

OPERATION FUEL, INC.

Financial Statements

June 30, 2013 and 2012

OPERATION FUEL, INC.

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June 30, 2013 and 2012

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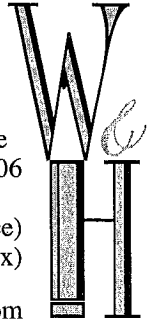
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Operation Fuel, Inc.

Report on Financial Statements

We have audited the accompanying financial statements of Operation Fuel, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2013 and 2012, 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.

Auditors' 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 audit 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 auditors' 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 entity'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 entity'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.

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, 2013 and 2012, 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.

August 28, 2013

Whittlesey & Hadley

OPERATION FUEL, INC.

Statements of Financial Position

June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,178,002	\$ 1,198,839
Certificates of deposit	226,969	226,458
Accounts and grants receivable	89,398	37,503
Prepaid expenses	<u>7,026</u>	<u>-</u>
Total current assets	1,501,395	1,462,800
Property and equipment (net of accumulated depreciation)	<u>16,716</u>	<u>25,136</u>
Total assets	<u>\$ 1,518,111</u>	<u>\$ 1,487,936</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 81,782	\$ 122,807
Deferred revenue - Small business program	<u>89,422</u>	<u>192,129</u>
Total current liabilities	<u>171,204</u>	<u>314,936</u>
Net assets:		
Unrestricted	959,612	856,520
Temporarily restricted	<u>387,295</u>	<u>316,480</u>
Total net assets	<u>1,346,907</u>	<u>1,173,000</u>
Total liabilities and net assets	<u>\$ 1,518,111</u>	<u>\$ 1,487,936</u>

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

OPERATION FUEL, INC.

Statements of Activities

For the years ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Change in unrestricted net assets:		
Revenues and support:		
Government grants	\$ 3,100,000	\$ 1,100,000
Other grants and contributions	1,043,358	2,898,300
Interest income	2,230	7,865
Net assets released from restrictions	458,554	25,548
Total revenues and support	<u>4,604,142</u>	<u>4,031,713</u>
Expenses:		
Fuel assistance programs	4,179,622	3,673,021
Management	174,995	165,617
Fundraising	146,433	131,015
Total expenses	<u>4,501,050</u>	<u>3,969,653</u>
Change in unrestricted net assets	<u>103,092</u>	<u>62,060</u>
Change in temporarily restricted net assets:		
Grants and contributions	529,369	309,038
Net assets released from restrictions	<u>(458,554)</u>	<u>(25,548)</u>
Change in temporarily restricted net assets	<u>70,815</u>	<u>283,490</u>
Total change in net assets	173,907	345,550
Net assets, beginning of year	<u>1,173,000</u>	<u>827,450</u>
Net assets, end of year	<u>\$ 1,346,907</u>	<u>\$ 1,173,000</u>

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

OPERATION FUEL, INC.

Statements of Functional Expenses

For the year ended June 30, 2013 with comparative totals for the year ended June 30, 2012

	Fuel Assistance Programs	Management	Fundraising	Total	2012
Energy grants	\$ 3,597,836	\$ -	\$ -	\$ 3,597,836	\$ 3,116,844
Operating support for fuel banks	164,760	-	-	164,760	113,003
Wages and fringe benefits	316,082	96,431	68,410	480,923	502,482
Professional fees	50,314	53,475	32,630	136,419	129,182
Postage	3,894	839	2,172	6,905	9,353
Special events	-	-	34,568	34,568	13,179
Repairs and maintenance	1,289	430	430	2,149	1,084
Occupancy and general insurance	19,690	5,247	3,613	28,550	30,224
Printing and publications	8,470	836	1,656	10,962	13,041
Conferences and meetings	5,876	2,473	170	8,519	11,925
Depreciation	-	8,420	-	8,420	10,364
Telephone	3,089	327	327	3,743	3,319
Consumable supplies	4,686	589	593	5,868	4,684
Other	150	2,443	-	2,593	1,599
Membership dues and fees	883	2,312	625	3,820	2,644
Travel	2,603	1,173	1,239	5,015	6,726
	<u>\$ 4,179,622</u>	<u>\$ 174,995</u>	<u>\$ 146,433</u>	<u>\$ 4,501,050</u>	<u>\$ 3,969,653</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, 2012

