

THE FUEL FUND OF MARYLAND, INC

FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

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	5-8
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. (a nonprofit organization) as of June 30, 2007 and 2006 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Fuel 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, 2007 and 2006, 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 2007 and 2006 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.



Timonium, Maryland
October 2, 2007

THE FUEL FUND OF MARYLAND, INC
 STATEMENTS OF FINANCIAL POSITION
 JUNE 30, 2007 AND 2006

	2007	2006
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 434,254	\$ 1,345,701
Accounts receivable	5,574	-
Prepaid expenses	7,888	7,584
Investments, at fair value	923,618	62,132
Contributions receivable	<u>523,564</u>	<u>1,619,310</u>
Total Current Assets	<u>1,894,898</u>	<u>3,034,727</u>
PROPERTY AND EQUIPMENT		
Furniture and equipment	43,590	37,860
Accumulated depreciation	<u>(31,621)</u>	<u>(28,693)</u>
Total Property and Equipment	<u>11,969</u>	<u>9,167</u>
OTHER ASSETS		
Deposit	<u>850</u>	<u>850</u>
Total Other Assets	<u>850</u>	<u>850</u>
TOTAL ASSETS	<u>\$ 1,907,717</u>	<u>\$ 3,044,744</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	<u>\$ 9,837</u>	<u>\$ 8,512</u>
Total Current Liabilities	<u>9,837</u>	<u>8,512</u>
TOTAL LIABILITIES	<u>9,837</u>	<u>8,512</u>
NET ASSETS		
Unrestricted	1,559,382	1,416,922
Temporarily restricted	<u>338,498</u>	<u>1,619,310</u>
Total Net Assets	<u>1,897,880</u>	<u>3,036,232</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,907,717</u>	<u>\$ 3,044,744</u>

See Accompanying Notes to Financial Statements.

THE FUEL FUND OF MARYLAND, INC
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	2007	2006
CHANGES IN UNRESTRICTED NET ASSETS		
REVENUES, GAINS AND OTHER SUPPORT		
BG&E solicitation revenue	\$ 270,506	\$ 302,365
Utility credits	1,516,527	1,121,552
Donated facilities	6,972	5,907
Foundation grant revenue	233,773	405,500
Individual and corporate revenue	139,068	1,369,497
Direct mail revenue	531,758	505,622
Newsletter revenue	41,994	49,860
Other fund-raising revenue	119,669	140,843
Net investment income	59,074	32,659
Net assets released from restriction	<u>1,315,760</u>	<u>-</u>
Total Revenues, Gains and Other Support	<u>4,235,101</u>	<u>3,933,805</u>
EXPENSES		
Program Services		
Program services-general	2,216,088	1,304,310
Program services-utility credits	<u>1,516,527</u>	<u>1,121,552</u>
Total Program Expenses	<u>3,732,615</u>	<u>2,425,862</u>
Supporting Services		
Management and general	126,134	127,263
Fund raising-general	<u>233,892</u>	<u>251,804</u>
Total Supporting Services	<u>360,026</u>	<u>379,067</u>
 Total Expenses	 <u>4,092,641</u>	 <u>2,804,929</u>
 Change in Unrestricted Net Assets	 <u>142,460</u>	 <u>1,128,876</u>
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Contributions	34,948	1,619,310
Net assets released from restrictions	<u>(1,315,760)</u>	<u>-</u>
 Change in Temporarily Restricted Net Assets	 <u>(1,280,812)</u>	 <u>1,619,310</u>
INCREASE (DECREASE) IN NET ASSETS	(1,138,352)	2,748,186
NET ASSETS - BEGINNING OF YEAR	<u>3,036,232</u>	<u>288,046</u>
NET ASSETS - END OF YEAR	<u>\$ 1,897,880</u>	<u>\$ 3,036,232</u>

See Accompanying Notes to Financial Statements.

THE FUEL FUND OF MARYLAND, INC
 STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (1,138,352)	\$ 2,748,186
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities		
Non cash contributions	(17,539)	(24,582)
Depreciation	2,928	3,697
Unrealized (gain) loss on investments	(1,608)	(3,324)
Realized (gain) loss on investments	(10,445)	256
(Increase) decrease in operating assets		
Accounts receivable	(5,574)	
Prepaid expenses	(304)	2,111
Contributions receivable	1,095,746	(1,619,310)
Increase (decrease) in operating liabilities		
Accounts payable	<u>1,325</u>	<u>1,724</u>
 Net Cash Provided By (Used In) Operating Activities	 <u>(73,823)</u>	 <u>1,108,758</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	79,755	24,328
Purchase of investments	(911,650)	-
Property and equipment purchases	<u>(5,729)</u>	<u>(6,480)</u>
 Net Cash Provided By (Used In) Investing Activities	 <u>(837,624)</u>	 <u>17,848</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(911,447)	1,126,606
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,345,701</u>	<u>219,095</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 434,254</u>	<u>\$ 1,345,701</u>

See Accompanying Notes to Financial Statements.

THE FUEL FUND OF MARYLAND, INC
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

(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 51% and 25% of the Fund's total revenues for the years ended June 30, 2007 and 2006, 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 \$2,928 and \$3,697 for the years ended June 30, 2007 and 2006, 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, 2007 AND 2006

(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, 2007 and 2006.

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, 2007 and 2006, 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, 2007 AND 2006

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Reclassifications

Certain 2006 year amounts have been reclassified to conform to 2007 presentation.

