

**Fuel Fund of Maryland, Inc.**  
**Audited Financial Statements**  
**June 30, 2023 and 2022**

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## **Independent Auditor's Report**

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

### **Opinion**

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, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fuel Fund of Maryland, Inc. as of June 30, 2023 and 2022, 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.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Fuel Fund of Maryland, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Fuel Fund of Maryland, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Fuel Fund of Maryland, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Fuel Fund of Maryland, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Atty Patrick Leary; Smycko, LLC*

Lutherville, Maryland

April 17, 2024

## Fuel Fund of Maryland, Inc.

### Statements of Financial Position

June 30,	<u>2023</u>	(As Restated) <u>2022</u>
<b>Assets</b>		
<b>Current Assets:</b>		
Cash	\$ 1,472,723	\$ 1,056,632
Contributions receivable	206,204	202,325
Prepaid expenses	<u>27,504</u>	<u>2,900</u>
Total current assets	<u>1,706,431</u>	<u>1,261,857</u>
<b>Property and Equipment:</b>		
Furniture and equipment	39,727	65,179
Leasehold improvements	<u>-</u>	<u>8,567</u>
Total	39,727	73,746
Less accumulated depreciation	<u>(31,887)</u>	<u>(61,209)</u>
Net property and equipment	<u>7,840</u>	<u>12,537</u>
<b>Other Assets:</b>		
Investments	5,320,339	5,177,458
Intangible assets, net	-	8,207
Deposits	4,938	7,434
Right-of-use asset, operating leases	<u>25,627</u>	<u>-</u>
Total other assets	<u>5,350,904</u>	<u>5,193,099</u>
<b>Total Assets</b>	<u><u>\$ 7,065,175</u></u>	<u><u>\$ 6,467,493</u></u>

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

	<u>2023</u>	(As Restated) <u>2022</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 1,752	\$ 11,373
Accrued expenses	11,212	21,595
Operating lease liabilities - current portion	<u>23,823</u>	<u>-</u>
Total current liabilities	<u>36,787</u>	<u>32,968</u>
<b>Long-term Liabilities</b>		
Operating lease liabilities - noncurrent portion	<u>1,804</u>	<u>-</u>
Total long-term liabilities	<u>1,804</u>	<u>-</u>
Total liabilities	<u>38,591</u>	<u>32,968</u>
<b>Net Assets:</b>		
Without donor restrictions	2,263,188	1,757,487
With donor restrictions	<u>4,763,396</u>	<u>4,677,038</u>
Total net assets	<u>7,026,584</u>	<u>6,434,525</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 7,065,175</u>	<u>\$ 6,467,493</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,

	2023			(As Restated) 2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and revenue</b>						
Utility credits	\$ 2,998,140	\$ -	\$ 2,998,140	\$ 1,638,450	\$ -	\$ 1,638,450
Foundation grant revenue	51,982	339,847	391,829	89,185	431,000	520,185
Individual and corporate revenue	1,658,781	-	1,658,781	1,427,776	-	1,427,776
Net assets released from restriction	253,489	(253,489)	-	446,659	(446,659)	-
Total support and revenue	4,962,392	86,358	5,048,750	3,602,070	(15,659)	3,586,411
<b>Functional Expenses:</b>						
Program services	4,187,339	-	4,187,339	3,260,553	-	3,260,553
Management and general	277,197	-	277,197	208,134	-	208,134
Fundraising	196,388	-	196,388	281,724	-	281,724
Total functional expenses	4,660,924	-	4,660,924	3,750,411	-	3,750,411
<b>Increase (decrease) in net assets from operations</b>	301,468	86,358	387,826	(148,341)	(15,659)	(164,000)
<b>Other income</b>						
Investment income (loss)	215,021	-	215,021	(482,081)	-	(482,081)
Loss on disposition of property and equipment	(10,788)	-	(10,788)	-	-	-
Total other income	204,233	-	204,233	(482,081)	-	(482,081)
<b>Increase (decrease) in net assets</b>	505,701	86,358	592,059	(630,422)	(15,659)	(646,081)
<b>Net assets - beginning of year, as previously reported</b>	1,757,487	4,677,038	6,434,525	2,387,909	4,692,697	7,080,606
<b>Net assets - end of year</b>	\$ 2,263,188	\$ 4,763,396	\$ 7,026,584	\$ 1,757,487	\$ 4,677,038	\$ 6,434,525

