

**INDEPENDENT LUBRICANT MANUFACTURERS ASSOCIATION  
AND AFFILIATE**

**CONSOLIDATED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**YEARS ENDED DECEMBER 31, 2023 AND 2022**



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**INDEPENDENT LUBRICANT MANUFACTURERS ASSOCIATION  
AND AFFILIATE**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Independent Lubricant Manufacturers Association and Affiliate  
Alexandria, Virginia

### **Report on the Audit of the Consolidated Financial Statements**

#### ***Opinion***

We have audited the accompanying consolidated financial statements of the Independent Lubricant Manufacturers Association and Affiliate (ILMA), which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ILMA as of December 31, 2023 and 2022, and the change 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 (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of ILMA 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.

#### ***Responsibilities of Management for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about ILMA's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 ILMA'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about ILMA'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.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Arlington, Virginia  
May 10, 2024

**INDEPENDENT LUBRICANT MANUFACTURERS ASSOCIATION  
AND AFFILIATE  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2023 AND 2022**

<b>ASSETS</b>	2023	2022
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 1,416,590	\$ 793,803
Accounts Receivable	8,006	780,954
Prepaid Expenses	180,970	218,281
Total Current Assets	1,605,566	1,793,038
<b>PROPERTY AND EQUIPMENT</b>		
Leasehold Improvements	193,915	193,915
Office Furniture and Equipment	61,145	61,146
Computer Hardware and Software	93,055	64,857
Total Property and Equipment	348,115	319,918
Less: Accumulated Depreciation and Amortization	(191,768)	(164,455)
Net Property and Equipment	156,347	155,463
<b>OTHER ASSETS</b>		
Investments	6,287,050	5,087,022
Right-of-Use Asset - Operating	492,250	577,176
Security Deposit	8,913	8,913
Total Other Assets	6,788,213	5,673,111
Total Assets	\$ 8,550,126	\$ 7,621,612
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	\$ 241,889	\$ 30,846
Accrued Expenses	130,594	84,831
Lease Liability - Operating	114,632	109,567
Deferred Revenue	428,540	844,547
Total Current Liabilities	915,655	1,069,791
Lease Liability - Long-Term	570,906	685,537
Total Liabilities	1,486,561	1,755,328
<b>NET ASSETS</b>		
Without Donor Restrictions	6,880,756	5,604,425
With Donor Restrictions:		
Program and Time Restricted	127,253	206,303
Held in Perpetuity	55,556	55,556
Total with Donor Restrictions	182,809	261,859
Total Net Assets	7,063,565	5,866,284
Total Liabilities and Net Assets	\$ 8,550,126	\$ 7,621,612

See accompanying Notes to Consolidated Financial Statements.

**INDEPENDENT LUBRICANT MANUFACTURERS ASSOCIATION  
AND AFFILIATE  
CONSOLIDATED STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2023**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>			
Membership Dues	\$ 1,018,803	\$ -	\$ 1,018,803
Annual Meeting	1,876,683	-	1,876,683
Advertising - Compoundings	338,661	-	338,661
Advertising - Membership Directory	1,500	-	1,500
ILMA Engage	837,420	-	837,420
75th Anniversary Sponsorship	95,100	-	95,100
Investment Income, Net	842,734	9,450	852,184
Contributions	149,852	-	149,852
Loss on Disposal of Property and Equipment	(602)	-	(602)
Net Assets Released from Restrictions	88,500	(88,500)	-
Total Support and Revenue	5,248,651	(79,050)	5,169,601
<b>EXPENSES</b>			
Program Services:			
Annual Meeting	1,389,284	-	1,389,284
ILMA Engage	702,985	-	702,985
Advertising and Directory Publication	372,567	-	372,567
Communications	242,060	-	242,060
Public Policy and Advocacy	337,652	-	337,652
Scholarship Fund	216,578	-	216,578
Metalworking Fluids Conference	74,028	-	74,028
Total Program Services	3,335,154	-	3,335,154
Support Services:			
General and Administrative	637,166	-	637,166
Total Expenses	3,972,320	-	3,972,320
<b>CHANGE IN NET ASSETS</b>	1,276,331	(79,050)	1,197,281
Net Assets - Beginning of Year	5,604,425	261,859	5,866,284
<b>NET ASSETS - END OF YEAR</b>	\$ 6,880,756	\$ 182,809	\$ 7,063,565

See accompanying Notes to Consolidated Financial Statements.

