

**NATIONAL OILHEAT RESEARCH
ALLIANCE, INC.**

DECEMBER 31, 2024 AND 2023

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in their entirety**

NATIONAL OILHEAT RESEARCH ALLIANCE, INC.

DECEMBER 31, 2024 AND 2023

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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, 2024 and 2023, 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, 2024 and 2023, 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. 2025-05, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets* in 2024. 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, 2024, 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 30, 2025

NATIONAL OILHEAT RESEARCH ALLIANCE, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2024 AND 2023

ASSETS

	2024	2023
ASSETS		
Cash and cash equivalents	\$ 8,309,500	\$ 9,212,417
Assessments receivable	2,434,916	2,424,760
Operating right-of-use asset	575,689	664,986
Cash held in escrow	10,303,314	8,114,766
Other assets	60,211	57,361
TOTAL ASSETS	\$ 21,683,630	\$ 20,474,290

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable	\$ 181,037	\$ 153,115
Deferred contract revenue	385,292	375,490
Refunds payable	586,119	490,229
State grants payable	1,490,211	1,970,550
Obligation for unallocated state rebates	2,381,568	2,868,676
Operating lease liability	603,003	687,625
Other liabilities	110,349	75,274
Total liabilities	5,737,579	6,620,959

NET ASSETS

Net assets without donor restrictions available for obligation - other than for consumer education, safety, and training	505,427	56,271
Designated net assets:		
Pre-2014 reauthorization net assets	55,933	55,933
Unavailable for obligation until October 1, 2028	12,062,773	9,962,430
National spending not yet incurred:		
Research, development, and demonstration - not yet obligated	2,770,900	3,214,931
Research, development, and demonstration - obligated under contract	-	67,594
Heating oil efficiency and upgrade - not yet obligated	269,380	230,025
Consumer education, safety, and training - not yet obligated	281,638	266,147
Total net assets without donor restrictions	15,946,051	13,853,331
TOTAL LIABILITIES AND NET ASSETS	\$ 21,683,630	\$ 20,474,290

NATIONAL OILHEAT RESEARCH ALLIANCE, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUE		
Assessments revenue, net of refunds	\$ 7,220,333	\$ 7,209,975
Other income	1,271,434	561,900
Total revenue	8,491,767	7,771,875
EXPENSES		
Program services:		
Research, development, and demonstration	2,889,971	3,041,576
Heating oil efficiency and upgrade	880,723	820,638
Consumer education, safety, and training	1,435,128	1,554,774
Unallocated state rebates	508,395	922,404
Total program expenses	5,714,217	6,339,392
Administrative costs	288,411	262,327
General and special projects:		
Assessment and collection costs	316,093	246,501
Annual report costs	80,326	64,758
Total general and special projects	396,419	311,259
Total expenses	6,399,047	6,912,978
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	2,092,720	858,897
NET ASSETS, BEGINNING OF YEAR	13,853,331	12,994,434
NET ASSETS, END OF YEAR	\$ 15,946,051	\$ 13,853,331

NATIONAL OILHEAT RESEARCH ALLIANCE, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024							
	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 2024
Grants	\$ 1,004,938	\$ 861,579	\$ 1,198,619	\$ 508,395	\$ 3,573,531	\$ -	\$ -	\$ 3,573,531
Salaries, taxes, and benefits	988,701	18,519	32,261	-	1,039,481	57,042	80,703	1,177,226
Professional fees	605,560	625	199,756	-	805,941	201,175	305,265	1,312,381
Occupancy	113,180	-	-	-	113,180	2,130	-	115,310
Other expenses	177,592	-	4,492	-	182,084	28,064	10,451	220,599
TOTAL EXPENSES	\$ 2,889,971	\$ 880,723	\$ 1,435,128	\$ 508,395	\$ 5,714,217	\$ 288,411	\$ 396,419	\$ 6,399,047

