

OPERATION FUEL, INC.

Independent Auditors' Report
Financial Statements

June 30, 2020 and 2019



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OPERATION FUEL, INC.

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June 30, 2020 and 2019

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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, 2020 and 2019, 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 auditors consider 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, 2020 and 2019, 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 PC

Hartford, Connecticut
September 30, 2020

OPERATION FUEL, INC.

Statements of Financial Position

June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,373,903	\$ 988,790
Marketable securities	1,223,799	1,221,424
Accounts and grants receivable	21,000	57,879
Prepaid expenses	33,961	27,578
Security deposit	<u>3,341</u>	<u>3,341</u>
Total current assets	2,656,004	2,299,012
Property and equipment, net	<u>74,504</u>	<u>63,322</u>
Total assets	<u>\$ 2,730,508</u>	<u>\$ 2,362,334</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued liabilities	<u>\$ 197,546</u>	<u>\$ 48,305</u>
Total current liabilities	197,546	48,305
Loan payable - Paycheck Protection Program	100,000	-
Charitable gift annuity payment liability	<u>5,430</u>	<u>6,914</u>
Total liabilities	<u>302,976</u>	<u>55,219</u>
Net assets:		
Net assets without donor restrictions	2,278,350	2,287,115
Net assets with donor restrictions	<u>149,182</u>	<u>20,000</u>
Total net assets	<u>2,427,532</u>	<u>2,307,115</u>
Total liabilities and net assets	<u>\$ 2,730,508</u>	<u>\$ 2,362,334</u>

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

OPERATION FUEL, INC.

Statements of Activities

For the years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Change in net assets without donor restrictions:		
Revenues and support:		
Government grants	\$ 2,100,000	\$ 2,100,000
Other grants and contributions	1,580,624	590,941
Investment return	6,831	58,657
Net assets released from restrictions	40,818	882,195
Total revenues and support	<u>3,728,273</u>	<u>3,631,793</u>
Expenses:		
Fuel assistance programs	3,290,565	3,104,323
Management and general	176,663	301,773
Fundraising	269,810	264,292
Total expenses	<u>3,737,038</u>	<u>3,670,389</u>
Change in net assets without donor restrictions	<u>(8,765)</u>	<u>(38,596)</u>
Change in net assets with donor restrictions:		
Grants and contributions	170,000	867,417
Net assets released from restrictions	<u>(40,818)</u>	<u>(882,195)</u>
Change in net assets with donor restrictions	<u>129,182</u>	<u>(14,778)</u>
Total change in net assets	120,417	(53,374)
Net assets, beginning of year	<u>2,307,115</u>	<u>2,360,489</u>
Net assets, end of year	<u>\$ 2,427,532</u>	<u>\$ 2,307,115</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, 2020 and 2019

	Fuel Assistance Programs	Management And General	Fundraising	2020 Total
Energy grants	\$ 2,477,861	\$ -	\$ -	\$ 2,477,861
Operating support for fuel banks	38,750	-	-	38,750
Wages and fringe benefits	533,285	102,289	128,411	763,985
Professional fees	104,347	38,444	40,274	183,065
Special events	20,047	-	63,483	83,530
Occupancy	28,379	10,455	10,953	49,787
Other	34,226	5,702	5,973	45,901
Printing and publications	22,486	8,284	8,679	39,449
Membership dues and fees	2,787	1,027	1,076	4,890
Conferences and meetings	13,969	5,146	5,392	24,507
Postage	2,112	778	815	3,705
Consumable supplies	3,129	1,153	1,208	5,490
Depreciation	5,187	1,911	2,002	9,100
Travel	1,408	519	544	2,471
Equipment rental and maintenance	2,592	955	1,000	4,547
	<u>\$ 3,290,565</u>	<u>\$ 176,663</u>	<u>\$ 269,810</u>	<u>\$ 3,737,038</u>