**INDEPENDENT LUBRICANT MANUFACTURERS ASSOCIATION  
AND AFFILIATE  
CONSOLIDATED STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>			
Membership Dues	\$ 945,602	\$ -	\$ 945,602
Annual Meeting	834,632	-	834,632
ILMA Engage	660,846	-	660,846
Advertising - Compoundings	377,109	-	377,109
Advertising - Membership Directory	3,000	-	3,000
Investment Income, Net	(1,163,300)	(15,019)	(1,178,319)
Contributions	108,666	-	108,666
Net Assets Released from Restrictions	84,500	(84,500)	-
Total Support and Revenue	1,851,055	(99,519)	1,751,536
<b>EXPENSES</b>			
Program Services:			
Annual Meeting	475,882	-	475,882
ILMA Engage	610,998	-	610,998
Advertising and Directory Publication	405,426	-	405,426
Communications	210,472	-	210,472
Public Policy and Advocacy	321,105	-	321,105
Scholarship Fund	143,701	-	143,701
Total Program Services	2,167,584	-	2,167,584
Support Services:			
General and Administrative	737,103	-	737,103
Total Expenses	2,904,687	-	2,904,687
<b>CHANGE IN NET ASSETS</b>	(1,053,632)	(99,519)	(1,153,151)
Net Assets - Beginning of Year	6,658,057	361,378	7,019,435
<b>NET ASSETS - END OF YEAR</b>	\$ 5,604,425	\$ 261,859	\$ 5,866,284

See accompanying Notes to Consolidated Financial Statements.

**INDEPENDENT LUBRICANT MANUFACTURERS ASSOCIATION  
AND AFFILIATE  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2023**

	Program Services							Support Services		Total
	Annual Meeting	ILMA Engage	Advertising/ Directory Publication	Communications	Public Policy/ Advocacy	Scholarship Fund	Metalworking Fluids Conference	Total Program	General and Administrative	
Salaries and Benefits	\$ 200,969	\$ 185,459	\$ 63,113	\$ 142,477	\$ 26,316	\$ 67,797	\$ 57,276	\$ 743,407	\$ 321,740	\$ 1,065,147
Conferences and Meetings	905,567	356,708	-	-	-	3,604	-	1,265,879	50,356	1,316,235
Advertising	-	-	25,140	-	-	-	-	25,140	-	25,140
Professional Services	26,762	32,214	82,342	-	284,691	36,355	-	462,364	211,196	673,560
Grants and Scholarships	-	-	-	-	-	88,500	-	88,500	-	88,500
Postage and Shipping	9,574	6,333	21,198	-	-	-	-	37,105	983	38,088
Printing and Graphic Design	33,343	21,924	162,315	-	-	-	-	217,582	447	218,029
E-Communications	-	-	-	27,673	-	-	-	27,673	-	27,673
Insurance	-	-	-	-	-	-	-	-	17,435	17,435
Travel	13,418	19,899	-	-	15,038	-	-	48,355	49,027	97,382
Depreciation and amortization	-	-	-	-	-	-	-	-	35,415	35,415
Rent	-	-	-	-	-	-	-	-	100,779	100,779
Office Expense	44,590	26,206	-	-	-	-	-	70,796	56,979	127,775
Other	96,283	-	-	30,239	3,910	493	-	130,925	10,237	141,162
Total Before Indirect Allocation	1,330,506	648,743	354,108	200,389	329,955	196,749	57,276	3,117,726	854,594	3,972,320
Indirect Allocation	58,778	54,242	18,459	41,671	7,697	19,829	16,752	217,428	(217,428)	-
Total Expenses	<u>\$ 1,389,284</u>	<u>\$ 702,985</u>	<u>\$ 372,567</u>	<u>\$ 242,060</u>	<u>\$ 337,652</u>	<u>\$ 216,578</u>	<u>\$ 74,028</u>	<u>\$ 3,335,154</u>	<u>\$ 637,166</u>	<u>\$ 3,972,320</u>

See accompanying Notes to Consolidated Financial Statements.

**INDEPENDENT LUBRICANT MANUFACTURERS ASSOCIATION  
AND AFFILIATE  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2022**

