

**Fuel Fund of Maryland, Inc.**  
**Audited Financial Statements**

**June 30, 2011 and 2010**

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# McLean, Koehler, Sparks & Hammond

Certified Public Accountants/Business Consultants

## Independent Auditor's Report

Board of Trustees  
Fuel Fund of Maryland, Inc.  
Towson, Maryland

We have audited the accompanying statement of financial position of Fuel Fund of Maryland, Inc. (a nonprofit organization) as of June 30, 2011, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Fuel Fund of Maryland, Inc. as of and for the year ended June 30, 2010, were audited by other auditors whose report dated October 12, 2010, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the 2011 financial statements referred to above present fairly, in all material respects, the financial position of Fuel Fund of Maryland, Inc. as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 12 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. The schedule of expenses of the Fuel Fund of Maryland, Inc. for the year ended June 30, 2010, was subjected to the auditing procedures applied by other auditors whose report dated October 12, 2010, expressed an unqualified opinion on that information. In our opinion, the 2011 information is fairly stated in all material respects in relation to the financial statements as a whole.

*McLean, Koehler, Sparks & Hammond*

Hunt Valley, Maryland  
November 18, 2011

11311 McCormick Road, Suite 100  
Hunt Valley, Maryland 21031, USA  
410.296.6200 Fax: 443.589.1165

# Fuel Fund of Maryland, Inc.

## Statements of Financial Position

June 30,	<u>2011</u>	<u>2010</u>
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 519,536	\$ 467,629
Investment in certificates of deposit	142,989	64,985
Contributions receivable	128,750	208,000
Prepaid expenses	<u>939</u>	<u>5,590</u>
Total current assets	<u>792,214</u>	<u>746,204</u>
<b>Property and Equipment:</b>		
Furniture and equipment	51,911	46,102
Nondepreciable assets	<u>15,045</u>	<u>-</u>
Total	66,956	46,102
Less accumulated depreciation	<u>(43,917)</u>	<u>(41,534)</u>
Net property and equipment	<u>23,039</u>	<u>4,568</u>
<b>Other Asset - Security deposit</b>	<u>850</u>	<u>850</u>
<b>Total Assets</b>	<u>\$ 816,103</u>	<u>\$ 751,622</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 70,695	\$ 53,188
Accrued expenses	<u>11,108</u>	<u>8,459</u>
Total current liabilities	<u>81,803</u>	<u>61,647</u>
<b>Net Assets:</b>		
Unrestricted	692,648	596,975
Temporarily restricted	<u>41,652</u>	<u>93,000</u>
Total net assets	<u>734,300</u>	<u>689,975</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 816,103</u>	<u>\$ 751,622</u>

The notes to financial statements are an integral part of these statements.

# Fuel Fund of Maryland, Inc.

## Statements of Activities

For the years ended June 30,

2011

2010

### UNRESTRICTED NET ASSETS

#### Revenues, Gains, and Other Support:

BG&E solicitation revenue	\$ 217,978	\$ 210,637
Utility credits	1,837,016	2,550,031
Donated facilities and services	12,677	11,930
Foundation grant revenue	140,400	148,500
Individual and corporate revenue	537,129	405,536
Direct mail revenue	488,974	365,989
Newsletter revenue	77,152	72,158
Other fund-raising revenue	141,912	111,890
Investment income	574	8,572
Net assets released from restriction	<u>91,348</u>	<u>206,175</u>
Total revenues, gains, and other support	<u>3,545,160</u>	<u>4,091,418</u>

#### Expenses:

##### Program services:

Program services - general	1,238,441	1,232,256
Program services - utility credits	<u>1,837,016</u>	<u>2,550,031</u>
Total program expenses	<u>3,075,457</u>	<u>3,782,287</u>

##### Supporting services:

Management and general	169,202	153,320
Fundraising	<u>204,828</u>	<u>186,616</u>
Total supporting services	<u>374,030</u>	<u>339,936</u>

Total expenses 3,449,487 4,122,223

Change in unrestricted net assets 95,673 (30,805)

### TEMPORARILY RESTRICTED NET ASSETS

Contributions	40,000	234,175
Net assets released from restrictions	<u>(91,348)</u>	<u>(206,175)</u>

Change in temporarily restricted net assets (51,348) 28,000

Increase (decrease) in total net assets 44,325 (2,805)

Net assets - beginning of year 689,975 692,780

Net assets - end of year \$ 734,300 \$ 689,975

The notes to financial statements are an integral part of these statements.