	Fuel Assistance Programs	Management And General	Fundraising	2019 Total
Energy grants	\$ 2,483,492	\$ -	\$ -	\$ 2,483,492
Operating support for fuel banks	197,692	-	-	197,692
Wages and fringe benefits	272,630	190,270	138,560	601,460
Professional fees	4,300	59,983	61,044	125,327
Special events	30,912	11,389	11,930	54,231
Occupancy	27,691	10,202	10,688	48,581
Other	22,251	3,653	7,307	33,211
Printing and publications	13,118	2,746	14,643	30,507
Membership dues and fees	15,201	5,600	5,867	26,669
Conferences and meetings	9,437	3,477	3,642	16,556
Equipment rental and maintenance	8,634	3,181	3,332	15,147
Postage	7,607	2,801	2,936	13,344
Consumable supplies	6,219	2,144	2,359	10,722
Depreciation	5,139	1,894	1,984	9,017
Travel	-	4,433	-	4,433
	<u>\$ 3,104,323</u>	<u>\$ 301,773</u>	<u>\$ 264,292</u>	<u>\$ 3,670,389</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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 120,417	\$ (53,374)
Adjustments to reconcile change in net assets to net change in cash from operating activities:		
Depreciation	9,100	9,017
Unrealized losses on investments	35,600	36,754
Realized losses on sale of investments	12,102	-
Changes in assets and liabilities:		
Accounts and grants receivable	36,879	61,301
Prepaid expenses	(6,383)	(9,753)
Accounts payable and accrued liabilities	149,241	(62,306)
Charitable gift annuity payment liability	(1,484)	1,131
Net change in cash from operating activities	<u>355,472</u>	<u>(17,230)</u>
Cash flows from investing activities:		
Purchases of investments, net of proceeds from sales of investments	(50,077)	-
Purchases of property and equipment	(20,282)	(1,956)
Proceeds from the sale of property and equipment	-	130,828
Net change in cash from investing activities	<u>(70,359)</u>	<u>128,872</u>
Cash flows from financing activities:		
Proceeds from Paycheck Protection Program loan	<u>100,000</u>	-
Net change in cash from financing activities	<u>100,000</u>	-
Net change in cash and cash equivalents	385,113	111,642
Cash and cash equivalents, beginning of year	<u>988,790</u>	<u>877,148</u>
Cash and cash equivalents, end of year	<u>\$ 1,373,903</u>	<u>\$ 988,790</u>

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

OPERATION FUEL, INC.

Notes to Financial Statements

June 30, 2020 and 2019

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.

Adoption of New Accounting Pronouncement

Effective July 1, 2019, Operation Fuel, Inc. adopted ASU 2018-08 – Not-For-Profit Entities (Topic 958): “Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.” The update clarified guidance about whether a transfer of assets is a contribution or an exchange transaction and whether a contribution is conditional or unconditional. In comparison to the year ended June 30, 2020 the effect of adopting the new accounting principle has no effect on grant revenue.

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

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.

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.

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

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.

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, 2020 through September 30, 2020, 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>2020</u>	<u>2019</u>
Cash and equivalents	\$ 287,755	\$ 285,842
Equities	158,819	170,725
Mutual funds	774,896	763,568
Accrued interest	<u>2,329</u>	<u>1,289</u>
	<u>\$ 1,223,799</u>	<u>\$ 1,221,424</u>

All investments are valued using Level 1 inputs.