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

## Fuel Fund of Maryland, Inc.

### Statements of Cash Flows

		(As Restated)
For the years ended June 30,	<u>2023</u>	<u>2022</u>
<b>Cash flows from operating activities:</b>		
Increase (decrease) in net assets	\$ 592,059	\$ (646,081)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	2,944	21,749
Unrealized (gain) loss on investments	(50,442)	649,936
Realized gain on investments	(9,721)	(112,352)
Loss on disposition of property and equipment	10,788	
Changes in operating assets and liabilities:		-
Contributions receivable	(3,879)	(173,940)
Prepaid expenses	(24,604)	3,373
Deposits	2,496	(2,900)
Accounts payable	(9,621)	(9,306)
Accrued expenses	<u>(10,383)</u>	<u>1,907</u>
Net cash provided by (used in) operating activities	<u>499,637</u>	<u>(267,614)</u>
<b>Cash flows from investing activities:</b>		
Purchase of investments	(1,074,418)	(1,455,826)
Proceeds from sale of investments	991,700	740,078
Purchase of property and equipment	(828)	(5,457)
Purchase of intangible assets	<u>-</u>	<u>(1,960)</u>
Net cash used in investing activities	<u>(83,546)</u>	<u>(723,165)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>416,091</b>	<b>(990,779)</b>
Cash and cash equivalents, beginning of year	<u>1,056,632</u>	<u>2,047,411</u>
<b>Cash and cash equivalents end of year</b>	<b><u>\$ 1,472,723</u></b>	<b><u>\$ 1,056,632</u></b>

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,

	2023				(As restated) 2022			
	<u>Supporting Services</u>				<u>Supporting Services</u>			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
<b>Salaries and related expenses:</b>								
Salaries	\$ 195,661	\$ 109,349	\$ 120,585	\$ 425,595	\$ 189,884	\$ 74,644	\$ 168,671	\$ 433,199
Payroll taxes	16,462	7,038	9,691	33,191	16,125	5,854	14,126	36,105
Employee benefits	16,527	6,628	3,624	26,779	16,278	989	4,194	21,461
<b>Total salaries and related expenses</b>	<u>228,650</u>	<u>123,015</u>	<u>133,900</u>	<u>485,565</u>	<u>222,287</u>	<u>81,487</u>	<u>186,991</u>	<u>490,765</u>
<b>Other operating expenses:</b>								
Amortization expense	483	260	282	1,025	7,484	2,744	6,296	16,524
Bank charges	-	12,821	-	12,821	-	12,173	-	12,173
Consulting	7,131	77,452	7,000	91,583	6,166	58,600	20,601	85,367
Depreciation	904	486	529	1,919	2,367	867	1,991	5,225
Equipment maintenance	5	895	5	905	-	911	-	911
Fuel assistance	933,181	-	-	933,181	1,356,588	-	-	1,356,588
Fundraising	-	2,400	41,431	43,831	-	-	45,885	45,885
Insurance	-	10,747	-	10,747	-	7,867	-	7,867
Marketing/education	-	3,238	828	4,066	4,437	-	461	4,898
Membership and dues	1,862	1,686	319	3,867	-	1,752	489	2,241
Lease expense	16,388	8,816	9,596	34,800	20,373	7,469	17,138	44,980
Postage	-	5,570	1,848	7,418	1,067	4,583	874	6,524
Professional fees	-	15,849	-	15,849	-	15,000	-	15,000
Supplies	215	6,344	392	6,951	1,334	6,000	748	8,082
Telephone	133	7,618	133	7,884	-	8,681	-	8,681
Travel	247	-	125	372	-	-	250	250
Utility credits	2,998,140	-	-	2,998,140	1,638,450	-	-	1,638,450
<b>Total other operating expenses</b>	<u>3,958,689</u>	<u>154,182</u>	<u>62,488</u>	<u>4,175,359</u>	<u>3,038,266</u>	<u>126,647</u>	<u>94,733</u>	<u>3,259,646</u>
<b>Total expenses</b>	<u>\$ 4,187,339</u>	<u>\$ 277,197</u>	<u>\$ 196,388</u>	<u>\$ 4,660,924</u>	<u>\$ 3,260,553</u>	<u>\$ 208,134</u>	<u>\$ 281,724</u>	<u>\$ 3,750,411</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, 2023 and 2022

