

**OPERATION FUEL, INC.**

**Financial Statements**

**June 30, 2011 and 2010**

# OPERATION FUEL, INC.

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June 30, 2011 and 2010

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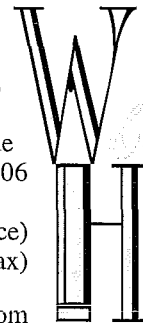
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Operation Fuel, Inc.

We have audited the accompanying statements of financial position of Operation Fuel, Inc. as of June 30, 2011 and 2010, and the related statements of activities, functional expenses and cash flows, for the years then ended. These financial statements are the responsibility of Operation Fuel, Inc.'s management. 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Operation Fuel, Inc. as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

September 12, 2011

*Whittlesey + Hadley*

# OPERATION FUEL, INC.

## Statements of Financial Position

June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,662,733	\$ 1,393,242
Certificates of deposit	150,197	114,916
Accounts and grants receivable	<u>175,762</u>	<u>66,333</u>
Total current assets	1,988,692	1,574,491
Property and equipment (net of accumulated depreciation)	<u>34,152</u>	<u>56,985</u>
Total assets	<u><u>\$ 2,022,844</u></u>	<u><u>\$ 1,631,476</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 69,122	\$ 262,072
Refundable advances - State of Connecticut programs	-	613,241
Deferred revenue - Pilot program	<u>1,126,272</u>	<u>-</u>
Total current liabilities	<u>1,195,394</u>	<u>875,313</u>
Net assets:		
Unrestricted	794,460	640,613
Temporarily restricted	<u>32,990</u>	<u>115,550</u>
Total net assets	<u>827,450</u>	<u>756,163</u>
Total liabilities and net assets	<u><u>\$ 2,022,844</u></u>	<u><u>\$ 1,631,476</u></u>

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

# OPERATION FUEL, INC.

## Statements of Activities

For the years ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>Change in unrestricted net assets:</b>		
Revenues and support:		
Government grants	\$ 495,019	\$ 1,136,759
Other grants and contributions	2,050,414	1,455,925
Interest income	6,704	1,464
Net assets released from restrictions	115,550	10,250
Total revenues and support	<u>2,667,687</u>	<u>2,604,398</u>
Expenses:		
Fuel assistance programs	2,217,396	2,587,615
Management	178,696	211,667
Fundraising	117,748	194,587
Total expenses	<u>2,513,840</u>	<u>2,993,869</u>
Change in unrestricted net assets	<u>153,847</u>	<u>(389,471)</u>
<b>Change in temporarily restricted net assets:</b>		
Grants and contributions	32,990	115,550
Net assets released from restrictions	<u>(115,550)</u>	<u>(10,250)</u>
Change in temporarily restricted net assets	<u>(82,560)</u>	<u>105,300</u>
Total change in net assets	71,287	(284,171)
Net assets, beginning of year	<u>756,163</u>	<u>1,040,334</u>
Net assets, end of year	<u>\$ 827,450</u>	<u>\$ 756,163</u>

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

# OPERATION FUEL, INC.

## Statement of Functional Expenses

For the year ended June 30, 2011 with comparative totals for the year ended June 30, 2010

	Fuel Assistance Programs	Management	Fundraising	Total	2010
Energy grants	\$ 1,740,361	\$ -	\$ -	\$ 1,740,361	\$ 2,135,327
Operating support for fuel banks	109,857	-	-	109,857	122,096
Wages and fringe benefits	259,092	108,674	58,076	425,842	432,732
Marketing	-	-	-	-	25,000
Professional fees	52,057	33,285	40,803	126,145	140,410
Postage	5,883	533	692	7,108	8,592
Special events	3,534	-	11,253	14,787	23,962
Repairs and maintenance	509	139	139	787	758
Occupancy and general insurance	22,539	3,489	2,817	28,845	32,094
Printing and publications	3,755	2,701	1,368	7,824	7,530
Conferences and meetings	5,615	127	126	5,868	11,168
Depreciation	-	22,833	-	22,833	31,006
Telephone	2,987	373	373	3,733	5,621
Consumable supplies	6,692	545	546	7,783	4,837
Other	-	3,006	-	3,006	3,225
Membership dues and fees	557	1,736	486	2,779	3,849
Travel	3,958	1,255	1,069	6,282	5,662
	<u>\$ 2,217,396</u>	<u>\$ 178,696</u>	<u>\$ 117,748</u>	<u>\$ 2,513,840</u>	<u>\$ 2,993,869</u>

