$1,554,774 for the consumer education, safety, and training program, including \$185,027 in national spending of past year's assessments revenue. The Alliance also budgeted \$257,936 in additional national spending from 2023 assessments revenue for the consumer education, safety, and training program, making the total for 2023, 30 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 \$922,404 to state organizations, which is 17 percent of net 2023 assessment revenue after deducting the amount added to net assets unavailable for obligation until October 1, 2028, for state rebates that had 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 4 - 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. The Alliance expended \$262,327 and \$228,568 for Administrative expenses, which was 5 and 4 percent, respectively, of net assessments revenue after deducting the amount added to net assets unavailable for obligation until October 1, 2028, in the years ended December 31, 2023 and 2022, respectively. Thus, management believes the Alliance is in compliance with this provision of Public Laws 113-79 and 115-334.

NOTE 5 - 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 \$246,501 and \$178,435 for the years ended December 31, 2023 and 2022, respectively.

NOTE 6 - 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, 2023, the Alliance had \$16,801,179 cash in excess of FDIC limits. Management does not consider this a significant concentration of credit risk.

As of December 31, 2023, 34 percent of the Alliance's accounts receivable came from four companies and 41 percent of total revenue and gains/losses were from five companies.

NATIONAL OILHEAT RESEARCH ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 7 – 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, 2023 and 2022, \$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 \$3,778,697 and \$4,632,409 in national spending of assessments revenue, which had not yet been incurred as of December 31, 2023 and 2022, 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:

	Assessments	Interest	Total
Unavailable balance, January 1, 2022	\$ 5,943,935	\$ 3,118	\$ 5,947,053
Income on escrow	-	380	380
Assessments	2,094,718	-	2,094,718
Unavailable balance, December 31, 2022	8,038,653	3,498	8,042,151
Income on escrow	-	116,021	116,021
Assessments	1,804,258	-	1,804,258
Unavailable balance, December 31, 2023	<u>\$ 9,842,911</u>	<u>\$ 119,519</u>	9,962,430
Cash held in escrow account, December 31, 2023			<u>8,114,766</u>
Amount to be deposited in escrow after year-end			<u><u>\$ 1,847,664</u></u>

NATIONAL OILHEAT RESEARCH ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 8 - FINANCIAL ASSETS AND LIQUIDITY

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. 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:

	2023	2022
Cash, except cash held in escrow	\$ 9,212,417	\$ 9,920,538
Assessments receivable due within one year	2,424,760	2,656,113
Prepaid state assessments	1,018	27,293
Other assets	11,903	16,683
Less: state grants payable	(1,970,550)	(2,242,331)
Less: obligation for unallocated state rebates	(2,868,676)	(2,403,161)
Less: amounts to be transferred to escrow	(1,847,664)	(2,097,717)
Less: designated net assets for national spending not yet incurred	<u>(3,778,697)</u>	<u>(4,632,409)</u>
Total financial assets available within one year for operations	<u>\$ 1,184,511</u>	<u>\$ 1,245,009</u>

NOTE 9 – LEASE COMMITMENTS

The Alliance has an operating lease agreement for a liquid fuels research center. The Alliance extended the lease through December 31, 2025. The lease contains an option for a second renewal term through December 31, 2030, that has not been exercised, however, management determined in 2023 that it is reasonably certain to be exercised. The remaining weighted-average lease term is 84 months. The Alliance has recorded an operating right-of-use asset of \$664,986 and \$274,512 and an operating lease liability of \$687,625 and \$281,314 as of December 31, 2023 and 2022, respectively, based on a weighted-average discount rate of 1.63 percent and 1.37 percent, respectively. The Alliance also has two short-term leases for the storage of liquid fuels and equipment. Total rent expense under the leases was \$133,322 and \$69,430 for the years ended December 31, 2023 and 2022, respectively, and is included in occupancy on the accompanying statements of functional expenses. Future minimum lease payments including those for the lease renewal that is reasonably certain to be exercised are as follows for the years ending December 31:

2024	\$ 95,200
2025	98,056
2026	100,998
2027	104,028
2028	107,149
Thereafter	<u>224,037</u>
Undiscounted future cash flows	729,468
Less: discount to present value	<u>(41,843)</u>
Total operating lease liability	<u>\$ 687,625</u>

NATIONAL OILHEAT RESEARCH ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 10 – ADOPTION OF NEW ACCOUNTING STANDARD

During the year ended December 31, 2023, the Alliance was required to implement Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The standard changed how entities measure credit losses for most financial assets. The guidance implemented a shift from the incurred loss model to the expected loss model. The Alliance adopted the standard effective January 1, 2023. The adoption did not significantly impact the Alliance's allowance for credit losses balance.

NATIONAL OILHEAT RESEARCH ALLIANCE, INC.
SUPPLEMENTAL SCHEDULE OF EXPENSES BY STATE/JURISDICTION
- RESEARCH, DEVELOPMENT, AND DEMONSTRATION
FOR THE YEAR ENDED DECEMBER 31, 2023

	Initial Amounts Granted in 2023	Additional Amounts Expended From National Budget	Total
STATE GRANTS:			
Connecticut	\$ 58,975	\$ -	\$ 58,975
Indiana	464	-	464
Kentucky	6,708	-	6,708
Maine	30,700	43,244	73,944
MAPDA (Delaware, Maryland, and Washington, D.C.)	17,801	30,489	48,290
Massachusetts	55,879	73,671	129,550
Michigan	7,069	5,443	12,512
Nevada	160	-	160
New Hampshire	20,587	72,063	92,650
New Jersey	25,437	37,318	62,755
New York:			
UNYEA	27,449	35,890	63,339
HVOEC	16,470	-	16,470
NYSEC	65,879	213,988	279,867
North Carolina	60,079	-	60,079
Ohio	15,685	-	15,685
Pennsylvania	77,641	97,726	175,367
Rhode Island	18,420	-	18,420
South Carolina	7,843	-	7,843
Vermont	13,364	-	13,364
Virginia	21,206	3,609	24,815
Washington	2,115	-	2,115
Wisconsin	11,042	-	11,042
Total state grant expense	<u>\$ 560,973</u>	<u>\$ 613,441</u>	1,174,414
NATIONAL SPENDING IN 2023			<u>1,867,162</u>
TOTAL 2023 EXPENSE			<u>\$ 3,041,576</u>
2023 NATIONAL BUDGET NOT YET SPENT			<u>\$ 1,169,917</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, 2023

	Amounts Granted in 2023	
STATE GRANTS:		
Connecticut	\$ 90,029	
Indiana	709	
Kentucky	10,239	
Maine	46,865	
MAPDA (Delaware, Maryland, and Washington, D.C.)	27,174	
Massachusetts	85,303	
Michigan	10,791	
Nevada	236	
New Hampshire	31,427	
New Jersey	38,831	
New York:		
UNYEA	41,903	
HVOEC	25,142	
NYSEC	105,767	
North Carolina	36,071	
Ohio	23,945	
Pennsylvania	115,472	
Rhode Island	28,119	
South Carolina	11,972	
Vermont	20,400	
Virginia	32,373	
Washington	3,229	
Wisconsin	16,856	
	<hr/>	
Total state grant expense	\$	802,853
NATIONAL SPENDING IN 2023		<hr/> 17,785
TOTAL 2023 EXPENSE	\$	<hr/> <hr/> 820,638
2023 NATIONAL BUDGET NOT YET SPENT	\$	<hr/> <hr/> 55,289

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, 2023

	Amounts Granted in 2023
STATE GRANTS	
Connecticut	\$ 163,215
Indiana	1,285
Kentucky	18,563
Maine	84,963
MAPDA (Delaware, Maryland, and Washington, D.C.)	49,264
Massachusetts	154,647
Michigan	19,563
Nevada	428
New Hampshire	56,975
New Jersey	70,398
New York:	
UNYEA	75,967
HVOEC	45,580
NYSEC	177,121
North Carolina	(5,735)
Ohio	43,410
Pennsylvania	209,337
Rhode Island	50,978
South Carolina	21,705
Vermont	36,984
Virginia	58,686
Washington	5,855
Wisconsin	30,558
	<hr/>
Total state grant expense	\$ 1,369,747
NATIONAL SPENDING IN 2023	<hr/> 185,027
TOTAL 2023 EXPENSE	<hr/> <hr/> \$ 1,554,774
2023 NATIONAL BUDGET NOT YET SPENT	<hr/> <hr/> \$ 257,936

