

OPERATION FUEL, INC.

Financial Statements

June 30, 2010 and 2009

OPERATION FUEL, INC.

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June 30, 2010 and 2009

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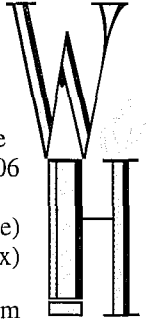
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Operation Fuel, Inc.

We have audited the accompanying statements of financial position of Operation Fuel, Inc. as of June 30, 2010 and 2009, and the related statements of activities, functional expenses and cash flows, for the years 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 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 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 audits provide 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, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Whittlesey & Hadley

September 22, 2010

OPERATION FUEL, INC.

Statements of Financial Position

June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,393,242	\$ 3,758,329
Certificates of deposit	114,916	104,476
Accounts and grants receivable	<u>66,333</u>	<u>39,127</u>
Total current assets	1,574,491	3,901,932
Property and equipment (net of accumulated depreciation)	<u>56,985</u>	<u>58,531</u>
Total assets	<u>\$ 1,631,476</u>	<u>\$ 3,960,463</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 262,072	\$ 130,711
Deferred revenue and refundable advances	<u>613,241</u>	<u>2,789,418</u>
Total current liabilities	<u>875,313</u>	<u>2,920,129</u>
Net assets:		
Unrestricted	640,613	1,030,084
Temporarily restricted	<u>115,550</u>	<u>10,250</u>
Total net assets	<u>756,163</u>	<u>1,040,334</u>
Total liabilities and net assets	<u>\$ 1,631,476</u>	<u>\$ 3,960,463</u>

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

OPERATION FUEL, INC.

Statements of Activities

For the years ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Change in unrestricted net assets:		
Revenues and support:		
Government grants - State of Connecticut	\$ 1,136,759	\$ 5,919,193
Other grants and contributions	1,455,925	1,771,746
Interest income	1,464	7,435
Net assets released from restrictions	10,250	-
Total revenues and support	<u>2,604,398</u>	<u>7,698,374</u>
Expenses:		
Fuel assistance programs	2,587,615	6,762,949
Management	211,667	239,340
Fundraising	194,587	292,221
Total expenses	<u>2,993,869</u>	<u>7,294,510</u>
Change in unrestricted net assets	<u>(389,471)</u>	<u>403,864</u>
Change in temporarily restricted net assets:		
Grants and contributions	115,550	10,250
Net assets released from restrictions	<u>(10,250)</u>	<u>-</u>
Change in temporarily restricted net assets	<u>105,300</u>	<u>10,250</u>
Total change in net assets	(284,171)	414,114
Net assets, beginning of year	<u>1,040,334</u>	<u>626,220</u>
Net assets, end of year	<u>\$ 756,163</u>	<u>\$ 1,040,334</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, 2010 with comparative totals for June 30, 2009

	Fuel Assistance Program	Management	Fundraising	Total	2009
Energy grants	\$ 2,135,327	\$ -	\$ -	\$ 2,135,327	\$ 5,926,522
Operating support for fuel banks	122,096	-	-	122,096	377,138
Wages and fringe benefits	240,974	104,618	87,140	432,732	472,363
Marketing	-	-	25,000	25,000	170,904
Professional fees	32,634	55,422	52,354	140,410	174,366
Postage	7,072	498	1,022	8,592	17,364
Special events	5,944	-	18,018	23,962	18,895
Repairs and maintenance	324	404	30	758	376
Occupancy and general insurance	22,992	4,947	4,155	32,094	30,109
Printing and publications	2,826	1,701	3,003	7,530	19,014
Conferences and meetings	5,934	4,794	440	11,168	12,355
Depreciation	-	31,006	-	31,006	27,315
Telephone	4,509	556	556	5,621	4,473
Outreach/public relations	-	-	-	-	7,805
Consumable supplies	3,695	689	453	4,837	10,947
Other	-	3,225	-	3,225	8,135
Membership dues and fees	460	2,719	670	3,849	2,194
Travel	2,828	1,088	1,746	5,662	7,513
Technology	-	-	-	-	6,722
	<u>\$ 2,587,615</u>	<u>\$ 211,667</u>	<u>\$ 194,587</u>	<u>\$ 2,993,869</u>	<u>\$ 7,294,510</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, 2009