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

# OPERATION FUEL, INC.

## Statement of Functional Expenses

For the year ended June 30, 2010

	Fuel Assistance Programs	Management	Fundraising	Total
Energy grants	\$ 2,135,327	\$ -	\$ -	\$ 2,135,327
Operating support for fuel banks	122,096	-	-	122,096
Wages and fringe benefits	240,974	104,618	87,140	432,732
Marketing	-	-	25,000	25,000
Professional fees	32,634	55,422	52,354	140,410
Postage	7,072	498	1,022	8,592
Special events	5,944	-	18,018	23,962
Repairs and maintenance	324	404	30	758
Occupancy and general insurance	22,992	4,947	4,155	32,094
Printing and publications	2,826	1,701	3,003	7,530
Conferences and meetings	5,934	4,794	440	11,168
Depreciation	-	31,006	-	31,006
Telephone	4,509	556	556	5,621
Consumable supplies	3,695	689	453	4,837
Other	-	3,225	-	3,225
Membership dues and fees	460	2,719	670	3,849
Travel	2,828	1,088	1,746	5,662
	<u>\$ 2,587,615</u>	<u>\$ 211,667</u>	<u>\$ 194,587</u>	<u>\$ 2,993,869</u>

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

# OPERATION FUEL, INC.

## Statements of Cash Flows

For the years ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>Cash flows from operating activities:</b>		
Total change in net assets	\$ 71,287	\$ (284,171)
Adjustments to reconcile total change in net assets to net change in cash from operating activities:		
Depreciation	22,833	31,006
Changes in assets and liabilities:		
Accounts and grants receivable	(109,429)	(27,206)
Accounts payable and accrued liabilities	(192,950)	131,361
Refundable advances	(613,241)	(715,032)
Deferred revenues	1,126,272	(1,461,145)
Net change in cash from operating activities	<u>304,772</u>	<u>(2,325,187)</u>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	-	(29,460)
Proceeds from the sale of certificates of deposit	114,916	104,511
Purchases of certificates of deposit	<u>(150,197)</u>	<u>(114,951)</u>
Net change in cash from investing activities	<u>(35,281)</u>	<u>(39,900)</u>
Net change in cash and cash equivalents	269,491	(2,365,087)
Cash and cash equivalents, beginning of year	<u>1,393,242</u>	<u>3,758,329</u>
Cash and cash equivalents, end of year	<u>\$ 1,662,733</u>	<u>\$ 1,393,242</u>

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

# OPERATION FUEL, INC.

## Notes to Financial Statements

June 30, 2011 and 2010

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### NOTE 1 - PURPOSE OF ORGANIZATION:

Operation Fuel, Inc., a nonprofit organization, was initiated by private sector constituencies to respond to the needs of people within the State of Connecticut, who are unable to pay for their home energy costs and who are not eligible for governmental assistance. On December 26, 1988, Operation Fuel, Inc. became incorporated in the State of Connecticut. Operation Fuel is a nonprofit organization tax-exempt under Section 501(c)(3) of the Internal Revenue Code.

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

#### Basis of Accounting

The financial statements have been prepared on the accrual basis.

#### Financial Statement Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board. Organizations are required to report information regarding financial position and activities according to three classes of net assets, depending upon the existence of net assets in each class: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Operation Fuel, Inc. has no permanently restricted net assets.

*Unrestricted net assets* – consists of resources over which the governing board has discretionary control to use in carrying on the general operations of Operation Fuel, Inc.

*Temporarily restricted net assets* – consists of contributions and other inflows of assets whose use by the organization is limited by donor imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of Operation Fuel, Inc. pursuant to those stipulations.

#### Estimates

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

#### Cash and Cash Equivalents

Included as cash equivalents are all highly liquid investments with an original maturity of three months or less. Operation Fuel Inc.'s cash and cash equivalents consist of interest bearing checking accounts and money market accounts.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

### Certificates of Deposit

Certificates of deposit are presented at accumulated cash balances, which approximates fair market value. As of June 30, 2011, Operation Fuel, Inc. held two certificates of deposit with original maturities greater than three months. Interest rates on those certificates of deposit were 0.69% and 0.84%, with maturity dates of January 2012 and July 2012, respectively.

### Accounts and Grants Receivable

Accounts and grants receivable primarily represent amounts due from utility companies. Receivables are recorded by management at their estimated collectible amounts. Management believes all amounts are fully collectible at year end.

### Property and Equipment

Property and equipment is recorded at cost. The straight-line method of computing depreciation has been applied over their useful lives of 3-10 years.

### Income Taxes

Operation Fuel, Inc. is a nonprofit organization and is exempt from federal and state income taxes on exempt function income under Section 501(c)(3) of the Internal Revenue Code.

