

**OPERATION FUEL, INC.**

**Financial Statements**

**June 30, 2015 and 2014**

# OPERATION FUEL, INC.

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June 30, 2015 and 2014

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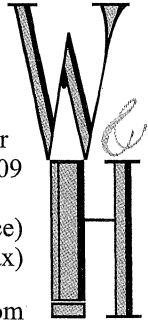
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Operation Fuel, Inc.

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, 2015 and 2014, 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 organization'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 organization'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, 2015 and 2014, 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.

*Whittlesey & Hadley*

Hartford, Connecticut  
August 27, 2015

# OPERATION FUEL, INC.

## Statements of Financial Position

June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 2,335,283	\$ 3,239,794
Certificates of deposit	227,666	227,325
Accounts and grants receivable	79,017	297,542
Prepaid expenses	1,789	2,563
Security deposit	3,341	3,341
	<u>2,647,096</u>	<u>3,770,565</u>
Property and equipment (net of accumulated depreciation)	<u>55,508</u>	<u>21,237</u>
Total assets	<u>\$ 2,702,604</u>	<u>\$ 3,791,802</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 189,159	\$ 75,896
Deferred revenue - Small business program	47,050	66,835
Charitable gift annuity payment liability	14,046	16,588
	<u>250,255</u>	<u>159,319</u>
Net assets:		
Unrestricted	1,021,828	988,737
Temporarily restricted	1,430,521	2,643,746
	<u>2,452,349</u>	<u>3,632,483</u>
Total liabilities and net assets	<u>\$ 2,702,604</u>	<u>\$ 3,791,802</u>

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

# OPERATION FUEL, INC.

## Statements of Activities

For the years ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>Change in unrestricted net assets:</b>		
Revenues and support:		
Government grants	\$ 2,100,000	\$ 2,100,000
Other grants and contributions	937,241	1,210,863
Interest income	5,073	3,042
Net assets released from restrictions	1,873,236	850,014
Total revenues and support	<u>4,915,550</u>	<u>4,163,919</u>
Expenses:		
Fuel assistance programs	4,479,242	3,772,852
Management	217,369	182,649
Fundraising	185,848	179,293
Total expenses	<u>4,882,459</u>	<u>4,134,794</u>
Change in unrestricted net assets	<u>33,091</u>	<u>29,125</u>
<b>Change in temporarily restricted net assets:</b>		
Grants and contributions	660,011	3,106,465
Net assets released from restrictions	<u>(1,873,236)</u>	<u>(850,014)</u>
Change in temporarily restricted net assets	<u>(1,213,225)</u>	<u>2,256,451</u>
Total change in net assets	(1,180,134)	2,285,576
Net assets, beginning of year	<u>3,632,483</u>	<u>1,346,907</u>
Net assets, end of year	<u>\$ 2,452,349</u>	<u>\$ 3,632,483</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, 2015 with comparative totals for the year ended June 30, 2014

	Fuel Assistance Programs	Management	Fundraising	Total	2014
Energy grants	\$ 3,735,706	\$ -	\$ -	\$ 3,735,706	\$ 3,152,539
Operating support for fuel banks	166,340	-	-	166,340	134,060
Wages and fringe benefits	378,308	126,018	117,856	622,182	562,170
Professional fees	128,061	50,996	49,671	228,728	158,565
Postage	3,281	828	1,656	5,765	7,862
Special events	-	-	25	25	10,447
Repairs and maintenance	2,123	356	657	3,136	2,203
Occupancy and general insurance	35,063	7,453	5,742	48,258	34,397
Printing and publications	6,508	2,045	5,434	13,987	8,588
Conferences and meetings	4,787	7,104	606	12,497	13,185
Depreciation	-	8,473	-	8,473	10,372
Telephone	3,129	1,043	1,043	5,215	3,680
Consumable supplies	6,966	688	1,737	9,391	12,149
Other	-	9,199	-	9,199	14,485
Membership dues and fees	4,879	2,171	860	7,910	3,019
Travel	4,091	995	561	5,647	7,073
	<u>\$ 4,479,242</u>	<u>\$ 217,369</u>	<u>\$ 185,848</u>	<u>\$ 4,882,459</u>	<u>\$ 4,134,794</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, 2014

	Fuel Assistance Programs	Management	Fundraising	Total
Energy grants	\$ 3,152,539	\$ -	\$ -	\$ 3,152,539
Operating support for fuel banks	134,060	-	-	134,060
Wages and fringe benefits	363,888	106,806	91,476	562,170
Professional fees	58,805	35,559	64,201	158,565
Postage	4,110	1,664	2,088	7,862
Special events	-	-	10,447	10,447
Repairs and maintenance	1,554	230	419	2,203
Occupancy and general insurance	22,882	6,413	5,102	34,397
Printing and publications	6,408	836	1,344	8,588
Conferences and meetings	10,675	1,669	841	13,185
Depreciation	-	10,372	-	10,372
Telephone	2,185	893	602	3,680
Consumable supplies	9,720	1,004	1,425	12,149
Other	-	14,485	-	14,485
Membership dues and fees	940	1,801	278	3,019
Travel	5,086	917	1,070	7,073
	<u>\$ 3,772,852</u>	<u>\$ 182,649</u>	<u>\$ 179,293</u>	<u>\$ 4,134,794</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, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>Cash flows from operating activities:</b>		
Total change in net assets	\$ (1,180,134)	\$ 2,285,576
Adjustments to reconcile total change in net assets to net change in cash from operating activities:		
Depreciation	8,473	10,372
Changes in assets and liabilities:		
Accounts and grants receivable	218,525	(208,144)
Prepaid expenses	774	4,463
Security deposit	-	(3,341)
Accounts payable and accrued liabilities	113,263	(5,886)
Deferred revenues - Small business program	(19,785)	(22,587)
Charitable gift annuity payment liability	(2,542)	16,588
Net change in cash from operating activities	<u>(861,426)</u>	<u>2,077,041</u>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(42,744)	(14,893)
Proceeds from the sale/maturity of certificates of deposit	227,325	226,969
Purchases of certificates of deposit	<u>(227,666)</u>	<u>(227,325)</u>
Net change in cash from investing activities	<u>(43,085)</u>	<u>(15,249)</u>
Net change in cash and cash equivalents	(904,511)	2,061,792
Cash and cash equivalents, beginning of year	<u>3,239,794</u>	<u>1,178,002</u>
Cash and cash equivalents, end of year	<u>\$ 2,335,283</u>	<u>\$ 3,239,794</u>

