

NATIONAL OILHEAT RESEARCH ALLIANCE, INC.

DECEMBER 31, 2018 AND 2017

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in their entirety.**

NATIONAL OILHEAT RESEARCH ALLIANCE, INC.

DECEMBER 31, 2018 AND 2017

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INDEPENDENT AUDITOR'S REPORT

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

Scope

We have audited the accompanying financial statements of the National Oilheat Research Alliance, Inc. (the Alliance), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Alliance's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Opinion

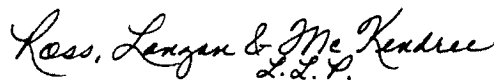
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Alliance as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 11 to the financial statements, in 2018, the Alliance adopted Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Expenses by State/Jurisdiction on pages 14-17 for the year ended December 31, 2018, 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.



CERTIFIED PUBLIC ACCOUNTANTS

August 19, 2019

NATIONAL OILHEAT RESEARCH ALLIANCE, INC.

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

ASSETS

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash	\$ 9,151,550	\$ 9,343,450
Assessments receivable	3,086,323	2,987,247
Prepaid state assessments	137,970	217,360
Other assets	<u>112,632</u>	<u>78,190</u>
TOTAL ASSETS	<u>\$ 12,488,475</u>	<u>\$ 12,626,247</u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable	\$ 760,957	\$ 1,098,309
Refunds payable	337,662	318,984
State grants payable	3,084,544	3,389,090
Obligation for unallocated state rebates	1,988,799	2,615,817
Other liabilities	<u>68,175</u>	<u>45,619</u>
TOTAL LIABILITIES6,240,1377,467,819
NET ASSETS		
Net assets without donor restrictions available for obligation - other than for consumer education, safety, and training	642,774	431,117
Designated net assets:		
Pre-2014 reauthorization net assets	55,933	55,933
National spending not yet incurred:		
Research, development, and demonstration - not yet obligated	5,098,554	3,779,596
Research, development, and demonstration - obligated under contract	316,580	750,328
Heating oil efficiency and upgrade - not yet obligated	123,040	110,763
Heating oil efficiency and upgrade - obligated under contract	-	-
Consumer education, safety, and training - not yet obligated	11,457	30,691
Consumer education, safety, and training - obligated under contract	<u>-</u>	<u>-</u>
Total net assets without donor restrictions	<u>6,248,338</u>	<u>5,158,428</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 12,488,475</u>	<u>\$ 12,626,247</u>

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

NATIONAL OILHEAT RESEARCH ALLIANCE, INC.

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUE AND GAINS/LOSSES		
Assessments revenue, net of refunds	\$ 9,241,652	\$ 8,851,079
Contract revenue	257,259	83,800
Other income	<u>73,832</u>	<u>28,684</u>
Total revenue and gains/losses9,572,7438,963,563
EXPENSES		
Program expenses:		
Research, development, and demonstration	1,928,697	1,869,509
Heating oil efficiency and upgrade	1,394,446	1,313,136
Consumer education, safety, and training	2,791,730	2,651,449
Unallocated state rebates	<u>1,942,501</u>	<u>1,818,717</u>
Total program expenses8,057,3747,652,811
Administrative costs231,756195,263
General and special projects:		
Assessment and collection costs	135,230	179,944
Annual report costs	<u>58,473</u>	<u>59,663</u>
Total general and special projects	<u>193,703</u>	<u>239,607</u>
Total expenses	<u>8,482,833</u>	<u>8,087,681</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	1,089,910	875,882
NET ASSETS, BEGINNING OF YEAR	<u>5,158,428</u>	<u>4,282,546</u>
NET ASSETS, END OF YEAR	<u>\$ 6,248,338</u>	<u>\$ 5,158,428</u>

