

Fuel Fund of Maryland, Inc.

Audited Financial Statements

June 30, 2020 and 2019

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Fuel Fund of Maryland, Inc. (a nonprofit organization) which comprise the statements of financial position as of June 30, 2020 and 2019, 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.

Auditor's 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. Those standards require that we plan and perform the audits 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 auditor's 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 auditor considers internal control relevant to the entity'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 entity'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 the Fuel Fund of Maryland, Inc. as of June 30, 2020 and 2019, 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.

Patrick Leary; Smyko, LLC

Timonium, Maryland
November 20, 2020

Fuel Fund of Maryland, Inc.

Statements of Financial Position

June 30,	<u>2020</u>	<u>2019</u>
Assets		
Current Assets:		
Cash	\$ 655,250	\$ 315,598
Accounts receivable	-	14,752
Contributions receivable	141,463	8,090
Prepaid expenses	<u>12,562</u>	<u>7,628</u>
Total current assets	<u>809,275</u>	<u>346,068</u>
Property and Equipment:		
Furniture and equipment	59,721	59,721
Leasehold improvements	<u>8,567</u>	<u>8,567</u>
Total	68,288	68,288
Less accumulated depreciation	<u>(49,970)</u>	<u>(43,958)</u>
Net property and equipment	<u>18,318</u>	<u>24,330</u>
Other Assets:		
Restricted cash	226,157	470,151
Investments	4,205,815	3,613,684
Intangible assets, net	49,291	75,811
Deposits	<u>4,534</u>	<u>8,220</u>
Total other assets	<u>4,485,797</u>	<u>4,167,866</u>
Total Assets	<u>\$ 5,313,390</u>	<u>\$ 4,538,264</u>

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

	<u>2020</u>	<u>2019</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 3,993	\$ 14,614
Accrued expenses	<u>14,007</u>	<u>29,425</u>
Total current liabilities	<u>18,000</u>	<u>44,039</u>
Net Assets:		
Without donor restrictions	770,536	(33,015)
With donor restrictions	<u>4,524,854</u>	<u>4,527,240</u>
Total net assets	<u>5,295,390</u>	<u>4,494,225</u>
Total Liabilities and Net Assets	<u>\$ 5,313,390</u>	<u>\$ 4,538,264</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,

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue						
Utility credits	\$ 1,068,687	\$ -	\$ 1,068,687	\$ 1,788,687	\$ -	\$ 1,788,687
Foundation grant revenue	76,591	72,500	149,091	66,312	179,681	245,993
Individual and corporate revenue	1,421,144	-	1,421,144	1,117,161	-	1,117,161
Investment income	202,351	-	202,351	241,156	-	241,156
Special events, net	5,260	-	5,260	4,254	-	4,254
Net assets released from restriction	74,886	(74,886)	-	185,123	(185,123)	-
Total support and revenue	<u>2,848,919</u>	<u>(2,386)</u>	<u>2,846,533</u>	<u>3,402,693</u>	<u>(5,442)</u>	<u>3,397,251</u>
Functional Expenses:						
Program services	1,741,427	-	1,741,427	3,098,559	-	3,098,559
Management and general	192,982	-	192,982	172,799	-	172,799
Fundraising	215,086	-	215,086	297,850	-	297,850
Total functional expenses	<u>2,149,495</u>	<u>-</u>	<u>2,149,495</u>	<u>3,569,208</u>	<u>-</u>	<u>3,569,208</u>
Increase (decrease) in net assets from operations	<u>699,424</u>	<u>(2,386)</u>	<u>697,038</u>	<u>(166,515)</u>	<u>(5,442)</u>	<u>(171,957)</u>
Other income - payroll protection program grant proceeds	<u>104,127</u>	<u>-</u>	<u>104,127</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	803,551	(2,386)	801,165	(166,515)	(5,442)	(171,957)
Net assets (deficit) - beginning of year	<u>(33,015)</u>	<u>4,527,240</u>	<u>4,494,225</u>	<u>133,500</u>	<u>4,532,682</u>	<u>4,666,182</u>
Net assets (deficit) - end of year	<u>\$ 770,536</u>	<u>\$ 4,524,854</u>	<u>\$ 5,295,390</u>	<u>\$ (33,015)</u>	<u>\$ 4,527,240</u>	<u>\$ 4,494,225</u>

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

Fuel Fund of Maryland, Inc.

