

THE FUEL FUND OF MARYLAND, INC

FINANCIAL STATEMENTS

JUNE 30, 2006 AND 2005

THE FUEL FUND OF MARYLAND, INC .
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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, 2006 and 2005 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, 2006 and 2005, 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 2006 and 2005 supplementary information, page 9, 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.

Naden/Lean, LLC

Timonium, Maryland
August 11, 2006

THE FUEL FUND OF MARYLAND, INC
 STATEMENTS OF FINANCIAL POSITION
 JUNE 30, 2006 AND 2005

	2006	2005
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	1,345,701	219,095
Prepaid expenses	7,584	9,695
Investments, at fair value	62,132	58,810
Contributions receivable	<u>1,619,310</u>	<u>-</u>
Total Current Assets	<u>3,034,727</u>	<u>287,600</u>
PROPERTY AND EQUIPMENT		
Furniture and equipment	37,860	10,399
Accumulated depreciation	<u>(28,693)</u>	<u>(4,015)</u>
Total Property and Equipment	<u>9,167</u>	<u>6,384</u>
OTHER ASSETS		
Deposit	<u>850</u>	<u>850</u>
Total Other Assets	<u>850</u>	<u>850</u>
TOTAL ASSETS	<u>\$ 3,044,744</u>	<u>\$ 294,834</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	<u>8,512</u>	<u>6,788</u>
Total Current Liabilities	<u>8,512</u>	<u>6,788</u>
TOTAL LIABILITIES	<u>8,512</u>	<u>6,788</u>
NET ASSETS		
Unrestricted	1,416,922	288,046
Temporarily restricted	<u>1,619,310</u>	<u>-</u>
Total Net Assets	<u>3,036,232</u>	<u>288,046</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,044,744</u>	<u>\$ 294,834</u>

See Accompanying Notes to Financial Statements.

THE FUEL FUND OF MARYLAND, INC
STATEMENTS OF ACTIVITIES
JUNE 30, 2006 AND 2005

	2006	2005
CHANGES IN UNRESTRICTED NET ASSETS		
REVENUES, GAINS AND OTHER SUPPORT		
BG&E solicitation revenue	\$ 302,365	\$ 279,168
Utility credits	1,121,552	1,157,181
Donated facilities	5,907	2,123
Foundation grant revenue	405,500	71,000
Individual and corporate revenue	1,369,497	97,658
Direct mail revenue	505,622	425,600
Newsletter revenue	49,860	44,786
Other fund-raising revenue	140,843	113,592
Net investment income	32,659	7,990
Net assets released from restriction	-	132,000
Total Revenues, Gains and Other Support	<u>3,933,805</u>	<u>2,331,098</u>
EXPENSES		
Program Services		
Program services-general	1,304,310	853,254
Program services-utility credits	1,121,552	1,157,181
Total Program Expenses	<u>2,425,862</u>	<u>2,010,435</u>
Supporting Services		
Management and general	127,263	103,219
Fund raising-general	251,804	208,899
Total Supporting Services	<u>379,067</u>	<u>312,118</u>
Total Expenses	<u>2,804,929</u>	<u>2,322,553</u>
Change in Unrestricted Net Assets	<u>1,128,876</u>	<u>8,545</u>
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Contributions	1,619,310	-
Net assets released from restrictions	-	(132,000)
Change in Temporarily Restricted Net Assets	<u>1,619,310</u>	<u>(132,000)</u>
INCREASE (DECREASE) IN NET ASSETS	2,748,186	(123,455)
NET ASSETS - BEGINNING OF YEAR	<u>288,046</u>	<u>411,501</u>
NET ASSETS - END OF YEAR	<u>\$ 3,036,232</u>	<u>\$ 288,046</u>

See Accompanying Notes to Financial Statements.