### 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 its bill assistance program, which raises funds that are used to assist low income individuals and families pay 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 \$4,703,685 and \$4,677,038 at June 30, 2023 and 2022, respectively (Note 7).

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

## **Notes to Financial Statements**

For the years ended June 30, 2023 and 2022

### **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, 2023 and 2022.

#### **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 has cash accounts at major financial institutions in excess of the Federal Deposit Insurance Corporation limits of \$250,000. The Fund maintains balances in excess of this limit, but does not believe that such deposits with its banks are subject to unusual risk.

#### **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 on 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 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, 2023 and 2022 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, 2023 and 2022.

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

## **Notes to Financial Statements**

For the years ended June 30, 2023 and 2022

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

#### **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, if purchased, and fair market value at the date of donation, if donated. 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 \$1,919 and \$5,225 for the years ended June 30, 2023 and 2022, respectively.

#### **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.”

# Fuel Fund of Maryland, Inc.

## Notes to Financial Statements

For the years ended June 30, 2023 and 2022

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

#### Investments (continued)

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 of 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.

##### 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.

# Fuel Fund of Maryland, Inc.

## Notes to Financial Statements

For the years ended June 30, 2023 and 2022

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

#### 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, 2023 and 2022 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. The Organization is subject to U.S. federal, state and local income tax examinations by tax authorities for the current year and the three preceding years.

#### Advertising

Advertising is expensed as incurred. Advertising expense for the years ended June 30, 2023 and 2022 totaled \$4,066 and \$4,898 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:

# Fuel Fund of Maryland, Inc.

## Notes to Financial Statements

For the years ended June 30, 2023 and 2022

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

#### **Fair Value Measurements** (continued)

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 Fund's investments in real estate investment trusts are considered to be level 3 investments.

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 its assets.

#### **Accounting Pronouncements Adopted**

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-02, *Leases (Topic 842)*, which supersedes existing guidance for accounting for leases under *Topic 840, Leases*. The FASB also subsequently issued various additional ASU's, which amend and clarify *Topic 842*. The most significant change in the new lease guidance is the requirement to recognize right-of-use (ROU) assets and lease liabilities on the statement of financial position for the present value of future minimum lease payments for all operating leases with a term greater than 12 months and also requires disclosures by lessees and lessors about the amount, timing, and uncertainty of cash flows arising from leases.

The Fund elected to adopt Topic 842 effective July 1, 2022, using the effective date method, which applies Topic 842 prospectively from the transition date, with any cumulative effect of initially applying the guidance recognized as an adjustment to net assets at July 1, 2022. The Fund utilized all relevant practical expedients under *Topic 842* except for the practical expedient allowing the combination of lease and non-lease components. The adoption of *Topic 842* did not have a material impact on the Fund's financial statements as the Fund's

# Fuel Fund of Maryland, Inc.

## Notes to Financial Statements

For the years ended June 30, 2023 and 2022

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

#### Accounting Pronouncements Adopted (continued)

leases are not considered material to the financial statements for the year ended June 30, 2023. The adoption of *Topic 842* caused the recognition of ROU assets and lease liabilities for the present value of future minimum lease payments for long-term operating leases (see Note 10). The adoption of *Topic 842* had no material impact on the beginning of year net assets.