Statements of Functional Expenses

For the years ended June 30,

	2020				2019			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries and related expenses:								
Salaries	\$ 214,659	\$ 57,384	\$ 134,920	\$ 406,963	\$ 401,933	\$ 54,875	\$ 149,780	\$ 606,588
Payroll taxes	16,956	5,060	10,648	32,664	31,812	4,075	11,855	47,742
Employee benefits	8,946	3,878	3,814	16,638	21,594	2,766	8,047	32,407
Total salaries and related expenses	240,561	66,322	149,382	456,265	455,339	61,716	169,682	686,737
Other operating expenses:								
Amortization expense	13,983	3,855	8,683	26,521	40,201	5,489	14,981	60,671
Bank charges	-	14,660	-	14,660	10,618	1,450	3,957	16,025
Consulting	30,314	63,861	2,750	96,925	43,331	72,206	9,350	124,887
Depreciation	3,170	874	1,969	6,013	3,804	519	1,418	5,741
Equipment maintenance	-	40	-	40	484	66	181	731
Fuel assistance	363,197	-	-	363,197	717,233	-	-	717,233
Fundraising	-	-	37,710	37,710	-	-	78,641	78,641
Insurance	-	7,415	-	7,415	-	7,354	-	7,354
Marketing/education	-	-	-	-	-	-	397	397
Membership and dues	449	2,961	365	3,775	360	843	400	1,603
Rent	19,034	5,247	11,819	36,100	23,382	3,192	8,713	35,287
Postage	-	1,318	11	1,329	25	-	2,250	2,275
Professional fees	-	12,300	-	12,300	-	10,500	-	10,500
Supplies	654	4,076	2,397	7,127	1,516	7,420	815	9,751
Telephone	-	10,048	-	10,048	8,404	1,147	3,132	12,683
Travel	1,378	5	-	1,383	5,175	897	3,933	10,005
Utility credits	1,068,687	-	-	1,068,687	1,788,687	-	-	1,788,687
Total other operating expenses	1,500,866	126,660	65,704	1,693,230	2,643,220	111,083	128,168	2,882,471
Total expenses	\$ 1,741,427	\$ 192,982	\$ 215,086	\$ 2,149,495	\$ 3,098,559	\$ 172,799	\$ 297,850	\$ 3,569,208

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>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 801,165	\$ (171,957)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Depreciation and amortization	32,534	66,412
Unrealized (gain) loss on investments	445,125	(34,891)
Realized (gain) loss on investments	(533,374)	(79,629)
Changes in operating assets and liabilities:		
Accounts receivable	14,752	(12,801)
Contributions receivable	(133,373)	(8,090)
Prepaid expenses	(4,934)	15,042
Deposits	3,686	4,013
Accounts payable	(10,621)	(54,974)
Accrued expenses	(15,418)	(32,901)
Deferred revenue	-	(11,835)
Net cash provided by (used in) operating activities	<u>599,542</u>	<u>(321,611)</u>
Cash flows from investing activities:		
Purchase of investments	(4,446,504)	(219,485)
Proceeds from sale of investments	3,942,620	758,504
Purchase of property and equipment	-	(3,242)
Purchase of intangible assets	-	(15,015)
Net cash provided by (used in) investing activities	<u>(503,884)</u>	<u>520,762</u>
Net increase in cash, cash equivalents and restricted cash	95,658	199,151
Cash, cash equivalents, and restricted cash, beginning of year	<u>785,749</u>	<u>586,598</u>
Cash, cash equivalents, and restricted cash, end of year	<u>\$ 881,407</u>	<u>\$ 785,749</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, 2020 and 2019

1. Nature of Operations

The Fuel Fund of Maryland (“the Fund”) provides resources to vulnerable Maryland families for heat and home utility needs. Termination of utility service is a traumatic event for families and communities. Through the generosity of thousands of private donors, the Fuel Fund keeps families connected, safe, and warm.

The mission of the Fuel Fund is accomplished through two programs: Bill Assistance – raising funds that are used to assist low income individuals and families pay their utility bills; and, Watt Watchers of Maryland – an energy conservation education program that teaches people how to conserve utilities and save money on their utility bills.

2. Summary of Significant Accounting Policies

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 Fund is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions – Net assets without donor restrictions are net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Net assets without donor restrictions include:

Undesignated net assets – Undesignated net assets are available for use at the discretion of the Board of Directors or management for general operating purposes.

