

**OPERATION FUEL, INC.**

Independent Auditors' Report  
Financial Statements

June 30, 2023 and 2022



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# OPERATION FUEL, INC.

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June 30, 2023 and 2022

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Operation Fuel, Inc.

### ***Opinion***

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, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2023 and 2022, 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.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Operation Fuel, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Operation Fuel, Inc's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Operation Fuel, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Operation Fuel, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

A handwritten signature in cursive script that reads "Whittlesey PC".

Hartford, Connecticut  
October 23, 2023

# OPERATION FUEL, INC.

## Statements of Financial Position

June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 2,177,421	\$ 1,019,909
Marketable securities	1,766,417	1,680,867
Accounts and grants receivable	16,600	17,882
Prepaid expenses	53,475	44,196
Security deposit	9,113	3,341
	<u>4,023,026</u>	<u>2,766,195</u>
Total current assets	4,023,026	2,766,195
Operating lease right of use asset	679,269	-
Property and equipment, net	401,023	35,781
	<u>401,023</u>	<u>35,781</u>
Total assets	<u>\$ 5,103,318</u>	<u>\$ 2,801,976</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 110,861	\$ 104,990
Operating lease liability, current portion	79,542	-
	<u>79,542</u>	<u>-</u>
Total current liabilities	190,403	104,990
Operating lease liability, net of current portion	594,749	-
Charitable gift annuity payment liability	1,829	5,794
	<u>1,829</u>	<u>5,794</u>
Total liabilities	<u>786,981</u>	<u>110,784</u>
Net assets:		
Without donor restrictions	3,905,884	2,494,674
With donor restrictions	410,453	196,518
	<u>410,453</u>	<u>196,518</u>
Total net assets	<u>4,316,337</u>	<u>2,691,192</u>
Total liabilities and net assets	<u>\$ 5,103,318</u>	<u>\$ 2,801,976</u>

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

# OPERATION FUEL, INC.

## Statements of Activities

For the years ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>Change in net assets without donor restrictions:</b>		
Operating revenues and support:		
Government grants	\$ 2,114,000	\$ 2,100,000
Other grants and contributions	7,077,186	4,293,319
Investment return, net	86,108	(145,009)
Net assets released from restrictions	469,026	348,731
Total operating revenues and support	<u>9,746,320</u>	<u>6,597,041</u>
Operating expenses:		
Fuel assistance programs	7,557,809	6,244,144
Management and general	335,720	266,902
Fundraising	436,603	310,254
Total operating expenses	<u>8,330,132</u>	<u>6,821,300</u>
Change in operating net assets without donor restrictions	1,416,188	(224,259)
Other changes in net assets without donor restrictions:		
Loss on disposal of fixed assets	<u>(4,978)</u>	<u>-</u>
Change in net assets without donor restrictions	<u>1,411,210</u>	<u>(224,259)</u>
<b>Change in net assets with donor restrictions:</b>		
Grants and contributions	682,961	399,667
Net assets released from restrictions	<u>(469,026)</u>	<u>(348,731)</u>
Change in net assets with donor restrictions	<u>213,935</u>	<u>50,936</u>
Total change in net assets	1,625,145	(173,323)
Net assets, beginning of year	<u>2,691,192</u>	<u>2,864,515</u>
Net assets, end of year	<u>\$ 4,316,337</u>	<u>\$ 2,691,192</u>

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

## OPERATION FUEL, INC.

### Statements of Functional Expenses

For the years ended June 30, 2023 and 2022

	2023			
	Fuel	Management	Fundraising	Total
	Assistance Programs	And General		
Energy grants	\$ 6,270,819	\$ -	\$ -	\$ 6,270,819
Operating support for fuel banks	238,975	-	-	238,975
Wages and fringe benefits	722,168	230,064	281,189	1,233,421
Professional fees	170,261	46,323	65,715	282,299
Special events	-	-	27,540	27,540
Occupancy	35,685	15,161	15,883	66,729
Printing and publications	71,398	26,304	27,557	125,259
Membership dues and fees	1,004	370	387	1,761
Conferences and meetings	14,090	5,190	5,438	24,718
Office expenses	24,918	9,180	9,617	43,715
Depreciation	8,491	3,128	3,277	14,896
	\$ 7,557,809	\$ 335,720	\$ 436,603	\$ 8,330,132
	2022			
	Fuel	Management	Fundraising	Total
	Assistance Programs	And General		
Energy grants	\$ 5,183,814	\$ -	\$ -	\$ 5,183,814
Operating support for fuel banks	227,245	-	-	227,245
Wages and fringe benefits	584,945	175,484	214,480	974,909
Professional fees	110,434	40,686	42,624	193,744
Occupancy	29,350	10,813	11,328	51,491
Other	5,198	1,915	2,006	9,119
Printing and publications	66,596	24,536	25,704	116,836
Membership dues and fees	5,902	2,174	2,278	10,354
Conferences and meetings	11,477	4,228	4,430	20,135
Office expenses	1,660	611	641	2,912
Consumable supplies	7,047	2,596	2,720	12,363
Depreciation	10,476	3,859	4,043	18,378
	\$ 6,244,144	\$ 266,902	\$ 310,254	\$ 6,821,300

