

OPERATION FUEL, INC.

AUDITED FINANCIAL STATEMENTS

Years ended June 30, 2007 and 2006

OPERATION FUEL, INC.

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REPORT OF INDEPENDENT AUDITORS

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To the Board of Directors
Operation Fuel, Inc.

We have audited the accompanying balance sheet of Operation Fuel, Inc. as of June 30, 2007 and the related statements of activities and change in net assets, functional expenses and cash flows for the year 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 audit. The financial statements presented herein as of and for the year ended June 30, 2006, were audited by other auditors who expressed an unqualified opinion on those financial statements in their report dated October 6, 2006.

We conducted our audit 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 audit provides 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, 2007, and the results of its activities and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

UHY LLP

New Haven, Connecticut
December 3, 2007

OPERATION FUEL, INC.
STATEMENTS OF FINANCIAL POSITION

	<u>June 30,</u>	
	<u>2007</u>	<u>2006</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 239,793	\$ 267,571
Receivables		
Fuel bank	9,147	12,907
Grants	57,528	17,421
Other	28,790	739
	<u>335,258</u>	<u>298,638</u>
FURNITURE and EQUIPMENT		
Furniture and equipment	48,817	46,223
Less accumulated depreciation	37,010	32,485
	<u>11,807</u>	<u>13,738</u>
OTHER ASSET - Deposit	<u>4,800</u>	<u>-</u>
	<u>\$ 351,865</u>	<u>\$ 312,376</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 2,984	\$ -
Accrued compensated absences	10,100	-
	<u>13,084</u>	<u>-</u>
NET ASSETS		
Unrestricted	331,705	312,376
Temporarily restricted	7,076	-
	<u>338,781</u>	<u>312,376</u>
	<u>\$ 351,865</u>	<u>\$ 312,376</u>

See notes to financial statements.

OPERATION FUEL, INC.
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS

	Year ended June 30, 2007		Year ended June 30, 2006		
	Unrestricted	Temporarily Restricted	Total	Temporarily Restricted	Total
Revenues and Support					
Contributions and grants	\$ 775,840	\$ 667,038	\$ 1,442,878	\$ 675,023	\$ 1,348,395
Interest income	3,248	-	3,248	-	-
Net assets released from restrictions	659,962	(659,962)	-	(678,023)	-
Total revenues and support	1,439,050	7,076	1,446,126	(3,000)	1,348,395
Expenses					
Fuel assistance program	1,181,219	-	1,181,219	-	972,901
Management	86,853	-	86,853	-	69,455
Fundraising	151,649	-	151,649	-	92,620
Total expenses	1,419,721	-	1,419,721	-	1,134,976
Change in Net Assets	19,329	7,076	26,405	(3,000)	213,419
Net Assets, Beginning	312,376	-	312,376	3,000	98,957
Net Assets, Ending	\$ 331,705	\$ 7,076	\$ 338,781	\$ -	\$ 312,376

See notes to financial statements.