NATIONAL OILHEAT RESEARCH ALLIANCE, INC.
SUPPLEMENTAL SCHEDULE OF EXPENSES BY STATE/JURISDICTION
- UNALLOCATED STATE REBATES
FOR THE YEAR ENDED DECEMBER 31, 2023

	Amounts Granted in 2023
UNALLOCATED STATE REBATES:	
Connecticut	\$ 105,431
Indiana	830
Kentucky	11,991
Maine	54,883
MAPDA (Delaware, Maryland, and Washington, D.C.)	31,823
Massachusetts	99,897
Michigan	12,637
Nevada	277
New Hampshire	36,804
New Jersey	45,475
New York:	
UNYEA	49,072
HVOEC	29,443
NYSEC	117,772
North Carolina	30,532
Ohio	28,041
Pennsylvania	135,223
Rhode Island	32,930
South Carolina	14,021
Vermont	23,890
Virginia	37,911
Washington	3,782
Wisconsin	19,739
TOTAL 2023 EXPENSE	<u>\$ 922,404</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.

Board of Directors
National Oilheat Research Alliance
304 Main Avenue #405
Norwalk, CT 06851

In planning and performing our audit of the financial statements of National Oilheat Research Alliance (the Alliance) as of and for the year ended December 31, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the Alliance's internal control over financial reporting (internal control) as a basis for designing 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. 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 a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the organization'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:

Collection and Analysis of Receivables and Allowance for Credit Losses

When the Alliance receives assessments revenue from wholesalers, frequently the payments get made separate from the remittance of the Form 782 that communicate how to account for the remittance. This requires a matching process between the payments received and the forms submitted. Therefore, there is a receivable recorded for situations where the Form 782 has been remitted, but the funds have not yet been received. During our audit, we noted there was not a process in place to communicate those receivables accurately to management so that follow up could be done to collect the outstanding balances. This resulted in an analysis performed by management during the audit to collect outstanding balances. Potentially, this could also lead to misstatement if balances are recorded in duplicate or are not deposited by the Alliance.

Furthermore, in 2023, the Alliance implemented a new accounting standard Accounting Standards Update No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The new standard requires management to evaluate the past, current, and future conditions and evaluate for each receivable the credit worthiness of the wholesaler in establishing an allowance for credit losses. During our audit, we noted the Alliance does not have a process for documenting their analysis of each receivable for credit loss under this standard.

We recommend the Alliance develops a process to analyze outstanding balances to make collections. Furthermore, we recommend the Alliance develop and document an analysis annually of outstanding balances for consideration of the allowance for credit losses.

Management's Response – Management agrees with this comment and is developing processes to address it.

Classification of Designated Net Assets

The Alliance tracks amounts of national budgeted spending that has not yet been expended by program as designated net assets. This enables management to identify how much remaining spending is available for obligation going forward. The Alliance further tracks the amount designated to be maintained in escrow amounts as specified in the NORA Statutes to be unavailable for obligation until October 1, 2028. During our audit, we noted designated net assets were not properly classified as follows:

- The Alliance is required to place 25 percent of net assessments revenue plus any interest earned on the funds that are unavailable for obligation until October 1, 2028, in an escrow account. By policy, the Alliance makes transfers to the escrow account annually after the audit is complete. Under this policy, in 2023, a transfer of amounts due to the escrow was made in December 2023 for amounts from 2022. In 2023, The Alliance began earning significantly more interest on its cash accounts, including those that are not escrowed. Therefore, the funds that were not yet transferred to the escrow, but would be in the future, earned interest in the Alliance's operations account. The Alliance did not account for the interest earned in the operations account in its calculation of the amount to be transferred to the escrow at the close of the 2023 audit and thus understated the designated net assets for amounts unavailable for obligation until October 1, 2028.
- The Alliance did not calculate correctly and record the amount of national budgeted spending that has not yet been expended as of December 31, 2023.

This resulted in a reclassification of net assets proposed by us and made by management during the audit. We recommend more communication of contractual obligations be made internally so that the designated net assets can be properly calculated.

Management's Response – Management agrees with this comment and is developing processes to address it.

Classification of Expenses

Throughout the year, the Alliance records many expenditures of national (central) activities in central accounts (such as accounts for central RD&D, central administration, central annual report, etc). This has historically been done to match the budgeting of these expenditures. Accounting principles generally accepted in the United States of America (GAAP) requires expenses to be broken out in more detail in the statement of functional expenses. Therefore, annually, the Alliance's accountants make journal entries to reclassify these expenses for GAAP purposes. These journal entries are time consuming. Furthermore, in 2023, the journal entries were not complete and thus additional reclassifications were proposed by us and made by management. Beginning with the 2024 budget, the Alliance changed the budgeting process to budget based on GAAP classifications. We recommend that going forward, the Alliance discontinue the use of the central accounts and instead code the transactions to the proper place under GAAP to avoid errors at year-end.

Management's Response – Management agrees with this comment and is developing processes to address it.

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.

Board of Directors
National Oilheat Research Alliance
October 11, 2023

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

Very truly yours,

UHY LLP
McLean, Virginia

DRAFT

Board of Directors
National Oilheat Research Alliance
304 Main Avenue #405
Norwalk, CT 06851

We have audited the financial statements of the National Oilheat Research Alliance (the Alliance) for the year ended December 31, 2023, and have issued our report thereon dated _____. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted 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 July 17, 2024. 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. Corrected and Uncorrected Misstatements
- D. Disagreements with Management
- 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.

Very truly yours,

McLean, Virginia

Attachment

National Oilheat Research Alliance

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. As described in Note 10 to the financial statements, the Alliance implemented Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The standard changed how entities measure credit losses for most financial assets. The guidance implemented a shift from the incurred loss model to the expected loss model. Otherwise, no other new accounting policies were adopted and the application of existing policies was not changed during 2023. 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 most sensitive estimates affecting the financial statements were:

- Amount of assessments receivable and allowance for credit losses based on past, current, and future conditions.
- Estimate of reserve for future payments of refunds based on past experience.
- Recognition of additional lease liability and right-of-use asset based on management's assertion that the Alliance was reasonably certain to extend the lease as of December 31, 2023.

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

The completion of our audit was significantly delayed due to delays in closing of the books by the Alliance and due to analysis needed in response to classification errors noted for receipts and disbursements.

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 detected as a result of audit procedures were corrected by management:

- To record right-of-use asset and operating lease liability – approximately \$496,000

E. Management Representations

We have requested certain representations from management that are included in the management representation letter dated _____.

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.

Statement on Auditing Standards (SAS) No. 134, *Auditor Reporting and Amendments, Including Amendments Addressing Disclosures in the Audit of Financial Statements*, clarified the requirements for auditors communications with those charged with governance to require the auditor to communicate about significant risks identified that could impact the financial statements. We identified the following significant risks that were considered in our audit process:

- Potential risk of management override of controls.
- Risk that while the lease renewal is reasonably certain, the renewal was not properly accounted for.
- Potential risk of the susceptibility of revenue to fraud.

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 method of preparing the information to determine that the information complies with accounting principles generally accepted 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.



Internal Financial Statements
For the Eight Months Ended August 31, 2024

National Oilheat Research Alliance, Inc.
Internal Financial Statements
August 31, 2024

	<u>Pages</u>
Table of Contents.....	1
Financial Summary.....	2
Statements of Financial Position.....	3
Statements of Activities.....	4

National Oilheat Research Alliance, Inc.
Financial Summary
For the Eight Months Ended August 31, 2024

NORA operated at a deficit of \$379K for the first eight months of the year. This is the result of recording the state program expenses (Consumer Ed & Training, Research & Development and Home Efficiency) and state rebates in their entirety up front. Whereas the revenue/collections are recorded throughout the year. We expect this to smooth out as we continue to receive collections.