Board designated net assets – Board designated net assets represent amounts designated by the Board of Directors to be used only for specified purposes approved by the Board.

Net assets with donor restrictions – Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions. The Fund reports contributions and grants as revenue with donor restrictions if they are received with donor stipulations that limit the use of the assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restrictions and reported in the Statements of Activities as net assets released from restrictions. The Fund had total net assets with donor restrictions of \$4,524,854 and \$4,247,240 at June 30, 2020 and 2019, respectively (Note 7).

Fuel Fund of Maryland, Inc.

Notes to Financial Statements

For the years ended June 30, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Fund to spend the income generated by the assets in accordance with donor imposed stipulations or a Board approved spending policy. The Fund had net assets with donor restrictions that are perpetual in nature (endowments) totaling \$4,500,000 at June 30, 2020 and 2019, respectively.

Cash and Cash Equivalents

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

Concentration of Credit Risk

The Fund maintains cash in bank and money market accounts which, at times, may exceed federally insured limits. The Federal Deposit Insurance Corporation (“FDIC”) limits provide insurance on all interest and non-interest bearing account balances up to \$250,000. 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 it is not exposed to any significant credit risk on cash and cash equivalents. At June 30, 2020 and 2019, the Fund’s cash accounts, including restricted cash accounts exceeded federally insured limits by \$640,916 and \$556,499, respectively.

Restricted Cash

The Fund holds cash and investments in its quasi-endowment fund that have been restricted by the Public Service Commission of Maryland. Investment returns on the quasi-endowment fund will become available to the Fund once the quasi-endowment fund balance has been restored to \$4,500,000, or the Fund has made a specified amount of payments (Note 5).

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are uncollateralized obligations, which generally require payment within thirty to ninety days from the invoice date. Accounts receivable are stated at their invoice amount. Account balances with invoices over ninety days old are considered delinquent. Payments of accounts receivable are applied to specific invoices identified on the remittance advice or, if unspecified, to the earliest unpaid invoices.

Accounts receivable are stated at the amount management expects to collect from outstanding balances. The carrying amount of accounts receivable is reduced by an allowance for doubtful accounts that reflects management’s best estimate of the amounts that may not be collected. Management individually reviews all accounts receivable balances that exceed the due date and based on an assessment of current creditworthiness, estimates the portion, if

Fuel Fund of Maryland, Inc.

Notes to Financial Statements

For the years ended June 30, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

Accounts Receivable and Allowance for Doubtful Accounts (continued)

any, of the balance that may not be collected. Management provides for probable uncollectible amounts through a charge to earnings and a credit to the allowance for doubtful accounts based on its assessment of the current status of individual accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a credit to accounts receivable. These amounts are considered fully collectible at June 30, 2020 and 2019 and accordingly, no allowance for doubtful accounts has been recorded. The Organization had no bad debt expense related to uncollectible accounts receivable for the years ended June 30, 2020 and 2019.

Contributions Receivable

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

Uniform Prudent Management of Institutional Funds Act

The Organization follows the accounting guidance entitled, “*Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*” (UPMIFA). UPMIFA provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006. It also requires additional disclosures about an organization's endowment funds (both donor restricted endowment funds and board-designated endowment funds). UPMIFA requires guidelines for expenditures of donor restricted endowment funds and also provides that assets in an endowment fund are donor-restricted net assets until appropriated for expenditure by the Organization (See Note 5).

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.

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 estimated useful lives of 3 to 10 years. Depreciation expense was \$6,013 and \$5,741 for the years ended June 30, 2020 and 2019, respectively.

Fuel Fund of Maryland, Inc.

Notes to Financial Statements

For the years ended June 30, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

Investments

Investments in marketable securities with readily determinable fair values, investments in debt securities and an investment in a real estate investment trust are valued at their fair values in the Statements of Financial Position. The change in net unrealized appreciation (depreciation) of marketable securities for the year is included in the accompanying Statements of Activities under the caption "investment income." Realized gains and losses on sales of investments are computed on a specific identification basis, are recorded on the trade date of the transaction and are also included in "investment income."

The Fund's portfolio is a professionally managed portfolio that contains fixed income and equity funds. Such investments are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

Intangible Assets

Intangible assets subject to amortization consist of computer software and website development costs. These costs have been capitalized and are being amortized over their estimated useful life, which is five years.

Functional Allocation of Expenses

The Statements of Functional Expenses present expenses by function and natural classification. The functional classification of expenses includes the following:

Program services

Program services are direct and indirect costs related to providing the Fund's programs and services. These expenses relate directly to the purpose for which the Fund exists.