**OPERATION FUEL, INC.
STATEMENTS OF FUNCTIONAL EXPENSES**

	Year ended June 30, 2007			Year ended June 30, 2006				
	Program	Management	Fundraising	Total	Program	Management	Fundraising	Total
Grants to fuel banks (net)	\$ 1,007,222	-	-	\$ 1,007,222	\$ 859,153	-	-	\$ 859,153
Salaries and payroll taxes	122,911	17,540	37,882	178,333	79,016	20,929	44,518	144,463
Professional fees	11,112	43,655	40,628	95,395	5,343	30,013	26,858	62,214
Postage	1,349	1,093	6,299	8,741	3,732	1,618	12,211	17,561
Benefits	11,607	2,311	1,491	15,409	8,675	1,697	1,446	11,818
Occupancy and insurance	7,215	4,393	2,405	14,013	4,050	2,597	2,430	9,077
Printing and publications	2,058	2,870	2,143	7,071	3,398	1,470	3,133	8,001
Conferences and meetings	5,784	-	-	5,784	4,145	90	130	4,365
Depreciation	-	4,525	-	4,525	-	2,787	-	2,787
Telephone	2,716	905	905	4,526	1,542	617	925	3,084
Outreach/Public relations	3,673	930	-	4,603	1,235	1,387	61	2,683
Consumable supplies	2,026	660	660	3,346	1,457	674	697	2,828
Miscellaneous	400	1,818	-	2,218	-	1,765	-	1,765
Membership dues and fees	-	836	540	1,376	-	1,636	-	1,636
Travel (local)	1,983	750	349	3,082	1,115	393	187	1,695
Technology grant expenses	1,163	-	-	1,163	-	-	-	-
Moving costs	-	2,957	-	2,957	-	-	-	-
Anniversary event	-	-	58,347	58,347	-	-	-	-
Equipment and maintenance	-	1,610	-	1,610	40	1,782	24	1,846
	<u>\$ 1,181,219</u>	<u>\$ 86,853</u>	<u>\$ 151,649</u>	<u>\$ 1,419,721</u>	<u>\$ 972,901</u>	<u>\$ 69,455</u>	<u>\$ 92,620</u>	<u>\$ 1,134,976</u>

See notes to financial statements.

OPERATION FUEL, INC.
STATEMENTS OF CASH FLOWS

	<u>Years ended June 30,</u>	
	<u>2007</u>	<u>2006</u>
Operating Activities		
Change in net assets	\$ 26,405	\$ 213,419
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	4,525	2,787
Changes in assets and liabilities:		
Receivables	(64,398)	(28,764)
Deposits	(4,800)	-
Accounts payable	2,984	-
Accrued compensated absences	10,100	-
	<u>(25,184)</u>	<u>187,442</u>
Net cash (used in) provided by operating activities		
	<u>(25,184)</u>	<u>187,442</u>
Investing Activities		
Purchase of furniture and equipment	<u>(2,594)</u>	<u>(14,869)</u>
Net cash used in investing activities	<u>(2,594)</u>	<u>(14,869)</u>
Net (Decrease) Increase in Cash	(27,778)	172,573
Cash and Cash Equivalents, Beginning	<u>267,571</u>	<u>94,998</u>
Cash and Cash Equivalents, Ending	<u>\$ 239,793</u>	<u>\$ 267,571</u>

OPERATION FUEL, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2007 and 2006

NOTE 1 — OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Operations

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. was incorporated in the State of Connecticut and subsequently on August 25, 1989 received tax-exempt status under Section 501(c)(3) of the Internal Revenue Code.

Significant Accounting Policies

Financial Statement Presentation

Operation Fuel, Inc. reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Temporarily restricted net assets are assets with accompanying restrictions as to the passage of time or satisfaction of the purpose for which the asset was received. Once time has passed or the purpose has been fulfilled, temporarily restricted amounts are recognized as unrestricted by the organization. Permanently restricted net assets are those assets where the principal portion is unavailable for use by the organization, but the earnings are available for general use in operations.

Depending upon the existence and nature of donor imposed restrictions, contributions are reported as either unrestricted support (increasing unrestricted net assets) or restricted support (increasing permanently restricted or temporarily restricted net assets). For 2007 and 2006, Operation Fuel, Inc. did not receive any support subject to permanent restrictions. Temporarily restricted net assets were \$7,076 and \$0 at June 30, 2007 and 2006, respectively.

Cash and Cash Equivalents

For financial statement purposes, Operation Fuel, Inc. considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

The Program maintains its cash and cash equivalents in a financial institution which insures its deposits with the Federal Deposit Insurance Corporation (FDIC) up to \$100,000 per depositor. Any amount in excess of such limits is not insured and represents a credit risk. At June 30, 2007 and 2006, \$44,772 and \$170,114, respectively, were in excess of FDIC coverage.

OPERATION FUEL, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2007 and 2006

NOTE 1 — OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables

Receivables primarily represent amounts due from utility companies and refunds for unused fuel bank payments and are recorded by management at their estimated collectible amounts. Management believes all amounts are fully collectible at year end.