## Fuel Fund of Maryland, Inc.

### Statements of Cash Flows

For the years ended June 30,	<u>2011</u>	<u>2010</u>
<b>Cash flows from operating activities:</b>		
Increase (decrease) in net assets	\$ 44,325	\$ (2,805)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Non-cash contributions	(10,878)	(10,555)
Depreciation	2,383	3,529
Unrealized gain on investments (mutual funds)	-	(20,972)
Realized loss on investments (mutual funds)	-	12,846
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	-	1,500
Contributions receivable	79,250	16,000
Prepaid expenses	4,651	(859)
Increase (decrease) in:		
Accounts payable	17,507	16,992
Accrued expenses	2,649	(4,916)
Net cash provided by operating activities	<u>139,887</u>	<u>10,760</u>
<b>Cash flows from investing activities:</b>		
Proceeds from redemption of investment in certificates of deposit	163,871	121,443
Purchase of investment in certificates of deposit	(230,997)	(64,985)
Purchases of property and equipment	(20,854)	(798)
Net cash (used in) provided by investing activities	<u>(87,980)</u>	<u>55,660</u>
<b>Net increase in cash and cash equivalents</b>	51,907	66,420
<b>Cash and cash equivalents, beginning of year</b>	<u>467,629</u>	<u>401,209</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 519,536</u>	<u>\$ 467,629</u>

The notes to financial statements are an integral part of these statements.

# **Fuel Fund of Maryland, Inc.**

## **Notes to Financial Statements**

For the years ended June 30, 2011 and 2010

### **1. Nature of Operations**

The Fuel Fund of Maryland, Inc. (the "Fund") is a Maryland nonprofit corporation whose purpose is to obtain funds for individuals in need of energy assistance and to administer the distribution of such funds to Anne Arundel County, Baltimore City, Baltimore County, Carroll County, Harford County, Howard County, Montgomery County, and Prince George's County. In addition, the Fund administers the distribution of utility credits provided by Baltimore Gas and Electric.

### **2. Summary of Significant Accounting Policies**

#### **Cash and Cash Equivalents**

The Fund considers cash on hand, cash on deposit with banks and money market funds and all unrestricted highly liquid investments with an original maturity of three months or less, to be "cash and cash equivalents".

The Fund maintains cash in bank and money market funds which, at times, may exceed federally insured limits. The Federal Deposit Insurance Corporation limits were changed as of December 31, 2010 through December 31, 2012 for all non-interest bearing accounts. All non-interest bearing transaction accounts are fully insured regardless of the account balance. The Fund's cash is held in non-interest bearing accounts. The Fund believes that the associated risk has been mitigated by maintaining cash balances in high quality financial institutions. Additionally, the Fund has not experienced any losses in such accounts and believes they are not exposed to any significant credit risk on cash and cash equivalents. At June 30, 2011 and 2010, the Fund's money market funds of \$65,061 and \$65,009, respectively, which are included in cash equivalents, are not federally insured.

#### **Contributions Receivable**

Contributions receivable represents amounts due from contributors based on unconditional promises to give and are considered fully collectible. Accordingly, no allowance for doubtful accounts is provided.

#### **Property and Equipment and Depreciation**

Property and equipment are stated at cost. Expenditures for maintenance, repairs and renewals are charged to expense as incurred. Expenditures for additions, improvements and replacements in excess of \$750 are added to the property and equipment accounts and depreciated over their estimated useful lives. When assets are retired or sold, the related costs and accumulated depreciation are removed from the accounts, and any gain or loss on disposition is recognized in income.