	Fuel Assistance Programs	Management	Fundraising	Total
Energy grants	\$ 3,116,844	\$ -	\$ -	\$ 3,116,844
Operating support for fuel banks	113,003	-	-	113,003
Wages and fringe benefits	324,120	106,047	72,315	502,482
Professional fees	62,015	33,364	33,803	129,182
Postage	4,552	759	4,042	9,353
Special events	-	-	13,179	13,179
Repairs and maintenance	650	217	217	1,084
Occupancy and general insurance	23,525	3,758	2,941	30,224
Printing and publications	9,441	1,661	1,939	13,041
Conferences and meetings	7,253	4,589	83	11,925
Depreciation	-	10,364	-	10,364
Telephone	2,655	332	332	3,319
Consumable supplies	3,402	641	641	4,684
Other	-	1,599	-	1,599
Membership dues and fees	704	1,360	580	2,644
Travel	4,857	926	943	6,726
	<u>\$ 3,673,021</u>	<u>\$ 165,617</u>	<u>\$ 131,015</u>	<u>\$ 3,969,653</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, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Total change in net assets	\$ 173,907	\$ 345,550
Adjustments to reconcile total change in net assets to net change in cash from operating activities:		
Depreciation	8,420	10,364
Changes in assets and liabilities:		
Accounts and grants receivable	(51,895)	138,259
Prepaid expenses	(7,026)	-
Accounts payable and accrued liabilities	(41,025)	53,685
Deferred revenues - Small business program	(102,707)	(934,143)
Net change in cash from operating activities	<u>(20,326)</u>	<u>(386,285)</u>
Cash flows from investing activities:		
Purchases of property and equipment	-	(1,348)
Proceeds from the sale/maturity of certificates of deposit	226,458	150,197
Purchases of certificates of deposit	(226,969)	(226,458)
Net change in cash from investing activities	<u>(511)</u>	<u>(77,609)</u>
Net change in cash and cash equivalents	(20,837)	(463,894)
Cash and cash equivalents, beginning of year	<u>1,198,839</u>	<u>1,662,733</u>
Cash and cash equivalents, end of year	<u>\$ 1,178,002</u>	<u>\$ 1,198,839</u>

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

OPERATION FUEL, INC.

Notes to Financial Statements

June 30, 2013 and 2012

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 balance, which approximates fair market value. As of June 30, 2013, Operation Fuel, Inc. held three certificates of deposit with original maturities greater than three months. Interest rates on those certificates of deposit were 0.20%, 0.20%, and 0.15%, with maturity dates of July 2013, October 2013, and January 2014, 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, 2013 and 2012, 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, 2010 to June 30, 2012 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, 2013 through August 28, 2013, the date on which financial statements were available to be issued.

Line of Credit

Operation Fuel, Inc. opened a line of credit with the Simsbury Bank & Trust Company in the amount of \$250,000 during the year ended June 30, 2013. The line of credit bears an interest rate of 4% and expires on May 29, 2015. The outstanding balance on the line of credit was zero as of June 30, 2013.

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, 2013 and 2012 was \$6,490 and \$6,843, respectively.

NOTE 4 - PROPERTY AND EQUIPMENT:

At June 30, 2013 and 2012, property and equipment is made up of the following:

	<u>2013</u>	<u>2012</u>
Property and equipment	\$ 140,998	\$ 140,998
Accumulated depreciation	(124,282)	(115,862)
	<u>\$ 16,716</u>	<u>\$ 25,136</u>

NOTE 5 - DEFERRED REVENUE -- SMALL BUSINESS PROGRAM:

Operation Fuel, Inc. has contracts with utility companies to carry out a program aimed at providing energy grants and energy conservation training to small businesses in Connecticut. The program offers grants to pay for electricity and weatherization bills and conducts educational seminars on conserving energy. For the years ended June 30, 2013 and 2012, \$183,457 and \$934,143 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 were \$2,237, and June 1, 2012 through May 31, 2014 rental payments increase to \$2,273. Rent expense for the years ended June 30, 2013 and 2012, was \$27,280 and \$26,844, respectively. The future minimum rent payment for the year ending June 30, 2014 is \$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 for the year ended June 30,:

	Balance June 30, 2011	Additions	Released	Balance June 30, 2012
Program funds:				
American Savings Fund	\$ -	\$ 12,846	\$ -	\$ 12,846
Napier Foundation	5,000	-	(5,000)	-
Connecticut Light & Power	-	295,000	-	295,000
Southern Connecticut Gas	-	1,000	-	1,000
Operating funds:				
Financial management	10,000	-	(10,000)	-
Consumer education planning	17,990	-	(10,548)	7,442
Staff professional development	-	192	-	192
	<u>\$ 32,990</u>	<u>\$ 309,038</u>	<u>\$ (25,548)</u>	<u>\$ 316,480</u>

	Balance June 30, 2012	Additions	Released	Balance June 30, 2013
Program funds:				
American Savings Fund	\$ 12,846	\$ -	\$ (12,846)	\$ -
Connecticut Light & Power	295,000	100,000	(295,000)	100,000
Southern Connecticut Gas	1,000	-	(1,000)	-
Dominion	-	15,000	-	15,000
Operating funds:				
Consumer education planning	7,442	-	(7,442)	-
Staff professional development	192	-	(192)	-
Add-a-Dollar	-	414,369	(142,074)	272,295
	<u>\$ 316,480</u>	<u>\$ 529,369</u>	<u>\$ (458,554)</u>	<u>\$ 387,295</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.