

THE FUEL FUND OF MARYLAND, INC.

FINANCIAL STATEMENTS

JUNE 30, 2005 AND 2004

THE FUEL FUND OF MARYLAND, INC.
TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position.....	2
Statements of Activities	3
Statements of Cash Flows	4
NOTES TO FINANCIAL STATEMENTS	4-8
SUPPLEMENTARY INFORMATION	
Schedules of Functional Expenses	9

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
The Fuel Fund of Maryland, Inc.

We have audited the accompanying statements of financial position of the Fuel Fund of Maryland, Inc. as of June 30, 2005 and 2004, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Fund's management. 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 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 financial statements referred to above present fairly, in all material respects, the financial position of the Fuel Fund of Maryland, Inc. as of June 30, 2005 and 2004, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying 2005 and 2004 supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Timonium, Maryland
September 29, 2005

FUEL FUND OF MARYLAND, INC.
STATEMENTS OF FINANCIAL POSITION
 JUNE 30, 2005 AND 2004

ASSETS	2005	2004
CURRENT ASSETS		
Cash and cash equivalents	\$ 219,095	\$ 210,125
Prepaid expenses	9,695	7,033
Investments, at fair value	58,810	57,813
Contributions receivable	-	132,000
Total Current Assets	287,600	406,971
PROPERTY AND EQUIPMENT		
Furniture and equipment	31,381	28,161
Accumulated depreciation	(24,997)	(21,696)
Total Property and Equipment	6,384	6,464
OTHER ASSETS		
Deposit	850	850
Total Other Assets	850	850
TOTAL ASSETS	\$ 294,834	\$ 414,285
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 6,788	\$ 2,784
Total Current Liabilities	6,788	2,784
TOTAL LIABILITIES	6,788	2,784
NET ASSETS		
Unrestricted	288,046	411,501
Temporarily restricted	-	132,000
Total Net Assets	288,046	411,501
TOTAL LIABILITIES AND NET ASSETS	\$ 294,834	\$ 414,285

See Accompanying Notes to Financial Statements.

FUEL FUND OF MARYLAND, INC.
 STATEMENTS OF ACTIVITIES
 FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

	2005	2004
CHANGES IN UNRESTRICTED NET ASSETS		
REVENUES, GAINS AND OTHER SUPPORT		
BG&E solicitation revenue	\$ 279,168	\$ 270,229
Utility credits	1,157,181	987,940
Donated services	2,123	-
Foundation grant revenue	71,000	40,547
Individual and corporate revenue	97,658	85,685
Direct mail revenue	425,600	426,618
Newsletter revenue	44,786	44,225
Other fund-raising revenue	113,592	84,915
Net investment income	7,990	13,330
Net assets released from restriction	<u>132,000</u>	<u>-</u>
Total Revenues, Gains and Other Support	<u>2,331,098</u>	<u>1,953,489</u>
EXPENSES		
Program Services		
Program services-general	853,254	666,686
Program services-utility credits	<u>1,157,181</u>	<u>987,939</u>
Total Program Expenses	<u>2,010,435</u>	<u>1,654,625</u>
Supporting Services		
Management and general	103,219	92,989
Fund raising-general	<u>208,899</u>	<u>164,301</u>
Total Supporting Services	<u>312,118</u>	<u>257,290</u>
Total Expenses	<u>2,322,553</u>	<u>1,911,915</u>
Change in Unrestricted Net Assets	<u>8,545</u>	<u>41,574</u>
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Contributions	-	132,000
Net assets released from restrictions	<u>(132,000)</u>	<u>-</u>
Change in Temporarily Restricted Net Assets	<u>(132,000)</u>	<u>132,000</u>
INCREASE (DECREASE) IN NET ASSETS	(123,455)	173,574
NET ASSETS - BEGINNING OF YEAR	<u>411,501</u>	<u>237,927</u>
NET ASSETS - END OF YEAR	<u>\$ 288,046</u>	<u>\$ 411,501</u>

See Accompanying Notes to Financial Statements.

FUEL FUND OF MARYLAND, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (123,455)	\$ 173,574
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities		
Non cash contributions	(23,015)	-
Depreciation	3,300	3,246
Unrealized (gain) loss on investments	(4,155)	(10,590)
Realized (gain) loss on investments	(1,611)	-
(Increase) decrease in operating assets		
Prepaid expenses	(2,662)	(1,807)
Contributions receivable	132,000	(132,000)
Deposits	-	-
Increase (decrease) in operating liabilities		
Accounts payable	<u>4,003</u>	<u>(225,923)</u>
 Net Cash Provided By (Used In) Operating Activities	 <u>(15,595)</u>	 <u>(193,500)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	56,804	-
Purchase of investments	(29,019)	-
Property and equipment purchases	<u>(3,220)</u>	<u>-</u>
 Net Cash Used In Investing Activities	 <u>24,565</u>	 <u>-</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 8,970	 (193,500)
 CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	 <u>210,125</u>	 <u>403,625</u>
 CASH AND CASH EQUIVALENTS - END OF YEAR	 <u>\$ 219,095</u>	 <u>\$ 210,125</u>

See Accompanying Notes to Financial Statements.