	Program Services							Support Services		
	Annual Meeting	ILMA Engage	Advertising/ Directory Publication	Communications	Public Policy/ Advocacy	Scholarship Fund	Metalworking Fluid	Total Program	General and Administrative	Total
Salaries and Benefits	\$ 252,664	\$ 159,685	\$ 67,004	\$ 96,812	\$ 17,312	\$ 35,987	\$ -	\$ 629,464	\$ 384,364	\$ 1,013,828
Conferences and Meetings	68,744	322,494	-	-	-	1,050	-	392,288	66,262	458,550
Advertising	-	-	32,650	-	-	-	-	32,650	-	32,650
Professional Services	21,646	23,971	85,496	-	201,687	9,190	-	341,990	191,064	533,054
Grants and Scholarships	-	-	-	-	-	84,500	-	84,500	-	84,500
Postage and Shipping	8,195	5,100	22,401	-	-	-	-	35,696	1,767	37,463
Printing and Graphic Design	10,472	13,837	173,787	9,720	-	-	-	207,816	3,713	211,529
E-Communications	-	-	-	38,897	-	-	-	38,897	-	38,897
Insurance	-	-	-	-	-	-	-	-	17,330	17,330
Travel	4,470	18,645	-	-	5,667	-	-	28,782	33,129	61,911
Depreciation and amortization	-	-	-	-	-	-	-	-	29,274	29,274
Rent	-	-	-	-	-	-	-	-	102,412	102,412
Office Expense	18,858	9,859	-	-	-	-	-	28,717	118,756	147,473
Other	-	-	-	30,239	90,215	37	-	120,491	15,325	135,816
Total Before Indirect Allocation	385,049	553,591	381,338	175,668	314,881	130,764	-	1,941,291	963,396	2,904,687
Indirect Allocation	90,833	57,407	24,088	34,804	6,224	12,937	-	226,293	(226,293)	-
Total Expenses	\$ 475,882	\$ 610,998	\$ 405,426	\$ 210,472	\$ 321,105	\$ 143,701	\$ -	\$ 2,167,584	\$ 737,103	\$ 2,904,687

See accompanying Notes to Consolidated Financial Statements.

**INDEPENDENT LUBRICANT MANUFACTURERS ASSOCIATION  
AND AFFILIATE  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2023 AND 2022**

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 1,197,281	\$ (1,153,151)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	35,415	29,274
Noncash Lease Expense	84,926	83,269
Loss on Disposal of Property and Equipment	602	-
Realized and Unrealized (Gain) Loss on Investments	(687,796)	1,292,580
Changes in Assets and Liabilities:		
Accounts Receivable	772,948	(780,629)
Prepaid Expenses	37,311	24,549
Accounts Payable and Accrued Expenses	256,806	(64,416)
Deferred Revenue	(416,007)	460,962
Lease Liability	(109,566)	(104,669)
Net Cash Provided (Used) by Operating Activities	1,171,920	(212,231)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Investments	(2,776,752)	(520,159)
Proceeds from Sale of Investments	2,264,520	1,129,895
Purchases of Property and Equipment	(36,901)	(16,926)
Net Cash (Used) Provided by Investing Activities	(549,133)	592,810
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of Note Payable	-	(164,900)
Net Cash Used by Financing Activities	-	(164,900)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	622,787	215,679
Cash and Cash Equivalents - Beginning of Year	793,803	578,124
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 1,416,590	\$ 793,803

See accompanying Notes to Consolidated Financial Statements.

**INDEPENDENT LUBRICANT MANUFACTURERS ASSOCIATION  
AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organizations**

The Independent Lubricant Manufacturers Association (ILMA) is a nonprofit corporation organized in 1948. ILMA represents manufacturers of lubricants worldwide as well as other suppliers of goods and services to the industry. ILMA's activities consist predominantly of facilitating the development and dissemination of information regarding legislative and regulatory initiatives affecting the lubricant manufacturing industry. ILMA derives revenue primarily through membership dues, meeting registrations and sponsorships, and the sale of advertising in its various publications.

The ILMA Foundation (the Foundation) is a nonprofit corporation incorporated in 2009. The Foundation's primary function is to award scholarships to university students. ILMA donates administrative support and overhead to the Foundation.

**Principles of Consolidation**

The consolidated financial statements include the accounts of Independent Lubricant Manufacturers Association and ILMA Foundation, hereinafter collectively referred to as the Organization. All material intercompany balances have been eliminated in consolidation.

**Basis of Accounting**

The consolidated financial statements were prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Net assets and revenue are classified based on the existence or absence of donor-imposed restrictions and are classified and reported as follows:

*Without Donor Restrictions* – Net assets that are not subject to donor-imposed stipulations.

*With Donor Restrictions* – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization or with the passage of time or to be held in perpetuity.

Revenue is reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been accomplished or the stipulated time has elapsed) are reported as releases between the applicable classes of net assets.

**Income Taxes**

ILMA is exempt from the payment of income taxes on its exempt activities under Section 501(c)(6) of the Internal Revenue Code. However, ILMA is subject to tax on its net income from unrelated business activities.

**INDEPENDENT LUBRICANT MANUFACTURERS ASSOCIATION  
AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Income Taxes (Continued)**

The Foundation is exempt from the payment of income taxes on its exempt activities under Section 501(c)(3) of the Internal Revenue Code.

ILMA and the Foundation have adopted the guidance on the income tax standard regarding the recognition and measurement of uncertain tax positions.

**Cash Equivalents**

For the purpose of the consolidated statements of cash flows, liquid investments with an original maturity of three months or less are considered cash equivalents.