Management and general

The supporting service category includes management and general costs necessary to secure proper administrative function of the governing board, maintain an adequate working environment, and manage the financial responsibilities of the Fund.

Fuel Fund of Maryland, Inc.

Notes to Financial Statements

For the years ended June 30, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses (continued)

Fundraising

The supporting service category also includes expenditures which provide the structure necessary to encourage and secure outside financial support for the Fund's operations and special projects.

Expenses are charged to each functional classification based on direct expenditures incurred. Indirect expenses are allocated to the various programs and supporting services based on an allocation formula and in accordance with the various grant agreements. Certain costs have been allocated between program and supporting services based on the proportion of program-related salaries and benefits to total salaries and benefits.

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). The Fund accounts for income tax provisions in accordance with Financial Accounting Standards Board Accounting Standards Concept Topic 740-10, *Accounting for Uncertainty in Income Taxes*, which creates a single model to address uncertainty in tax positions and clarifies the accounting for income taxes by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. 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, at June 30, 2020 and 2019 for uncertain income tax positions. The Fund continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law, and new authoritative rulings. 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 operating expenses in the Statements of Activities. With few exceptions, the Fund is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for years before 2017.

Fuel Fund of Maryland, Inc.

Notes to Financial Statements

For the years ended June 30, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

Advertising

Advertising is expensed as incurred. Advertising expense for the years ended June 30, 2020 and 2019 totaled \$0 and \$397, respectively, and is included in marketing/education expense in the accompanying Statements of Functional Expenses.

Fair Value Measurements

The Fund has characterized its investments in securities based on the priority of inputs used to value the investments, based on a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1), and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the investments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the investments. Marketable securities recorded in the financial statements are categorized based on the inputs to valuation techniques as follows:

Level 1 - These are investments where values are based on unadjusted quoted prices for identical assets in active markets that the Fund has the ability to access. All stocks and mutual funds currently held by the Fund are considered to be level 1.

Level 2 - These are investments where values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the investments. The fund currently has no level 2 investments.

Level 3 - These are investments where values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect assumptions of management about assumptions market participants would use in pricing the investments. The real estate investment trust is considered to be a level 3 investment.

Estimated fair value amounts have been determined using available market information and the valuation methodologies described above. The carrying amounts of cash equivalents and current receivables approximate fair value due to the short-term nature of these instruments. Fair value for investments in equity securities, and mutual funds is determined by reference to quoted market prices. Fair value for the real estate investment trust is determined based on methodologies that consider prices at which the securities were sold in other offerings, general market conditions in the real estate industry, the investees' business plans and separate valuation of their assets.

Fuel Fund of Maryland, Inc.

Notes to Financial Statements

For the years ended June 30, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

Accounting Pronouncement Adopted

In June 2018, the FASB issued ASU 2018-08, Not-For-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The standard clarified and improved current guidance by providing criteria for determining whether a nonprofit is receiving commensurate value in return for the resources transferred. The outcome of the analysis determines whether the contract or grant constitutes either a contribution or an exchange transaction. Contracts or grants that are determined to be reciprocal exchange transactions are accounted for under ASU 2014-09 (Topic 606), *Revenue from Contracts with Customers*. Contracts or grants that are determined to be nonreciprocal contributions are accounted for under ASU 2018-08, Not-For-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. The Organization adopted this new guidance effective July 1, 2019, using the prospective basis. The Organization's revenue recognition under this new standard is described in Note 9.

3. Investments

Investments consisted of the following at June 30:

	2020		
		Unrealized Appreciation (Depreciation)	Fair Value
	Cost		
Fixed income funds	\$ 2,426,687	\$ 35,090	\$ 2,461,777
Equity funds	1,151,580	(59,451)	1,092,129
Stocks	449,839	81,974	531,813
Real estate investment trust	114,675	5,421	120,096
Total	<u>\$ 4,142,781</u>	<u>\$ 63,034</u>	<u>\$ 4,205,815</u>

Fuel Fund of Maryland, Inc.