During April 2024, NORA reduced the 2024 budget by 10% due to the decrease in collections during the first quarter of 2024.

Collections were approximately \$4.6M for the first eight months of the year. This represents 65% of budgeted annual collections.

The annual escrow is calculated at year end and will continue to be reflected as a variance throughout the year.

Central program expenses of \$1.1M are behind budget by \$354K through August 31st as the expenses were not incurred.

States and Rebates program expenses of \$3 million and \$508K, respectively, are over/under budget by \$236K and \$43K, respectively, due to the \$2 million additional Research & Development funds allocated in 2021 and 2022, respectively.

The Unallocated or non-programmatic expenses are approximately \$177K as compared to an annual budget of \$356K. We expect the expenses to be incurred in the remainder of the year which will result in reducing the variance.

As of August 31, 2024, the NORA Statement of Financial Position continues to be very strong with \$10.3 million in available cash and \$8.4 million in escrow. This is offset by \$4.8 million in grants payable to the participating states and \$934K in other liabilities. Accounts payable is current as are the other accrued expenses. Net assets are in excess of \$13 million.

Assessments Receivable of \$333K represents amounts due from customers. The uncollected balance as of September 18th is \$224K, which is expected to be collected.

During July 2023, NORA entered into a \$450,000 contract with Clean Fuels Alliance America ("CFAA") for Research Development. NORA received the first installment of \$236,500 during August 2023 and the second installment of \$213,500 during October 2023. During April 2024 NORA entered into an additional \$550,000 contract with CFAA for Research Development. NORA received the first installment of \$243,500 during June 2024. As of August 31, 2024, NORA has incurred \$440,218 in expenses; \$74,510 in 2023 and \$365,708 in 2024. The remaining balance of \$253,823 is classified as deferred contract revenue on the Statement of Financial Position.

National Oilheat Research Alliance, Inc.
Statement of Financial Position
August 31, 2024

ASSETS

CURRENT ASSETS:

Cash	\$ 10,313,067
Cash Held in Escrow	8,364,962
Assessments Receivable	333,175
Security Deposit	24,514
Other Receivables	19,154
Prepaid Assets	15,025
Operating right-of-use asset	123,088
Total Curent Assets	<u>19,192,985</u>

PROPERTY AND EQUIPMENT:

Office Furniture and Equipment	80,076
Website	45,450
Computer Equipment	3,819
Less: Accumulated Depreciation	(83,275)
Less: Accumulative Amortization (Web Site)	(45,450)
Total Property and Equipment	<u>620</u>

TOTAL ASSETS	<u>\$ 19,193,605</u>
--------------	----------------------

LIABILITIES AND NET ASSETS

LIABILITIES:

Grants Payable:

State Rebate Obligations - Education	\$ 946,214
State Rebate Obligations - R&D	979,636
State Rebate Obligations - Energy Efficiency	488,454
State Rebate Obligations - Rebates	2,355,281
Total Grants Payable	<u>4,769,586</u>

Other Liabilities:

Accounts Payable	254,772
Accrued Expenses	29,335
Accrued Salaries & Benefits	57,064
Deferred Contract Revenue	253,283
Refunds Payable	210,000
Operating lease liability	129,507
Total Other Liabilities	<u>933,961</u>

Total Liabilities	<u>5,703,546</u>
-------------------	------------------

NET ASSETS:

Unrestricted Net Assets	(50,215)
Pre-2014 Reauthorization Net Assets	55,933
Unavailable for Obligation until 10/01/2028	8,042,151
National Spending Not Yet Incurred:	
Research, development, and demonstration - not yet obligated	4,988,836
Research, development, and demonstration - obligated under contract	67,594
Heating oil efficiency and upgrade - not yet obligated	192,521
Consumer education, safety, and training - not yet obligated	193,238
Total Net Assets	<u>13,490,059</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 19,193,605</u>
----------------------------------	----------------------

National Oilheat Research Alliance, Inc.
Statement of Activities
Budget vs. Actual
For the Eight Months Ended August 31, 2024

	YTD Actual 8/31/24	Percentage	Annual Budget 2024	Variance
REVENUE:				
Collections and Assessments:				
Collections	\$ 4,622,870	65.10%	\$ 7,100,773	\$ (2,477,903)
Refunds	(506,979)		-	(506,979)
Escrow	-		(1,775,193)	1,775,193
Net Collections	<u>4,115,890</u>		<u>5,325,580</u>	<u>(1,209,690)</u>
EXPENSES:				
Program Expenses:				
Consumer Education and Training (Max. 30%)	1,323,026		1,544,418	(221,392)
Education and Training (Central)	124,410		252,000	(127,590)
Education and Training (States)	1,198,616		1,292,418	(93,802)
Research Development and Demonstration (Min. 30%)	1,896,813		1,845,158	51,655
Research Development and Demonstration (Central)	940,989		1,143,000	(202,011)
Research Development and Demonstration (States)	955,825		702,158	253,667
Home Energy Efficiency Program (Min. 15%)	895,439		843,867	51,572
Home Energy Efficiency Program (Central)	33,860		58,500	(24,640)
Home Energy Efficiency Program (States)	861,579		785,367	76,212
Total Central	<u>1,099,259</u>	75.63%	<u>1,453,500</u>	<u>(354,241)</u>
Total States	<u>3,016,020</u>	108.49%	<u>2,779,943</u>	<u>236,077</u>
State Rebates	<u>508,395</u>	92.24%	<u>551,137</u>	<u>(42,742)</u>
Office Unallocated Expenses:				
Salaries and Consulting	68,983		165,000	(96,017)
Accounting	16,677		35,000	(18,323)
Insurance	13,962		15,000	(1,038)
Taxes	2,819		3,000	(181)
Postage	863		1,500	(637)
Web Pages	4,800		15,000	(10,200)
Rent and Telephone	3,098		7,500	(4,402)
Travel	-		7,500	(7,500)
Meeting Expenses	-		5,000	(5,000)
Office Supplies	-		2,500	(2,500)
Dues & Memberships	6,712		5,000	1,712
Bank Fees	486		3,000	(2,514)
Legal Expense	56,000		84,000	(28,000)
Payroll Processing Fees	2,346		4,000	(1,654)
Equipment Maintenance	165		3,000	(2,835)
Total Office Unallocated Expenses	<u>176,912</u>	49.69%	<u>356,000</u>	<u>(179,088)</u>
General and Special Projects:				
Assessment and Collection Costs	170,109		230,000	(59,891)
Annual Report	29,562		55,000	(25,438)
Total General and Special Projects	<u>199,672</u>		<u>285,000</u>	<u>(85,328)</u>
Other Expenses/(Income):				
Interest Income	(491,023)		(100,000)	391,023
Contract Revenue (CFAA)	(365,708)		(225,000)	140,708
Other Income-Technicians Manual	(59,473)		-	59,473
Other Income	(1,040)		-	1,040
Contract Expenses (CFAA)	365,708		225,000	(140,708)
Cost of Goods Sold-Technicians Manual	46,839		-	(46,839)
Total Other Expenses/(Income)	<u>(504,698)</u>		<u>(100,000)</u>	<u>404,698</u>
Net Deficit	<u>\$ (379,669)</u>		<u>\$ -</u>	<u>\$ (379,669)</u>

NORA Research Update

Board of Directors Meeting
Southern New England Energy Conference
Newport, RI
Sept. 2024