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

# OPERATION FUEL, INC.

## Statements of Cash Flows

For the years ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 1,625,145	\$ (173,323)
Adjustments to reconcile change in net assets to net change in cash from operating activities:		
Depreciation	14,896	18,378
Unrealized (gains)/losses on investments	(51,664)	155,340
Amortization of right of use operating lease asset	14,068	-
Loss on disposal of property and equipment	4,978	-
Changes in assets and liabilities:		
Accounts and grants receivable	1,282	(17,882)
Prepaid expenses	(9,279)	(41,221)
Security deposit	(5,772)	-
Accounts payable and accrued liabilities	5,871	3,875
Operating lease liability	(19,045)	-
Charitable gift annuity payment liability	(3,965)	1,695
Net change in cash from operating activities	<u>1,576,515</u>	<u>(53,138)</u>
<b>Cash flows from investing activities:</b>		
Purchases of investments, net of proceeds from sales of investments	(33,887)	(13,745)
Purchases of property and equipment	(385,116)	-
Net change in cash from investing activities	<u>(419,003)</u>	<u>(13,745)</u>
Net change in cash and cash equivalents	1,157,512	(66,883)
Cash and cash equivalents, beginning of year	<u>1,019,909</u>	<u>1,086,792</u>
Cash and cash equivalents, end of year	<u>\$ 2,177,421</u>	<u>\$ 1,019,909</u>
<b>Non-cash operating activities</b>		
Increase in operating lease right-of use asset	<u>\$ 693,337</u>	<u>\$ -</u>
Increase in operating lease liability	<u>\$ 693,337</u>	<u>\$ -</u>

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



# OPERATION FUEL, INC.

## Notes to Financial Statements

June 30, 2023 and 2022

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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 (“FASB”) Accounting Standards Codification (“ASC”) Topic 958 Not-for-Profit Entities: *Presentation of Financial Statements*, in which Operation Fuel, Inc. is required to report information regarding its financial position and activities according to two classes of net assets.

*Net assets without donor restrictions* – consist of resources over which the Board of Directors has discretionary control to use in carrying on the general operations of Operation Fuel, Inc.

*Net assets with donor restrictions* – consist of contributions and other inflows of assets whose use by Operation Fuel, Inc. 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 accounting principles generally accepted in the United States of America 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.

#### Functional Expense Allocation

The costs of providing program and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis and are based on time and effort.

#### 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 (CONTINUED):

### Fair Value Measurements

Operation Fuel, Inc. follows the accounting principles set forth in the topic, "Fair Value Measurements" of the FASB Accounting Standards Codification. This topic defines fair value and establishes a framework for measuring fair value in accounting principles generally accepted in the United States of America. This topic defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. This topic also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Three levels of inputs that may be used to measure fair values:

- Level 1 - Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.
- Level 2 - Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 - Significant unobservable inputs that reflect Operation Fuel, Inc.'s own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Valuation techniques based on unobservable inputs are highly subjective and require judgments regarding significant matters, such as the amount and timing of future cash flows and the selection of discount rates that may appropriately reflect market and credit risks. Changes in these judgments often have a material impact on the fair value estimates. In addition, since these estimates are as of a specific point in time they are susceptible to material near-term changes.

### Accounts and Grants Receivable

Accounts and grants receivable are comprised primarily of 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 the assets' useful lives of 3-10 years.

### Leases

Operation Fuel, Inc. determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use ("ROU") asset and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. Operation Fuel, Inc. does not report ROU assets and lease liabilities for short term leases (less than 12 months). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

### 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.

## **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

### Grants and Contracts

Operation Fuel, Inc. receives grant and contract funding from various federal and state governments to provide a variety of program services to the public based on certain performance requirements included in the agreement, and the incurrence of allowable qualifying expenses and other requirements. Such government grants and contracts are nonreciprocal transactions and include conditions stipulated by the government agencies and are therefore accounted for as conditional contributions. Public support is recognized as revenue when conditions are satisfied, typically when Operation Fuel has incurred expenditures in compliance with specific contract or grant provisions.

### Contributions

Contributions are defined as voluntary, nonreciprocal transfers.

Unrestricted and unconditional contributions are recognized as support when received or pledged, if applicable. Contributions are reported as net assets with donor restrictions if they are received with donor stipulations that limit their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net asset with donor restrictions are released to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Donor restricted contributions that are received and released in the same period are presented without donor restrictions. Conditional gifts, with a measurable performance or other barrier and right of return, are not recognized until the conditions on which they depend are substantially met or explicitly waived by the donor.