# Fuel Fund of Maryland, Inc.

## Notes to Financial Statements

For the years ended June 30, 2011 and 2010

### 2. Summary of Significant Accounting Policies (continued)

#### **Property and Equipment and Depreciation** (continued)

Depreciation is provided under the straight-line method over the estimated useful lives of the respective assets. Property and equipment (consisting of furniture and equipment) is depreciated over 3 to 5 years. Depreciation expense was \$2,383 and \$3,529 for the years ended June 30, 2011 and 2010, respectively.

#### **Investment in Certificates of Deposit**

The Fund's investment portfolio consists of certificates of deposit. The certificates of deposit held by the Fund had interest rates ranging from 0.40% to 0.59% at June 30, 2011, and mature at various dates from July 2011 to February 2012. Market value approximates cost, so there are no unrealized gains or losses on these certificates of deposit.

#### **Restricted and Unrestricted Revenue Recognition**

Contributions are recognized when the donor makes an unconditional promise to give to the Fund. Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor imposed restrictions. Additionally, recognition of contributions is evaluated based on historical trends of collection by specific type of promise to give.

The Fund reports contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the time period or manner of use of the contribution. The donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a donor restriction expires (that is, when a stipulated time restriction or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as "net assets released from restriction." Donor restricted contributions that are both received and satisfied within the same year are recorded as unrestricted support.

#### **Donated Services**

It is common industry practice for organizations similar to the Fund not to record donated services related to media promotions. Accordingly, no revenue or expense relating to such donated services has been recorded in the accompanying financial statements of the Fund for the years ended June 30, 2011 and 2010.

In-kind revenue for services relating to legal fees and educational expenses totaled \$5,706 and \$4,958 for the years ended June 30, 2011 and 2010, respectively. No amounts have been recorded in the accompanying financial statements for donated services of other volunteers as no objective basis is available to measure the value of such services. However, a substantial number of volunteers donated significant amounts of their time to the Fund's program services.

# Fuel Fund of Maryland, Inc.

## Notes to Financial Statements

For the years ended June 30, 2011 and 2010

### 2. Summary of Significant Accounting Policies (continued)

#### **Functional Allocation of Expenses**

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

#### **Basis of Accounting**

The financial statements of the Fund have been prepared on the accrual basis of accounting, whereby, revenue is recognized when earned and expenses are recognized when incurred.

#### **Basis of Presentation**

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification. Under these recommendations, the Fund is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets.

*Unrestricted net assets* – Unrestricted net assets are neither permanently restricted nor temporarily restricted by donor-imposed stipulations. These assets are currently available to support the Fund's operations.

*Temporarily restricted net assets* - Temporarily restricted net assets result from contributions whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Fund pursuant to these stipulations. Net assets may be temporarily restricted for various purposes, such as use in future periods or use for specified purposes.

*Permanently restricted net assets* - Permanently restricted net assets result from contributions whose use is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by the Fund's actions. The Fund had no permanently restricted net assets at June 30, 2011 and 2010.

#### **Use of 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 assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### **Income Taxes**

The Fund is tax-exempt under Section 501(c)(3) of the Internal Revenue Code and is classified as an "other than private foundation" (public charity).

# Fuel Fund of Maryland, Inc.

## Notes to Financial Statements

For the years ended June 30, 2011 and 2010

### 2. Summary of Significant Accounting Policies (continued)

#### Income Taxes (continued)

During the year ended June 30, 2009, the Fund adopted the new accounting guidance for "uncertainty in income taxes" with no cumulative effect adjustment required. This guidance requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Fund's tax returns to determine whether any tax positions would "more-likely-than-not" be sustained by the applicable tax authority. Tax positions deemed not to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense in the current year.

The Fund believes that its income tax filing positions and deductions will be sustained upon examination and, accordingly, has not recorded any reserves, or related accruals for interest and penalties. Tax years subject to inspection include 2007, 2008, and 2009. The Fund has adopted a policy under which, if required to be recognized in the future, it will classify interest related to the underpayment of income taxes as a component of interest expense, and it will classify any related penalties in management and general expenses in the Statements of Activities. The Fund continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law, and new authoritative rulings.