Tom Butcher, Technical Director
National Oilheat Research Alliance

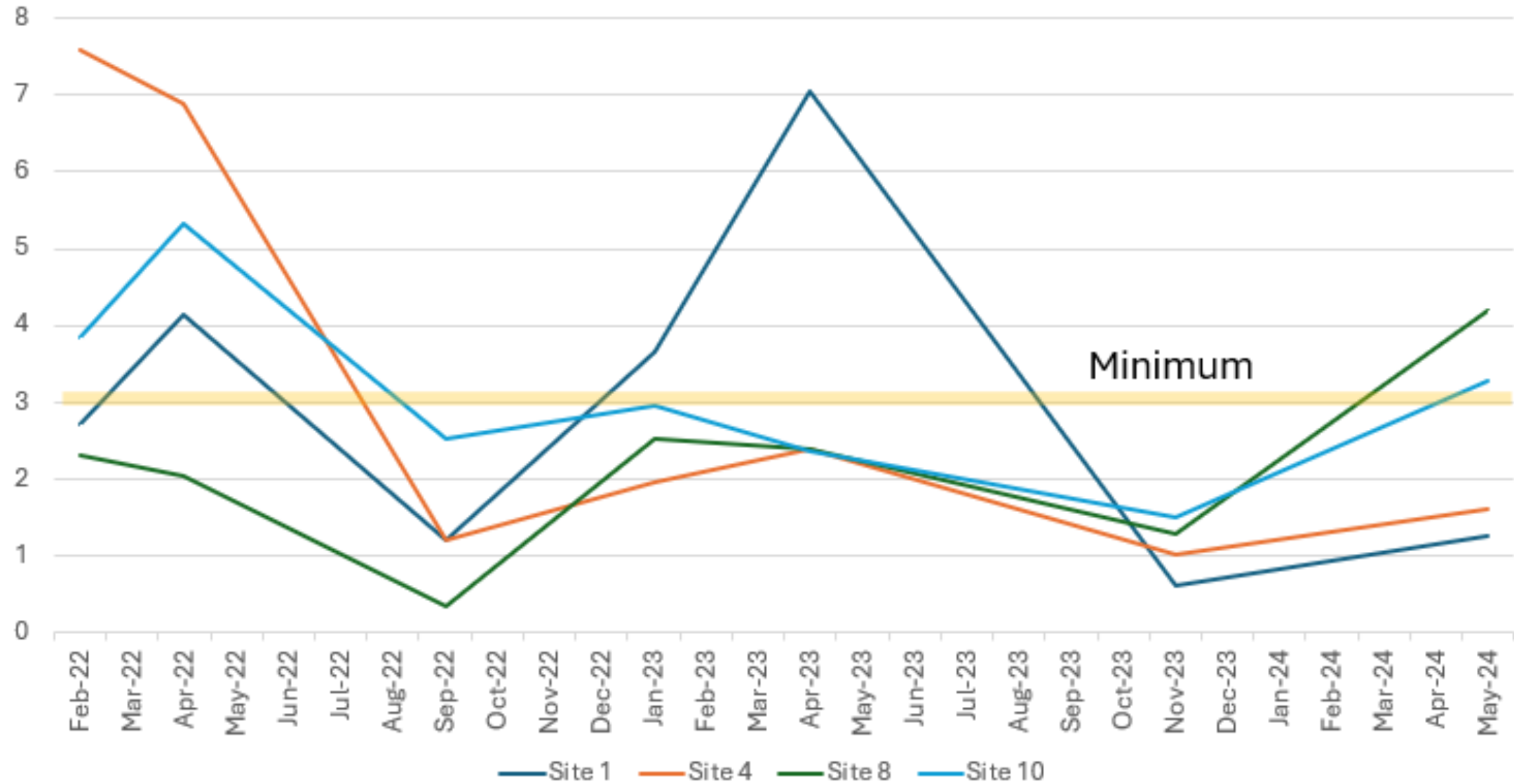
Topics

- High Biodiesel Blend Field Testing
- In-Lab Head Coking Studies with Biofuels
- EL
- Heated Outside Fuel Storage Tanks
- RD Field Study Plans
- Meetings and Publications
- Research Internships

High Blend (B100) Field Testing - Key Findings

No system pump / seal / leak problems;
No basic combustion problems;
Fuel Quality remains good over entire year;
Some reduction in fuel quality over summer;
Heating season deliveries enhance fuel quality;
Fuel filterable particulates in many cases quite high;
Head coking with high biodiesel blends in some cases remains a concern.

Oxidation Reserve (hours)



Head Coking in the Field

- Typically more than annual cleaning not required;
- More coking in cold wall boilers;
- We have limited furnace data;
- More cycling leads to more coking;
- Increasing pressure, using prepurge and (?) post purge is helpful;
- Nozzle internal valves not found to be very helpful;
- Blends with more volatile fuels better;
- Burner manufacturers making progress on improved burners for high blends.



Plans – High Blend Field Tests

- “End-of-Summer” fuel sampling and analysis is now in progress
- Hart Home Comfort Sites will continue with B100 tests
- Adding new burners at some sites in collaboration with burner manufacturers

Head Coking Factors

Hardware

- Control settings

- Cycling rates

- Burner design

- Combustion chamber “temperature”

- Fuel heating

Fuel

- Trace components

- Blends which increase lower temperature volatility.

Service Practices

- Burner head cleaning protocols.

In-Lab Head Coking Tests

- 4-day testing performed at the NORA lab
- 3000 cycles, 60s on and 60s off
- Managed by lab control system
- Condition of head monitored before and after testing





Test 39 – B100
Without Refractory



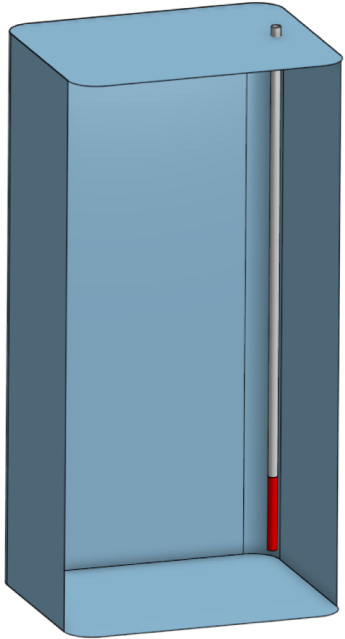
Test 77 – B100
With Refractory



Key findings to-date in-lab head coking

- Cold chamber boilers most challenging
- Distillation curves seen as important factor
- Adding refractory and minimizing post purge can strongly increase measured head temperature and reduce head coking
- Burner manufacturers are making good progress in burner changes for high blends
- Blending lighter components (RD, Kero) dramatically reduces head coking
- European blue flame, low NO_x burner did not show coking
- Higher pump pressure and other adjustments help

CEMA Tank Test 2023-2024



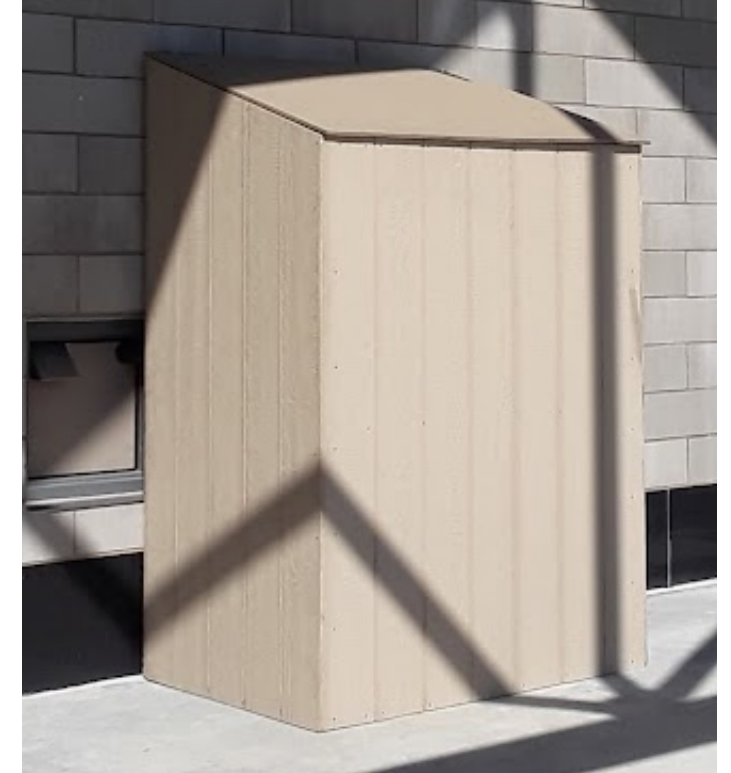
- Changed setup for remote monitoring
- Testing to continue with two tanks in 24/25 heating season