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

# OPERATION FUEL, INC.

## Notes to Financial Statements

June 30, 2015 and 2014

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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, Inc. 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, 2015, Operation Fuel, Inc. held three certificates of deposit with original maturities greater than three months. Interest rates on those certificates of deposit were 0.15% each, with maturity dates of July 2015, November 2015, and January 2016.

### 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, 2015 and 2014, 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, 2012 to June 30, 2015 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.

### 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.

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

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, 2015 through August 27, 2015, the date on which financial statements were available to be issued.

Line of Credit

Operation Fuel, Inc. held a line of credit with the Simsbury Bank & Trust Company in the amount of \$250,000 during the years ended June 30, 2015 and 2014. The line of credit bears an interest rate of 4% and expires on May 29, 2017. The outstanding balance on the line of credit was zero as of June 30, 2015.

**NOTE 3 - RETIREMENT PLAN:**

Operation Fuel, Inc. has a defined contribution retirement plan that covers substantially all employees. Operation Fuel, Inc. does provide a contribution of 2 percent to all employees and an additional matching contribution up to 2 percent for participating employees. Retirement expense for the years ended June 30, 2015 and 2014 was \$18,636 and \$6,946, respectively.

**NOTE 4 - PROPERTY AND EQUIPMENT:**

At June 30, 2015 and 2014, property and equipment is made up of the following:

	<u>2015</u>	<u>2014</u>
Property and equipment	\$ 198,634	\$ 155,890
Accumulated depreciation	(143,126)	(134,653)
	<u>\$ 55,508</u>	<u>\$ 21,237</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.

**NOTE 6 - OPERATING LEASES:**

Operation Fuel, Inc. leased office space in Bloomfield, Connecticut through May 31, 2014. Effective June 1, 2014 Operation Fuel, Inc. began a 5-year lease for office space in Hartford, Connecticut. During the period July 1, 2013 through May 31, 2014 monthly rental payments were \$2,273. Commencing June 1, 2014 through June 30, 2015 monthly installments were \$3,341. Rent expense for the years ended June 30, 2015 and 2014, was \$40,092 and \$28,344, respectively.

**NOTE 6 - OPERATING LEASES (CONT'D):**

The future minimum lease commitment at June 30, 2015 is as follows:

<u>Year ending June 30,</u>		
2016	\$	40,092
2017		40,092
2018		40,092
2019		36,751
2020		-
	\$	<u>157,027</u>

**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:

	<u>Balance</u>		<u>Released</u>	<u>Balance</u>
	<u>June 30, 2013</u>	<u>Additions</u>		<u>June 30, 2014</u>
Program funds:				
Connecticut Light & Power	\$ 100,000	\$ -	\$ (100,000)	\$ -
Dominion	15,000	-	(15,000)	-
American Savings Bank	-	50,000	(22,615)	27,385
Moore	-	5,000	(1,010)	3,990
Berkshire Taconic	-	750	-	750
Northeast Utilities	-	2,500,000	(264,792)	2,235,208
Add-a-dollar	272,295	436,490	(446,597)	262,188
Operating funds:				
Technology	-	114,225	-	114,225
	<u>\$ 387,295</u>	<u>\$ 3,106,465</u>	<u>\$ (850,014)</u>	<u>\$ 2,643,746</u>
	<u>Balance</u>		<u>Released</u>	<u>Balance</u>
	<u>June 30, 2014</u>	<u>Additions</u>		<u>June 30, 2015</u>
Program funds:				
American Savings Bank	\$ 27,385	\$ 50,000	\$ (74,752)	\$ 2,633
Moore	3,990	-	(2,199)	1,791
Berkshire Taconic	750	-	(750)	-
Northeast Utilities	2,235,208	100,000	(1,133,619)	1,201,589
Add-a-dollar	262,188	460,011	(526,805)	195,394
Operating funds:				
State of CT - Technology	114,225	-	(114,225)	-
Hartford Foundation for Public Giving - Technology	-	50,000	(20,886)	29,114
	<u>\$ 2,643,746</u>	<u>\$ 660,011</u>	<u>\$ (1,873,236)</u>	<u>\$ 1,430,521</u>

**NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS (CONT'D):**

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 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.

**NOTE 8 – CHARITABLE GIFT ANNUITY:**

Operation Fuel, Inc. has a charitable gift annuity. Payments are made to the donor in accordance with the agreement. The net present value of payments to the beneficiary under this agreement is calculated using the discount rate 4.25%. As of June 30, 2015 and 2014 the liability pertaining to the annuity was \$14,046 and \$16,588, respectively.

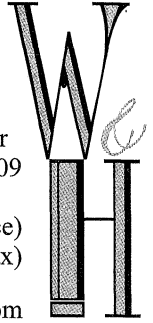
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INDEPENDENT AUDITORS' REPORT ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors  
Operation Fuel, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Operation Fuel, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 27, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the organization's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hartford, Connecticut  
August 27, 2015

Whittlesey & Hadley