

**NATIONAL OILHEAT RESEARCH  
ALLIANCE, INC.**

**DECEMBER 31, 2023 AND 2022**

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may be reproduced only  
in their entirety**

**NATIONAL OILHEAT RESEARCH ALLIANCE, INC.**

**DECEMBER 31, 2023 AND 2022**

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## **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 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.

*UHY LLP*

McLean, Virginia  
October 11, 2024

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

ASSETS

	2023	2022
<b>ASSETS</b>		
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
	\$ 20,474,290	\$ 18,896,161

LIABILITIES AND NET ASSETS

<b>LIABILITIES</b>		
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
	6,620,959	5,901,727

**NET ASSETS**

Net assets without donor restrictions available for obligation - other than for consumer education, safety, and training	56,271	263,943
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	193,237
	13,853,331	12,994,434

<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 20,474,290</b>	<b>\$ 18,896,161</b>
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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
<b>TOTAL EXPENSES</b>	<b>\$ 3,041,576</b>	<b>\$ 820,638</b>	<b>\$ 1,554,774</b>	<b>\$ 922,404</b>	<b>\$ 6,339,392</b>	<b>\$ 262,327</b>	<b>\$ 311,259</b>	<b>\$ 6,912,978</b>
	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
<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>\$ 228,568</b>	<b>\$ 246,266</b>	<b>\$ 6,959,469</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, 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)
	1,462,211	1,967,200
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	\$ 17,327,183	\$ 15,864,972
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITY:		
Noncash change in operating right-of-use asset	\$ (390,474)	\$ (89,623)
Noncash change in operating lease liability	\$ 406,311	\$ 86,107
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	\$ 17,327,183	\$ 15,864,972



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
	1,970,550	2,242,331
Total state grants payable		
Unallocated state rebates	2,868,676	2,403,161
	\$ 4,839,226	\$ 4,645,492
Total state grants payable and obligation for unallocated state rebates		

**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
	<u>\$ 561,900</u>	<u>\$ 107,300</u>
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 October 11, 2024, 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>\$ 1,847,664</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	(3,778,697)	(4,632,407)
Total financial assets available within one year for operations	\$ 1,184,511	\$ 1,245,011

**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	224,037
Undiscounted future cash flows	729,468
Less: discount to present value	(41,843)
Total operating lease liability	\$ 687,625



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

**NOTE 10 – ADOPTION OF NEW ACCOUNTING PRONOUNCEMENT**

During the year ended December 31, 2023, the Alliance was required to implement Accounting Standards Update 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	\$ 560,973	\$ 613,441	1,174,414
NATIONAL SPENDING IN 2023			1,867,162
TOTAL 2023 EXPENSE			\$ 3,041,576
2023 NATIONAL BUDGET NOT YET SPENT			\$ 1,169,917

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

	<u>Amounts Granted in 2023</u>	
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	<u>16,856</u>	
Total state grant expense		\$ 802,853
NATIONAL SPENDING IN 2023		<u>17,785</u>
TOTAL 2023 EXPENSE		<u><u>\$ 820,638</u></u>
2023 NATIONAL BUDGET NOT YET SPENT		<u><u>\$ 55,289</u></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, 2023

		Amounts Granted in 2023
<hr/>		
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
		922,404
TOTAL 2023 EXPENSE	\$	922,404

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.