

Financial Statements

OPERATION
FIRST RESPONSE, INC.

December 31, 2012

GENERAL ORGANIZATIONAL DATA

ORGANIZATION AND PURPOSE

Operation First Response, Inc. was incorporated under the laws of Commonwealth of Virginia in February, 2005 to operate a non-stock, non-profit organization for the purpose of providing support to our nation's wounded warriors and their families with personal and financial needs.

Operation First Response, Inc. was granted exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code on February 11, 2005. The Organization is also recognized as public charity under IRC Section 170(b)(1)(A)(vi).

OFFICERS AND BOARD OF DIRECTORS

OFFICERS

P.J. Sesker-Green, Chair
Peggy L. Baker, Founder/President/CEO
Kimberly Breen, Secretary

DIRECTORS

Peggy L. Baker
Justin Barker
Kimberly Breen
Phillip Irizarry
Robert O'Donoghue
P.J. Sesker-Green
CPL Ronny Porta (Ret)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Operation First Response, Inc.
Culpeper, Virginia

We have audited the accompanying financial statements of Operation First Response, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements. The prior year summarized comparative information has been derived from the Organization's 2011 financial statements and, in our report dated March 6, 2012 we express an unqualified opinion on those 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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 Operation First Response, Inc. as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Leesburg, Virginia
April 13, 2013

Mitchell & Co., P.C.

OPERATION FIRST RESPONSE, INC.

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2012
(with December 31, 2011 comparative totals)

| | 2012 | 2011 |
|--|-------------------|-------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 118,190 | \$ 224,248 |
| Contributions receivable | 16,520 | 985 |
| Total current assets | <u>134,710</u> | <u>225,233</u> |
| Property and equipment, net of accumulated depreciation 2012, \$5,082; 2011, \$3,650 | <u>1,059</u> | <u>2,491</u> |
| Total assets | <u>\$ 135,769</u> | <u>\$ 227,724</u> |
| LIABILITIES AND NET ASSETS | | |
| Current Liabilities | | |
| Accounts payable | \$ 4,459 | \$ 5,046 |
| Net Assets | | |
| Unrestricted | 131,310 | 222,678 |
| Temporarily restricted | - | - |
| Total net assets | <u>131,310</u> | <u>222,678</u> |
| Total liabilities and net assets | <u>\$ 135,769</u> | <u>\$ 227,724</u> |

See Notes to Financial Statements.

OPERATION FIRST RESPONSE, INC.

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012
(with December 31, 2011 comparative totals)**

| | Unrestricted | Temporarily Restricted | 2012 | 2011 |
|--|-------------------|---------------------------|-------------------|-------------------|
| SUPPORT AND REVENUE | | | | |
| Contributions | \$ 503,136 | \$ - | \$ 503,136 | \$ 603,002 |
| Grants | 100,000 | 30,000 | 130,000 | 76,890 |
| In-kind donations (OFR backpacks) | 180,454 | - | 180,454 | 73,388 |
| Interest income | 98 | - | 98 | 85 |
| Total support and revenue | 783,688 | 30,000 | 813,688 | 753,365 |
| Net assets released from restriction | 30,000 | (30,000) | - | - |
| | 813,688 | - | 813,688 | 753,365 |
| EXPENSES | | | | |
| Program expenses | 877,465 | - | 877,465 | 633,183 |
| Supporting services | | | | |
| General operating expenses | 17,150 | - | 17,150 | 39,817 |
| Fund raising expenses | 10,441 | - | 10,441 | 4,482 |
| Total expenses | 905,056 | - | 905,056 | 677,482 |
| Increase (decrease) in net assets | (91,368) | - | (91,368) | 75,883 |
| Net assets, beginning of year | 222,678 | - | 222,678 | 146,795 |
| Net assets, end of year | \$ 131,310 | \$ - | \$ 131,310 | \$ 222,678 |

See Notes to Financial Statements.