THE FUEL FUND OF MARYLAND, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

(1) NATURE OF OPERATIONS

The Fuel Fund of Maryland, Inc. (the "Fund") is a Maryland 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 and Howard County. In addition, the Fund administers the distribution of utility credits provided by Baltimore Gas and Electric. Approximately 44% and 43% of the Funds total revenues for the years ended June 30, 2005 and 2004, respectively, represent utility credits provided by Baltimore Gas and Electric.

The Fund is tax-exempt under Section 501(c)(3) of the Internal Revenue code. Accordingly, no provision for federal and state income taxes has been recorded in the accompanying financial statements.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

For purposes of the statement of cash flows, the Fund considers cash on hand, cash on deposit with banks and in money market funds and all unrestricted highly liquid investments with a maturity of three months or less, to be cash equivalents.

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 required.

Property and equipment

Property and equipment are stated at cost. Expenditures for maintenance, repairs and renewals are charged against income as incurred. Expenditures for additions, improvements and replacements are added to the leasehold improvements and property and equipment accounts and depreciated over their 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.

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 3-5 years. Depreciation expense amounted to \$3,300 and \$3,246 for the years ended June 30, 2005 and 2004, respectively.

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. However, if a donor restriction expires in the same reporting period the contribution is made, the contribution is recorded as an increase in unrestricted net assets as allowed by SFAS No. 116. All other 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 restrictions.

THE FUEL FUND OF MARYLAND, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

In-kind contributions

It is common industry practice for organizations similar to the Fund not to record donated services related to media promotions. Accordingly, no revenue or expenses relating to such donated services have been recorded in the accompanying financial statements of the Fund for the years ended June 30, 2005 and 2004.

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.

Functional allocation of expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement 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.

Financial statement presentation

The Fund has adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations". Under SFAS No. 117, the School 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, revenues, expenses, gains and losses are classified based on the existence of donor-imposed restrictions. Accordingly, net assets of the Fund and changes therein are classified and reported as follows:

- Unrestricted net assets - Unrestricted net assets that are neither temporarily or permanently restricted by donor-imposed stipulations.
- 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. Donor restricted contributions that are both received and satisfied within the same year are recorded as unrestricted support.
- 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.

At June 30, 2005, there were no temporarily or permanently restricted net assets. At June 30, 2004, there were no permanently restricted net assets.

Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with accounting principals generally accepted in the United States 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.

THE FUEL FUND OF MARYLAND, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reclassifications

Certain 2004 year amounts have been reclassified to conform to 2005 presentation.

(3) INVESTMENTS

Investments are stated at fair market value and are summarized as follows as of June 30, 2005 and 2004:

	2005	
	Cost	Fair Value
Mutual Funds	\$ 50,421	\$ 53,530
Stocks	4,232	5,280
Totals	\$ 54,653	\$ 58,810

	2004	
	Cost	Fair Value
Mutual Funds	\$ 50,421	\$ 51,226
Stocks	6,286	6,587
Totals	\$ 56,689	\$ 57,813

Net investment income consisted of the following for the years ended June 30, 2005 and 2004:

	2005	2004
Dividend and interest income	\$ 2,223	\$ 2,825
Realized gains/(losses)	1,611	-
Unrealized/realized gains/(losses) on investments	4,156	10,505
Net Investment Return	\$ 7,990	\$ 13,330

(4) CONTRIBUTIONS RECEIVABLE

The Fuel Fund of Maryland, Inc. solicits contributions for specific purposes and also to cover general and administrative costs. Contributions receivable represents temporarily restricted unconditional promise to give. During fiscal year 2004, the Fund received an unconditional promise to give which is restricted for specific purposes and was to be used within a specific time period, or returned to the grantor. This unconditional promise to give was due and received within one year. No such promises were received during fiscal 2005. No other unconditional or conditional promises to give were noted as of June 30, 2005 and 2004.