### 3. Investments

Investments consisted of the following at June 30:

	2023		
	Cost	Unrealized Appreciation (Depreciation)	Fair Value
Fixed income funds	\$ 3,524,143	\$ (456,890)	\$ 3,067,253
Equity funds	1,165,246	181,585	1,346,831
Stocks	440,231	73,803	514,034
Treasury bills	100,440	(4)	100,436
Real estate investment trust	177,533	114,252	291,785
Total	<u>\$ 5,407,593</u>	<u>\$ (87,254)</u>	<u>\$ 5,320,339</u>
	2022		
	Cost	Unrealized Appreciation (Depreciation)	Fair Value
Fixed income funds	\$ 3,341,781	\$ (250,595)	\$ 3,091,186
Equity funds	1,286,533	51,557	1,338,090
Stocks	432,859	(1,075)	431,784
Real estate investment trust	219,998	96,400	316,398
Total	<u>\$ 5,281,171</u>	<u>\$ (103,713)</u>	<u>\$ 5,177,458</u>



# Fuel Fund of Maryland, Inc.

## Notes to Financial Statements

For the years ended June 30, 2023 and 2022

### 3. Investments (continued)

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

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 187,777	\$ 87,078
Realized gain on sale of investments	9,721	112,352
Unrealized gain (loss) on investments	50,442	(649,936)
Investment fees	<u>(32,919)</u>	<u>(31,575)</u>
Total	<u>\$ 215,021</u>	<u>\$ (482,081)</u>

Investment income is reported net of investment fees totaling \$32,919 and \$31,575 for the years ended June 30, 2023 and 2022, 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.

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

	<u>2023</u>		
		<u>Unrealized Losses</u>	
	<u>Fair Value</u>	<u>Less than 12 months</u>	<u>12 months or more</u>
Fixed income	\$ 3,066,083	\$ 332,937	125,526
Stocks	42,904	676	10,109
Equity funds	99,743	-	6,427
Treasury bills	100,436	4	-
Other	93,083	-	7,778
Total	<u>\$ 3,402,249</u>	<u>\$ 333,617</u>	<u>\$ 149,840</u>

## Fuel Fund of Maryland, Inc.

### Notes to Financial Statements

For the years ended June 30, 2023 and 2022

#### 3. Investments (continued)

	Fair Value	2022	
		Unrealized Losses	
		Less than 12 months	12 months or more
Fixed income	\$ 3,091,156	\$ 337,542	\$ 3,083
Stocks	80,741	16,258	1,219
Equity funds	683,258	42,282	-
Foreign stocks	3,592	810	-
Total	<u>\$ 3,858,747</u>	<u>\$ 396,892</u>	<u>\$ 4,302</u>

#### 4. Intangible Assets

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

	<u>2023</u>	<u>2022</u>
Computer software and website:		
Gross carrying amount	\$ 13,945	\$ 510,318
Accumulated amortization	<u>(13,945)</u>	<u>(502,111)</u>
Net balance	<u>\$ -</u>	<u>\$ 8,207</u>

Amortization expense relating to these intangibles was \$1,025 and \$16,524 for the years ended June 30, 2023 and 2022, respectively.

#### 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 Fuel Fund wishes to spend any of the QEF's principal, it must first obtain approval for a CIF program modification from the PSC.

**Fuel Fund of Maryland, Inc.**

**Notes to Financial Statements**

For the years ended June 30, 2023 and 2022

**5. Quasi-Endowment Fund (continued)**

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 maintain the QEF at a balance of \$4,500,000 or higher.

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 not underwater at June 30, 2023 or 2022.