**Accounts Receivable**

Accounts receivable consist principally of amounts owed for advertising. The Organization's management periodically reviews the status of accounts receivable balances for collectability. The Organization uses a combination of historical loss information based on the aging of receivables, current economic conditions, and forward-looking information to determine expected credit losses for receivables. Accounts receivable did not require an allowance for credit losses as of December 31, 2023 and 2022.

**Investments**

Investments in equity and fixed-income securities are carried at fair value as determined by quoted market prices. Changes in fair value are recognized in the consolidated statements of activities. Investments are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statements of financial position. As a result, investment balances reported in the accompanying consolidated financial statements may not be reflective of the portfolio's value during subsequent periods.

**Fair Value Measurements**

The Organization accounts for a significant portion of its financial instruments at fair value or considers fair value in its measurement. The Organization accounts for certain financial assets and liabilities at fair value under various accounting literature.

**INDEPENDENT LUBRICANT MANUFACTURERS ASSOCIATION  
AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fair Value Hierarchy**

The Organization has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Financial assets and liabilities recorded on the consolidated statements of financial position are categorized based on the inputs to the valuation techniques as follows:

*Level 1* – Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Organization has the ability to access.

*Level 2* – Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs include the following:

- Quoted prices for similar assets or liabilities in active markets,
- Quoted prices for identical or similar assets or liabilities in non-active markets,
- Pricing models whose inputs are observable for substantially the full term of the asset or liability, and
- Pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability.

*Level 3* – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

**Property and Equipment**

Property and equipment are recorded at cost. Depreciation is provided on the straight-line method based on estimated useful lives of the related assets, ranging from three to ten years. Leasehold improvements are amortized straight-line over the term of the lease. All acquisitions of property and equipment over \$1,000 are capitalized.

**Deferred Revenue**

Deferred revenue consists of revenue received in advance for specific purposes including membership dues, annual meeting fees and other activities. Such revenue is recognized in the period to which it relates.

**INDEPENDENT LUBRICANT MANUFACTURERS ASSOCIATION  
AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue**

Membership dues are recognized ratably over the period of membership, which is on a calendar-year. There are no distinct performance obligations and the general member benefits are considered a bundled group of performance obligations that are delivered to members throughout the membership period. Amounts received for member dues which relate to subsequent years are reflected as deferred revenue on the accompanying consolidated statements of financial position.

Annual meeting and ILMA Engage meeting are recognized when the events and courses are held. Amounts received in advance are recorded as deferred revenue.

Advertising sales for the *Compoundings* magazine and membership directory are recognized as revenue upon shipment of material.

The Foundation recognizes contributions when cash, securities or other assets; an unconditional promise to give are received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met.

**Significant Judgment**

Membership is considered voluntary. Therefore, when payment is received, revenue is recognized over the membership term.

**Allocation of Costs**

Costs of providing programs and supporting services have been summarized in the accompanying consolidated statements of activities. Accordingly, certain costs such as depreciation, rent, office expense, insurance and professional services have been allocated among the programs and supporting services benefited based on salary allocation.

**Use of Estimates**

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Leases**

The Organization determines if an arrangement is a lease at inception. Operating leases are included in right-of-use (ROU) assets – operating and lease liability – operating, and finance leases are included in ROU assets – financing and lease liability – financing in the consolidated statements of financial position.

**INDEPENDENT LUBRICANT MANUFACTURERS ASSOCIATION  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Leases (Continued)**

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and such leases are not included as lease liabilities or right-of-use assets in the consolidated statements of financial position.

The Organization has elected to use a risk-free discount rate, commensurate with the term of the lease, to determine the present value of the lease payments for each lease agreement. In addition, the Organization elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

**Recently Adopted Accounting Standard**

On January 1, 2023, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which modifies the measurement of expected credit losses using the modified retrospective transition method. The adoption of this standard did not have a material impact on the Organization's consolidated financial statements.

**Subsequent Events**

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 10, 2024, the date the consolidated financial statements were available to be issued.

**Reclassifications**

Certain items in the December 31, 2022 consolidated financial statements have been reclassified to conform to the December 31, 2023 consolidated financial statements presentation. There was no effect on the change in net assets previously reported.

**NOTE 2 CONCENTRATION OF CREDIT RISK**

Financial instruments, which subject the Organization to a concentration of credit risk, consist of demand deposits and money market funds placed with financial institutions. At certain times during the year, the Organization had funds held in local institutions in excess of the Federal Deposit Insurance Corporation limits.

**INDEPENDENT LUBRICANT MANUFACTURERS ASSOCIATION  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**NOTE 3 LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of the consolidated statement of financial position date, comprise the following:

	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 1,416,590	\$ 793,803
Accounts Receivable	8,006	780,954
Total Available	<u>\$ 1,424,596</u>	<u>\$ 1,574,757</u>

The Organization holds investments for long-term purposes of \$6,287,050 and \$5,087,022 as of December 31, 2023 and 2022, respectively, which include donor-restricted assets. Although the Organization does not intend to spend from investments other than the amount budgeted during its annual budget approval and appropriation, amounts from its investments could be made available, if necessary.

