

OPERATION FUEL, INC.

Financial Statements

June 30, 2008

OPERATION FUEL, INC.

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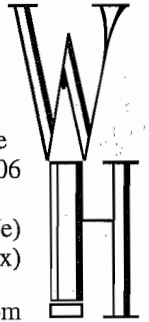
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Operation Fuel, Inc.

We have audited the accompanying statement of financial position of Operation Fuel, Inc. as of June 30, 2008 and the related statements of activities 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.

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, 2008 and the changes in net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Whittlesey & Hadley

November 11, 2008

OPERATION FUEL, INC.

Statement of Financial Position

June 30, 2008

Current assets:	
Cash and cash equivalents	\$ 370,988
Accounts receivable	<u>298,733</u>
Total current assets	<u>669,721</u>
Property and equipment (net of depreciation)	<u>67,423</u>
Total assets	<u><u>\$ 737,144</u></u>
Liabilities:	
Accounts payable and accrued liabilities	\$ 85,924
Deferred revenue	<u>25,000</u>
Total liabilities	110,924
Net assets:	
Unrestricted	<u>626,220</u>
Total liabilities and net assets	<u><u>\$ 737,144</u></u>

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

OPERATION FUEL, INC.

Statement of Activities

For the year ended June 30, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
Revenues:			
Grants and contributions	\$ 1,401,158	\$ 2,929,973	\$ 4,331,131
Interest income	4,834	-	4,834
Net assets released from restrictions	2,881,378	(2,937,049)	(55,671)
	<u>4,287,370</u>	<u>(7,076)</u>	<u>4,280,294</u>
Expenses:			
Fuel assistance program	3,698,482	-	3,698,482
Management	140,619	-	140,619
Fundraising	153,754	-	153,754
	<u>3,992,855</u>	<u>-</u>	<u>3,992,855</u>
Change in net assets	294,515	(7,076)	287,439
Net assets, beginning of year	<u>331,705</u>	<u>7,076</u>	<u>338,781</u>
Net assets, end of year	<u>\$ 626,220</u>	<u>\$ -</u>	<u>\$ 626,220</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, 2008

	<u>Program</u>	<u>Management</u>	<u>Fundraising</u>	<u>Total</u>
Energy grants	\$ 3,092,564	\$ -	\$ -	\$ 3,092,564
Operating support for fuel banks	280,214	-	-	280,214
Salaries and payroll taxes	152,663	14,363	46,960	213,986
Marketing	2,738	-	55,671	58,409
Professional fees	90,310	92,853	38,634	221,797
Postage	3,038	593	5,388	9,019
Fringe benefits	17,394	6,501	2,944	26,839
Special events	11,199	-	-	11,199
Repairs and maintenance	1,145	1,126	-	2,271
Occupancy and general insurance	15,595	3,914	1,773	21,282
Printing and publications	4,663	1,541	802	7,006
Conferences and meetings	4,662	964	50	5,676
Depreciation	-	15,443	-	15,443
Telephone	2,707	228	292	3,227
Outreach/public relations	3,810	24	31	3,865
Consumable supplies	6,761	716	289	7,766
Miscellaneous	-	2,041	-	2,041
Membership dues and fees	1,239	248	393	1,880
Travel	3,367	64	527	3,958
Technology fees	4,413	-	-	4,413
	<u>\$ 3,698,482</u>	<u>\$ 140,619</u>	<u>\$ 153,754</u>	<u>\$ 3,992,855</u>

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

OPERATION FUEL, INC.

Statement of Cash Flows

June 30,2008

Cash flows from operations:	
Increase in net assets	\$ 287,439
Adjustments to reconcile net income to net change in cash from operating activities:	
Depreciation	15,443
Changes in assets and liabilities	
Accounts receivable	(203,268)
Deposits	4,800
Accounts payable	72,840
Deferred revenues	<u>25,000</u>
Net cash from operating activities	202,254
Cash flows from investing activities:	
Purchases of furniture and equipment	<u>(71,059)</u>
Net increase in cash and cash equivalents	131,195
Cash and cash equivalents, beginning of year	<u>239,793</u>
Cash and cash equivalents, end of year	<u><u>\$ 370,988</u></u>

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

OPERATION FUEL, INC.

Notes to Financial Statements

June 30, 2008

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. 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.

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 in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, 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.

Cash and Cash Equivalents - Consist of interest bearing checking account and money market accounts.

Furniture, Fixtures and Equipment - Office furniture, fixtures and equipment are recorded at cost. The straight-line method of computing depreciation has been applied over their useful lives of 3-10 years.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Receivables - Receivables primarily represent amounts due from state agency, 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.

Concentration of Risk - Amounts on deposit at a single financial institution occasionally exceed the federally insured limit.

Note 3 - Property:

At June 30, 2008, property and equipment is made up of the following:

Furniture and equipment	\$ 119,876
Accumulated depreciation	<u>(52,453)</u>
	<u>\$ 67,423</u>

Note 4 - Temporarily Restricted Net Assets and Assets Released from Restrictions:

There were no temporarily restricted assets are available for the following purposes at June 30, 2008.

Net assets are released from donor restrictions by incurring expenses satisfying the restricted purpose or time limit. As of year ended June 30, 2008, net assets released were the following:

Expanding program grant	\$ 1,750,000
Clean slate grant	594,657
Infrastructure grant	529,645
Marketing grant	55,671
Technology grant	<u>7,076</u>
Total restrictions released	<u>\$ 2,937,049</u>

Note 5 - Operating Leases:

Operation Fuel, Inc. leased, for a three year term, office space as a tenant-at-will from September 2006 through January 2008 at a cost of \$1,000 per month in Bloomfield, Connecticut. Effective February 1, 2008, the lease was amended. The new terms calls for monthly rental payments of \$2,050 commencing February 2008 and ending on August 31, 2009. Rent expense for the year ended June 30, 2008, was \$17,250.

Future minimum lease payments under operating leases are as follows:

June 30, 2009	\$ 24,600
June 30, 2010	<u>4,100</u>
	<u>\$ 28,700</u>

Note 6 - Employee Benefit Plan:

The organization maintains an Internal Revenue Code Section 403(b) retirement plan. The plan is non-contributory.

Note 7 - Subsequent events:

In October 2008, Operation Fuel, Inc. was awarded a \$14 million grant from the State of Connecticut to provide heating assistance for qualifying residents of the state.