

**OPERATION FUEL, INC.**

Independent Auditors' Report  
Financial Statements

June 30, 2022 and 2021



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# **OPERATION FUEL, INC.**

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**June 30, 2022 and 2021**

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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, 2022 and 2021, 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, 2022 and 2021, 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, including omissions, 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 black ink that reads "Whittlesey PC". The signature is written in a cursive, flowing style.

Hartford, Connecticut  
November 7, 2022

# OPERATION FUEL, INC.

## Statements of Financial Position

June 30, 2022 and 2021

	2022	2021
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,019,909	\$ 1,086,792
Marketable securities	1,680,867	1,824,995
Accounts and grants receivable	17,882	-
Prepaid expenses	44,196	2,975
Security deposit	3,341	3,341
Total current assets	2,766,195	2,918,103
Property and equipment, net	35,781	51,626
Total assets	<u>\$ 2,801,976</u>	<u>\$ 2,969,729</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 104,990	\$ 101,115
Total current liabilities	104,990	101,115
Charitable gift annuity payment liability	5,794	4,099
Total liabilities	<u>110,784</u>	<u>105,214</u>
Net assets:		
Without donor restrictions	2,494,674	2,718,932
With donor restrictions	196,518	145,583
Total net assets	<u>2,691,192</u>	<u>2,864,515</u>
Total liabilities and net assets	<u>\$ 2,801,976</u>	<u>\$ 2,969,729</u>

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

# OPERATION FUEL, INC.

## Statements of Activities

For the years ended June 30, 2022 and 2021

	2022	2021
<b>Change in net assets without donor restrictions:</b>		
Operating revenues and support:		
Government grants	\$ 2,100,000	\$ 2,100,000
Other grants and contributions	4,293,319	2,676,877
Investment return	(145,009)	185,940
Net assets released from restrictions	348,731	111,599
Total operating revenues and support	<u>6,597,042</u>	<u>5,074,416</u>
Operating expenses:		
Fuel assistance programs	6,244,144	4,251,474
Management and general	266,902	146,938
Fundraising	310,254	297,974
Total operating expenses	<u>6,821,300</u>	<u>4,696,386</u>
Change in operating net assets without donor restrictions	(224,258)	378,030
Other changes in net assets without donor restrictions:		
Paycheck Protection Program income	-	100,000
Loss on disposal of fixed assets	-	(37,448)
Change in net assets without donor restrictions	<u>(224,258)</u>	<u>440,582</u>
<b>Change in net assets with donor restrictions:</b>		
Grants and contributions	399,667	108,000
Net assets released from restrictions	(348,731)	(111,599)
Change in net assets with donor restrictions	<u>50,935</u>	<u>(3,599)</u>
Total change in net assets	(173,323)	436,983
Net assets, beginning of year	<u>2,864,515</u>	<u>2,427,532</u>
Net assets, end of year	<u><u>\$ 2,691,192</u></u>	<u><u>\$ 2,864,515</u></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, 2022 and 2021

	2022			
	Fuel Assistance Programs	Management And General	Fundraising	Total
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
	<u>\$ 6,244,144</u>	<u>\$ 266,902</u>	<u>\$ 310,254</u>	<u>\$ 6,821,300</u>
	2021			
	Fuel Assistance Programs	Management And General	Fundraising	Total
Energy grants	\$ 3,334,592	\$ -	\$ -	\$ 3,334,592
Operating support for fuel banks	216,238	-	-	216,238
Wages and fringe benefits	521,022	80,445	226,798	828,265
Professional fees	84,244	31,037	32,515	147,796
Special events	479	-	1,516	1,995
Occupancy	31,515	11,611	12,164	55,290
Other	5,848	2,647	2,773	11,268
Printing and publications	33,502	12,343	12,931	58,776
Membership dues and fees	1,657	610	640	2,907
Conferences and meetings	2,255	831	870	3,956
Office expenses	1,754	646	677	3,077
Postage	-	-	-	-
Consumable supplies	5,857	2,158	2,261	10,276
Depreciation	7,941	2,926	3,065	13,932
Travel	-	-	-	-
Equipment rental and maintenance	4,570	1,684	1,764	8,018
	<u>\$ 4,251,474</u>	<u>\$ 146,938</u>	<u>\$ 297,974</u>	<u>\$ 4,696,386</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, 2022 and 2021