Heated Tank Enclosure – SUNY Morrisville



- Testing started near the end of last season
- Results very encouraging
- System to be changed over to remote monitoring
- Changes in heater thermostat settings



Ethyl Levulinate (EL)

Current testing to support ASTM standard

- Storage stability
- Steel corrosion



Increased Acids in EL Sample - Angelica Lactone

- Testing of EL batch produced to match pilot plant production showed higher than expected TAN
- TAN also increased rapidly in long term storage testing
- Issue attributed to a minor component of the fuel, angelica lactone (about 2%)
- Angelica lactone reacted with water to form levulinic acid
- New distillation step added to production to eliminate impurity
- New GC at NORA will support the QC with these samples

Draft ASTM Standard

- Established EL100 – ASTM Working Group
 - NORA, NREL, Beckett, Biofine, Sprague
- ASTM Group D-02
- Process Started – June '23
- Planning some additional specs for QC: carbon residue, API.

DRAFT – EL100 Specifications

Property	Test Method	Required Value
Density kg/m ³	D4052	1000 to 1020
Flash Point °C	D93A	>80
Kinematic Viscosity at 40 °C min max	D445	1.4 4.0
Water, percent by mass	D1364	<1.0
Acid Number mg KOH/g, max	D664	<0.5
Sulfur content ppm	D2622	<15
Cloud Point °C	D5773	<-15
Pour Point °C	D97	<-40
Electrical Conductivity pS/m	D2624	>2,000
Copper Strip Corrosion max	D130	No. 3
Steel Corrosion	D665	Pass
Lubricity HFRR @ 60 °C micron max	D6079/D7688	520

Planned RD/Biodiesel Blend Field Test

tb

Goals:

- Demonstrate RD/BD blends can be used reliably;
- Identify any equipment adjustments needed.

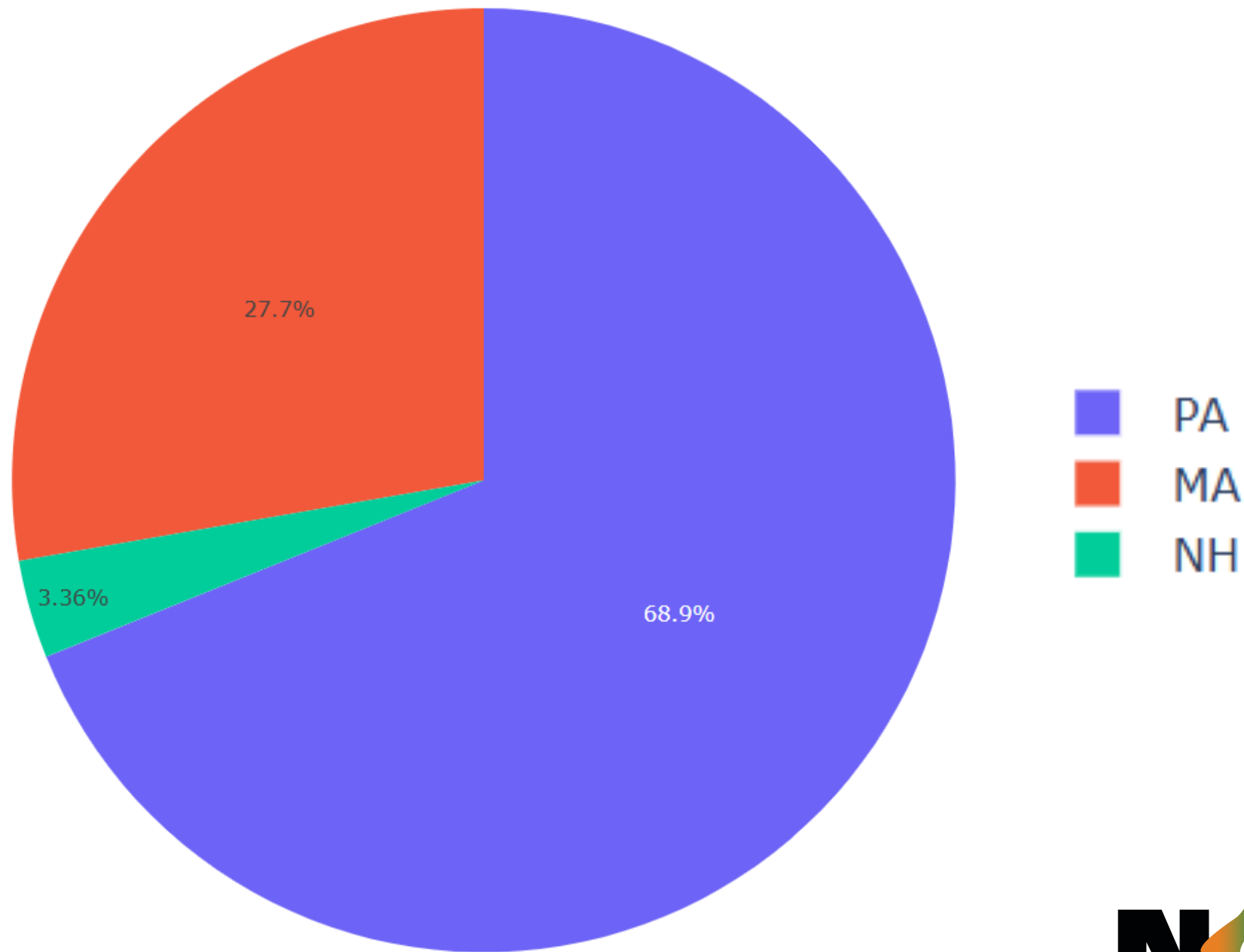
Plans:

- Up to 150 sites in Mass. And PA
- Chevron REG will supply the fuel
- Sites will be divided into Level 1 (intense monitoring) and Level 2 (track service only)
- Through the 2024/2025 heating season
- Target a wide variety of equipment types and manufacturers
- Detailed report on results and future potential