	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

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, 2024 AND 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,092,720	\$ 858,897
Adjustments to reconcile change in net assets to net change in cash from operating activities:		
Operating lease	4,675	15,837
Changes in assets and liabilities:		
Assessments receivable	(10,156)	231,353
Other assets	(2,850)	43,203
Accounts payable	27,922	(68,205)
Deferred contract liability	9,802	103,438
Refunds payable	95,890	66,583
State grants payable	(480,339)	(271,781)
Obligation for unallocated state rebates	(487,108)	465,515
Other liabilities	35,075	17,371
NET CHANGE IN CASH, CASH EQUIVALENTS, AND CASH HELD IN ESCROW	1,285,631	1,462,211
CASH, CASH EQUIVALENTS, AND CASH HELD IN ESCROW, BEGINNING OF YEAR	17,327,183	15,864,972
CASH, CASH EQUIVALENTS, AND CASH HELD IN ESCROW, END OF YEAR	\$ 18,612,814	\$ 17,327,183
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITY:		
Noncash change in operating right-of-use asset	\$ 89,297	\$ (390,474)
Noncash change in operating lease liability	\$ (84,622)	\$ 406,311
SUPPLEMENTAL BREAKDOWN OF CASH, CASH EQUIVALENTS, AND CASH HELD IN ESCROW:		
Cash and cash equivalents	\$ 8,309,500	\$ 9,212,417
Cash held in escrow	10,303,314	8,114,766
Total cash, cash equivalents, and cash held in escrow	\$ 18,612,814	\$ 17,327,183

NATIONAL OILHEAT RESEARCH ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 1 - THE ORGANIZATION

National Oilheat Research Alliance, Inc. (the Alliance) is a not-for-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, 2024 and 2023, 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, 2024, 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, 2024 AND 2023

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:

	2024	2023
Research, development, and demonstration	\$ 735,974	\$ 814,672
Heating oil efficiency and upgrade	229,084	355,126
Consumer education, safety, and training	525,153	800,752
Total state grants payable	1,490,211	1,970,550
Unallocated state rebates	2,381,568	2,868,676
Total state grants payable and obligation for unallocated state rebates	\$ 3,871,779	\$ 4,839,226

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, 2024 AND 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2024 and 2023.

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.

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 self-reported by wholesalers and distributors of distillate to the Alliance and 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

The amount of assessments to be received, but not remitted to the Alliance as of year-end, was recognized as assessments receivable of \$2,434,916, \$2,424,760, and \$2,656,113 as of December 31, 2024, 2023, and 2022, respectively, based upon amounts self-reported to the Alliance by wholesalers and retailers of distillate subsequent to year-end related to the years ended December 31. The Alliance adopted the practical expedient to assume that current conditions as of the statement of financial position date do not change for the remaining life of the asset. The Alliance also uses the accounting policy election to consider collection activity through May 31 of the subsequent year, when estimating expected credit losses. As of December 31, 2024 and 2023, 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 \$1,155,673 and \$1,169,277 for the years ended December 31, 2024 and 2023, respectively. The Alliance recorded a refunds payable of \$586,119, \$490,229, and \$423,646 as of December 31, 2024, 2023, and 2022, respectively, for estimated refunds remaining unpaid based on historical and subsequent refunds paid.

NATIONAL OILHEAT RESEARCH ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

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 \$385,292, \$375,490, and \$272,052 as of December 31, 2024, 2023, and 2022 respectively. A detail of other income as of December 31, is as follows:

	2024	2023
Contract revenue	\$ 540,198	\$ 346,562
Gross sales of publications	79,698	82,172
Less: cost of sales	(49,390)	(90,112)
Interest income	687,515	219,833
Other income	13,413	3,445
	\$ 1,271,434	\$ 561,900
Total other income		

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.

Reclassifications

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

Subsequent Events

The Alliance has evaluated subsequent events through October 1, 2025, 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.