THE FUEL FUND OF MARYLAND, INC
STATEMENTS OF CASH FLOWS
JUNE 30, 2006 AND 2005

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 2,748,186	\$ (123,455)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities		
Non cash contributions	(24,582)	(23,015)
Depreciation	3,697	3,300
Unrealized (gain) loss on investments	(3,324)	(4,155)
Realized (gain) loss on investments	256	(1,611)
(Increase) decrease in operating assets		
Prepaid expenses	2,111	(2,662)
Contributions receivable	(1,619,310)	132,000
Increase (decrease) in operating liabilities		
Accounts payable	<u>1,724</u>	<u>4,003</u>
 Net Cash Provided By (Used In) Operating Activities	 <u>1,108,758</u>	 <u>(15,595)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	24,328	56,804
Purchase of investments	-	(29,019)
Property and equipment purchases	<u>(6,480)</u>	<u>(3,220)</u>
 Net Cash Provided By (Used In) Investing Activities	 <u>17,848</u>	 <u>24,565</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,126,606	8,970
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>219,095</u>	<u>210,125</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,345,701</u>	<u>\$ 219,095</u>

See Accompanying Notes to Financial Statements.

THE FUEL FUND OF MARYLAND, INC
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

(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 25% and 44% of the Fund's total revenues for the years ended June 30, 2006 and 2005, 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 \$3,697 and \$3,300 for the years ended June 30, 2006 and 2005, 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, 2006 AND 2005

(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, 2006 and 2005 .

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 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, 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 nor 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, 2006 and 2005, 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, 2006 AND 2005

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reclassifications

Certain 2005 year amounts have been reclassified to conform to 2006 presentation.

(3) INVESTMENTS

Investments are stated at fair market value and are summarized as follows as of June 30, 2006 and 2005:

	2006	
	Cost	Fair Value
Mutual Funds	\$ 50,421	\$ 56,727
Stocks	4,232	5,405
Totals	\$ 54,653	\$ 62,132

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

Net investment income consisted of the following for the years ended June 30, 2006 and 2005:

	2006	2005
Dividend and interest income	\$ 29,591	\$ 2,223
Realized gains/(losses)	(256)	1,611
Unrealized/realized gains/(losses) on investments	3,324	4,156
Net Investment Return	\$ 32,659	\$ 7,990

(4) CONTRIBUTIONS RECEIVABLE

The Fuel Fund of Maryland, Inc. solicits contributions for specific purposes and also to cover general and administrative costs. Contributions receivable represent temporarily restricted unconditional promise to give and unrestricted promises to give. During fiscal year 2006, the Fund received unconditional promises to give which are restricted for specific purposes. These unconditional promises to give are due to be received in periods of one to two years. No such promises were received during fiscal 2005. No other unconditional or conditional promises to give were noted as of June 30, 2006 and 2005.

The unconditional promises to give remaining at June 30, 2006 and 2005 are due as follows:

	2006	2005
Within one year	\$ 1,350,000	\$ -
In one to five years	350,000	-
After five years	-	-
	1,700,000	-
Less: Discounts for time-value of money	(80,690)	-
Amount Recorded on Statement of Financial Position	\$ 1,619,310	\$ -

THE FUEL FUND OF MARYLAND, INC
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

(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 original lease is dated August 1, 2001 and is effective 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 \$19,333 and \$12,012 for the years ended June 30, 2006 and 2005, respectively. In September 2005, the Fund decided to expand their office space and signed an amendment to the original lease which extended the term of the lease to August 31, 2011 and became effective October 1, 2005. The base rent was also amended and is \$21,444 under the amended lease agreement; however, the Fund is only required to pay \$14,472 per year. Per the amended lease agreement, the difference between the base rent and the base rent required to be paid by the Fund represents an in-kind donation from the property management company. The amount of in kind revenue under the amended lease agreement for the year ending June 30, 2006 is \$5,907.

Future minimum payments required under the lease are as follows:

Year Ended June 30,		
2007	\$	14,472
2008		14,472
2009		14,472
2010		14,472
2011		9,648
	<u>\$</u>	<u>67,536</u>

(6) CONCENTRATIONS

The Fund maintains cash in bank and money market accounts which, at times, may exceed federally insured limits. At June 30, 2006 and 2005, these balances exceeded insured limits by \$29,948 and \$45,894, 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, 2006 and 2005 was \$2,050 and \$1,950, respectively.