Notes to Financial Statements

For the years ended June 30, 2020 and 2019

3. Investments (continued)

	2019		
	Cost	Unrealized Appreciation (Depreciation)	Fair Value
Fixed income funds	\$ 1,463,276	\$ 46,569	\$ 1,509,845
Equity funds	1,070,282	378,940	1,449,222
Stocks	440,404	80,354	520,758
Real estate investment trust	131,562	2,297	133,859
Total	<u>\$ 3,105,524</u>	<u>\$ 508,160</u>	<u>\$ 3,613,684</u>

The following schedule summarizes investment return and its classification in the Statements of Activities for the years ended June 30:

	2020	2019
Interest and dividends	\$ 141,085	\$ 153,686
Realized gain on sale of investments	533,374	79,629
Unrealized gain (loss) on investments	(445,125)	34,891
Investment fees	<u>(26,983)</u>	<u>(27,050)</u>
Total	<u>\$ 202,351</u>	<u>\$ 241,156</u>

Investment income is reported net of investment fees totaling \$26,983 and \$27,050 for the years ended June 30, 2020 and 2019, respectively.

An investment may be considered to be impaired if its cost basis exceeds its fair value, thus resulting in unrealized depreciation. Management feels that the investment portfolio's unrealized losses are temporary and no significant losses other than those already recorded will be recognized on these investments.

Fuel Fund of Maryland, Inc.

Notes to Financial Statements

For the years ended June 30, 2020 and 2019

3. Investments (continued)

The following schedule summarizes investments in the portfolio that were in a loss position as of June 30:

	2020		
	Fair Value	Unrealized Losses	
		Less than 12 months	12 months or more
Equity funds	\$ 999,555	\$ 66,849	\$ -
Fixed income	204,557	9,843	-
Stocks	46,334	6,639	-
Total	<u>\$ 1,250,446</u>	<u>\$ 83,331</u>	<u>\$ -</u>

	2019		
	Fair Value	Unrealized Losses	
		Less than 12 months	12 months or more
Equity funds	\$ 195,060	\$ -	\$ 401
Stocks	132,126	13,434	21,943
Total	<u>\$ 327,186</u>	<u>\$ 13,434</u>	<u>\$ 22,344</u>

4. Intangible Assets

Intangible assets with finite lives subject to amortization consisted of the following at June 30:

	2020	2019
Computer software and website:		
Gross carrying amount	\$ 508,358	\$ 508,358
Accumulated amortization	<u>(459,067)</u>	<u>(432,547)</u>
Net balance	<u>\$ 49,291</u>	<u>\$ 75,811</u>

Amortization expense relating to these intangibles was \$26,521 and \$60,671 for the years ended June 30, 2020 and 2019, respectively.

Fuel Fund of Maryland, Inc.

Notes to Financial Statements

For the years ended June 30, 2020 and 2019

4. Intangible Assets (continued)

Future amortization expense is expected to be as follows:

<u>Year ended June 30,</u>	<u>Amount</u>
2021	\$ 26,520
2022	16,264
2023	5,756
2023	751
Total	<u>\$ 49,291</u>

5. Quasi-Endowment Fund

The Organization has a quasi-endowment fund ("QEF") established by a grant from the Public Service Commission of Maryland ("PSC") as part of the Customer Investment Fund ("CIF"), which was established as a condition of the PSC's approval of the Exelon - Constellation merger. The purpose of the QEF is to provide ongoing funds for energy assistance to vulnerable Maryland families. The original amount of the grant was \$5,000,000, and under the terms agreed to by the Fuel Fund and the PSC, Fuel Fund must maintain a balance in the QEF of at least 90% of the original grant amount, or \$4,500,000. The Fuel Fund may use the investment income from the QEF to provide energy assistance to vulnerable Maryland families. If the Organization wishes to spend any of the QEF's principal, it must first obtain approval for a CIF program modification from the PSC. Prior to the beginning of the fiscal year ended June 30, 2019, management believed, under the terms of the grant, that it could spend part of the QEF principal on bill assistance for needy Maryland families. During the year ended June 30, 2019, the PSC clarified the terms of the agreement with the Fuel Fund, and the Fuel Fund agreed to a plan to restore the QEF principal balance to \$4,500,000. The restoration plan calls for the Fuel Fund to leave investment income from the QEF in the QEF, and to contribute 10% of the private donations received each month into the QEF (subject to certain limitations) until the principal balance reaches \$4,500,000 or until the Fuel Fund has made repayments totaling \$764,336. As discussed in Note 1, net assets associated with the QEF are classified and being reported by the Organization based on the existence or absence of donor-imposed restrictions in accordance with generally accepted accounting principles.