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

NATIONAL OILHEAT RESEARCH ALLIANCE, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018							
	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 2018
Grants	\$ 713,907	\$ 1,326,723	\$ 2,463,485	\$ 1,942,501	\$ 6,446,616	\$ -	\$ -	\$ 6,446,616
Salaries, taxes, and benefits	388,799	56,854	67,656	-	513,309	59,661	36,037	609,007
Professional fees	727,318	4,738	249,398	-	981,454	151,383	153,089	1,285,926
Other expenses	98,673	6,131	11,191	-	115,995	20,712	4,577	141,284
TOTAL 2018 EXPENSES	\$ 1,928,697	\$ 1,394,446	\$ 2,791,730	\$ 1,942,501	\$ 8,057,374	\$ 231,756	\$ 193,703	\$ 8,482,833

	2017							
	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 2017
Grants	\$ 563,659	\$ 1,248,355	\$ 2,369,317	\$ 1,818,717	\$ 6,000,048	\$ -	\$ -	\$ 6,000,048
Salaries, taxes, and benefits	335,166	35,994	54,021	-	425,181	79,182	45,173	549,536
Professional fees	783,147	25,755	216,764	-	1,025,666	97,737	140,036	1,263,439
Other expenses	187,537	3,032	11,347	-	201,916	18,344	54,398	274,658
TOTAL 2017 EXPENSES	\$ 1,869,509	\$ 1,313,136	\$ 2,651,449	\$ 1,818,717	\$ 7,652,811	\$ 195,263	\$ 239,607	\$ 8,087,681

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, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,089,910	\$ 875,882
Adjustments to reconcile change in net assets to net change in cash from operating activities:		
Depreciation and amortization	31,121	31,064
Changes in assets and liabilities:		
Assessments receivable	(99,076)	(168,978)
Prepaid state assessments	79,390	(149,571)
Other assets	(65,563)	11,332
Accounts payable	(337,352)	385,975
Refunds payable	18,678	(74,006)
State grants payable	(304,546)	(712,752)
Obligation for unallocated state rebates	(627,018)	(315,060)
Other liabilities	<u>22,556</u>	<u>11,378</u>
Net change in cash from operating activities	<u>(191,900)</u>	<u>(104,736)</u>
NET CHANGE IN CASH	(191,900)	(104,736)
CASH, BEGINNING OF YEAR	<u>9,343,450</u>	<u>9,448,186</u>
CASH, END OF YEAR	<u>\$ 9,151,550</u>	<u>\$ 9,343,450</u>

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

NATIONAL OILHEAT RESEARCH ALLIANCE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

NOTE 1 - THE ORGANIZATION

The 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 NORA Public Law 113-79. The Alliance was created to educate consumers about the benefits of oilheat, to perform research and development, to encourage heating oil efficiency and upgrades, and to provide technical training to provide better customer service. The Alliance's Board consists of members from the oilheat industry, retail markets, wholesale distributors, public members, and representatives from the states with the highest oilheat sales. The Alliance was incorporated on January 31, 2001. Funding under the NORA Public Law 106-469 ceased on February 6, 2010. On February 7, 2014, the NORA Public Law 113-79 extended the provisions of NORA Public Law 106-469 to February 6, 2019. Funding under NORA Public Law 113-79 resumed effective April 1, 2014. On December 20, 2018, Public Law 115-334, *the Agriculture Improvement Act of 2018* (NORA Public Law 115-334) was signed. NORA Public Law 115-334 extended and modified the provisions of NORA Public Law 113-79 to February 6, 2029.

Pursuant to NORA 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. In the years ended December 31, 2018 and 2017, the Alliance was in compliance with these percentages. Beginning February 6, 2019, NORA Public Law 115-334 increased the limit on administrative costs to 7 percent of assessments revenue. Furthermore, NORA 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 NORA Public Law 106-469.

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.

Reclassifications

Certain 2017 amounts have been reclassified to conform with 2018 classifications.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other Receivables and Contract Revenue

Other receivables consist of amounts due from research and development contracts. Contract revenue is recognized when services have been completed. Bad debts are recognized based on historical experience and an evaluation of outstanding receivables. Receivables are written off when all reasonable efforts for collection have been utilized. No allowance was deemed necessary by management at December 31, 2018 or 2017.