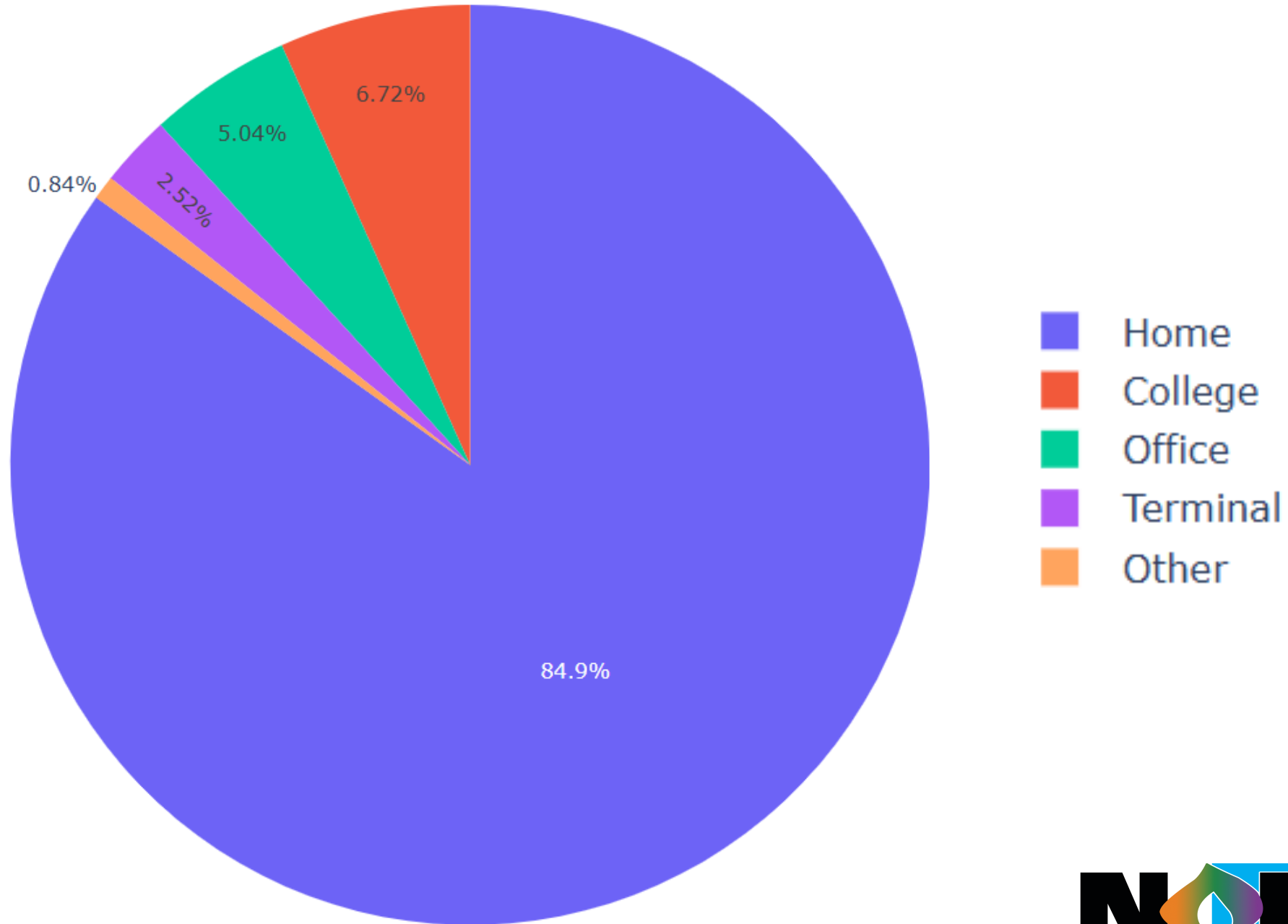
NORA Lab Work in Advance of Field Tests

- Pump cycle testing – both biodiesel rated pumps and “legacy” pumps
- Combustion testing – focus on transition from B5—B100 & flame sensor response
- Head coking tests

