

OPERATION FUEL, INC.

June 30, 2021 and 2020
Independent Auditors' Report

- I. Financial Statements**
- II. Reports in Accordance with
*Government Auditing Standards***
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Single Audit Act**



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OPERATION FUEL, INC.
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June 30, 2021 and 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Operation Fuel, Inc.

Report on the Financial Statements

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, 2021 and 2020, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2021 and 2020, 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.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state financial assistance, as required by the State Single Audit Act, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2021, on our consideration of Operation Fuel, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Operation Fuel, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Operation Fuel, Inc.'s internal control over financial reporting and compliance.



Hartford, Connecticut
November 18, 2021

I. FINANCIAL STATEMENTS

OPERATION FUEL, INC.

Statements of Financial Position

June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,086,792	\$ 1,373,903
Marketable securities	1,824,995	1,223,799
Accounts and grants receivable	-	21,000
Prepaid expenses	2,975	33,961
Security deposit	<u>3,341</u>	<u>3,341</u>
Total current assets	2,918,103	2,656,004
Property and equipment, net	<u>51,626</u>	<u>74,504</u>
Total assets	<u><u>\$ 2,969,729</u></u>	<u><u>\$ 2,730,508</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued liabilities	<u>\$ 101,115</u>	<u>\$ 197,546</u>
Total current liabilities	101,115	197,546
Refundable advance - Paycheck Protection Program ("PPP")	-	100,000
Charitable gift annuity payment liability	<u>4,099</u>	<u>5,430</u>
Total liabilities	<u>105,214</u>	<u>302,976</u>
Net assets:		
Net assets without donor restrictions	2,718,932	2,278,350
Net assets with donor restrictions	<u>145,583</u>	<u>149,182</u>
Total net assets	<u>2,864,515</u>	<u>2,427,532</u>
Total liabilities and net assets	<u><u>\$ 2,969,729</u></u>	<u><u>\$ 2,730,508</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, 2021 and 2020

	2021	2020
Change in net assets without donor restrictions:		
Operating revenues and support:		
Government grants	\$ 2,100,000	\$ 2,100,000
Other grants and contributions	2,676,877	1,580,624
Investment return	185,940	(11,924)
Net assets released from restrictions	111,599	40,818
Total operating revenues and support	<u>5,074,416</u>	<u>3,709,518</u>
Operating expenses:		
Fuel assistance programs	4,251,474	3,271,810
Management and general	146,938	176,663
Fundraising	297,974	269,810
Total operating expenses	<u>4,696,386</u>	<u>3,718,283</u>
Change in operating net assets without donor restrictions	378,030	(8,765)
Other changes in net assets without donor restrictions:		
PPP income	100,000	-
Loss on disposal of fixed assets	(37,448)	-
Change in net assets without donor restrictions	<u>440,582</u>	<u>(8,765)</u>
Change in net assets with donor restrictions:		
Grants and contributions	108,000	170,000
Net assets released from restrictions	(111,599)	(40,818)
Change in net assets with donor restrictions	<u>(3,599)</u>	<u>129,182</u>
Total change in net assets	436,983	120,417
Net assets, beginning of year	<u>2,427,532</u>	<u>2,307,115</u>
Net assets, end of year	<u>\$ 2,864,515</u>	<u>\$ 2,427,532</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, 2021 and 2020

	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
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
	\$ 4,251,474	\$ 146,938	\$ 297,974	\$ 4,696,386
	2020			
	Fuel			
	Assistance Programs	Management And General	Fundraising	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	15,471	5,702	5,973	27,146
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
Equipment rental and maintenance	2,592	955	1,000	4,547
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
	\$ 3,271,810	\$ 176,663	\$ 269,810	\$ 3,718,283

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

OPERATION FUEL, INC.