Return objectives and risk parameters

The Board of Directors of the Fund has established an investment policy to clearly articulate the views on investment objectives and risk tolerance for the QEF. The objectives of the QEF have been established after a comprehensive review of current and projected financial requirements, market returns, risks and other special requirements. The primary objective is to restore the QEF to \$4,500,000 and then maintain it at that level or higher.

Fuel Fund of Maryland, Inc.

Notes to Financial Statements

For the years ended June 30, 2020 and 2019

5. Quasi-Endowment Fund (continued)

Strategies employed for achieving objectives

To satisfy the return objective, the Fund relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Fund targets a diversified asset allocation which includes diversified mutual funds and alternative investments to achieve its objective within prudent risk constraints.

Underwater endowment funds

The Fund considers the QEF to be underwater if the fair value of the underlying QEF assets is less than the \$4,500,000 that is required to be maintained by the PSC. The Fund's QEF was underwater by \$68,028 and \$416,165 at June 30, 2020 and 2019, respectively as follows:

	<u>2020</u>	<u>2019</u>
Original grant for quasi-endowment	\$ <u>5,000,000</u>	\$ <u>5,000,000</u>
Required balance (90% of original grant)	\$ 4,500,000	\$ 4,500,000
Fair value of underlying investments and restricted cash	<u>4,431,972</u>	<u>4,083,835</u>
Deficiency	\$ <u>(68,028)</u>	\$ <u>(416,165)</u>

The Fund's plan to restore the balance is outlined in Note 11. As discussed in Note 15, the Fund restored the QEF to \$4,500,000 subsequent to June 30, 2020.

Spending policy

In accordance with UPMIFA, the Fund considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted quasi-endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Fund, and (7) the Fund's investment policies. The fund currently does not have a spending policy from the QEF until the quasi-endowment has been restored to \$4,500,000.

The following table represents the composition of the Organization's endowment net assets by type at June 30, 2020 and 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor restricted quasi-endowment fund	\$ <u>-</u>	\$ <u>4,500,000</u>	\$ <u>4,500,000</u>

Fuel Fund of Maryland, Inc.

Notes to Financial Statements

For the years ended June 30, 2020 and 2019

5. Quasi-Endowment Fund (continued)

The change in the quasi-endowment fund net assets is as follows for the years ended June 30:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Net assets - beginning of year	\$ -	\$ 4,500,000	\$ 4,500,000
Investment return - net	202,351	-	202,351
Investment income retained in QEF as part of balance restoration plan	(202,351)	-	(202,351)
Net assets - end of year	<u>\$ -</u>	<u>\$ 4,500,000</u>	<u>\$ 4,500,000</u>

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Net assets - beginning of year	\$ -	\$ 4,500,000	\$ 4,500,000
Investment return - net	241,156	-	241,156
Investment income retained in QEF as part of balance restoration plan	(241,156)	-	(241,156)
Net assets - end of year	<u>\$ -</u>	<u>\$ 4,500,000</u>	<u>\$ 4,500,000</u>

There have been no changes in the donor restricted QEF during the years ended June 30, 2020 and 2019, Fuel Fund is currently in the process of restoring the underwater QEF balance back to the amount required by the PSC.

Fuel Fund of Maryland, Inc.

Notes to Financial Statements

For the years ended June 30, 2020 and 2019

6. Fair Value Measurements

Fair values of assets measured on a recurring basis are as follows at June 30:

	2020		
	Fair Value	Quoted Prices in Active Markets (Level 1)	Quoted Prices in Inactive Markets (Level 3)
Fixed income funds	\$ 2,461,777	\$ 2,461,777	\$ -
Equity funds	1,092,129	1,092,129	-
Stocks	531,813	531,813	-
Real estate investment trust	120,096	-	120,096
Total	<u>\$ 4,205,815</u>	<u>\$ 4,085,719</u>	<u>\$ 120,096</u>

	2019		
	Fair Value	Quoted Prices in Active Markets (Level 1)	Quoted Prices in Inactive Markets (Level 3)
Fixed income funds	\$ 1,509,845	\$ 1,509,845	\$ -
Equity funds	1,449,222	1,449,222	-
Stocks	520,758	520,758	-
Real estate investment trust	133,859	-	133,859
Total	<u>\$ 3,613,684</u>	<u>\$ 3,479,825</u>	<u>\$ 133,859</u>

The table below presents information about the changes in the Fund's level 3 invested assets which are measured at fair value on a recurring basis using significant unobservable inputs for the years ended June 30, 2020 and 2019.