Investment return for the years ended June 30, 2020 and 2019, consists of \$24,293 and \$35,800 of interest income net of investment fees, \$12,102 and \$-0- of realized loss, and \$(35,600) and \$(36,754) of unrealized 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, 2020 and 2019 was \$6,100 and \$14,388, 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, 2020 are as follows:

Cash and cash equivalents	\$ 1,373,903
Marketable securities	1,223,799
Accounts and grants receivable	<u>21,000</u>
Total financial assets	<u>2,618,702</u>
Less:	
Amounts unavailable for general expenditures	
Net assets with donor restrictions	<u>149,182</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,469,520</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, 2020 and 2019, property and equipment is made up of the following:

	<u>2020</u>	<u>2019</u>
Property and equipment	\$ 276,782	\$ 256,500
Accumulated depreciation	<u>(202,278)</u>	<u>(193,178)</u>
	<u>\$ 74,504</u>	<u>\$ 63,322</u>

NOTE 7- PPP LOAN PAYABLE

In May 2020, Operation Fuel, Inc. received approval for a Small Business Administration (“SBA”) Paycheck Protection Program (“PPP”) loan in the amount of \$100,000. Under the PPP, funds are forgivable if utilized for qualified expenditures according to the program criteria incurred over an eight to twenty-four-week period (the “covered period”) following the date of funding. To qualify for forgiveness, the funding must be spent on eligible payroll expenses, with up to 40% may be spent on other eligible expenditures such as rent and utilities. As outlined by the SBA, any unforgiven balance must be repaid over two years at an annual interest rate of 1% with an initial deferment period of ten months after the conclusion of the covered period. (interest will accrue). Details of eligible forgivable expenses are fluid, and final guidance has not been determined by the SBA. As of June 30, 2020, the entire balance received, \$100,000, is recorded as a loan payable on the financial statements.

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 a discount rate 4.25%. As of June 30, 2020 and 2019, the liability pertaining to the annuity was \$6,914.

NOTE 9 - OPERATING LEASES:

Effective June 1, 2019, Operation Fuel, Inc. renewed a 5-year lease for office space in Hartford, Connecticut. Monthly installments were \$3,341. Rent expense for the years ended June 30, 2020 and 2019 was \$40,952 and \$40,092, respectively.

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

2021	41,700
2022	42,540
2023	43,392
2024	<u>44,244</u>
	<u>\$ 171,876</u>

NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions represent unspent contributions and donations that are restricted by donor-imposed stipulations. Net assets with donor restrictions are comprised as follows for the year ended June 30,:

	Balance June 30, 2019	Additions	Released	Balance June 30, 2020
Stanley D & Hinda N Fisher Foundation	20,000	-	10,500	9,500
Hartford Foundation for Public Giving-COVID 19	-	150,000	10,552	139,448
Hartford Foundation for Public Giving	-	20,000	19,766	234
	<u>20,000</u>	<u>170,000</u>	<u>40,818</u>	<u>149,182</u>
Total	<u>\$ 20,000</u>	<u>\$ 170,000</u>	<u>\$ 40,818</u>	<u>\$ 149,182</u>

	Balance June 30, 2018	Additions	Released	Balance June 30, 2019
Stanley D & Hinda N Fisher Foundation	-	40,000	20,000	20,000
SI Financial	3,500	-	3,500	-
Hartford Foundation for Public Giving - Policy Grant	27,190	-	27,190	-
Hartford Foundation for Public Giving - Financial Management	22,280	-	22,280	-
	<u>52,970</u>	<u>40,000</u>	<u>72,970</u>	<u>20,000</u>
Total	<u>\$ 52,970</u>	<u>\$ 40,000</u>	<u>\$ 72,970</u>	<u>\$ 20,000</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.

NOTE 11 – RISKS AND UNCERTAINTIES

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic. COVID-19 has caused significant disruption in the national and global economy. Operation Fuel, Inc.'s operating activities, liquidity, and cash flows have been and may continue to be adversely affected by this global pandemic. While the disruption is currently expected to be temporary, there is uncertainty related to the duration. Therefore, while Operation Fuel, Inc. expects this matter to negatively impact the operations, the related financial impact for the upcoming year cannot be reasonably estimated at this time.

Beginning in March 2020, there has been significant volatility in the investment market. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in values of investment securities will occur in the near-term and that such changes could materially affect investment securities balances.

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