Donor-restricted funds consist of \$182,809 and \$261,859 as of December 31, 2023 and 2022, respectively.

**NOTE 4 INVESTMENTS**

Investments are recorded at fair value and consist of the following as of December 31:

	<u>2023</u>		<u>2022</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Mutual Funds - Equity	\$ 3,485,269	\$ 3,940,303	\$ 3,259,489	\$ 3,065,528
Mutual Funds - Fixed Income	2,256,722	2,047,028	2,149,307	1,781,321
Mutual Funds - Exchange	212,270	236,509	183,053	186,413
Annuity	45,556	63,210	45,556	53,760
Total	<u>\$ 5,999,817</u>	<u>\$ 6,287,050</u>	<u>\$ 5,637,405</u>	<u>\$ 5,087,022</u>

Net investment return is comprised of the following for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Interest and Dividend Income	\$ 193,185	\$ 163,329
Realized and Unrealized Gain (Loss)	687,796	(1,292,580)
Investment Management Fees	(28,797)	(49,068)
Total	<u>\$ 852,184</u>	<u>\$ (1,178,319)</u>

**INDEPENDENT LUBRICANT MANUFACTURERS ASSOCIATION  
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DECEMBER 31, 2023 AND 2022**

**NOTE 5 FAIR VALUE HIERARCHY**

The following table presents the Organization's fair value hierarchy for those assets measured at fair value on a recurring basis as of December 31:

	2023			Total
	Level 1	Level 2	Level 3	
Investments:				
Mutual Funds - Equity	\$ 3,940,303	\$ -	\$ -	\$ 3,940,303
Mutual Funds - Fixed Income	2,047,028	-	-	2,047,028
Mutual Funds - Exchange	236,509	-	-	236,509
Annuity	-	-	63,210	63,210
Total	<u>\$ 6,223,840</u>	<u>\$ -</u>	<u>\$ 63,210</u>	<u>\$ 6,287,050</u>
	2022			Total
	Level 1	Level 2	Level 3	
Investments:				
Mutual Funds - Equity	\$ 3,065,528	\$ -	\$ -	\$ 3,065,528
Mutual Funds - Fixed Income	1,781,321	-	-	1,781,321
Mutual Funds - Exchange	186,413	-	-	186,413
Annuity	-	-	53,760	53,760
Total	<u>\$ 5,033,262</u>	<u>\$ -</u>	<u>\$ 53,760</u>	<u>\$ 5,087,022</u>

The following table provides a summary of changes in fair value of the Organization's Level 3 financial assets for the years ended December 31, 2023 and 2022:

	Annuity
Balance as of January 1, 2022	\$ 78,779
Withdrawal	(10,000)
Unrealized Loss	(15,019)
Balance as of December 31, 2022	53,760
Unrealized Gain	9,450
Balance as of December 31, 2023	<u>\$ 63,210</u>

**NOTE 6 NOTE PAYABLE**

In November 2020, the Organization established a \$200,000 margin loan arrangement with Charles Schwab with no stated date of maturity. The margin loan was secured by the investment assets of the Organization. There was no outstanding margin loan balance as of December 31, 2023 and 2022.

**INDEPENDENT LUBRICANT MANUFACTURERS ASSOCIATION  
AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**NOTE 7 DEFERRED REVENUE**

Deferred revenue at December 31 consists of the following:

	2023	2022	2021
Membership Dues	\$ 331,875	\$ 446,347	\$ 383,585
ILMA Engage	-	130,000	-
Annual Meeting	-	268,200	-
Metalworking Fluids Conference	96,665	-	-
Total	<u>\$ 428,540</u>	<u>\$ 844,547</u>	<u>\$ 383,585</u>

**NOTE 8 BENEFIT PLAN**

ILMA has a defined contribution pension plan for the benefit of all eligible employees. The plan has a 401(k) feature which provides for voluntary employee contributions and a discretionary contribution which is determined by the board of directors each year. The plan is administered by a third-party administrator.

The plan provides for a “safe harbor” contribution equal to 3% of all eligible participants’ compensation, payable with each semi-monthly payroll. In addition, the board approved a 2% employer discretionary contribution payable to eligible participants’ accounts in 2023 and 2022.

The board-approved contributions to the plan for the years ended December 31, 2023 and 2022, totaled \$46,026 and \$46,638, respectively.

**NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS**

During 2015, the Foundation received a restricted gift of \$55,556, which was used to purchase an annuity in the name of the Foundation. This restricted gift was established to generate earnings to fund an annual scholarship of \$2,500. Upon the death of the donor, the Foundation will receive a final payment from the annuity of no less than the original principal of the annuity. The total value of the annuity was \$63,210 and \$53,761 at December 31, 2023 and 2022, respectively. Unrealized gain/(loss) of \$9,450 and (\$15,019) were recognized in the consolidated statements of activities, as a result of the annuity activities, for the years ended December 31, 2023 and 2022, respectively.

Net assets with donor restrictions are restricted for the following purposes as of December 31:

	2023	2022
Subject to Expenditures for Specific Purpose:		
Scholarships	\$ 117,803	\$ 221,322
Net Unrealized Gain (Loss) on Annuity	9,450	(15,019)
Total	<u>127,253</u>	<u>206,303</u>
Not Subject to Appropriation or Expenditure	55,556	55,556
Total Net Assets with Donor Restrictions	<u>\$ 182,809</u>	<u>\$ 261,859</u>

**INDEPENDENT LUBRICANT MANUFACTURERS ASSOCIATION  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**NOTE 10 COMMITMENTS**

**Office Lease**

ILMA leased its office facility under a non-cancelable seven-year operating lease, expiring July 31, 2019. ILMA terminated the lease in 2017 and entered into a new office lease which commenced in June 2018 and terminates on May 31, 2029. Under the terms of the agreement, ILMA is committed to annual rental payments adjusted for an escalation of 2.75% based on building operating expenses and an inflation factor, all of which are required to be recognized ratably over the lease term in accordance with accounting principles generally accepted in the United States of America.

The obligation under the lease is presented on the consolidated statements of financial position as a lease liability which is the discounted future lease payments. The payments were discounted using the risk-free rate of 1.55% as a practical expedient, which is the weighted average interest rate. The ROU asset is recorded in the consolidated financial statements that represents the occupancy rights ILMA has relative to the office space.

Rent expense for the years ended December 31, 2023 and 2022, was \$100,779 and \$102,412, respectively.

The ROU assets reported in the accompanying consolidated statements of financial position as right-of-use asset - operating totaled \$492,250 and \$577,176 as of December 31, 2023 and 2022, respectively.

Other quantitative information is as follows for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Operating Lease Cost	\$ 96,480	\$ 96,480
Cash Paid for Amounts Included in the Measurement of Lease Liability:		
Operating Cash Paid under Operating Leases	\$ 121,121	\$ 117,879
Weighted-Average of Remaining Lease Term	5.3 Years	6.3 Years
Weighted-Average Discount Rate	1.55%	1.55%

Future minimum payments under this operating lease are the following as of December 31:

<u>Year Ending December 31,</u>	<u>Amount</u>
2024	\$ 124,452
2025	127,874
2026	131,391
2027	135,004
2028	138,717
Thereafter	58,450
Total	<u>715,888</u>
Amount Representing Interest at 1.55%	<u>(30,350)</u>
	<u>\$ 685,538</u>

**INDEPENDENT LUBRICANT MANUFACTURERS ASSOCIATION  
AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**NOTE 10 COMMITMENTS (CONTINUED)**

**Equipment Leases**

ILMA also leases certain office equipment under a non-cancelable agreement that expires in March 2028. Future minimum lease payments for the year ending December 31, 2023 total \$20,145.

**Hotel Commitments**

In the event of cancellation, ILMA is required to pay various costs of the hotel rooms as stipulated in the contracts, the amounts of which are dependent upon the date of cancellation. At December 31, 2023, commitments are approximately \$3,990,000.

**Employment Agreement**

ILMA has an employment agreement with its CEO that states if her employment is terminated as defined by the terms of the agreement, ILMA will provide severance payment equal to six months of her base salary, plus current year bonus.

**NOTE 11 RELATED PARTIES**

At December 31, 2023 and 2022, ILMA had scholarships payable to the Foundation in the amount of \$69,162 and \$87,466, respectively. This balance was eliminated upon consolidation.



## INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

Board of Directors  
Independent Lubricant Manufacturers Association and Affiliate  
Alexandria, Virginia

We have audited the consolidated financial statements of Independent Lubricant Manufacturers Association and Affiliate as of and for the years ended December 31, 2023 and 2022, and our report thereon dated May 10, 2024, which expressed an unmodified opinion on those consolidated financial statements, appears on page 1. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position and the consolidating statements of activities are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Arlington, Virginia  
May 10, 2024

**INDEPENDENT LUBRICANT MANUFACTURERS ASSOCIATION  
AND AFFILIATE  
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2023 AND 2022  
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)**