(8) RESTRICTED NET ASSETS

Temporarily restricted net assets are as follows as of June 30, 2006 and 2005:

	2006	2005
Utility assistance to BGE customers	<u>\$ 1,765,052</u>	<u>\$ 0</u>

SUPPLEMENTARY INFORMATION

THE FUEL FUND OF MARYLAND, INC
SCHEDULES OF FUNCTIONAL EXPENSES
JUNE 30, 2006 AND 2005

June 30, 2006

June 30, 2005

	Program Services	Management and General	Fund-raising	Total	Program Services	Management and General	Fund-raising	Total
SALARIES AND RELATED EXPENSES								
Salaries	\$ 60,105	\$ 50,608	\$ 60,421	\$ 171,134	\$ 40,521	\$ 37,054	\$ 34,916	\$ 112,491
Payroll taxes	4,559	3,908	4,559	13,026	2,990	2,735	2,577	8,302
Employee benefits	6,399	5,485	6,399	18,283	6,140	5,615	5,291	17,046
Total Salaries and Related Expenses	<u>71,063</u>	<u>60,001</u>	<u>71,379</u>	<u>202,443</u>	<u>49,651</u>	<u>45,404</u>	<u>42,784</u>	<u>137,839</u>
OTHER OPERATING EXPENSES								
Bank charges	-	15,657	-	15,657	-	16,391	-	16,391
Board expense	-	2,986	-	2,986	-	2,362	-	2,362
Contract labor	-	-	4,347	4,347	-	-	2,657	2,657
Consulting labor	-	21,827	-	21,827	-	19,560	-	19,560
Depreciation	1,848	-	1,849	3,697	1,650	-	1,650	3,300
Equipment maintenance	2,857	501	1,653	5,011	1,403	246	813	2,462
Fuel assistance	2,325,325	-	-	2,325,325	1,942,757	-	-	1,942,757
Fund-Raising	-	-	755	755	-	-	908	908
Annual Report	-	-	19,517	19,517	-	-	17,664	17,664
Golf tournament	-	-	16,973	16,973	-	-	20,647	20,647
Newsletter	-	-	41,300	41,300	-	-	36,945	36,945
Spring/Summer/Fall campaigns	-	-	21,903	21,903	-	-	19,710	19,710
Other	-	1,915	-	1,915	-	1,670	-	1,670
Insurance	-	-	51,001	51,001	-	2,774	50,635	53,409
Marketing/education	813	-	-	813	2,994	754	(200)	3,548
Meeting and conferences	3,068	-	-	3,068	1,856	-	-	1,856
Membership and dues	-	2,171	-	2,171	-	1,502	-	1,502
Miscellaneous	-	9,549	9,548	28,646	4,004	4,004	4,004	12,012
Occupancy	-	3,007	-	3,007	-	1,925	-	1,925
Parking	-	2,842	632	6,316	-	1,075	239	2,389
Postage	2,842	1,225	1,225	3,675	1,075	1,218	1,218	3,654
Professional fees	1,225	1,393	1,394	4,181	1,218	1,072	1,072	3,216
Supplies	1,394	4,189	2,094	10,472	1,072	2,711	1,316	6,738
Telephone	4,189	-	5,796	7,331	2,711	507	6,793	7,300
Training	1,535	-	438	592	-	44	44	132
Travel	154	-	-	-	44	-	-	-
Total Other Operating Expenses	<u>2,354,799</u>	<u>67,262</u>	<u>180,425</u>	<u>2,602,486</u>	<u>1,960,784</u>	<u>57,815</u>	<u>166,115</u>	<u>2,184,714</u>
TOTAL EXPENSES	<u>\$ 2,425,862</u>	<u>\$ 127,263</u>	<u>\$ 251,804</u>	<u>\$ 2,804,929</u>	<u>\$ 2,010,435</u>	<u>\$ 103,219</u>	<u>\$ 208,899</u>	<u>\$ 2,322,553</u>

See Independent Auditors' Report.