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 following table represents the composition of the Organization's endowment net assets by type at June 30, 2023 and 2022:

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

# Fuel Fund of Maryland, Inc.

## Notes to Financial Statements

For the years ended June 30, 2023 and 2022

### 5. Quasi-Endowment Fund (continued)

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

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Net assets - beginning of year	\$ 953,930	\$ 4,500,000	\$ 5,453,930
Investment return - net	215,021	-	215,021
Transfers to the QEF	325,383	-	325,383
Net assets - end of year	<u>\$ 1,494,334</u>	<u>\$ 4,500,000</u>	<u>\$ 5,994,334</u>

  

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Net assets - beginning of year	\$ 686,011	\$ 4,500,000	\$ 5,186,011
Investment return - net	(482,081)	-	(482,081)
Transfers to the QEF	750,000	-	750,000
Net assets - end of year	<u>\$ 953,930</u>	<u>\$ 4,500,000</u>	<u>\$ 5,453,930</u>

There have been no changes in the donor restricted QEF during the years ended June 30, 2023 and 2022.

### 6. Fair Value Measurements

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

	2023		
	Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Unobservable Inputs (Level 3)
Fixed income funds	\$ 3,067,253	\$ 3,067,253	\$ -
Equity funds	1,346,831	1,346,831	-
Stocks	514,034	514,034	-
Treasury bills	100,436	100,436	-
Real estate investment trust	291,785	-	291,785
Total	<u>\$ 5,320,339</u>	<u>\$ 5,028,554</u>	<u>\$ 291,785</u>

# Fuel Fund of Maryland, Inc.

## Notes to Financial Statements

For the years ended June 30, 2023 and 2022

### 6. Fair Value Measurements (continued)

	2022		
	Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Unobservable Inputs (Level 3)
Fixed income funds	\$ 3,091,186	\$ 3,091,186	\$ -
Equity funds	1,338,090	1,338,090	-
Stocks	431,784	431,784	-
Real estate investment trust	316,398	-	316,398
Total	<u>\$ 5,177,458</u>	<u>\$ 4,861,060</u>	<u>\$ 316,398</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, 2023 and 2022.

<b>Balance, June 30, 2021</b>	\$ 145,149
Capital distribution	(9,295)
Capital contribution	100,000
Unrealized gain	<u>80,544</u>
<b>Balance, June 30, 2022</b>	\$ 316,398
Capital adjustment	(42,634)
Capital contribution	-
Unrealized gain	<u>18,021</u>
<b>Balance, June 30, 2023</b>	<u>\$ 291,785</u>

### 7. Net Assets with Donor Restrictions

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

	<u>2023</u>	<u>2022</u>
Quasi-endowment fund	\$ 4,500,000	\$ 4,500,000
Guaranty fund	2,038	2,038
Bill assistance - Silver Lights	156,800	175,000
Timing	<u>104,558</u>	<u>-</u>
	<u>\$ 4,763,396</u>	<u>\$ 4,677,038</u>

# Fuel Fund of Maryland, Inc.

## Notes to Financial Statements

For the years ended June 30, 2023 and 2022

### 8. Revenue Recognition

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

##### Contributions

The Fund 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 revenue without donor restrictions or revenue with donor restrictions. Contributions with donor restrictions that are 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 Fund has grants with various 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 Fund's 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 Fund's grants are considered nonreciprocal contributions under ASU 2018-08, restricted by the awarding agency for certain purposes.

### 9. 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. 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.

# Fuel Fund of Maryland, Inc.

## Notes to Financial Statements

For the years ended June 30, 2023 and 2022

### 9. Utility Credit Program

Based on the process employed by the Fund to reserve and distribute the credits, management considers the credits to be simultaneously received as income and expended by the Fund. The Fund administered the distribution of utility credits in the amounts of \$2,998,140 and \$1,638,450 for the years ended June 30, 2023 and 2022, respectively. Accordingly, these amounts are reflected in the accompanying statements of activities as both revenue and program expense.

### 10. Operating Leases

The Fund leases office space and office equipment under various operating lease agreements that terminate between February 2024 and July 2026. The leases call for monthly rentals totaling \$2,975.

