

Financial Statements

OPERATION
FIRST RESPONSE, INC.

December 31, 2013

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

Marilyn 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
Marilyn Sesker-Green
CPL Ronny Porta (Ret)

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MITCHELL & Co., P.C.

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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, 2013, and the related statements of activities, functional expenses and cash flows for the year 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 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 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 Operation First Response, Inc. as of December 31, 2013, 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.

Report on Summarized Comparative Information

We have previously audited the Operation First Response, Inc.'s 2012 financial statements, and in our report dated April 13, 2013, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Leesburg, Virginia
May 7, 2014

Mitchell & Co., P.C.

OPERATION FIRST RESPONSE, INC.

**STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2013
(with December 31, 2012 comparative totals)**

	2013	2012
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 255,102	\$ 118,190
Contributions receivable	<u>130,210</u>	<u>16,520</u>
Total current assets	385,312	134,710
Property and equipment, net of accumulated depreciation 2013, \$5,967; 2012, \$5,082	<u>174</u>	<u>1,059</u>
Total assets	\$ 385,486	\$ 135,769
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 2,728	\$ 4,459
Total liabilities	<u>2,728</u>	<u>4,459</u>
Net Assets		
Unrestricted	<u>382,758</u>	<u>131,310</u>
Total net assets	382,758	131,310
Total liabilities and net assets	\$ 385,486	\$ 135,769

See Notes to Financial Statements.

OPERATION FIRST RESPONSE, INC.

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013
(with December 31, 2012 comparative totals)**

	Unrestricted	Temporarily Restricted	2013	2012
SUPPORT AND REVENUE				
Contributions	\$ 797,847	\$ 15,000	\$ 812,847	\$ 503,136
Grants	73,500	-	73,500	130,000
In-kind donations	244,185	-	244,185	180,454
Interest income	91	-	91	98
Total support and revenue	<u>1,115,623</u>	<u>15,000</u>	<u>1,130,623</u>	<u>813,688</u>
Net assets released from restriction	15,000	(15,000)	-	-
	<u>1,130,623</u>	<u>-</u>	<u>1,130,623</u>	<u>813,688</u>
EXPENSES				
Program expenses	850,571	-	850,571	877,465
Supporting services				
General operating expenses	16,881	-	16,881	17,150
Fundraising expenses	11,723	-	11,723	10,441
Total expenses	<u>879,175</u>	<u>-</u>	<u>879,175</u>	<u>905,056</u>
Increase (decrease) in net assets	251,448	-	251,448	(91,368)
Net assets, beginning of year	<u>131,310</u>	<u>-</u>	<u>131,310</u>	<u>222,678</u>
Net assets, end of year	<u>\$ 382,758</u>	<u>\$ -</u>	<u>\$ 382,758</u>	<u>\$ 131,310</u>

See Notes to Financial Statements.

OPERATION FIRST RESPONSE, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013
(with December 31, 2012 comparative totals)**

	Program Services	General Operating	Fundraising	Totals	
				2013	2012
Salary Expenses					
Salaries	\$ 59,320	\$ 6,979	\$ 3,489	\$ 69,788	\$ 55,845
Payroll taxes	4,677	550	275	5,502	4,471
Total salary expenses	63,997	7,529	3,764	75,290	60,316
Direct Assistance Programs					
Automobile	49,072	-	-	49,072	46,629
Financial	5,150	-	-	5,150	4,150
Food and supplies	76,434	-	-	76,434	105,624
General	84,396	-	-	84,396	117,980
Household and maintenance	3,583	-	-	3,583	4,510
OFR backpacks	4,272	-	-	4,272	3,245
In-kind	244,185	-	-	244,185	180,454
Rental	142,592	-	-	142,592	151,456
Telephone	1,524	-	-	1,524	1,955
Transportation and lodging	28,024	-	-	28,024	72,053
Utilities	91,866	-	-	91,866	70,577
Total assistance payments	731,098	-	-	731,098	758,633
Other Operating Expenses					
Bank charges	2,888	642	-	3,530	3,821
Depreciation	-	885	-	885	1,432
Dues and subscriptions	-	191	-	191	187
Fundraising expense	-	-	3,905	3,905	2,827
Interest expense	-	685	-	685	650
License and registration	-	-	1,964	1,964	1,654
Office supplies	10,821	1,273	636	12,730	13,005
Payroll fees	1,512	178	89	1,779	1,502
Postage and delivery	8,000	81	-	8,081	6,447
Printing and reproduction	4,121	485	242	4,848	8,062
Professional fees	6,276	738	369	7,383	20,636
Storage	601	-	-	601	378
Telephone	3,724	438	219	4,381	3,889
Travel	9,108	1,072	535	10,715	12,312
Volunteer appreciation	-	1,748	-	1,748	1,950
Website	8,425	936	-	9,361	7,355
Total operating expenses	55,476	9,352	7,959	72,787	86,107
Total expenses	\$ 850,571	\$ 16,881	\$ 11,723	\$ 879,175	\$ 905,056

See Notes to Financial Statements.

OPERATION FIRST RESPONSE, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013
(with December 31, 2012 comparative totals)**

	2013	2012
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ 251,448	\$ (91,368)
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation	885	1,432
Changes in assets and liabilities:		
Increase in assets:		
(Increase) in accounts receivable	(113,690)	(15,535)
Decrease in liabilities:		
(Decrease) in accounts payable	(1,731)	(587)
Net cash flow provided by (used by) operations	<u>136,912</u>	<u>(106,058)</u>
Net increase (decrease) in cash	136,912	(106,058)
Cash and Cash Equivalents		
Beginning of year	118,190	224,248
End of year	<u>\$ 255,102</u>	<u>\$ 118,190</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: For purposes of the statements of cash flows, the OFR considers all highly liquid investments available for current use with an initial maturity of three months or less to be 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 2013 or 2012.

Functional Allocation of Expenses: The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. 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, 2012, and 2013.

Reclassifications: Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Note 2. Cash and Cash Equivalents

Composition of cash and cash equivalents is as follows:

Type	2013	2012
Non-interest business checking	\$ 43,608	\$ 29,882
Interest Bearing Accounts:		
Interest PayPal	2,839	34
Interest Money Market	208,655	88,274
	<u>\$ 255,102</u>	<u>\$ 118,190</u>

Individual bank combined cash account deposits up to \$250,000 are insured by the Federal Deposit Insurance Corporation (FDIC). At December 31, 2013 and 2012, OFR bank account balances did not exceed the FDIC coverage.

OPERATION FIRST RESPONSE, INC.

NOTES TO FINANCIAL STATEMENTS

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 consist of the following:

Description	2013	2012
OFR backpacks	\$ 58,818	\$ 67,020
Office supplies	50,884	7,706
Office space	24,000	24,000
Family assistance programs	41,233	11,056
Donated items for charity auctions	69,250	70,672
	<u>\$ 244,185</u>	<u>\$ 180,454</u>

Note 4. Temporarily Restricted Net Assets

There are no temporarily restricted net assets at December 31, 2013 and 2012.

Note 5. Fair Value of Instruments

The Organization's financial instruments are cash and cash equivalents, contributions receivable, and accounts payable. 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 May 7, 2014, 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, 2013.