Statements of Cash Flows

For the years ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 436,983	\$ 120,417
Adjustments to reconcile change in net assets to net change in cash from operating activities:		
Depreciation	13,932	9,100
Unrealized (gains)/losses on investments	(168,252)	35,600
Realized losses on sale of investments	-	12,102
Loss on disposal of property and equipment	37,448	-
Changes in assets and liabilities:		
Accounts and grants receivable	21,000	36,879
Prepaid expenses	30,986	(6,383)
Accounts payable and accrued liabilities	(96,431)	149,241
Refundable advance - Paycheck Protection Program	(100,000)	100,000
Charitable gift annuity payment liability	(1,331)	(1,484)
Net change in cash from operating activities	<u>174,335</u>	<u>455,472</u>
Cash flows from investing activities:		
Purchases of investments, net of proceeds from sales of investments	(432,944)	(50,077)
Purchases of property and equipment	(28,502)	(20,282)
Net change in cash from investing activities	<u>(461,446)</u>	<u>(70,359)</u>
Net change in cash and cash equivalents	(287,111)	385,113
Cash and cash equivalents, beginning of year	<u>1,373,903</u>	<u>988,790</u>
Cash and cash equivalents, end of year	<u>\$ 1,086,792</u>	<u>\$ 1,373,903</u>

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

OPERATION FUEL, INC.

Notes to Financial Statements

June 30, 2021 and 2020

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, 2021 through November 18, 2021, 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>2021</u>	<u>2020</u>
Cash and equivalents	\$ 693,202	\$ 287,755
Equities	235,396	158,819
Mutual funds	896,178	774,896
Accrued interest	219	2,329
	<u>\$ 1,824,995</u>	<u>\$ 1,223,799</u>

All investments are valued using Level 1 inputs.

Investment return for the years ended June 30, 2021 and 2020, consists of \$17,967 and \$24,293 of interest income net of investment fees, \$-0- and \$12,102 of realized loss, and \$168,252 and \$(35,600) 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, 2021 and 2020 was \$24,314 and \$6,100, 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, 2021 are as follows:

Cash and cash equivalents	\$ 1,086,792
Marketable securities	<u>1,824,995</u>
Total financial assets	<u>2,911,787</u>
Less:	
Amounts unavailable for general expenditures	
Net assets with donor restrictions	<u>145,583</u>
Total financial assets available to meet cash needs for general expenditures within one year	<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, 2021 and 2020, property and equipment is made up of the following:

	<u>2021</u>	<u>2020</u>
Property and equipment	\$ 267,836	\$ 276,782
Accumulated depreciation	<u>(216,210)</u>	<u>(202,278)</u>
	<u>\$ 51,626</u>	<u>\$ 74,504</u>

NOTE 7- REFUNDABLE ADVANCE – PAYCHECK PROTECTION PROGRAM

In May 2020, Operation Fuel, Inc. received approval for a U.S 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). During the year ended June 30, 2021, Operation Fuel applied for and received full forgiveness of this PPP loan, therefore \$100,000 was recorded as PPP income on the Statement of Activities.

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, 2021 and 2020, the liability pertaining to the annuity was \$4,009 and \$5,430, respectively.

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, 2021 and 2020 was \$45,516 and \$40,952, respectively.

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

2022	\$	42,540
2023		43,392
2024		44,244
	\$	<u>130,176</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, 2020	Additions	Released	Balance June 30, 2021
Stanley D & Hinda N Fisher Foundation	\$ 9,500		\$ 8,175	\$ 1,325
Hartford Foundation for Public Giving-COVID 19	139,448	-	65,571	73,877
Hartford Foundation for Public Giving	234	27,500	8,234	19,500
Community Foundation of Eastern CT	-	7,500	-	7,500
Chelsea Groton Foundation	-	10,000	-	10,000
Charles Nelson Robinson Fund	-	10,000	-	10,000
Eastern Savings Bank Foundation	-	1,000	-	1,000
Ensworth Charitable Foundation	-	10,000	-	10,000
Jeffrey P. Ossen Foundation	-	12,500	7,704	4,796
Laura J Niles Foundation	-	5,000	3,714	1,286
The Edward and Mary Lord Foundation	-	10,000	7,893	2,107
Trustee of the Lena Bena Memorial Fund	-	10,000	6,640	3,360
People's United Bank	-	4,500	3,668	832
	<u>\$ 149,182</u>	<u>\$ 108,000</u>	<u>\$ 111,599</u>	<u>\$ 145,583</u>
Total	<u>\$ 149,182</u>	<u>\$ 108,000</u>	<u>\$ 111,599</u>	<u>\$ 145,583</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 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 impact the operations, the related financial impact for the upcoming year cannot be reasonably estimated at this time.