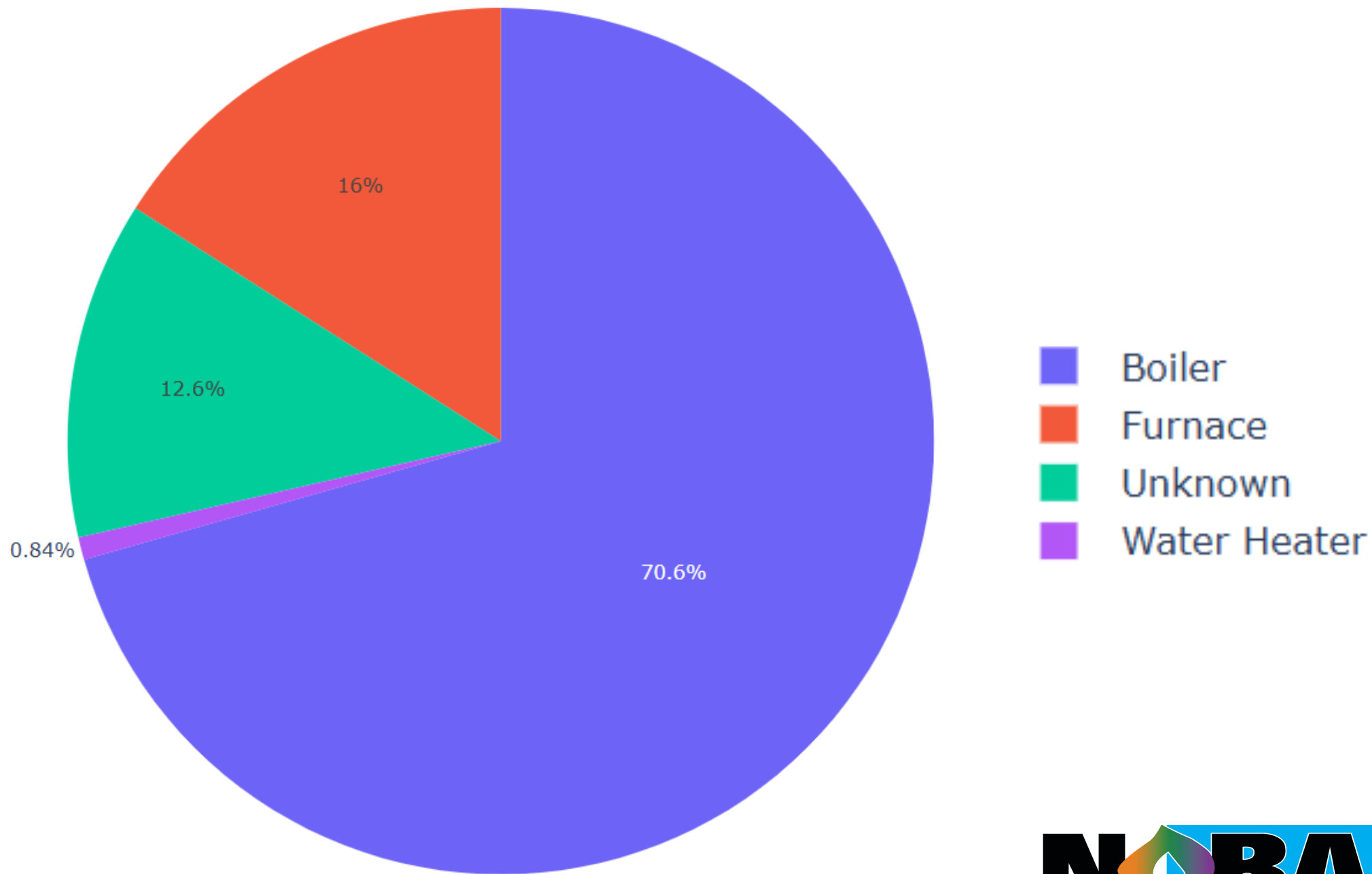
STATE



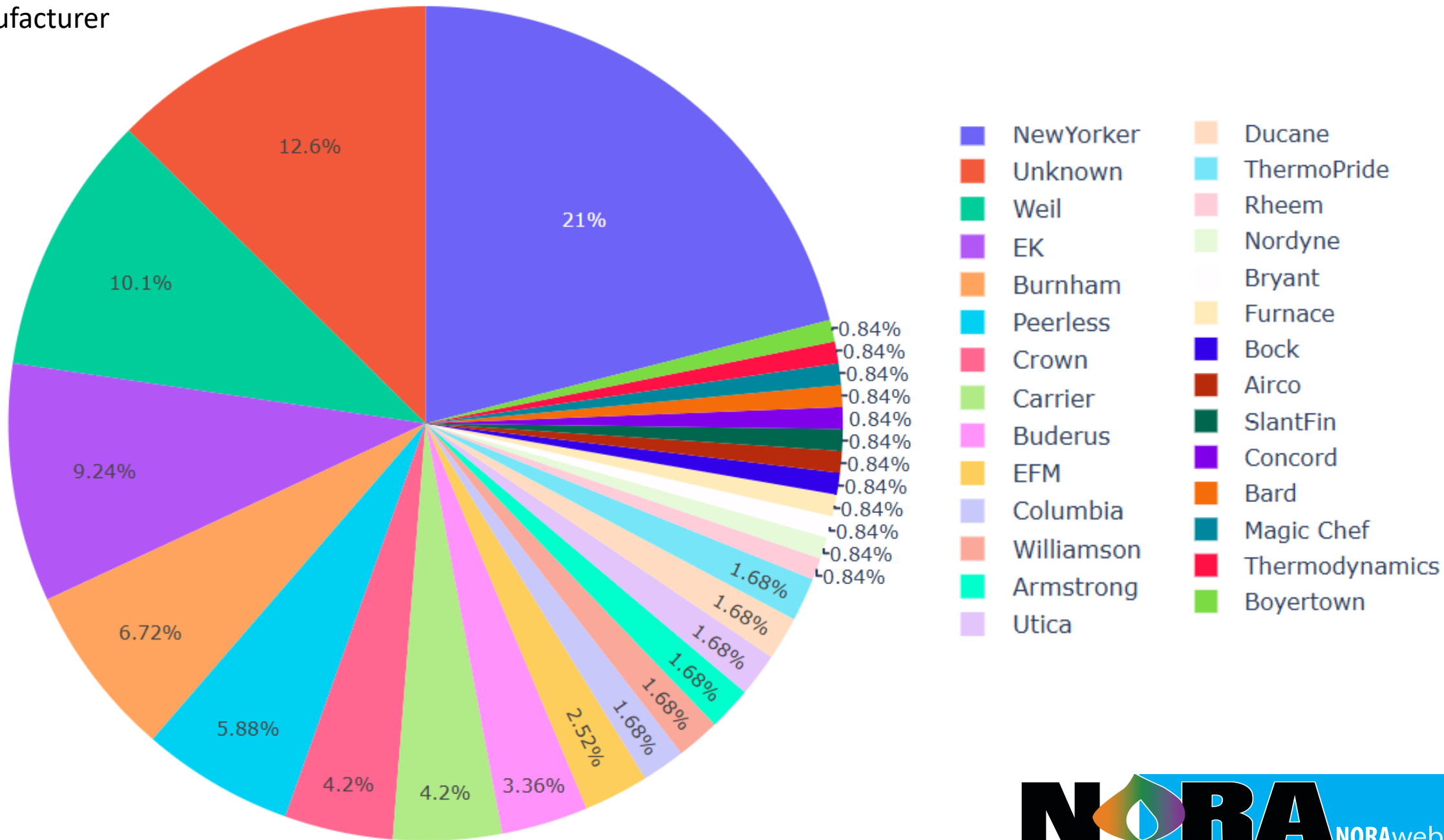
Site Type



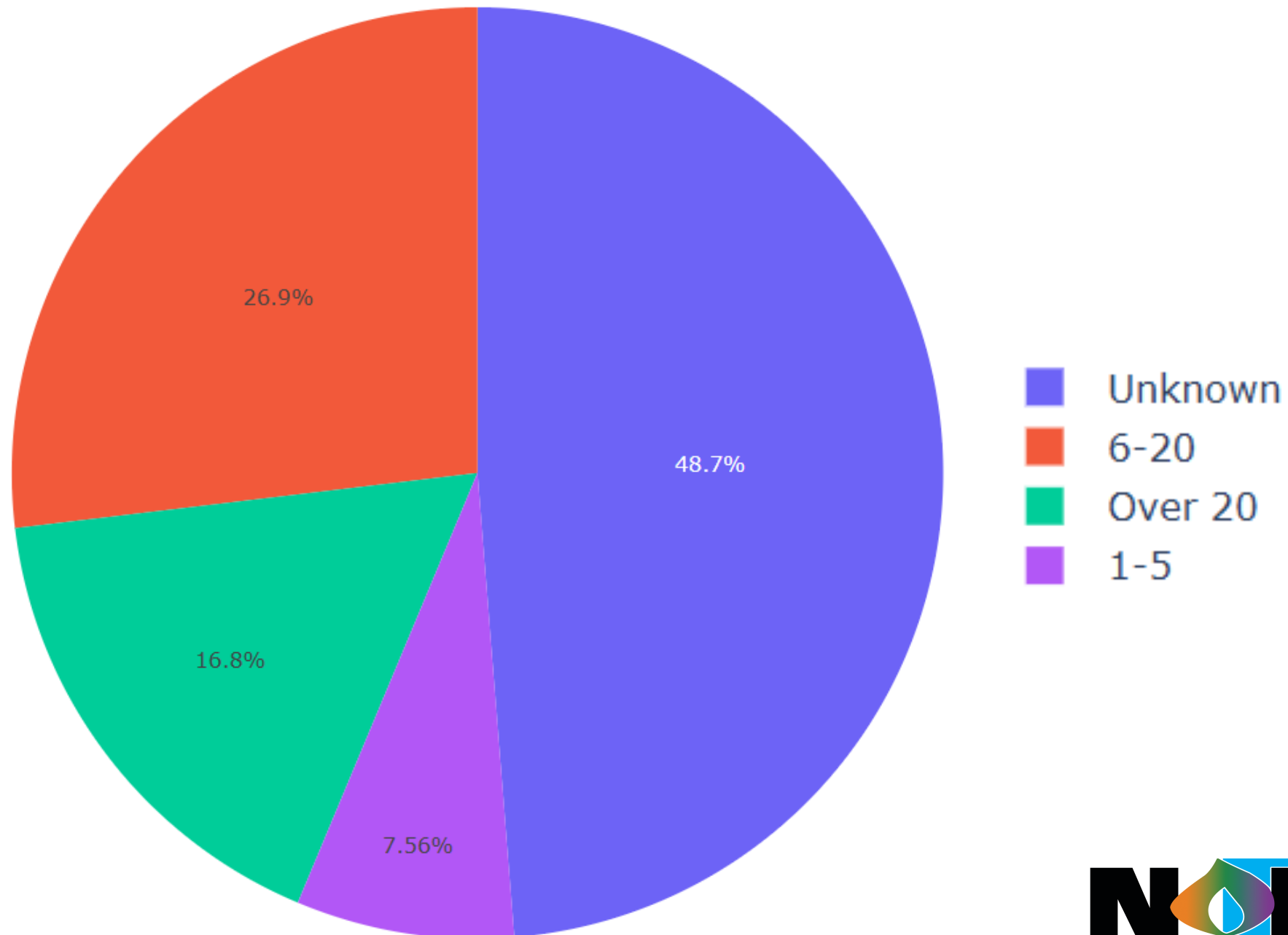
Unit
Type



Manufacturer



Tank Age



Conferences / Presentations / Papers

- ASHRAE June 2024 – B100 Net Zero Home Concept
- IASH (Int. Assoc. for Storage & Handling of Liquid Fuels)
Sept 2024 – EL
- CT DEEP Hearing on the State ACT Implementation
- Net Zero Home with B100 - Paper
- Filtration – NORA report completed
- ASHRAE Seminar Proposal for upcoming Winter Meeting