(5) LEASES

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 August 1, 2001. The lease is for a period of 60 months expiring on July 31, 2006. The base rent is \$10,200 per year 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. The lease contains one five year renewal option. Rent expense was \$12,012 and \$10,473 for the years ended June 30, 2004 and 2003, respectively. During the year, the Fund signed an amendment to the original lease extending the term to August 31, 2011 for new office space in the same building. Under the terms of the amendment, rent is \$21,444 per year with the Fund only required to pay \$14,472 per year. The difference is an in-kind donation from the property management company. There is no escalation clause.

THE FUEL FUND OF MARYLAND, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

(5) LEASES, continued

Future minimum payments required under the lease are as follows:

Year Ended June 30,	
2006	\$ 13,404
2007	14,472
2008	14,472
2009	14,472
2010	14,472
	<u>71,292</u>
	<u>\$ 71,292</u>

(6) CONCENTRATIONS

The Fund maintains cash in bank and money market accounts which, at times, may exceed federally insured limits. At June 30, 2005 and 2004, these balances exceeded insured limits by \$45,894 and \$140,490, respectively. 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.

(7) DEFINED CONTRIBUTION PLAN

The organization instituted a 403(B) Defined Contribution Plan for its employees during fiscal year 2001. Under the terms of the plan the organization 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). Pension expense for the years ended June 30, 2005 and 2004 was \$1,950 and \$2,050, respectively.

SUPPLEMENTARY INFORMATION

FUEL FUND OF MARYLAND, INC.
SCHEDULES OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

	June 30, 2005					June 30, 2004				
	Program Services	Management and General	Fund-raising	Total		Program Services	Management and General	Fund-raising	Total	
SALARIES AND RELATED EXPENSES										
Salaries	\$ 40,521	\$ 37,054	\$ 34,916	\$ 112,491		\$ 26,519	\$ 32,307	\$ 34,548	\$ 93,374	
Payroll taxes	2,990	2,735	2,577	8,302		2,139	2,607	2,788	7,534	
Employee benefits	6,140	5,615	5,291	17,046		3,768	4,590	4,908	13,266	
Total Salaries and Related Expenses	<u>49,651</u>	<u>45,404</u>	<u>42,784</u>	<u>137,839</u>		<u>32,427</u>	<u>39,504</u>	<u>42,244</u>	<u>114,174</u>	
OTHER OPERATING EXPENSES										
Bank charges		16,391		16,391			17,788		17,788	
Board expense		2,362		2,362			1,493		1,493	
Contract labor			2,657	2,657			400	5,650	6,050	
Consulting labor		19,560		19,560			20,000	1,073	21,073	
Depreciation	1,650		1,650	3,300		1,623		1,623	3,246	
Donated services										
Equipment maintenance	1,403	246	813	2,462		1,527	268	884	2,679	
Fuel assistance	1,942,757			1,942,757		1,606,959			1,606,959	
Fund-Raising										
Annual Report			908	908						
Golf tournament			17,664	17,664				17,757	17,757	
Newsletter			20,647	20,647				20,493	20,493	
Other			19,710	19,710				16,045	16,045	
Spring/Summer/Fall campaigns			36,945	36,945				27,672	27,672	
Insurance		1,670		1,670			2,188		2,188	
Marketing/education		2,774	50,635	53,409			45	18,413	18,458	
Meeting and conferences	2,994	754	(200)	3,548		239		239	478	
Membership and dues	1,856			1,856		2,270			2,270	
Miscellaneous		1,502		1,502		534	1,175	6,244	7,953	
Occupancy	4,004	4,004	4,004	12,012		3,491	3,491	3,491	10,473	
Parking		1,925		1,925			1,560		1,560	
Postage	1,075	1,075	239	2,389		689	689	152	1,530	
Professional fees	1,218	1,218	1,218	3,654		872	873	872	2,617	
Supplies	1,072	1,072	1,072	3,216		968	969	968	2,905	
Telephone	2,711	2,711	1,316	6,738		1,279	1,278		2,557	
Training		507	6,793	7,300		1,267	1,268		2,535	
Travel	44	44	44	132		481		481	962	
Total Other Operating Expenses	<u>1,960,784</u>	<u>57,815</u>	<u>166,115</u>	<u>2,184,714</u>		<u>1,622,199</u>	<u>53,485</u>	<u>122,057</u>	<u>1,797,741</u>	
TOTAL EXPENSES	<u>\$ 2,010,435</u>	<u>\$ 103,219</u>	<u>\$ 208,899</u>	<u>\$ 2,322,553</u>		<u>\$ 1,654,625</u>	<u>\$ 92,989</u>	<u>\$ 164,301</u>	<u>\$ 1,911,915</u>	

See Independent Auditors' Report.