	2022	2021
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (173,323)	\$ 436,983
Adjustments to reconcile change in net assets to net change in cash from operating activities:		
Depreciation	18,378	13,932
Unrealized (gains)/losses on investments	155,340	(168,252)
Loss on disposal of property and equipment	-	37,448
Changes in assets and liabilities:		
Accounts and grants receivable	(17,882)	21,000
Prepaid expenses	(41,221)	30,986
Accounts payable and accrued liabilities	3,875	(96,431)
Refundable advance - Paycheck Protection Program	-	(100,000)
Charitable gift annuity payment liability	1,695	(1,331)
Net change in cash from operating activities	(53,138)	174,335
<b>Cash flows from investing activities:</b>		
Purchases of investments, net of proceeds from sales of investments	(13,745)	(432,944)
Purchases of property and equipment	-	(28,502)
Net change in cash from investing activities	(13,745)	(461,446)
Net change in cash and cash equivalents	(66,883)	(287,111)
Cash and cash equivalents, beginning of year	1,086,792	1,373,903
Cash and cash equivalents, end of year	\$ 1,019,909	\$ 1,086,792

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



# OPERATION FUEL, INC.

## Notes to Financial Statements

June 30, 2022 and 2021

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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 the Partnership is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions as follows:

*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.

### 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

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.

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

**Subsequent Events**

Operation Fuel, Inc. monitored and evaluated any subsequent events for footnote disclosures or adjustments required in its financial statements for June 30, 2022 through November 7, 2022, the date on which financial statements were available to be issued.

**NOTE 3 - INVESTMENTS:**

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

	<u>2022</u>	<u>2021</u>
Cash and equivalents	\$ 695,885	\$ 693,202
Equities	171,815	235,396
Mutual funds	812,052	896,178
Accrued interest	1,115	219
	<u>\$ 1,680,867</u>	<u>\$ 1,824,995</u>

All investments are valued using Level 1 inputs.

Investment return for the years ended June 30, 2022 and 2021, consists of \$18,907 and \$17,967 of interest income net of investment fees, and \$(155,340) and \$168,252 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, 2022 and 2021 was \$29,116 and \$24,314, 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, 2022 and 2021 are as follows:

	2022	2021
Cash and cash equivalents	\$ 1,019,909	\$ 1,086,792
Marketable securities	1,680,867	1,824,995
Accounts and grants receivable	17,882	-
Total financial assets	<u>2,718,658</u>	<u>2,911,787</u>
Less:		
Amounts unavailable for general expenditures		
Net assets with donor restrictions	<u>196,518</u>	<u>145,583</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,522,140</u>	<u>\$ 2,766,204</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, 2022 and 2021, property and equipment is made up of the following:

	2022	2021
Property and equipment	\$ 267,837	\$ 267,836
Accumulated depreciation	(232,056)	(216,210)
	<u>\$ 35,781</u>	<u>\$ 51,626</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, 2022 and 2021, the liability pertaining to the annuity was \$5,794 and \$4,009, respectively.

**NOTE 8 - OPERATING LEASES:**

Effective June 1, 2019, Operation Fuel, Inc. renewed a 5-year lease for office space in Hartford, Connecticut. Monthly installments are \$3,545. Rent expense for the years ended June 30, 2022 and 2021 was \$42,685 and \$45,516, respectively.

**NOTE 8 - OPERATING LEASES (CONTINUED):**

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

2023	\$	43,392
2024		<u>44,244</u>
	\$	<u><u>87,636</u></u>

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

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

Purpose restricted:	<u>2022</u>	<u>2021</u>
Energy Assistance	<u>\$ 196,518</u>	<u>\$ 145,583</u>
	<u><u>\$ 196,518</u></u>	<u><u>\$ 145,583</u></u>

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

	<u>2022</u>	<u>2021</u>
Energy Assistance	<u>\$ 348,731</u>	<u>\$ 111,599</u>
	<u><u>\$ 348,731</u></u>	<u><u>\$ 111,599</u></u>

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