	Fuel Assistance Program	Management	Fundraising	Total
Energy grants	\$ 5,926,522	\$ -	\$ -	\$ 5,926,522
Operating support for fuel banks	377,138	-	-	377,138
Wages and fringe benefits	313,455	97,760	61,148	472,363
Marketing	4,977	4,808	161,119	170,904
Professional fees	48,381	89,737	36,248	174,366
Postage	7,779	630	8,955	17,364
Special events	6,583	-	12,312	18,895
Repairs and maintenance	376	-	-	376
Occupancy and general insurance	21,252	4,883	3,974	30,109
Printing and publications	14,116	1,102	3,796	19,014
Conferences and meetings	8,974	2,556	825	12,355
Depreciation	-	27,315	-	27,315
Telephone	4,025	224	224	4,473
Outreach/public relations	7,120	-	685	7,805
Consumable supplies	9,578	746	623	10,947
Other	-	8,135	-	8,135
Membership dues and fees	525	770	899	2,194
Travel	5,426	674	1,413	7,513
Technology	6,722	-	-	6,722
	<u>\$ 6,762,949</u>	<u>\$ 239,340</u>	<u>\$ 292,221</u>	<u>\$ 7,294,510</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, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Total change in net assets	\$ (284,171)	\$ 414,114
Adjustments to reconcile total change in net assets to net change in cash from operating activities:		
Depreciation	31,006	27,315
Changes in assets and liabilities:		
Accounts and grants receivable	(27,206)	259,606
Accounts payable and accrued liabilities	131,361	44,787
Deferred revenues and refundable advances	(2,176,177)	2,764,418
Net change in cash from operating activities	<u>(2,325,187)</u>	<u>3,510,240</u>
Cash flows from investing activities:		
Purchases of property and equipment	(29,460)	(18,423)
Proceeds from the sale of certificates of deposit	104,476	147,218
Purchases of certificates of deposit	(114,916)	(99,677)
Net change in cash from investing activities	<u>(39,900)</u>	<u>29,118</u>
Net change in cash and cash equivalents	(2,365,087)	3,539,358
Cash and cash equivalents, beginning of year	<u>3,758,329</u>	<u>218,971</u>
Cash and cash equivalents, end of year	<u>\$ 1,393,242</u>	<u>\$ 3,758,329</u>

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

OPERATION FUEL, INC.

Notes to Financial Statements

June 30, 2010 and 2009

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 balances, which approximates fair market value. As of June 30, 2010, Operation Fuel Inc. held two certificates of deposit with interest rates of 0.2% and 0.4%, and maturity dates of July 2010 and February 2011. The balance of certificates of deposit as of June 30, 2010 and 2009 is \$114,916 and \$104,476, respectively.

Accounts and Grants Receivable

Accounts and grants receivable primarily represent amounts due from state agencies and 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.

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 cost 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. 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.

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.

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

Subsequent events

Operation Fuel, Inc. monitored and evaluated any subsequent events for footnote disclosures or adjustments required in its financial statements for June 30, 2010 through September 22, 2010, the date on which financial statements were available to be issued.

Reclassifications

Certain amounts in the 2009 financial statements have been reclassified to conform to the current year's presentation.

NOTE 3 – PROPERTY AND EQUIPMENT:

At June 30, 2010 and 2009, property and equipment is made up of the following:

	<u>2010</u>	<u>2009</u>
Property and equipment	\$ 139,648	\$ 110,188
Accumulated depreciation	<u>(82,663)</u>	<u>(51,657)</u>
	<u>\$ 56,985</u>	<u>\$ 58,531</u>

NOTE 4 - OPERATING LEASES:

Operation Fuel, Inc. leases office space in Bloomfield, Connecticut. Effective February 1, 2008, the lease was amended to include terms which provide for additional space, and calls for monthly rental payments of \$2,050 commencing February 2008 and ending on August 31, 2009. Effective September 1, 2009 Operation Fuel Inc. began to make lease payments on a month-to-month basis and will continue to do so until new lease terms are negotiated. Rent expense for the years ended June 30, 2010 and 2009, was \$24,600 and \$24,600, respectively.