NATIONAL OILHEAT RESEARCH ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 3 - PROGRAM SERVICES (continued)

Research, Development, and Demonstration

The Public Laws 113-79 and 115-334 require the Alliance to ensure not less than 30 percent of the assessments collected for each calendar year after the amounts required to be escrowed and not obligated until October 1, 2028, under Public Law 115-334 are used by qualified state associations or the Alliance to conduct research, development, and demonstration activities relating to oilheat fuel, including the development of energy-efficient heating systems to be placed into the marketplace. This also includes the Alliance, in conjunction with an institution or organization engaged in biofuels research, to develop consumer education materials describing the benefits of using biofuels as or in oilheat fuel based on the technical information developed.

In 2024, the Alliance granted or expended \$2,889,971 for the research, development, and demonstration program, including \$1,885,033 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. 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. To date, the following amounts have been expended of the total \$2.0 million available to be utilized: \$242,197, \$613,441, \$370,743, and \$307,545 in the years ended December 31, 2024, 2023, 2022, and 2021, respectively.

The Alliance also budgeted \$1,143,000 in additional national spending from 2024 assessments revenue to be spent subsequent to year-end for the research, development, and demonstration program making the total for 2024, 35 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 2024 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 2024, the Alliance granted or expended \$880,723 for the heating oil efficiency and upgrade program, including \$19,144 in national spending of past year's assessments revenue. The Alliance also budgeted \$58,500 in additional national spending from 2024 assessments revenue to be spent subsequent to year-end for the heating oil efficiency and upgrade program, making the total for 2024, 17 percent of net assessments revenue after deducting the amount added to net assets unavailable for obligation until October 1, 2028. Additionally, unallocated state rebates of 2024 assessments revenue will be used for the heating oil efficiency and upgrade program.

NATIONAL OILHEAT RESEARCH ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 3 - PROGRAM SERVICES (continued)

Consumer Education, Safety, and Training

The Public Laws 113-79 and 115-334 require the Alliance to ensure not more than 30 percent of the assessments collected for each calendar year after the amounts required to be escrowed and not obligated until October 1, 2028, under Public Law 115-334 are used (i) to conduct consumer education activities relating to oilheat fuel, including providing information to consumers on energy conservation strategies, safety, new technologies that reduce consumption or improve safety and comfort, the use of biofuel blends, and federal, state, and local programs designed to assist oilheat fuel consumers, (ii) to conduct worker safety and training activities relating to oilheat fuel, including energy efficiency training, (iii) to carry out other activities recommended by the Secretary of Energy, or (iv) to establish a data collection process to track equipment, service, and related safety issues to develop measures to improve safety.

In 2024, the Alliance granted or expended \$1,435,128 for the consumer education, safety, and training program, including \$236,509 in national spending of past year's assessments revenue. The Alliance also budgeted \$252,000 in additional national spending from 2024 assessments revenue for the consumer education, safety, and training program, making the total for 2024, 27 percent of net assessments revenue after deducting the amount added to net assets unavailable for obligation until October 1, 2028.

Unallocated State Rebates

In addition to the specific program commitments discussed previously, the Alliance has committed \$508,395 to state organizations, which is 9 percent of net 2024 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 \$288,411 and \$262,327 for Administrative expenses, in the years ended December 31, 2024 and 2023, respectively, which was 5 percent each year, of net assessments revenue after deducting the amount added to net assets unavailable for obligation until October 1, 2028. 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 \$316,093 and \$246,501 for the years ended December 31, 2024 and 2023, respectively.

