

**OPERATION FUEL, INC.**

**Financial Statements**

**June 30, 2017 and 2016**

# OPERATION FUEL, INC.

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June 30, 2017 and 2016

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## **I. FINANCIAL STATEMENTS**



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, 2017 and 2016, 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, 2017 and 2016, 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 11, 2017

# OPERATION FUEL, INC.

## Statements of Financial Position

June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 2,737,083	\$ 2,347,888
Certificates of deposit	529,351	228,008
Accounts and grants receivable	92,860	1,345,557
Prepaid expenses	11,771	11,465
Security deposit	<u>3,341</u>	<u>3,341</u>
Total current assets	3,374,406	3,936,259
Account Receivable - long term	-	500,000
Property and equipment (net of accumulated depreciation)	<u>33,137</u>	<u>47,174</u>
Total assets	<u><u>\$ 3,407,543</u></u>	<u><u>\$ 4,483,433</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 67,419	\$ 233,661
Deferred revenue	45,253	44,194
Charitable gift annuity payment liability	<u>8,326</u>	<u>10,868</u>
Total current liabilities	<u>120,998</u>	<u>288,723</u>
Net assets:		
Unrestricted	2,949,607	1,824,139
Temporarily restricted	<u>336,938</u>	<u>2,370,571</u>
Total net assets	<u>3,286,545</u>	<u>4,194,710</u>
Total liabilities and net assets	<u><u>\$ 3,407,543</u></u>	<u><u>\$ 4,483,433</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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>Change in unrestricted net assets:</b>		
Revenues and support:		
Government grants	\$ 2,100,000	\$ 2,100,000
Other grants and contributions	990,516	867,291
Interest income	8,005	3,729
Net assets released from restrictions	<u>2,682,925</u>	<u>2,309,453</u>
Total revenues and support	<u>5,781,446</u>	<u>5,280,473</u>
Expenses:		
Fuel assistance programs	4,127,321	3,935,573
Management	235,962	288,051
Fundraising	<u>292,695</u>	<u>254,538</u>
Total expenses	<u>4,655,978</u>	<u>4,478,162</u>
Change in unrestricted net assets	<u>1,125,468</u>	<u>802,311</u>
<b>Change in temporarily restricted net assets:</b>		
Grants and contributions	649,292	3,249,503
Net assets released from restrictions	<u>(2,682,925)</u>	<u>(2,309,453)</u>
Change in temporarily restricted net assets	<u>(2,033,633)</u>	<u>940,050</u>
Total change in net assets	(908,165)	1,742,361
Net assets, beginning of year	<u>4,194,710</u>	<u>2,452,349</u>
Net assets, end of year	<u>\$ 3,286,545</u>	<u>\$ 4,194,710</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, 2017 with comparative totals for the year ended June 30, 2016

	Fuel Assistance Programs	Management	Fundraising	Total	2016
Energy grants	\$ 3,406,166	\$ -	\$ -	\$ 3,406,166	\$ 3,213,676
Operating support for fuel banks	171,310	-	-	171,310	170,080
Wages and fringe benefits	411,017	130,534	196,606	738,157	703,252
Professional fees	53,439	69,426	61,254	184,119	226,814
Postage	3,551	969	1,937	6,457	3,933
Special events	3,456	48	9,482	12,986	25,430
Repairs and maintenance	1,601	318	636	2,555	2,420
Occupancy	31,548	8,194	9,807	49,549	51,555
Printing and publications	7,944	329	5,771	14,044	9,360
Conferences and meetings	15,365	1,059	592	17,016	18,096
Depreciation	-	14,037	-	14,037	14,314
Telephone	3,422	765	1,434	5,621	5,242
Consumable supplies	9,903	1,328	3,309	14,540	13,028
Other	-	7,142	-	7,142	11,474
Membership dues and fees	2,297	1,535	1,030	4,862	4,840
Travel	6,302	278	837	7,417	4,648
	<u>\$ 4,127,321</u>	<u>\$ 235,962</u>	<u>\$ 292,695</u>	<u>\$ 4,655,978</u>	<u>\$ 4,478,162</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, 2016