**II. REPORTS IN ACCORDANCE WITH
*GOVERNMENT AUDITING STANDARDS***

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Operation Fuel, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Operation Fuel, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 18, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Operation Fuel, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Operation Fuel, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Operation Fuel, Inc.'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the organization's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Operation Fuel, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Operation Fuel, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Operation Fuel, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Whittlesey PC". The signature is written in a cursive, flowing style.

Hartford, Connecticut
November 18, 2021

III. REPORTS IN ACCORDANCE WITH STATE SINGLE AUDIT ACT

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR STATE PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE STATE SINGLE AUDIT ACT**

To the Board of Directors
Operation Fuel, Inc.

Report on Compliance for Each Major State Program

We have audited Operation Fuel, Inc.'s compliance with the types of compliance requirements described in the Office of Policy and Management's *Compliance Supplement* that could have a direct and material effect on each of Operation Fuel, Inc.'s major state programs for the year ended June 30, 2021. Operation Fuel, Inc.'s major state program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for Operation Fuel, Inc.'s major state program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about Operation Fuel, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for the major state program. However, our audit does not provide a legal determination of Operation Fuel, Inc.'s compliance.

Opinion on the Major State Program

In our opinion, Operation Fuel, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state program for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of Operation Fuel, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Operation Fuel, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Operation Fuel, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the State Single Audit Act. Accordingly, this report is not suitable for any other purpose.



Hartford, Connecticut
November 18, 2021

OPERATION FUEL, INC.

Schedule of Expenditures of State Financial Assistance

For the year ended June 30, 2021

<u>State Grantor Pass-through Grantor Program Title</u>	<u>State Grant Program Core-CT Number</u>	<u>Passed through to Subrecipients</u>	<u>Expenditures</u>
Department of Energy and Environmental Protection			
Emergency Home Energy Assistance Program	12060-DEP44720-35487	-	\$ 2,100,000
Total state financial assistance		<u>\$ -</u>	<u>\$ 2,100,000</u>

See Note to Schedule of Expenditures of State Financial Assistance.

OPERATION FUEL, INC.

Note to Schedule of Expenditures of State Financial Assistance

For the year ended June 30, 2021

The accompanying Schedule of Expenditures of State Financial Assistance includes the state grant activity of Operation Fuel, Inc. under programs of the State of Connecticut for the fiscal year ended June 30, 2021. The Department of Energy and Environmental Protection and the Office of Policy and Management of the State of Connecticut have provided financial assistance through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund the Emergency Home Energy Assistance Program.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of Operation Fuel, Inc. conform to accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations.

The information in the Schedule of Expenditures of State Financial Assistance is presented based upon regulations established by the State of Connecticut, Office of Policy and Management.

NOTE 2 - BASIS OF ACCOUNTING

The expenditures reported on the Schedule of Expenditures of State Financial Assistance are reported on the accrual basis of accounting. In accordance with Section 4-236-22 of the Regulations of the State Single Audit Act, certain grants are not dependent on expenditure activity, and accordingly, are considered to be expended in the fiscal year of receipt. These grant program receipts are reflected in the expenditures column of the Schedule of Expenditures of State Financial Assistance.

OPERATION FUEL, INC.

Schedule of Findings and Questioned Costs

For the year ended June 30, 2021

I. SUMMARY OF AUDITORS' RESULTS:

Financial Statements

Type of auditors' opinion issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(s) identified? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

State Financial Assistance

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X none reported

Type of auditors' opinion issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations of the State Single Audit Act? _____ yes X no

The following schedule reflects the major programs included in the audit:

State Grantor Program	State Core-CT Number	Expenditures
State of Connecticut		
Department of Energy and Environmental Protection		
Emergency Home Energy Assistance Program	12060-DEP44720-35487	\$ 2,100,000
Dollar threshold used to distinguish between type A and type B programs		\$ 200,000

OPERATION FUEL, INC.

Schedule of Findings and Questioned Costs (Continued)

For the year ended June 30, 2021

II. Financial Statement Findings:

No matters were reported.

III. State Financial Assistance Findings and Questioned Costs:

No matters were reported.

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