	2023				2022			
	ILMA	Affiliate	Elimination	Consolidated	ILMA	Affiliate	Elimination	Consolidated
<b>ASSETS</b>								
<b>CURRENT ASSETS</b>								
Cash and Cash Equivalents	\$ 1,084,280	\$ 332,310	\$ -	\$ 1,416,590	\$ 527,264	\$ 266,539	\$ -	\$ 793,803
Accounts Receivable	8,006	69,162	(69,162)	8,006	780,954	87,466	(87,466)	780,954
Prepaid Expenses	180,970	-	-	180,970	218,281	-	-	218,281
Total Current Assets	1,273,256	401,472	(69,162)	1,605,566	1,526,499	354,005	(87,466)	1,793,038
<b>PROPERTY AND EQUIPMENT</b>								
Leasehold Improvements	193,915	-	-	193,915	193,915	-	-	193,915
Office Furniture and Equipment	61,145	-	-	61,145	61,146	-	-	61,146
Computer Hardware and Software	93,055	-	-	93,055	64,857	-	-	64,857
Total Property and Equipment	348,115	-	-	348,115	319,918	-	-	319,918
Less: Accumulated Depreciation and Amortization	(191,768)	-	-	(191,768)	(164,455)	-	-	(164,455)
Net Property and Equipment	156,347	-	-	156,347	155,463	-	-	155,463
<b>OTHER ASSETS</b>								
Investments	6,223,840	63,210	-	6,287,050	5,033,261	53,761	-	5,087,022
Right-of-Use Asset - Operating	492,250	-	-	492,250	577,176	-	-	577,176
Security Deposit	8,913	-	-	8,913	8,913	-	-	8,913
Total Other Assets	6,725,003	63,210	-	6,788,213	5,619,350	53,761	-	5,673,111
Total Assets	\$ 8,154,606	\$ 464,682	\$ (69,162)	\$ 8,550,126	\$ 7,301,312	\$ 407,766	\$ (87,466)	\$ 7,621,612
<b>LIABILITIES AND NET ASSETS</b>								
<b>LIABILITIES</b>								
Current Liabilities:								
Accounts Payable	\$ 311,051	\$ -	\$ (69,162)	\$ 241,889	\$ 118,312	\$ -	\$ (87,466)	\$ 30,846
Accrued Expenses	121,320	9,274	-	130,594	84,831	-	-	84,831
Lease Liability - Operating	114,632	-	-	114,632	109,567	-	-	109,567
Deferred Revenue	428,540	-	-	428,540	844,547	-	-	844,547
Total Current Liabilities	975,543	9,274	(69,162)	915,655	1,157,257	-	(87,466)	1,069,791
Lease Liability - Long Term	570,906	-	-	570,906	685,537	-	-	685,537
Total Liabilities	1,546,449	9,274	(69,162)	1,486,561	1,842,794	-	(87,466)	1,755,328
<b>NET ASSETS</b>								
Without Donor Restrictions	6,608,157	272,599	-	6,880,756	5,458,518	145,907	-	5,604,425
With Donor Restrictions:								
Program and Time Restricted	-	127,253	-	127,253	-	206,303	-	206,303
Held in Perpetuity	-	55,556	-	55,556	-	55,556	-	55,556
Total With Donor Restrictions	-	182,809	-	182,809	-	261,859	-	261,859
Total Net Assets	6,608,157	455,408	-	7,063,565	5,458,518	407,766	-	5,866,284
Total Liabilities and Net Assets	\$ 8,154,606	\$ 464,682	\$ (69,162)	\$ 8,550,126	\$ 7,301,312	\$ 407,766	\$ (87,466)	\$ 7,621,612

**INDEPENDENT LUBRICANT MANUFACTURERS ASSOCIATION  
AND AFFILIATE  
CONSOLIDATING STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2023  
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)**