Balance, June 30, 2018	\$ 145,596
Capital distribution	(8,983)
Unrealized loss	<u>(2,754)</u>
Balance, June 30, 2019	\$ 133,859
Capital distribution	(12,507)
Unrealized loss	<u>(1,256)</u>
Balance, June 30, 2020	<u>\$ 120,096</u>

Fuel Fund of Maryland, Inc.

Notes to Financial Statements

For the years ended June 30, 2020 and 2019

7. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes at June 30:

	<u>2020</u>	<u>2019</u>
Quasi-endowment fund	\$ 4,500,000	\$ 4,500,000
Guaranty fund	2,038	5,724
Rooftop solar	-	21,516
Bill assistance	22,816	-
Total	<u>\$ 4,524,854</u>	<u>\$ 4,527,240</u>

8. Government Assistance PPP Loan Funds

In March 2020, the State of Maryland began enforcing certain restrictions related to social distance, travel and business operations due to the impact of COVID-19. Because of the financial impact of COVID-19 on business operations, the Fund applied for and received government assistance loan proceeds from the Paycheck Protection Loan Program under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") in April 2020. The amount of the loan proceeds totaled \$104,127. Under the terms of the agreement, the Organization may apply for forgiveness of the loan proceeds in the amount equal to certain payroll, rent, utility and mortgage interest costs incurred or paid during the 24 week period beginning after April 22, 2020. Any amounts not forgiven under the terms of the loan agreement are due in equal monthly installments of principal and interest over a five year period, with interest due at a fixed rate of 1% annually, following a six month deferment period. Based on the nature and terms of the loan agreement and the related provisions related to loan forgiveness, the Organization considers this a conditional contribution, whereby revenue is recognized when the conditions are satisfied. Because the nature of the condition is based on incurring qualifying expenses, revenue is being recognized as qualifying expenses are incurred. During the year ended June 30, 2020, the Organization incurred qualifying expenses of \$104,127, and accordingly, recognized corresponding revenue of the same amount. The Organization expects the loan to be forgiven in full, but final forgiveness is subject to bank and Small Business Administration approval.

9. Revenue Recognition

Revenue under ASU 2018-08: Not-For-Profit Entities (Topic 958)

Contributions

The Organization recognizes nonreciprocal contributions received and made at fair value on the earlier of the date of the receipt of cash or the date an unconditional promise to give is made. Contributions received and made are reported as either revenues without donor restrictions or revenue with donor restrictions. Contributions with donor restrictions that are

Fuel Fund of Maryland, Inc.

Notes to Financial Statements

For the years ended June 30, 2020 and 2019

9. Revenue Recognition (continued)

Revenue under ASU 2018-08: Not-For-Profit Entities (Topic 958) (continued)

Contributions (continued)

used for the purpose specified by the donor in the same year as the contribution is received are recognized as revenues with donor restrictions and reclassified as net assets released from restrictions in the same year.

Grants

The Organization has grants with various government agencies and private foundations. Each grant is analyzed to determine if the grantor is receiving commensurate value in return for the resources provided. If commensurate value is exchanged, the grant is considered an exchange transaction, and the revenue is reported under ASU 2014-09 (Topic 606): *Revenue from Contracts with Customers*. If commensurate value is not exchanged, the grant is considered a contribution and reported under ASU 2018-08. All of the funds support and revenue are considered contributions. A resource provider (i.e. a government agency or private foundation) is not synonymous with the general public. Therefore, a benefit received by the general public is not equivalent to commensurate value received by the resource provider. In addition, execution of the resource provider's mission does not constitute value received by the resource provider. The Organization's grants are considered nonreciprocal contributions under ASU 2018-08, restricted by the awarding agency for certain purposes. In addition, the grants are considered conditional contributions because both requirements to meet the definition of a condition under ASU 2018-08 are met (i.e. there is a barrier that must be overcome before the Organization is entitled to receive the funds and there is a right of return to the resource provider). Revenue from conditional contributions is recognized when the conditions are satisfied. Because the nature of the condition is based on incurring qualifying expenses, revenue is recognized as expenses are incurred.

10. Utility Credit Program

Baltimore Gas & Electric Company ("BGE") has a component regulated into its utility rates to provide funds to be used to assist persons with limited incomes with the payment of energy bills. These funds are distributed each year in the form of matching energy credits from BGE. In order to qualify for the credits, customers must demonstrate financial need. Under the program, BGE provides one dollar of energy credit assistance for every two dollars paid by qualifying customers and the Fuel Fund (on behalf of the qualifying BGE customers).