OPERATION FIRST RESPONSE, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2012
(with December 31, 2011 comparative totals)**

| | Program Services | General Operating | Fundraising | Totals | |
|-----------------------------------|---------------------|----------------------|------------------|-------------------|-------------------|
| | | | | 2012 | 2011 |
| Salary Expenses | | | | | |
| Salaries | \$ 47,468 | \$ 5,585 | \$ 2,792 | \$ 55,845 | \$ 45,219 |
| Payroll taxes | 3,800 | 447 | 224 | 4,471 | 3,632 |
| Total salary expenses | 51,268 | 6,032 | 3,016 | 60,316 | 48,851 |
| Direct Assistance Programs | | | | | |
| Automobile | 46,629 | - | - | 46,629 | 56,718 |
| Financial | 4,150 | - | - | 4,150 | 3,235 |
| Food and supplies | 105,624 | - | - | 105,624 | 72,000 |
| General | 117,980 | - | - | 117,980 | 68,315 |
| Household and maintenance | 4,510 | - | - | 4,510 | 16,112 |
| OFR backpacks and other in-kind | 183,699 | - | - | 183,699 | 77,903 |
| Rental | 151,456 | - | - | 151,456 | 124,786 |
| Telephone | 1,955 | - | - | 1,955 | 4,859 |
| Transportation & lodging | 72,053 | - | - | 72,053 | 55,928 |
| Utilities | 70,577 | - | - | 70,577 | 54,892 |
| Total assistance payments | 758,633 | - | - | 758,633 | 534,748 |
| Other Operating Expenses | | | | | |
| Bank charges | 3,672 | 149 | - | 3,821 | 4,241 |
| Depreciation | - | 1,432 | - | 1,432 | 1,432 |
| Dues and subscriptions | - | 187 | - | 187 | 917 |
| Fundraising expense | - | - | 2,827 | 2,827 | 2,244 |
| Interest expense | - | 650 | - | 650 | 767 |
| License and registration | - | 25 | 1,629 | 1,654 | 2,238 |
| Office supplies | 11,054 | 1,301 | 650 | 13,005 | 7,760 |
| Payroll fees | 1,277 | 150 | 75 | 1,502 | 1,918 |
| Postage and delivery | 6,413 | 34 | - | 6,447 | 9,431 |
| Printing and reproduction | 6,853 | 806 | 403 | 8,062 | 4,193 |
| Professional fees | 17,541 | 2,064 | 1,031 | 20,636 | 33,484 |
| Storage | 378 | - | - | 378 | 756 |
| Telephone | 3,306 | 389 | 194 | 3,889 | 4,083 |
| Travel | 10,465 | 1,231 | 616 | 12,312 | 12,798 |
| Volunteer appreciation | - | 1,950 | - | 1,950 | 2,158 |
| Website | 6,605 | 750 | - | 7,355 | 5,464 |
| Total operating expenses | 67,564 | 11,118 | 7,425 | 86,107 | 93,884 |
| Total expenses | \$ 877,465 | \$ 17,150 | \$ 10,441 | \$ 905,056 | \$ 677,483 |

See Notes to Financial Statements.

OPERATION FIRST RESPONSE, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012
(with December 31, 2011 comparative totals)**

| | 2012 | 2011 |
|--|-------------------|-------------------|
| Cash Flows From Operating Activities | | |
| Increase in net assets | \$ (91,368) | \$ 75,883 |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities: | | |
| Depreciation | 1,432 | 1,432 |
| Changes in assets and liabilities: | | |
| Decrease (increase) in accounts receivable | (15,535) | 1,458 |
| Increase (decrease) in accrued expenses | (587) | 779 |
| Net cash flow provided by (used by) operations | (106,058) | 79,552 |
| Net increase (decrease) in cash | (106,058) | 79,552 |
| Cash and Cash Equivalents | | |
| Beginning of year | 224,248 | 144,696 |
| End of year | <u>\$ 118,190</u> | <u>\$ 224,248</u> |

See Notes to Financial Statements.

OPERATION FIRST RESPONSE, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Operations and Significant Accounting Policies

Nature of Operations

Operation First Response, Inc. (OFR) was incorporated in the Commonwealth of Virginia, in 2005 as a non-profit 501(c)(3) tax-exempt charity organized to support our nation's wounded heroes and their families with personal and financial needs. OFR provides assistance, compassion and understanding to wounded soldiers and their families. The financial assistance is in the form of rental payments, help with overdue utilities, payments for vehicle repairs, payments for air and ground transportation to fly family to local hospitals, and care packs to troops overseas.