Summer Research Internships

Derek Huang – Stony Brook University
Santino Decarolis -SUNY Morrisville

Thank you! NORA R&D Team

NORA Education Update

Bob O'Brien
Newport , RI

September 23rd, 2024



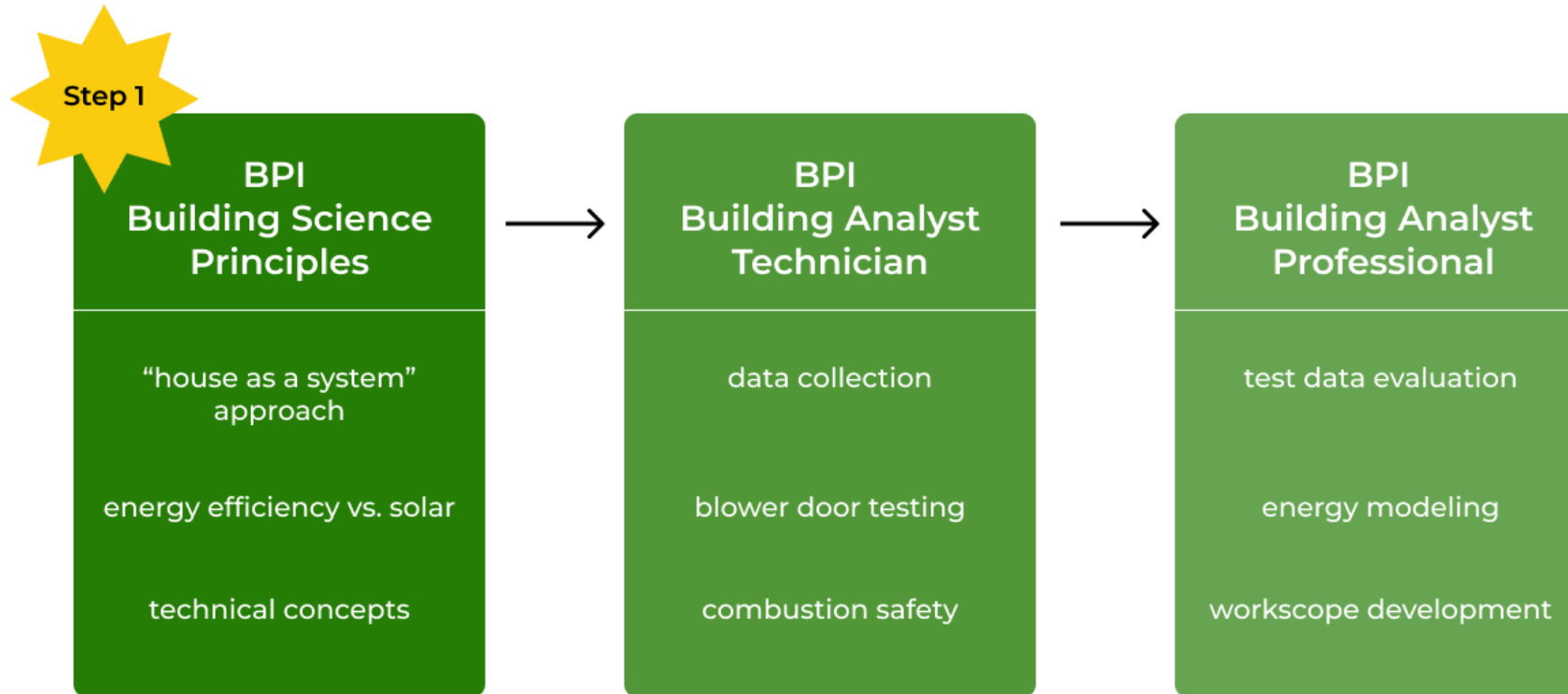
BPI Test Center



- NORA is a Certified BPI Test Center!
- Energy Audits- T
- Modeling & Evaluation- P

BPI Pathway

Skill Increase With Each BPI Certification



NORA/BPI

- State /Federal/Utility programs
- Diversification opportunity
- BPI Standards Technical Committee
 - JL & RO
- Chair of BPI STC effective 1/24



Micro-credentials?

- Fast
- Affordable
- Stackable
- Demand



New Schools

- Greenfield Community College
- Trades Up
- Suffolk BOCES West
- Washington County CC*
- Van Buren Tech Center HS*
- Nassau BOCES*
- Dead River-NH *



SUNY Morrisville



- Both 2 & 4 year programs leading to associates or bachelors in renewable energy.
- 90% in bachelors program
- NORA Bronze curriculum will be delivered over two semesters in two 3 credit classes
- Began March 2024- Soft launch
- Kickoff- October 24th

SUNY Morrisville

- Students will install Granby boiler as a project
- All renewable fuels
- B100 then
- Renewable diesel?



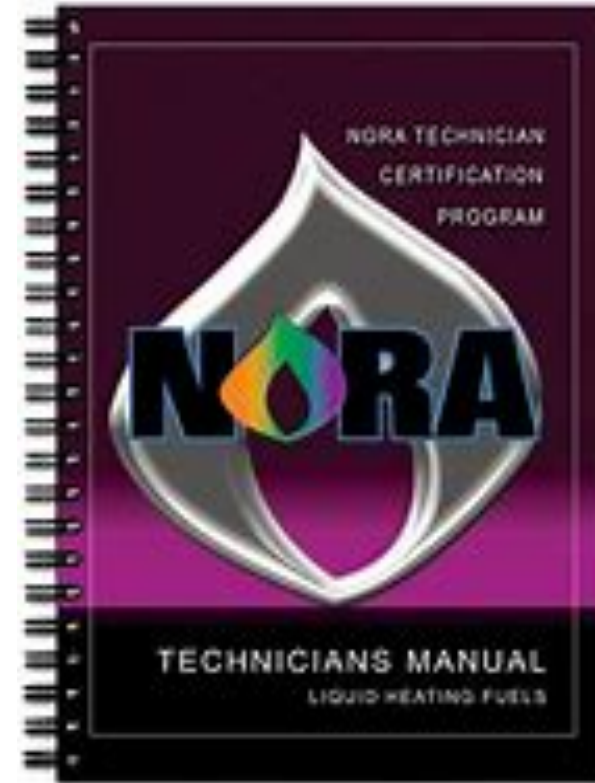
SUNY Morrisville



- Well insulated, heated enclosure
- Granby 2n1 double wall poly
- B100
- Temperature monitored & logged
- Top, mid & bottom of enclosure
- Fuel line and internal tank temperature
- Tank heater in future

Curriculum Updates

- New Vendor- ESCO
- Print on Demand/Fulfillment
- E-Book
- Audiobook
- Gold Manuals?



GOLD Certification



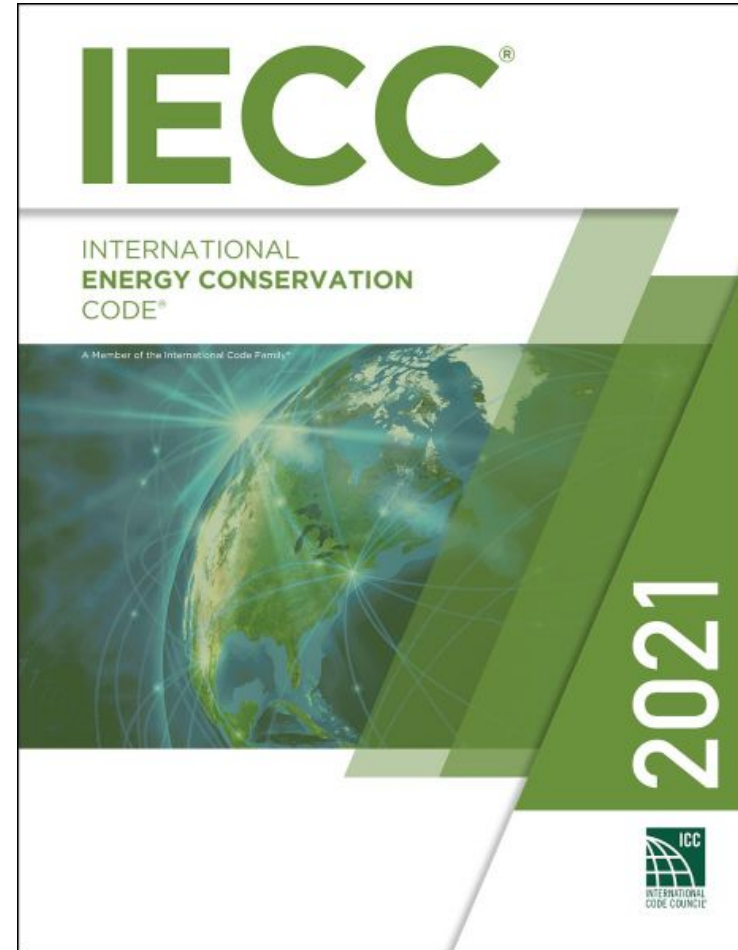
- Airflow, Steam Hydronics, Efficiency, Tanks & Venting
- New Class
- Renewable Liquid Fuels

US Antarctic Project



NORA Code Committee

Reps from across industry
Formulate plan to promote
renewable liquid fuels as a
decarbonization option
Organize a defensive strategy
against anti-combustion and anti-
renewable fuel proposals



Appeals

- AGA and AHRI among others filed appeals
- Electrification infrastructure & Efficiency Options
- Appeal board declined appeals
- Executive board overruled
- Electrification to appendix
- Efficiency to reference
- State Battlegrounds



Technical Resource Center

- Continually updateable
- OEM bulletins & guides
- OEM videos
- NORA generated content
- Short task-oriented videos
- “Living addendum”
- Social Media