Furniture and Equipment

Furniture and equipment is stated at cost. Donated furniture and equipment have been recorded at the fair market value at the date of receipt. There were no donated items for the years ended June 30, 2007 and 2006. Depreciation of the furniture and equipment is computed by the straight-line method over the estimated useful lives of the assets (ranging from three to five years).

Compensated Absences

Employees accrue vacation time based upon time worked and are entitled to payment once they separate from service.

Revenue

The Operation Fuel assistance program receives the majority of its revenue from the Add-A-Dollar programs (conducted by major energy utility companies), corporate matching by way of the Add-A-Dollar program, private donations from individuals and foundations and grants from the State of Connecticut Office of Policy and Management. The Program reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Add-A-Dollar contributions are donor temporarily restricted funds that must be utilized for fuel banks to those who are in financial crisis and not eligible for government assistance.

Revenue to cover administrative expenses is derived from corporate donations and fundraising.

Expenses

The costs of providing fuel assistance programs has been summarized on a functional basis in the accompanying financial statements. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of Operation Fuel, Inc.

OPERATION FUEL, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2007 and 2006

NOTE 1 — OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 — RECEIVABLES

Receivables at June 30 consisted of the following:

	<u>2007</u>	<u>2006</u>
Fuel bank refunds	\$ 9,147	\$ 12,907
Hartford Foundation for Public Giving	-	17,421
Utility Challenge Match Funds	57,528	-
Anniversary Gala Reimbursements	27,540	-
Miscellaneous	<u>1,250</u>	<u>739</u>
	<u>\$ 95,465</u>	<u>\$ 31,067</u>

OPERATION FUEL, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2007 and 2006

NOTE 3 — TEMPORARILY RESTRICTED NET ASSETS AND ASSETS RELEASED FROM RESTRICTIONS

Temporarily restricted assets are available for the following purposes:

	<u>Years ended June 30,</u>	
	<u>2007</u>	<u>2006</u>
Technology Grant	<u>\$ 7,076</u>	<u>\$ -</u>

Net assets are released from donor restrictions by incurring expenses satisfying the restricted purposes or time limit.

	<u>Years ended June 30,</u>	
	<u>2007</u>	<u>2006</u>
Purpose restrictions accomplished:		
Fuel grants from Add-A-Dollar revenue	\$ 383,440	\$ 399,336
OAG settlement from Dominion Retail	10,000	-
OPM Grant for operating expenses	10,000	10,000
OPM Grant for program expenses	90,000	-
Foundation grants for operating expenses	20,000	73,117
Fuel grants restricted to special regions	137,098	195,570
Strategic Plan implementation	1,500	-
Technology Grant deposits and expenses	<u>7,924</u>	<u>-</u>
Total restrictions released	<u>\$ 659,962</u>	<u>\$ 678,023</u>

NOTE 4 — OFFICE LEASE

Operation Fuel, Inc. occupied office space as a tenant-at-will from July through September 2006 at a cost of \$675 per month. Effective September 1, 2006, Operation Fuel, Inc. leased new office space in Bloomfield, Connecticut. Terms of its lease call for monthly rental payments of \$1,000 for 36 months commencing September 2006.

Rent expense for the years ended June 30, 2007 and 2006, was \$12,025 and \$8,100, respectively.

OPERATION FUEL, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2007 and 2006

NOTE 4 — OFFICE LEASE (Continued)

The minimum rental commitment for the fiscal year ended June 30, 2007 was as follows:

2008	\$	12,000
2009		12,000
2010		<u>2,000</u>
	\$	<u>26,000</u>

NOTE 5 — GRANTS TO FUEL BANKS

The amount reported as grants to fuel banks includes refunded payments to Operation Fuel, Inc. of \$23,727 and \$24,512 for the years ended June 30, 2007 and 2006, respectively.

NOTE 6 — EMPLOYEE BENEFIT PLAN

The Board of Directors approved the reestablishment of an Internal Revenue Code Section 403(b) retirement plan for its employees during fiscal year ending June 30, 2006. The plan is non-contributory on the part of Operation Fuel, Inc. There were no participants as of June 30, 2007.