Assessments Revenue

The NORA Public Law 113-79 requires 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.

Under NORA Public Law 113-79's collections rules, any dyed distillate or blends are subject to assessment. Some of this fuel is used for non-heating applications and is refunded. Assessments revenue is presented in the accompanying statements of activities net of refunds recorded of \$1,444,746 and \$1,264,055 for the years ended December 31, 2018 and 2017, respectively.

Assessments Receivable

An estimate of assessments to be received, but not remitted to the Alliance as of year-end, is recognized. Receivables are charged to bad debt loss as they are deemed uncollectible based upon a periodic review of the accounts. As of December 31, 2018 and 2017, no allowance for uncollectible accounts was considered necessary by management.

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, 2018 and 2017.

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 August 19, 2019, which is the date the financial statements were available to be issued.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

NOTE 3 - CONCENTRATIONS OF CREDIT RISK

The Alliance has exposure to credit risk on its cash and investments held in broker-managed accounts. The assets are insured by the Securities Investor Protection Corporation (SIPC), which protects investors for up to \$500,000 including a maximum of \$250,000 for claims of cash if the brokerage firm holding the assets becomes insolvent, but it does not insure the underlying assets of \$9,151,550 as of December 31, 2018. Management does not consider this a significant concentration of credit risk.

NOTE 4 - PROGRAM SERVICES

The NORA Public Law 113-79 places requirements on how the Alliance can spend the assessments it collects. At the beginning of each year, the Alliance makes an estimate of what total assessments are anticipated to be in the coming year. Grants are made to state organizations and national campaigns are undertaken based on the estimates. Actual assessments revenue differ from the estimates. 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 NORA Public Law 113-79 requires the Alliance to ensure not less than 30 percent of the assessments collected for each calendar year under the NORA Public Law 113-79 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 2018, the Alliance granted or expended \$1,928,697 for the research, development, and demonstration program, including \$1,214,790 in grants and spending of past year's assessments revenue. The Alliance also budgeted \$2,100,000 in additional national spending from 2018 assessments revenue to be spent subsequent to year-end for the research, development, and demonstration program, making the total for 2018, 30 percent of net assessments revenue. Additionally, unallocated state rebates of 2018 assessments revenue will be used for the research, development, and demonstration program.

Heating Oil Efficiency and Upgrade

The NORA Public Law 113-79 requires the Alliance to ensure not less than 15 percent of the assessments collected for each calendar year under the NORA Public Law 113-79 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 2018, the Alliance granted or expended \$1,394,446 for the heating oil efficiency and upgrade program, including \$67,723 in grants and spending of past year's assessments revenue. The Alliance also budgeted \$80,000 in additional national spending from 2018 assessments revenue to be spent subsequent to year-end for the heating oil efficiency and upgrade program, making the total for 2018, 15 percent of net assessments revenue. Additionally, unallocated state rebates of 2018 assessments revenue will be used for the heating oil efficiency and upgrade program.

NATIONAL OILHEAT RESEARCH ALLIANCE, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 4 - PROGRAM SERVICES (continued)

Consumer Education, Safety, and Training

The NORA Public Law 113-79 requires the Alliance to ensure not more than 30 percent of the assessments collected for each calendar year under the NORA Public Law 113-79 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 2018, the Alliance granted or expended \$2,791,730 for the consumer education, safety, and training program, including \$30,691 in grants and spending of past year's assessments revenue. The Alliance also budgeted \$309,010 in additional national spending from 2018 assessments revenue for the consumer education, safety, and training program, of which \$11,457 remained unspent as of December 31, 2018, making the total for 2018, 30 percent of net assessments revenue.

Unallocated State Rebates

In addition to the specific program commitments discussed previously, the Alliance has committed \$1,942,501, which is 21 percent of net 2018 assessment revenue, for state rebates that have not yet been allocated to a program specified in the NORA Public Law 113-79. 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 NORA Public Law 113-79 as discussed previously.