#### Advertising

Advertising is expensed as incurred. Total expense for the years ended June 30, 2011 and 2010 totaled \$1,669 and \$10,652, respectively, and is included in marketing/education on the Schedules of Functional Expenses.

#### Reclassifications

Certain amounts from 2010 have been reclassified to conform to the 2011 presentation.

### 3. Investment Income

Net investment income consisted of the following for the years ended June 30:

	<u>2011</u>	<u>2010</u>
Dividend and interest income	\$ 574	\$ 446
Realized losses	-	(12,846)
Unrealized gains	-	20,972
Net investment income	<u>\$ 574</u>	<u>\$ 8,572</u>

# Fuel Fund of Maryland, Inc.

## Notes to Financial Statements

For the years ended June 30, 2011 and 2010

### 4. Contributions Receivable

The Fuel Fund of Maryland, Inc. solicits contributions for specific purposes and also to cover management and general costs. Contributions receivable represent unrestricted and unconditional promises to give. Unconditional promises to give totaled \$128,750 and \$208,000 as of June 30, 2011 and 2010, respectively.

The unconditional promises to give remaining at June 30 are due as follows:

	<u>2011</u>	<u>2010</u>
Within one year	\$ 128,750	\$ 208,000
Within one to five years	-	-
Total	<u>\$ 128,750</u>	<u>\$ 208,000</u>

### 5. Commitments

The Fund leases office space for its corporate offices. The lease agreement is classified as an operating lease for financial reporting purposes. The lease is dated May 31, 2005 and is effective for a period of 72 months expiring on August 31, 2011. The Fund entered into a supplemental lease agreement for additional space on September 27, 2010. The base rent is \$21,444 per year plus \$5,400 for the additional space for the lease term. The lease also contains certain escalation clauses for increases in taxes and operating expenses. Additional rent will be charged to reflect the Fund's proportionate share of any future increases in taxes and/or operating expenses. Rent expense was \$31,576 and \$26,239 for the years ended June 30, 2011 and 2010, respectively. The Fund is only required to pay \$14,472 on the base rent and the full \$5,400 for the additional space for a total of \$19,872 per year. Per the original lease agreement, the difference between the base rent and the amount paid by the Fund represents an in-kind donation from the property management company. The supplemental lease agreement has no in-kind donation agreement. The in-kind revenue under the lease agreement for the years ending June 30, 2011 and 2010 was \$6,972 for each year.

The Fund leases office equipment under an operating lease that expires in February 2014. The lease provides for monthly rental of \$111. Equipment rent amounted to \$1,671 and \$1,530 for the years ended June 30, 2011 and 2010, respectively.

# Fuel Fund of Maryland, Inc.

## Notes to Financial Statements

For the years ended June 30, 2011 and 2010

### 5. Commitments (continued)

Future minimum payments required under the leases are as follows:

<u>Year ended June 30,</u>	<u>Amount</u>
2012	\$ 5,986
2013	1,332
2014	777
Thereafter	-
Total	<u>\$ 8,095</u>

### 6. Concentrations

The Fund has one donor that comprised 78% and 96% of the total of contributions receivable for the years ended June 30, 2011 and 2010, respectively. The Fund believes that the concentration of credit risk is limited due to the reputation and reliability and the Fund's history with the donor.

Approximately 52% and 62% of the Fund's total revenues for the years ended June 30, 2011 and 2010, respectively, represent utility credits provided by Baltimore Gas and Electric.

### 7. Defined Contribution Plan

The Fund instituted a 403(b) defined contribution plan for its employees during fiscal year 2001. Under the terms of the Plan the Fund contributes up to 50% of the first 6% of eligible employees' wages. The Plan is available to all full time employees (full time employees are defined as employees working greater than 20 hours per week) meeting the eligibility requirements of the Plan. Plan participant eligibility is based on years of service (minimum of six months of service) and age (must be age 21 or older). Plan expense totaled \$2,414 and \$1,950 as of June 30, 2011 and 2010, respectively.