Operation Fuel, Inc. has implemented the accounting guidance for uncertainty in income taxes. Tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the position will be sustained upon examination by tax authorities. As of June 30, 2011 and 2010, Operation Fuel, Inc. has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements and believes that it has appropriate support for income tax positions taken in its tax returns. Currently, Operation Fuel, Inc.'s federal informational returns for years ended June 30, 2008 to June 30, 2010 remain open to inspection by the IRS.

### Grants and contracts

Grants and contracts are generally considered to be exchange transactions in which the grantor or contractor requires the performance of specified activities. Entitlement to reimbursement is conditioned on the expenditure of funds in accordance with grant restrictions. Therefore, support is recognized to the extent of grant expenditures. Grant receipts in excess of amounts expended under such grants are recognized as deferred revenue or refundable advances. Grant and contract expenditures in excess of revenues recognized are presented as grants receivable. Revenues for services and support fees are recognized as services are performed.

### Contributions

Contributions are defined as voluntary, nonreciprocal transfers.

Unrestricted and unconditional contributions are recognized as support when received or pledged. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified and reported in the statement of activities as net assets released from restrictions. Operation Fuel, Inc.'s policy is to present temporarily restricted assets received during the year, whose restrictions are also met during the year, as unrestricted net assets.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

Functional allocation of expenses

The cost of providing the various programs and supporting services of Operation Fuel, Inc. have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services.

Concentration of Risk

Operation Fuel, Inc. maintains its cash in bank deposit accounts at various financial institutions which, at times, may exceed federally insured limits. Operation Fuel, Inc. has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

Subsequent events

Operation Fuel, Inc. monitored and evaluated any subsequent events for footnote disclosures or adjustments required in its financial statements for June 30, 2011 through September 12, 2011, the date on which financial statements were available to be issued.

**NOTE 3 - RETIREMENT PLAN:**

Operation Fuel, Inc. has a defined contribution retirement plan that covers substantially all employees. Contributions are discretionary and are based on hours of service and compensation. Operation Fuel, Inc. does provide a discretionary matching contribution for participating employees on an annual basis. Retirement expense for the years ended June 30, 2011 and 2010 was \$6,528 and \$6,647, respectively.

**NOTE 4 - PROPERTY AND EQUIPMENT:**

At June 30, 2011 and 2010, property and equipment is made up of the following:

	<u>2011</u>	<u>2010</u>
Property and equipment	\$ 139,650	\$ 139,650
Accumulated depreciation	<u>(105,498)</u>	<u>(82,665)</u>
	<u>\$ 34,152</u>	<u>\$ 56,985</u>

**NOTE 5 - DEFERRED REVENUE – PILOT PROGRAM:**

Operation Fuel, Inc. received grants totaling \$1,150,000 to develop a pilot program aimed at providing energy grants and energy conservation training to small businesses in Hartford, Bridgeport, Waterbury, New London, and New Haven. The program will be targeting women and minority-owned small businesses, and will offer grants to pay for electricity bills and conduct educational seminars on conserving energy. For the year ended June 30, 2011, \$23,728 of program expenses were incurred.

**NOTE 6 - OPERATING LEASES:**

Operation Fuel, Inc. leases office space in Bloomfield, Connecticut. Effective September 1, 2009 Operation Fuel, Inc. began a new lease, ending May 31, 2014. During the period September 1, 2009 through May 31, 2011 monthly rental payments were \$2,050. Commencing June 1, 2011 through May 31, 2012 monthly installments are \$2,237, and June 1, 2012 through May 31, 2014 rental payments increase to \$2,273. Rent expense for the years ended June 30, 2011 and 2010, was \$24,787 and \$24,600, respectively. Future minimum payments for the years 2012, 2013, and 2014 are \$26,880, \$27,276, and \$25,003, respectively.

**NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS:**

Temporarily restricted net assets represent unspent contributions and donations that are restricted by donor imposed stipulations. Temporarily restricted net assets are comprised as follows:

	Balance July 1, 2010	Additions	Released	Balance June 30, 2011
Program funds:				
American Savings Fund	\$ 8,700	\$ -	\$ (8,700)	\$ -
Napier Foundation	-	5,000	-	5,000
Operating funds:				
Technology	106,850	-	(106,850)	-
Financial management	-	10,000	-	10,000
Consumer education planning	-	17,990	-	17,990
	<u>\$ 115,550</u>	<u>\$ 32,990</u>	<u>\$ (115,550)</u>	<u>\$ 32,990</u>

Program funds are to be used within one year of receipt unless otherwise specified and will be distributed for energy assistance under Operation Fuel, Inc.'s annual programs.

Operating funds consist of grants received with specific donor stipulations and budgets outlined in each of the award letters. Operating funds are generally restricted for purpose and released when expenditures meet the guidelines as outlined by the grant letter, however some grants may have designated periods of use as well.