NOTE 5 - ADMINISTRATIVE EXPENSE CAP

NORA Public Law 113-79 requires the Alliance to limit expenditures for "Administrative" costs to 5 percent of revenue generated by assessment remittances beginning April 1, 2014. In 2018, the Alliance expended \$231,756 for Administrative expenses, which was 3 percent of net assessments revenue in the year ended December 31, 2018. In 2017, the Alliance expended \$195,263 for Administrative expenses, which was 2 percent of net assessments revenue in the year ended December 31, 2017. Thus, management believes the Alliance is in compliance with this provision of NORA Public Law 113-79.

NOTE 6 - STATE GRANTS PAYABLE AND OBLIGATION FOR UNALLOCATED REBATES

Under NORA Public Law 113-79, the Alliance has entered into various agreements with state organizations, which may require periodic payment of grant funds. The outstanding grant liability by program is as follows as of December 31:

	<u>2018</u>	<u>2017</u>
Research, development, and demonstration	\$ 1,146,035	\$ 994,231
Heating oil efficiency and upgrade	874,895	1,247,501
Consumer education, safety, and training	1,063,614	1,147,358
Unallocated state rebates	<u>1,988,799</u>	<u>2,615,817</u>
Total state grants payable and obligations for unallocated rebates	<u>\$ 5,073,343</u>	<u>\$ 6,004,907</u>

NATIONAL OILHEAT RESEARCH ALLIANCE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

NOTE 7 - 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 NORA Public Law 113-79. Assessment and collection costs were \$135,230 and \$179,944 for the years ended December 31, 2018 and 2017, respectively.

NOTE 8 - FINANCIAL ASSETS AND LIQUIDITY

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

	<u>2018</u>	<u>2017</u>
Cash	\$ 9,151,550	\$ 9,343,450
Assessments receivable due within one year	3,086,323	2,987,247
Prepaid state assessments	137,970	217,360
Other current assets	74,509	9,986
Less: state grants payable	(3,084,544)	(3,389,090)
Less: obligation for unallocated state rebates	(1,988,799)	(2,615,817)
Less: designated net assets for national spending not yet incurred	<u>(5,549,631)</u>	<u>(4,671,378)</u>
Total financial assets available within one year for operations	<u>\$ 1,827,378</u>	<u>\$ 1,881,758</u>

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

NOTE 9 - NET ASSETS

Pre-2014 Reauthorization Designated Net Assets

As discussed previously, NORA Public Law 113-79 became effective April 1, 2014. The Alliance designated the remaining net assets under the former NORA Public Law 106-469 for use in a national oilheat education program. As of December 31, 2018 and 2017, \$55,933 remained unspent and are designated for future use.

State Grants and Rebates Made After Year-End Designated Net Assets

The Alliance establishes a budget for net assessments revenue and makes state grants and obligations for state rebates based on this budget. Actual results were not substantially different than this initial budget.

National Spending Not Yet Incurred Designated Net Assets

Included within the budget is \$5,549,631 and \$4,671,378 in national spending of assessments revenue, which had not yet been incurred as of December 31, 2018 and 2017, respectively. The Alliance has designated net assets in these amounts for future program spending, some of which, the Alliance has approved contracts to expend.

NATIONAL OILHEAT RESEARCH ALLIANCE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

NOTE 9 - NET ASSETS (continued)

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 NORA Public Law 113-79 has placed limits on the use of assessments revenue from consumer education, safety, and training.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

The Alliance has entered into operating lease agreements for office space and a liquid fuels research center. Total rent expense under these leases was \$95,413 and \$99,795 for the years ended December 31, 2018 and 2017, respectively. Subsequent to December 31, 2018, the Alliance extended this lease through December 31, 2025. Future minimum lease payments are as follows for the years ending December 31:

2019	\$	82,121
2020		84,584
2021		100,998
2022		104,028
2023		107,149
2024		110,364
2025		<u>113,674</u>
Total future minimum lease payments	\$	<u>702,918</u>

From time to time, the Alliance may receive inquiries from government agencies, because of the nature of its funding sources. Management does not expect the result of such inquiries to impact the financial information of the Alliance.