(3) INVESTMENTS

Investments are stated at fair market value and are summarized as follows as of June 30, 2007 and 2006:

	2007	
	Cost	Fair Value
Certificates of deposit	\$ 850,000	\$ 849,732
Mutual Funds	65,006	66,875
Stocks	4,232	7,011
Totals	\$ 919,238	\$ 923,618

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

Net investment income consisted of the following for the years ended June 30, 2007 and 2006:

	2007	2006
Dividend and interest income	\$ 47,021	\$ 29,591
Realized gains/(losses)	10,445	(256)
Unrealized/realized gains/(losses) on investments	1,608	3,324
Net Investment Return	\$ 59,074	\$ 32,659

(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 to be received in one to two years. Discounts for the time value of money are calculated using the short term annual applicable federal rates at the date of the promises which were 4.34% and 4.04%. No other unconditional or conditional promises to give were noted as of June 30, 2007 and 2006.

The unconditional promises to give remaining at June 30, 2007 and 2006 are due as follows:

	2007	2006
Within one year	\$ 554,000	\$ 1,350,000
In one to five years	-	350,000
After five years	-	-
	554,000	1,700,000
Less: Discounts for time-value of money	(30,436)	(80,690)
Amount Recorded on Statement of Financial Position	\$ 523,564	\$ 1,619,310

THE FUEL FUND OF MARYLAND, INC
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

(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 May 31, 2005 and is effective for a period of 72 months expiring on August 31, 2011. The base rent is \$21,444 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. Rent expense was \$24,244 and \$19,333 for the years ended June 30, 2007 and 2006, respectively. The Fund is only required to pay \$14,472 per year. Per the 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 amounts of in kind revenue under the amended lease agreement for the years ending June 30, 2007 and 2006 are \$6,972 and \$5,907.

The Fund leases office equipment under operating leases that expire at various dates through February 2009. The leases provide for combined monthly rentals of \$248. Equipment rent amounted to \$2,977 and \$2,272 for the years ended June 30, 2007 and 2006, respectively.

Future minimum payments required under the leases are as follows:

Year Ended June 30,		
2008	\$	17,449
2009		16,885
2010		15,007
2011		14,472
2012		2,412
		<u>66,225</u>
	\$	<u>66,225</u>

(6) CONCENTRATIONS

The Fund maintains cash in bank and money market accounts which, at times, may exceed federally insured limits. At June 30, 2007 and 2006, these balances exceeded insured limits by \$119,716 and \$29,948, 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, 2007 and 2006 was \$2,100 and \$2,050, respectively.

(8) RESTRICTED NET ASSETS

Temporarily restricted net assets are as follows as of June 30, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Utility assistance to BGE customers	\$ 338,498	\$ 1,619,310

SUPPLEMENTARY INFORMATION

THE FUEL FUND OF MARYLAND, INC
SCHEDULES OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

June 30, 2007

June 30, 2006

	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fund-raising	Total
SALARIES AND RELATED EXPENSES								
Salaries	\$ 71,174	\$ 44,287	\$ 73,893	189,354	\$ 60,105	\$ 50,608	\$ 60,421	\$ 171,134
Payroll taxes	5,445	3,388	5,653	14,486	4,559	3,908	4,559	13,026
Employee benefits	9,401	5,850	9,760	25,011	6,399	5,485	6,399	18,283
Total Salaries and Related Expenses	<u>86,020</u>	<u>53,525</u>	<u>89,306</u>	<u>228,851</u>	<u>71,063</u>	<u>60,001</u>	<u>71,379</u>	<u>202,443</u>
OTHER OPERATING EXPENSES								
Bank charges	-	13,225	-	13,225	-	15,657	-	15,657
Board expense	-	3,284	-	3,284	-	2,986	-	2,986
Contract labor	-	-	20,131	20,131	-	-	4,347	4,347
Consulting labor	-	26,159	-	26,159	-	21,827	-	21,827
Depreciation	1,464	-	1,464	2,928	1,848	-	1,849	3,697
Equipment maintenance	3,042	534	1,761	5,337	2,857	501	1,653	5,011
Fuel assistance	3,619,479	-	-	3,619,479	2,325,325	-	-	2,325,325
Fund-Raising								
Annual Report	-	-	9,153	9,153	-	-	755	755
Golf tournament	-	-	-	-	-	-	19,517	19,517
Newsletter	-	-	20,092	20,092	-	-	16,973	16,973
Spring/Summer/Fall campaigns	-	-	43,269	43,269	-	-	41,300	41,300
Other	-	-	22,311	22,311	-	-	21,903	21,903
Insurance	-	2,283	-	2,283	-	1,915	-	1,915
Marketing/education	-	-	13,212	13,212	-	-	51,001	51,001
Meeting and conferences	1,296	-	-	1,296	813	-	-	813
Membership and dues	4,380	-	-	4,380	3,068	-	-	3,068
Miscellaneous	-	6,814	-	6,814	-	2,171	-	2,171
Occupancy	8,081	8,082	8,081	24,244	9,549	9,549	9,548	28,646
Parking	-	4,385	-	4,385	-	3,007	-	3,007
Postage	1,525	1,525	339	3,389	2,842	2,842	632	6,316
Professional fees	1,387	1,388	1,387	4,162	1,225	1,225	1,225	3,675
Supplies	1,244	1,245	1,245	3,734	1,394	1,393	1,394	4,181
Telephone	3,531	3,531	1,765	8,827	4,189	4,189	2,094	10,472
Training	82	45	198	325	1,535	-	5,796	7,331
Travel	1,084	109	178	1,371	154	-	438	592
Total Other Operating Expenses	<u>3,646,595</u>	<u>72,609</u>	<u>144,586</u>	<u>3,863,790</u>	<u>2,354,799</u>	<u>67,262</u>	<u>180,425</u>	<u>2,602,486</u>
TOTAL EXPENSES	\$ 3,732,615	\$ 126,134	\$ 233,892	\$ 4,092,641	\$ 2,425,862	\$ 127,263	\$ 251,804	\$ 2,804,929

See Independent Auditors' Report.