NATIONAL OILHEAT RESEARCH ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 6 - LEASE COMMITMENTS

The Alliance has an operating lease agreement for a liquid fuels research center with an extended term through December 31, 2025. The lease contains an option for a second renewal term through December 31, 2030, that has been exercised subsequent to year end, 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 \$575,689 and \$664,986 and an operating lease liability of \$603,003 and \$687,625 as of December 31, 2024 and 2023, respectively, based on a weighted-average discount rate of 1.72 percent and 1.63 percent, respectively. The Alliance also has two short-term leases for the storage of liquid fuels and equipment. Total rent expense under the liquid fuels research center lease was \$100,101 and \$133,322 for the years ended December 31, 2024 and 2023, 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:

<u>Year ending December 31,</u>	
2025	\$ 98,056
2026	100,998
2027	104,028
2028	107,149
Thereafter	<u>224,037</u>
Undiscounted future cash flows	634,268
Less: discount to present value	<u>(31,265)</u>
Total operating lease liability	<u><u>\$ 603,003</u></u>

NOTE 7 - 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, 2024, the Alliance had \$17,661,717 cash in excess of FDIC limits. Management does not consider this a significant concentration of credit risk.

As of December 31, 2024, 42 percent of the Alliance's accounts receivable came from five companies and 55 percent of total revenue and gains/losses were from seven companies or sources.

NATIONAL OILHEAT RESEARCH ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 8 - 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, 2024 and 2023, \$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 \$3,321,918 and \$3,778,697 in national spending of assessments revenue, which had not yet been incurred as of December 31, 2024 and 2023, respectively. The Alliance has designated net assets in these amounts for future program spending, some of which, the Alliance has approved contracts to expend.

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

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

Net Assets Unavailable for Obligation Until October 1, 2028

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

The following is a detail of amounts unavailable for use until October 1, 2028, as of December 31:

	<u>Assessments</u>	<u>Interest</u>	<u>Total</u>
Unavailable balance, January 1, 2023	\$ 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	9,842,911	119,519	9,962,430
Income on escrow	-	295,260	295,260
Assessments	1,805,083	-	1,805,083
Unavailable balance, December 31, 2024	<u>\$ 11,647,994</u>	<u>\$ 414,779</u>	12,062,773
Cash held in escrow account, December 31, 2024			<u>10,303,314</u>
Amount to be deposited in escrow after year-end			<u>\$ 1,759,459</u>

NATIONAL OILHEAT RESEARCH ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 9 - 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:

	2024	2023
Cash, except cash held in escrow	\$ 8,309,500	\$ 9,212,417
Assessments receivable due within one year	2,434,916	2,424,760
Other assets	1,095	12,921
Less: state grants payable	(1,490,211)	(1,970,550)
Less: obligation for unallocated state rebates	(2,381,568)	(2,868,676)
Less: amounts to be transferred to escrow	(1,759,459)	(1,847,664)
Less: designated net assets for national spending not yet incurred	(3,321,918)	(3,778,697)
Total financial assets available within one year for operations	\$ 1,792,355	\$ 1,184,511

NOTE 10 - ADOPTION OF A NEW ACCOUNTING STANDARD

During the year ended December 31, 2024, the Alliance elected to early implement Accounting Standards Update (ASU) No. 2025-05, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets*. The update has a practical expedient that entities may elect to assume that current conditions as of the statement of financial position date do not change for the remaining life of the asset. The update also has an accounting policy election that permits non-public entities to consider collection activity after the statement of financial position date when estimating expected credit losses. The Alliance adopted both the practical expedient and the accounting policy election effective January 1, 2024. 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, 2024