### 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.

Additionally, Operation Fuel, Inc. receives a significant portion of its annual funding from a grant from the State of Connecticut Department of Energy and Environmental Protection. This grant represented 22% and 32% of Operation Fuel, Inc.'s total funding for the years ended June 30, 2023 and 2022, respectively.

### Adoption of New Accounting Pronouncement

Operation Fuel, Inc. adopted Accounting Standards Update ("ASU") No. 2016-02, *Leases*, which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. As a result of implementing ASU No. 2016-02, Operation Fuel, Inc. recognized right-of-use assets and lease liabilities of \$693,337 on its statement of financial position during the year ended June 30, 2023.

### Subsequent Events

Operation Fuel, Inc. monitored and evaluated any subsequent events for footnote disclosures or adjustments required in its financial statements for June 30, 2023 through October 23, 2023, the date on which financial statements were available to be issued.

**NOTE 3 – MARKETABLE SECURITIES:**

Investments measured at fair value on a recurring basis consist of the following at June 30,:

	<u>2023</u>	<u>2022</u>
Money market accounts	\$ 741,412	\$ 697,000
Equities	200,098	171,815
Mutual funds	824,907	812,052
	<u>\$ 1,766,417</u>	<u>\$ 1,680,867</u>

All marketable securities are valued using Level 1 inputs.

Investment return for the years ended June 30, 2023 and 2022, consists of \$34,444 and \$10,331 of interest income net of investment fees, and \$45,479 and (\$155,340) of unrealized gains/(losses), respectively.

**NOTE 4 - RETIREMENT PLAN:**

Operation Fuel, Inc. has a defined contribution retirement plan that covers substantially all employees. Operation Fuel, Inc. provides 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, 2023 and 2022 was \$24,044 and \$29,116, respectively.

**NOTE 5 - LIQUIDITY AND AVAILABILITY OF RESOURCES:**

Operation Fuel, Inc.'s financial assets available to meet cash needs for general expenditures within one year of June 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 2,177,421	\$ 1,019,909
Marketable securities	1,766,417	1,680,867
Accounts and grants receivable	16,600	17,882
Total financial assets	<u>3,960,438</u>	<u>2,718,658</u>
Less:		
Amounts unavailable for general expenditures		
Net assets with donor restrictions	<u>410,453</u>	<u>196,518</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,549,985</u>	<u>\$ 2,522,140</u>

Operation Fuel, Inc. maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

**NOTE 6 - PROPERTY AND EQUIPMENT:**

At June 30, 2023 and 2022, property and equipment is made up of the following:

	<u>2023</u>	<u>2022</u>
Furniture and equipment	\$ 131,683	\$ 267,837
Leasehold improvements	318,650	-
Accumulated depreciation	(49,310)	(232,056)
	<u>\$ 401,023</u>	<u>\$ 35,781</u>

**NOTE 7 - 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 a discount rate of 4.25%. As of June 30, 2023 and 2022, the liability pertaining to the annuity was \$1,829 and \$5,794, respectively.

**NOTE 8 – LEASES:**

Effective June 1, 2019, Operation Fuel, Inc. renewed a 5-year lease for office space in Hartford, Connecticut. Monthly installments were \$3,616. In December 2022, Operation Fuel negotiated a new lease for two separate office spaces in the same building in Hartford, Connecticut. Monthly installments for the new larger office space commenced in December 2022 and monthly installments for the smaller office space commenced in February 2023. Operation Fuel Inc.'s estimated incremental borrowing rate of 4.25% was used in its present value calculation as the office lease does not have a stated rate and the implicit rate was not readily determinable. Rent expense for the years ended June 30, 2023 and 2022 was \$56,426 and \$42,685, respectively.

The following is a schedule of future minimum rental payments required under operating leases for the years ending June 30,:

	2024	79,542
	2025	81,842
	2026	84,294
	2027	86,819
	2028	89,423
	Thereafter	<u>404,628</u>
Total future minimum lease payments		826,548
Less: imputed interest		<u>(152,257)</u>
Total operating lease liability		<u>\$ 674,291</u>

Lease cost is recorded on a straight-line basis over the term of Operation Fuel's office lease. The right-to-use assets and lease liabilities are as follows at June 30,:

	<u>2023</u>	<u>2022</u>
Right-of-use asset	<u>\$ 679,269</u>	<u>\$ -</u>
Operating lease liability	<u>\$ 674,291</u>	<u>\$ -</u>

**NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS:**

The following net assets are donor restricted for the following purposes:

Purpose restricted:	<u>2023</u>	<u>2022</u>
Energy Assistance	\$ 410,453	\$ 196,518
	<u>\$ 410,453</u>	<u>\$ 196,518</u>

Net assets with donor restrictions were released by incurring expenses satisfying the purpose or time restrictions as follows:

	<u>2023</u>	<u>2022</u>
Energy Assistance	\$ 469,026	\$ 348,731
	<u>\$ 469,026</u>	<u>\$ 348,731</u>

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