As disclosed in Note 2, the Fund adopted *Topic 842*, during the year ended June 30, 2023. Under *Topic 842*, the Fund is required to record a right-of-use (ROU) asset and a corresponding lease liability for the present value of future lease payments for their long-term leases. The ROU asset and lease liability are calculated using the rate implicit in the lease agreement, if readily available. According to the Fund's elected policy, if the rate implicit in the lease is not readily available and cannot be accurately calculated, the ROU asset and liability are calculated using the risk-free discount rate at either 1) July 1, 2022 upon implementation of *Topic 842*, or the start date of the lease, whichever is later. In addition, according to the Fund's elected policy, payments made for taxes and other operating costs as defined in the lease agreements are not included in the ROU asset or lease liability calculation.

The following summarizes the line items in the Statement of Financial Position which include amounts for operating leases at June 30:

	<u>2023</u>	<u>2022</u>
Right-of-use asset, operating leases	\$ <u>25,627</u>	**N/A
Operating lease liabilities - current	\$ 23,823	**N/A
Operating lease liabilities - noncurrent	<u>1,804</u>	**N/A
Total operating lease liabilities	\$ <u>25,627</u>	**N/A

The following summarizes the line items in the Statements of Activities which include the components of lease expense for the years ended June 30:

	<u>2023</u>	<u>2022</u>
Operating lease costs	\$ 34,800	**N/A

# Fuel Fund of Maryland, Inc.

## Notes to Financial Statements

For the years ended June 30, 2023 and 2022

### 10. Operating Leases (continued)

The following summarizes cash flow information related to long-term leases for the years ended June 30:

	<u>2023</u>	<u>2022</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 34,886	**N/A
Lease assets obtained in exchange for lease obligations:	\$ 59,468	**N/A

The following summarizes the weighted average remaining lease terms and discount rates under long-term leases as of June 30:

	<u>2023</u>	<u>2022</u>
Weighted average remaining lease term	0.92	**N/A
Weighted average discount rate	2.96%	**N/A

The maturities of long-term lease liabilities are as follows:

	<u>Year Ended</u> <u>June 30,</u>	
	2024	\$ 24,099
	2025	900
	2026	<u>1,039</u>
Total minimum lease payments		26,038
Less: amounts representing interest		<u>(411)</u>
Present value of future minimum lease payments		25,627
Less: current portion		<u>(23,823)</u>
Long-term portion		<u>\$ 1,804</u>

### 11. Concentrations

Approximately 60% and 45% of the Fund's unrestricted revenue for the years ended June 30, 2023 and 2022, respectively, represent utility credits provided through Baltimore Gas and Electric Company.



## Fuel Fund of Maryland, Inc.

### Notes to Financial Statements

For the years ended June 30, 2023 and 2022

#### 12. Defined Contribution Plan

The Fund terminated the 403(b) defined contribution plan and instituted a simple IRA plan for its employees effective January 1, 2022. Under the terms of both plans, 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 \$6,373 and \$3,158 for the years ended June 30, 2023 and 2022, respectively.

#### 13. 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>2023</u>	<u>2022</u>
Financial assets available within one year:		
Cash and cash equivalents	\$ 1,472,723	\$ 1,056,632
Contributions receivable	206,204	202,325
Investments	<u>5,320,339</u>	<u>5,177,458</u>
Total financial assets available within one year	6,999,266	6,436,415
Less: amounts unavailable for general expenditures within one year, due to:		
Restricted by donors	<u>(4,763,396)</u>	<u>(4,677,038)</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 2,235,870</u>	<u>\$ 1,759,377</u>

#### 14. Prior Period Adjustment

A prior period adjustment was made to record a contribution receivable dated prior to June 30, 2022. Contributions receivable, foundation grant revenue with donor restrictions, and net assets with donor restrictions each increased by \$150,000 at June 30, 2022.

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

### **Notes to Financial Statements**

For the years ended June 30, 2023 and 2022

#### **15. Subsequent Events**

Management has evaluated subsequent events through April 17, 2024 the date the financial statements were available to be issued. Subsequent to year end, the Fund signed a lease amendment extending the term of its office lease through February 2026 with monthly payments of \$2,900.