	<u>Initial Amounts Granted in 2024</u>	<u>Additional Amounts Expended From National Budget</u>	<u>Total</u>
STATE GRANTS:			
Connecticut	\$ 89,174	\$ -	\$ 89,174
Indiana	492	-	492
Kentucky	10,532	-	10,532
Maine	42,270	52,026	94,296
MAPDA (Delaware, Maryland, and Washington, D.C.)	24,997	-	24,997
Massachusetts	71,550	92,325	163,875
Michigan	13,201	3,464	16,665
Nevada	140	-	140
New Hampshire	57,366	139	57,505
New Jersey	-	43,335	43,335
New York:			
UNYEA	36,442	27,442	63,884
HVOEC	33,969	14,557	48,526
NYSEC	75,358	8,910	84,268
North Carolina	64,500	-	64,500
Ohio	19,941	-	19,941
Pennsylvania	103,186	-	103,186
Rhode Island	24,225	-	24,225
South Carolina	12,427	-	12,427
Vermont	15,026	-	15,026
Virginia	50,390	-	50,390
Washington	2,247	-	2,247
Wisconsin	15,307	-	15,307
	<u>\$ 762,740</u>	<u>\$ 242,198</u>	<u>1,004,938</u>
Total state grant expense			<u>1,885,033</u>
NATIONAL SPENDING IN 2024			<u>1,885,033</u>
TOTAL 2024 EXPENSE			<u>\$ 2,889,971</u>
2024 NATIONAL BUDGET NOT YET SPENT			<u>\$ 1,143,000</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, 2024

	Amounts Granted in 2024	
	<u>2024</u>	
STATE GRANTS:		
Connecticut	\$ 99,741	
Indiana	550	
Kentucky	11,780	
Maine	47,279	
MAPDA (Delaware, Maryland, and Washington, D.C.)	27,959	
Massachusetts	80,029	
Michigan	14,765	
Nevada	157	
New Hampshire	30,237	
New Jersey	33,928	
New York:		
UNYEA	40,760	
HVOEC	24,456	
NYSEC	97,825	
North Carolina	84,000	
Ohio	22,304	
Pennsylvania	115,137	
Rhode Island	27,095	
South Carolina	13,901	
Vermont	16,807	
Virginia	53,235	
Washington	5,992	
Wisconsin	<u>13,642</u>	
Total state grant expense		\$ 861,579
NATIONAL SPENDING IN 2024		<u>19,144</u>
TOTAL 2024 EXPENSE		<u><u>\$ 880,723</u></u>
2024 NATIONAL BUDGET NOT YET SPENT		<u><u>\$ 58,500</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, 2024

		Amounts Granted in 2024
		<u>2024</u>
STATE GRANTS		
Connecticut	\$	164,137
Indiana		905
Kentucky		19,386
Maine		77,804
MAPDA (Delaware, Maryland, and Washington, D.C.)		46,010
Massachusetts		131,697
Michigan		24,297
Nevada		258
New Hampshire		51,586
New Jersey		54,005
New York:		
UNYEA		67,077
HVOEC		40,246
NYSEC		160,984
North Carolina		15,170
Ohio		36,705
Pennsylvania		189,467
Rhode Island		44,588
South Carolina		22,876
Vermont		27,658
Virginia		(8,548)
Washington		4,136
Wisconsin		<u>28,175</u>
Total state grant expense	\$	1,198,619
NATIONAL SPENDING IN 2024		<u>236,509</u>
TOTAL 2024 EXPENSE	\$	<u><u>1,435,128</u></u>
2024 NATIONAL BUDGET NOT YET SPENT	\$	<u><u>252,000</u></u>

NATIONAL OILHEAT RESEARCH ALLIANCE, INC.
SUPPLEMENTAL SCHEDULE OF EXPENSES BY STATE/JURISDICTION
- UNALLOCATED STATE REBATES
FOR THE YEAR ENDED DECEMBER 31, 2024

		Amounts Granted in 2024
UNALLOCATED STATE REBATES:		
Connecticut	\$	69,994
Indiana		386
Kentucky		8,267
Maine		33,178
MAPDA (Delaware, Maryland, and Washington, D.C.)		19,620
Massachusetts		56,161
Michigan		10,361
Nevada		110
New Hampshire		21,219
New Jersey		23,809
New York:		
UNYEA		28,604
HVOEC		17,162
NYSEC		68,650
North Carolina		(18,768)
Ohio		15,652
Pennsylvania		80,799
Rhode Island		19,014
South Carolina		9,755
Vermont		11,794
Virginia		18,849
Washington		1,764
Wisconsin		12,015
TOTAL 2024 EXPENSE		<u>\$ 508,395</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.