	ILMA			Affiliate			Elimination	Consolidated		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total		Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>										
Membership Dues	\$ 1,018,803	\$ -	\$ 1,018,803	\$ -	\$ -	\$ -	\$ -	\$ 1,018,803	\$ -	\$ 1,018,803
Annual Meeting	1,876,683	-	1,876,683	-	-	-	-	1,876,683	-	1,876,683
Advertising - Compoundings	338,661	-	338,661	-	-	-	-	338,661	-	338,661
Advertising - Membership										
Directory	1,500	-	1,500	-	-	-	-	1,500	-	1,500
ILMA Engage	837,420	-	837,420	-	-	-	-	837,420	-	837,420
75th Anniversary Sponsorship	95,100	-	95,100	-	-	-	-	95,100	-	95,100
Investment Income, Net	842,734	-	842,734	-	9,450	9,450	-	842,734	9,450	852,184
Contributions	-	-	-	149,852	-	149,852	-	149,852	-	149,852
Loss on Disposal of										
Property and Equipment	(602)	-	(602)	-	-	-	-	(602)	-	(602)
Net Assets Released from										
Restrictions	-	-	-	88,500	(88,500)	-	-	88,500	(88,500)	-
Total Support and Revenue	5,010,299	-	5,010,299	238,352	(79,050)	159,302	-	5,248,651	(79,050)	5,169,601
<b>EXPENSES</b>										
Program Services:										
Annual Meeting	1,389,284	-	1,389,284	-	-	-	-	1,389,284	-	1,389,284
ILMA Engage	702,985	-	702,985	-	-	-	-	702,985	-	702,985
Advertising and Directory										
Publication	372,567	-	372,567	-	-	-	-	372,567	-	372,567
Communications	242,060	-	242,060	-	-	-	-	242,060	-	242,060
Public Policy and Advocacy	337,652	-	337,652	-	-	-	-	337,652	-	337,652
Scholarship Fund	104,918	-	104,918	111,660	-	111,660	-	216,578	-	216,578
Metalworking Fluids Conference	74,028	-	74,028	-	-	-	-	74,028	-	74,028
Total Program Services	3,223,494	-	3,223,494	111,660	-	111,660	-	3,335,154	-	3,335,154
Support Services:										
General and Administrative	637,166	-	637,166	-	-	-	-	637,166	-	637,166
Total Expenses	3,860,660	-	3,860,660	111,660	-	111,660	-	3,972,320	-	3,972,320
<b>CHANGE IN NET ASSETS</b>	1,149,639	-	1,149,639	126,692	(79,050)	47,642	-	1,276,331	(79,050)	1,197,281
Net Assets - Beginning of Year	5,458,518	-	5,458,518	145,907	261,859	407,766	-	5,604,425	261,859	5,866,284
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 6,608,157</u>	<u>\$ -</u>	<u>\$ 6,608,157</u>	<u>\$ 272,599</u>	<u>\$ 182,809</u>	<u>\$ 455,408</u>	<u>\$ -</u>	<u>\$ 6,880,756</u>	<u>\$ 182,809</u>	<u>\$ 7,063,565</u>

**INDEPENDENT LUBRICANT MANUFACTURERS ASSOCIATION  
AND AFFILIATE  
CONSOLIDATING STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2022  
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)**

	ILMA			Affiliate			Elimination	Consolidated		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total		Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>										
Membership Dues	\$ 945,602	\$ -	\$ 945,602	\$ -	\$ -	\$ -	\$ -	\$ 945,602	\$ -	\$ 945,602
Annual Meeting	834,632	-	834,632	-	-	-	-	834,632	-	834,632
Advertising - Compoundings	377,109	-	377,109	-	-	-	-	377,109	-	377,109
Advertising - Membership										
Directory	3,000	-	3,000	-	-	-	-	3,000	-	3,000
ILMA Engage	660,846	-	660,846	-	-	-	-	660,846	-	660,846
Investment Income, Net	(1,163,300)	-	(1,163,300)	-	(15,019)	(15,019)	-	(1,163,300)	(15,019)	(1,178,319)
Contributions	-	-	-	108,666	-	108,666	-	108,666	-	108,666
Net Assets Released from Restrictions	-	-	-	84,500	(84,500)	-	-	84,500	(84,500)	-
Total Support and Revenue	1,657,889	-	1,657,889	193,166	(99,519)	93,647	-	1,851,055	(99,519)	1,751,536
<b>EXPENSES</b>										
Program Services:										
Annual Meeting	475,882	-	475,882	-	-	-	-	475,882	-	475,882
ILMA Engage	610,998	-	610,998	-	-	-	-	610,998	-	610,998
Advertising and Directory										
Publication	405,426	-	405,426	-	-	-	-	405,426	-	405,426
Communications	210,472	-	210,472	-	-	-	-	210,472	-	210,472
Public Policy and Advocacy	321,105	-	321,105	-	-	-	-	321,105	-	321,105
Scholarship Fund	49,974	-	49,974	93,727	-	93,727	-	143,701	-	143,701
Total Program Services	2,073,857	-	2,073,857	93,727	-	93,727	-	2,167,584	-	2,167,584
Support Services:										
General and Administrative	737,103	-	737,103	-	-	-	-	737,103	-	737,103
Total Expenses	2,810,960	-	2,810,960	93,727	-	93,727	-	2,904,687	-	2,904,687
<b>CHANGE IN NET ASSETS</b>	(1,153,071)	-	(1,153,071)	99,439	(99,519)	(80)	-	(1,053,632)	(99,519)	(1,153,151)
Net Assets - Beginning of Year	6,611,589	-	6,611,589	46,468	361,378	407,846	-	6,658,057	361,378	7,019,435
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 5,458,518</u>	<u>\$ -</u>	<u>\$ 5,458,518</u>	<u>\$ 145,907</u>	<u>\$ 261,859</u>	<u>\$ 407,766</u>	<u>\$ -</u>	<u>\$ 5,604,425</u>	<u>\$ 261,859</u>	<u>\$ 5,866,284</u>



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