NOTE 11 - RETROSPECTIVE IMPLEMENTATION OF NEW STANDARD

In the year ended December 31, 2018, the Alliance retrospectively implemented Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This standard is intended to improve the net asset classification and the information presented in the financial statements and notes about a not-for-profit organization's liquidity, financial performance, net assets, cash flows, and expenses. As a result of this implementation, the Alliance renamed unrestricted net assets to net assets without donor restrictions.

NATIONAL OILHEAT RESEARCH ALLIANCE, INC.

SUPPLEMENTAL SCHEDULE OF EXPENSES BY STATE/JURISDICTION -
RESEARCH, DEVELOPMENT, AND DEMONSTRATION
FOR THE YEAR ENDED DECEMBER 31, 2018

	Amounts Granted/ Expended in 2018	2018 State Grants Made After Year-End	2018 National Spending Not Yet Incurred	Total
STATE GRANTS-				
Connecticut	\$ 87,827	\$ -	\$ -	\$ 87,827
Delaware	4,460	-	-	4,460
Idaho	346	-	-	346
Indiana	906	-	-	906
Kentucky	9,950	-	-	9,950
Maine	48,714	-	-	48,714
Maryland	22,792	-	-	22,792
Massachusetts	90,540	-	-	90,540
Michigan	15,209	-	-	15,209
Nevada	187	-	-	187
New Hampshire	31,904	-	-	31,904
New Jersey	41,204	-	-	41,204
New York -				
NYOHA	41,755	-	-	41,755
UNYEA	32,780	-	-	32,780
HVOEC	19,252	-	-	19,252
OHILI	36,292	-	-	36,292
North Carolina	24,037	-	-	24,037
Ohio	19,151	-	-	19,151
Pennsylvania	95,746	-	-	95,746
Rhode Island	19,350	-	-	19,350
South Carolina	10,045	-	-	10,045
Virginia	22,381	-	-	22,381
Vermont	18,815	-	-	18,815
Washington	3,499	-	-	3,499
Washington, D.C.	227	-	-	227
Wisconsin	16,537	-	-	16,537
NATIONAL	<u>1,214,791</u>	<u>-</u>	<u>2,100,000</u>	<u>3,314,791</u>
TOTAL STATE GRANTS AND NATIONAL SPENDING	<u>\$ 1,928,697</u>	<u>\$ -</u>	<u>\$ 2,100,000</u>	<u>\$ 4,028,697</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, 2018

	Amounts Granted/ Expended in 2018	2018 State Grants Made After Year-End	2018 National Spending Not Yet Incurred	Total
STATE GRANTS-				
Connecticut	\$ 163,218	\$ -	\$ -	\$ 163,218
Delaware	8,289	-	-	8,289
Idaho	643	-	-	643
Indiana	1,684	-	-	1,684
Kentucky	18,491	-	-	18,491
Maine	90,529	-	-	90,529
Maryland	42,356	-	-	42,356
Massachusetts	168,259	-	-	168,259
Michigan	28,265	-	-	28,265
Nevada	348	-	-	348
New Hampshire	59,291	-	-	59,291
New Jersey	76,573	-	-	76,573
New York -				
NYOHA	77,598	-	-	77,598
UNYEA	60,918	-	-	60,918
HVOEC	35,777	-	-	35,777
OHILI	67,445	-	-	67,445
North Carolina	44,670	-	-	44,670
Ohio	35,590	-	-	35,590
Pennsylvania	177,934	-	-	177,934
Rhode Island	35,960	-	-	35,960
South Carolina	18,668	-	-	18,668
Virginia	41,593	-	-	41,593
Vermont	34,966	-	-	34,966
Washington	6,503	-	-	6,503
Washington, D.C.	421	-	-	421
Wisconsin	30,733	-	-	30,733
NATIONAL	<u>67,724</u>	<u>-</u>	<u>80,000</u>	<u>147,724</u>
TOTAL STATE GRANTS AND NATIONAL SPENDING	<u>\$ 1,394,446</u>	<u>\$ -</u>	<u>\$ 80,000</u>	<u>\$ 1,474,446</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, 2018