	Fuel Assistance Programs	Management	Fundraising	Total
Energy grants	\$ 3,213,676	\$ -	\$ -	\$ 3,213,676
Operating support for fuel banks	170,080	-	-	170,080
Wages and fringe benefits	393,835	137,819	171,598	703,252
Professional fees	73,543	91,424	61,847	226,814
Postage	2,163	590	1,180	3,933
Special events	11,481	11,613	2,336	25,430
Repairs and maintenance	1,575	286	559	2,420
Occupancy	37,264	8,125	6,166	51,555
Printing and publications	6,010	811	2,539	9,360
Conferences and meetings	7,841	7,452	2,803	18,096
Depreciation	-	14,314	-	14,314
Telephone	3,457	892	893	5,242
Consumable supplies	8,176	1,218	3,634	13,028
Other	-	11,474	-	11,474
Membership dues and fees	2,669	1,640	531	4,840
Travel	3,803	393	452	4,648
	<u>\$ 3,935,573</u>	<u>\$ 288,051</u>	<u>\$ 254,538</u>	<u>\$ 4,478,162</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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>Cash flows from operating activities:</b>		
Total change in net assets	\$ (908,165)	\$ 1,742,361
Adjustments to reconcile total change in net assets to net change in cash from operating activities:		
Depreciation	14,037	14,314
Changes in assets and liabilities:		
Accounts and grants receivable	1,752,697	(1,766,540)
Prepaid expenses	(306)	(9,676)
Accounts payable and accrued liabilities	(166,242)	44,502
Deferred revenue - Small business program	1,059	(2,856)
Charitable gift annuity payment liability	(2,542)	(3,178)
Net change in cash from operating activities	<u>690,538</u>	<u>18,927</u>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	-	(5,980)
Proceeds from the sale/maturity of certificates of deposit	-	227,666
Purchases of certificates of deposit	(301,343)	(228,008)
Net change in cash from investing activities	<u>(301,343)</u>	<u>(6,322)</u>
Net change in cash and cash equivalents	389,195	12,605
Cash and cash equivalents, beginning of year	<u>2,347,888</u>	<u>2,335,283</u>
Cash and cash equivalents, end of year	<u>\$ 2,737,083</u>	<u>\$ 2,347,888</u>

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

# OPERATION FUEL, INC.

## Notes to Financial Statements

June 30, 2017 and 2016

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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.

### **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, 2017, Operation Fuel, Inc. held six certificates of deposit with original maturities greater than three months. Interest rates on three certificates of deposit were 0.15% each, with maturity dates of July 2017, September 2017, and November 2017. Interest rates on three certificates of deposit were 0.747% each, with maturity dates of January 2018.

### 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.

### 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 statements 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, 2017 through August 11, 2017, 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, 2017 and 2016. The line of credit bears an interest rate of 4% and expires on May 29, 2018. The outstanding balance on the line of credit was zero as of June 30, 2017 and 2016.

## 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, 2017 and 2016 was \$22,664 and \$21,686, respectively.

## NOTE 4 - PROPERTY AND EQUIPMENT:

At June 30, 2017 and 2016, property and equipment is made up of the following:

	<u>2017</u>	<u>2016</u>
Property and equipment	\$ 204,614	\$ 204,614
Accumulated depreciation	(171,477)	(157,440)
	<u>\$ 33,137</u>	<u>\$ 47,174</u>

## NOTE 5 - DEFERRED REVENUE:

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. Deferred revenue also includes reception sponsorships and New Start program revenue.

**NOTE 6 - OPERATING LEASES:**

Effective June 1, 2014 Operation Fuel, Inc. began a 5-year lease for office space in Hartford, Connecticut. Commencing June 1, 2015 monthly installments were \$3,341. Rent expense for the years ended June 30, 2017 and 2016, was \$40,092.

The future minimum lease commitments at June 30, 2017 is as follows:

<u>Year ending June 30,</u>	
2018	\$ 40,092
2019	40,092
2020	36,751
	<u>\$ 116,935</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:

	Balance			Balance
	June 30, 2015	Additions	Released	June 30, 2016
American Savings Bank	\$ 2,633	\$ 50,000	\$ (52,633)	\$ -
Moore	1,791	-	(1,065)	726
Eversource	1,201,589	100,000	(881,411)	420,178
North American Power & Gas	-	2,600,000	(900,000)	1,700,000
Add-a-dollar	195,394	476,133	(440,597)	230,930
Farmington Bank Community Foundation	-	5,000	-	5,000
Laura Niles Foundation	-	5,000	(4,633)	367
Charles Robinson Foundation	-	3,000	-	3,000
People's United Bank	-	4,500	-	4,500
George and Grace Long Foundation	-	3,000	-	3,000
Asylum Hill Congregational Church	-	2,870	-	2,870
Hartford Foundation for Public Giving - Policy	29,114	-	(29,114)	-
	<u>\$ 1,430,521</u>	<u>\$ 3,249,503</u>	<u>\$ (2,309,453)</u>	<u>\$ 2,370,571</u>

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

	Balance June 30, 2016	Additions	Released	Balance June 30, 2017
Eversource	\$ 420,178	\$ 100,000	\$ (420,178)	\$ 100,000
Moore	726	-	-	726
North American Power & Gas	1,700,000	-	(1,700,000)	-
Add A Dollar	230,930	518,563	(535,930)	213,563
Farmington Bank Community Foundation	5,000	-	(3,500)	1,500
Laura Niles Foundation	367	5,000	(5,367)	-
Charles Robinson Foundation	3,000	-	(3,000)	-
People's United Bank	4,500	-	-	4,500
George and Grace Long Foundation	3,000	-	(3,000)	-
Asylum Hill Congregational Church	2,870	3,000	(2,870)	3,000
Hartford County Bar Association	-	2,000	-	2,000
Maximilian and Marion Hoffman Foundation	-	5,000	-	5,000
Main Street Community Foundation	-	2,000	-	2,000
Hartford Foundation for Public Giving - Policy	-	13,729	(9,080)	4,649
	<u>\$ 2,370,571</u>	<u>\$ 649,292</u>	<u>\$ (2,682,925)</u>	<u>\$ 336,938</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 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, 2017 and 2016 the liability pertaining to the annuity was \$8,326 and \$10,868, respectively.