Significant Accounting Policies

The financial statements of OFR have been prepared in accordance with policies followed by nonprofit organizations. The significant accounting policies that follow are described below to enhance the usefulness of the financial statements to the reader.

Basis of Accounting: The financial statements of OFR have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation: Financial statements presentation follows the recommendations of the Financial Accounting Standards Board (FASB) as defined in the FASB Accounting Standards Codification (ASC) Topic 958, *Not-For-Profit Entities*. Under ASC Topic 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. All assets are considered to be available for unrestricted use unless specifically restricted by donor or by law.

Donated In-kind Goods: Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Cash and Cash Equivalents: OFR considers cash in operating bank accounts, cash-on-hand, certificates-of-deposit, and other highly liquid debt instruments purchased with a maturity of three months or less to be cash and cash equivalents.

Property and Equipment: Expenditures for acquisition of furniture and equipment are capitalized at cost. The fair value of donated furniture and equipment is similarly capitalized. Depreciation is provided over the estimated useful lives of furniture and equipment using the straight-line method.

Contributions: Contributions received are recorded as unrestricted or temporarily restricted support depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in restricted net assets depending on the nature of the restriction. When a restriction expires, restricted net assets are reclassified to unrestricted net assets.

OPERATION FIRST RESPONSE, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Contributed Services: OFR receives a substantial amount of services donated by its members in carrying out the Organization's duties. No amounts have been reflected in the financial statements for those services since they do not meet the criteria under ASC Subtopic 958-605-30.

Advertising Costs: Advertising costs are expensed as incurred. There were no advertising costs in 2012 or 2011.

Functional Allocation of Expenses: The cost of providing the various programs and supporting services have been summarized on a functional basis and are shown in the Supplementary Financial Information. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Estimates: The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent asset and liabilities at the date of the financial statements and the reported amounts of support, revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes: OFR is exempt from the federal income tax under the provisions of Internal Revenue Code, Section 501(c)(3). The Organization is classified as a public charity and not a private foundation; therefore, contributions made to the Organization are tax deductible by the donors. The Organization has adopted the guidance under ASC Topic 740, *Accounting for Uncertainty in Income Taxes*. Management has evaluated the Organization's tax positions and concluded that the Organization has taken no uncertain tax provisions that would require adjustment to, or disclosure in, the financial statements to comply with the provisions of the guidance. Income tax reporting years open for IRS audit include 2010, 2011, and 2012.

Note 2. Cash and Cash Equivalents

Composition of cash and cash equivalents is as follows:

| Type | 2012 | 2011 |
|--------------------------------|-------------------|-------------------|
| Non-interest business checking | \$ 29,882 | \$ 19,396 |
| Interest Bearing Accounts: | | |
| Interest PayPal | 34 | 1,662 |
| Interest Money Market | 88,274 | 203,190 |
| | <u>\$ 118,190</u> | <u>\$ 224,248</u> |

Individual bank combined cash account deposits up to \$250,000 are insured by the Federal Deposit Insurance Corporation (FDIC). At December 31, 2012 and 2011, OFR bank account balances did not exceed the FDIC coverage.

Note 3. In-kind Donations

OFR receives in-kind donations to support their Backpack Program as well as general programs. Through the Backpack Program, OFR sends care packages to combat support hospitals in Iraq and Afghanistan which are provided to wounded soldiers. Total in-kind donations were \$180,454 in 2012 and \$73,388 in 2011.

OPERATION FIRST RESPONSE, INC.

NOTES TO FINANCIAL STATEMENTS

Note 4. Temporarily Restricted Net Assets

There are no temporarily restricted net assets at December 31, 2012 and 2011.

Note 5. Fair Value of Instruments

The Organization's financial instruments are contributions receivable, and accounts payable and accrued expenses. The recorded values of these instruments approximate their fair values based on their short-term nature.

Note 6. Subsequent Events

The Organization has evaluated subsequent events through April 13, 2013, the date these financial statements were available to be issued, and determined that there were no material subsequent events requiring adjustment to, or disclosure in, the financial statements for the year ended December 31, 2012.