In order to raise matching funds to assist needy BGE customers, the Fund solicits donations from BGE customers through an annual envelope campaign. In addition, the Fund solicits donations and grants from corporate and private donors and religious organizations to provide assistance.

Fuel Fund of Maryland, Inc.

Notes to Financial Statements

For the years ended June 30, 2020 and 2019

10. Utility Credit Program (continued)

The Fuel Fund administers the utility credit program on behalf of BGE through a series of local agencies. The Fund assists Maryland residents in demonstrating financial need, provides administrative staff to administer the program, and provides matching funds.

Based on the process employed by the Fund to reserve and distribute the credits, management considers the credits to be effectively received as income and expended by the Fund. The Fund administered the distribution of utility credits in the amounts of \$1,068,687 and \$1,788,687 for the years ended June 30, 2020 and 2019, respectively. Accordingly, these amounts are reflected in the accompanying statements of activities as both revenue and program expense.

11. Commitments and Operating Lease

Restoration of QEF Balance

During the year ended June 30, 2019, the Fund reviewed a footnote to a 2017 order by the PSC indicating that the Fund has flexibility with spending the investment income generated by the quasi-endowment, but the Fund must first seek a CIF program modification from the PSC if it wishes to spend any of the quasi-endowment's principal. This was not the Fund's interpretation of the quasi-endowment as part of the original CIF award and the Fund had drawn \$1,700,000 from the QEF to fund bill assistance and other program activities. To restore the quasi-endowment back to the \$4,500,000 principal balance required by the PSC, the Fund has agreed to leave investment income from the QEF in the QEF, and to contribute 10% of the private donations received each month into the QEF (subject to a floor if the Fund's cash balance declines to a specified multiple of operating expenses) until the principal balance reaches \$4,500,000 or until the Fuel Fund has made repayments totaling \$764,336. As discussed in Note 15, subsequent to year end, the QEF was restored to \$4,500,000.

Operating Lease

The Fund leases office space for its corporate offices under a five year lease expiring in February 2022. The lease agreement is classified as an operating lease for financial reporting purposes. The lease calls for base monthly payments of \$2,808, with escalation provisions of 3.5% of base rent each year thereafter. Rent expense was \$36,100 and \$35,287 for the years ended June 30, 2020 and 2019, respectively.

Future minimum payments required under the corporate office lease are as follows:

<u>Year ended June 30,</u>	<u>Amount</u>
2021	\$ 37,800
2022	25,781
Total	<u>\$ 63,581</u>

Fuel Fund of Maryland, Inc.

Notes to Financial Statements

For the years ended June 30, 2020 and 2019

12. Concentrations

Approximately 38% and 53% of the Fund's unrestricted revenues for the years ended June 30, 2020 and 2019, respectively, represent utility credits provided through Baltimore Gas and Electric Company.

13. 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 \$5,120 and \$8,008 for the years ended June 30, 2020 and 2019, respectively.

14. Liquidity and Availability of Resources

The Fund's financial assets available within one year of the statements of financial position date for general expenditures are as follows at June 30:

	<u>2020</u>	<u>2019</u>
Financial assets available within one year:		
Cash and cash equivalents	\$ 655,250	\$ 315,598
Restricted cash	226,157	470,151
Accounts receivable	-	14,752
Contributions receivable	141,463	8,090
Investments	<u>4,205,815</u>	<u>3,613,684</u>
Total financial assets available within one year	5,228,685	4,422,275
Less: amounts unavailable for general expenditures within one year, due to:		
Restricted by donors	<u>(4,524,854)</u>	<u>(4,527,240)</u>
Total financial assets (deficit) available to management for general expenditures within one year	<u>\$ 703,831</u>	<u>\$ (104,965)</u>

Fuel Fund of Maryland, Inc.

Notes to Financial Statements

For the years ended June 30, 2020 and 2019

15. Subsequent Events

Management has evaluated subsequent events through November 20, 2020 the date the financial statements were available to be issued. Subsequent to year end, the Fund, through a combination of investment returns and ongoing contributions, met the PSC's requirement of restoring the QEF to \$4,500,000. Additionally, during August 2020, the Fund proposed restoring the QEF to the original balance of \$5,000,000, and will not take distributions from the QEF until it has done so.