	Amounts Granted/ Expended in 2018	2018 State Grants Made After Year-End	2018 National Spending Not Yet Incurred	Total
STATE GRANTS-				
Connecticut	\$ 303,066	\$ -	\$ -	\$ 303,066
Delaware	15,392	-	-	15,392
Idaho	1,194	-	-	1,194
Indiana	3,128	-	-	3,128
Kentucky	34,335	-	-	34,335
Maine	168,096	-	-	168,096
Maryland	78,648	-	-	78,648
Massachusetts	312,428	-	-	312,428
Michigan	52,483	-	-	52,483
Nevada	647	-	-	647
New Hampshire	110,093	-	-	110,093
New Jersey	142,182	-	-	142,182
New York -				
NYOHA	144,084	-	-	144,084
UNYEA	113,113	-	-	113,113
HVOEC	66,431	-	-	66,431
OHILI	125,232	-	-	125,232
North Carolina	82,945	-	-	82,945
Ohio	66,085	-	-	66,085
Pennsylvania	330,392	-	-	330,392
Rhode Island	66,772	-	-	66,772
South Carolina	34,663	-	-	34,663
Virginia	77,230	-	-	77,230
Vermont	64,926	-	-	64,926
Washington	12,074	-	-	12,074
Washington, D.C.	782	-	-	782
Wisconsin	57,066	-	-	57,066
NATIONAL	<u>328,243</u>	<u>-</u>	<u>11,457</u>	<u>339,700</u>
TOTAL STATE GRANTS AND NATIONAL SPENDING	<u>\$ 2,791,730</u>	<u>\$ -</u>	<u>\$ 11,457</u>	<u>\$ 2,803,187</u>

NATIONAL OILHEAT RESEARCH ALLIANCE, INC.

SUPPLEMENTAL SCHEDULE OF EXPENSES BY STATE/JURISDICTION -
UNALLOCATED STATE REBATES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Amounts Granted/ Expended in 2018	2018 State Rebates After Year-End	2018 National Spending Not Yet Incurred	Total
UNALLOCATED STATE REBATES-				
Connecticut	\$ 238,972	\$ -	\$ -	\$ 238,972
Delaware	12,137	-	-	12,137
Idaho	942	-	-	942
Indiana	2,466	-	-	2,466
Kentucky	27,074	-	-	27,074
Maine	132,547	-	-	132,547
Maryland	62,015	-	-	62,015
Massachusetts	246,355	-	-	246,355
Michigan	41,383	-	-	41,383
Nevada	510	-	-	510
New Hampshire	86,810	-	-	86,810
New Jersey	112,113	-	-	112,113
New York -				
NYOHA	113,613	-	-	113,613
UNYEA	89,192	-	-	89,192
HVOEC	52,382	-	-	52,382
OHILI	98,748	-	-	98,748
North Carolina	65,404	-	-	65,404
Ohio	52,109	-	-	52,109
Pennsylvania	260,519	-	-	260,519
Rhode Island	52,651	-	-	52,651
South Carolina	27,332	-	-	27,332
Virginia	60,897	-	-	60,897
Vermont	51,195	-	-	51,195
Washington	9,521	-	-	9,521
Washington, D.C.	617	-	-	617
Wisconsin	44,997	-	-	44,997
	<u>44,997</u>	<u>-</u>	<u>-</u>	<u>44,997</u>
 TOTAL UNALLOCATED STATE REBATES	 <u>\$ 1,942,501</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 1,942,501</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.