### 8. Restricted Net Assets

Temporarily restricted net assets are as follows as of June 30:

	<u>2011</u>	<u>2010</u>
Watt Watchers	\$ 30,000	\$ 43,000
Technology Upgrade	<u>11,652</u>	<u>50,000</u>
Total	<u>\$ 41,652</u>	<u>\$ 93,000</u>

**Fuel Fund of Maryland, Inc.**

**Notes to Financial Statements**

For the years ended June 30, 2011 and 2010

**9. Subsequent Events**

The Fund's lease for office space for its corporate offices expired on August 31, 2011. The lease will continue on a month-to-month basis until a new lease is ratified.

Management has evaluated subsequent events through November 18, 2011, the date when the financial statements were available for issue.

**Supplemental Information**

**Fuel Fund of Maryland, Inc.**

**Schedules of Functional Expenses**

For the years ended June 30,

	2011				2010			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
<b>Salaries and related expenses:</b>								
Salaries	\$ 129,952	\$ 61,931	\$ 84,278	\$ 276,161	\$ 74,696	\$ 59,378	\$ 78,314	\$ 212,388
Payroll taxes	10,732	5,115	6,961	22,808	7,366	5,855	7,722	20,943
Employee benefits	12,527	5,970	8,124	26,621	3,375	5,584	3,530	12,489
<b>Total salaries and related expenses</b>	<b>153,211</b>	<b>73,016</b>	<b>99,363</b>	<b>325,590</b>	<b>85,437</b>	<b>70,817</b>	<b>89,566</b>	<b>245,820</b>
<b>Other operating expenses:</b>								
Bank charges	11,659	11,659	2,591	25,909	9,587	9,587	2,130	21,304
Board expense	-	2,585	-	2,585	-	1,974	-	1,974
Contract labor	-	-	23,615	23,615	-	-	16,620	16,620
Consulting labor	7,500	41,150	-	48,650	-	39,576	-	39,576
Depreciation	2,383	-	-	2,383	3,529	-	-	3,529
Equipment maintenance	8,247	1,447	4,775	14,469	1,388	243	803	2,434
Fuel assistance	2,816,975	-	-	2,816,975	3,461,811	-	-	3,461,811
Fundraising								
Annual Report	-	2,540	2,539	5,079	-	1,199	1,198	2,397
Newsletter	-	-	13,628	13,628	-	-	19,683	19,683
Spring/Summer/Fall campaigns	-	2,532	27,175	29,707	-	-	29,430	29,430
Other	-	-	910	910	-	-	-	-
Warmathon	-	-	-	-	-	-	460	460
Insurance	-	2,900	-	2,900	-	1,756	-	1,756
Marketing/education	16,479	-	16,479	32,958	10,072	-	10,072	20,144
Meeting and conferences	1,674	-	-	1,674	1,452	-	-	1,452
Membership and dues	3,305	-	-	3,305	2,407	-	-	2,407
Miscellaneous	-	4,514	-	4,514	-	3,772	3,545	7,317
Occupancy	11,052	11,052	9,472	31,576	9,184	9,184	7,871	26,239
Parking	3,811	4,658	-	8,469	2,565	3,136	-	5,701
Postage	2,012	2,012	447	4,471	2,745	2,745	609	6,099
Professional fees	4,750	4,750	1,054	10,554	4,694	4,694	1,043	10,431
Supplies	897	897	897	2,691	1,162	1,162	1,162	3,486
Telephone	2,682	2,682	1,341	6,705	2,907	2,907	1,454	7,268
Training	768	768	384	1,920	262	541	835	1,638
Travel	1,780	40	158	1,978	1,605	27	135	1,767
Watt Watchers	26,272	-	-	26,272	181,480	-	-	181,480
<b>Total other operating expenses</b>	<b>2,922,246</b>	<b>96,186</b>	<b>105,465</b>	<b>3,123,897</b>	<b>3,696,850</b>	<b>82,503</b>	<b>97,050</b>	<b>3,876,403</b>
<b>Total expenses</b>	<b>\$ 3,075,457</b>	<b>\$ 169,202</b>	<b>\$ 204,828</b>	<b>\$ 3,449,487</b>	<b>\$ 3,782,287</b>	<b>\$ 153,320</b>	<b>\$ 186,616</b>	<b>\$ 4,122,223</b>