

Financial Statements

OPERATION
FIRST RESPONSE, INC.

December 31, 2014

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/Treasurer
Kimberly Breen, Secretary

DIRECTORS

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

SENIOR ADVISORS

Phillip Bardos
Nick Constantino
Carl Monk

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CERTIFIED PUBLIC ACCOUNTANTS

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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, 2014, 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, 2014, 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 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 7, 2014. 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 11, 2015

Mitchell & Co., P.C.

OPERATION FIRST RESPONSE, INC.

**STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2014
(with December 31, 2013 comparative totals)**

	2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 333,607	\$ 255,102
Contributions receivable	<u>196,804</u>	<u>130,210</u>
Total current assets	530,411	385,312
Property and equipment, net of accumulated depreciation 2014, \$6,401; 2013, \$5,967	<u>1,632</u>	<u>174</u>
Total assets	\$ 532,043	\$ 385,486
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 2,581	\$ 2,728
Total liabilities	<u>2,581</u>	<u>2,728</u>
Net Assets		
Unrestricted	<u>529,462</u>	<u>382,758</u>
Total net assets	529,462	382,758
Total liabilities and net assets	\$ 532,043	\$ 385,486

See Notes to Financial Statements.

OPERATION FIRST RESPONSE, INC.

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014
(with December 31, 2013 comparative totals)**

	Unrestricted	Temporarily Restricted	2014	2013
SUPPORT AND REVENUE				
Contributions	\$ 1,006,891	\$ 10,000	\$ 1,016,891	\$ 812,847
Grants	85,291	-	85,291	73,500
In-kind donations	161,429	-	161,429	174,935
Interest income	197	-	197	91
Total support and revenue	1,253,808	10,000	1,263,808	1,061,373
Net assets released from restriction	10,000	(10,000)	-	-
	1,263,808	-	1,263,808	1,061,373
EXPENSES				
Program expenses	1,085,844	-	1,085,844	781,321
Supporting services				
General operating expenses	18,443	-	18,443	16,881
Fundraising expenses	12,817	-	12,817	11,723
Total expenses	1,117,104	-	1,117,104	809,925
Increase in net assets	146,704	-	146,704	251,448
Net assets, beginning of year	382,758	-	382,758	131,310
Net assets, end of year	\$ 529,462	\$ -	\$ 529,462	\$ 382,758

See Notes to Financial Statements.

OPERATION FIRST RESPONSE, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014
(with December 31, 2013 comparative totals)**

	Program Services	General Operating	Fundraising	Totals	
				2014	2013
Salary Expenses					
Salaries	\$ 63,566	\$ 7,478	\$ 3,740	\$ 74,784	\$ 69,788
Payroll taxes	4,977	586	292	5,855	5,502
Total salary expenses	68,543	8,064	4,032	80,639	75,290
Direct Assistance and Outreach Programs					
Automobile	87,881	-	-	87,881	49,072
Food and supplies	114,434	-	-	114,434	76,434
General financial support	110,332	-	-	110,332	89,546
Household and maintenance	22,790	-	-	22,790	3,583
OFR backpacks	4,042	-	-	4,042	4,272
In-kind:					
Backpacks	38,017	-	-	38,017	58,818
Google AdWords	94,530	-	-	94,530	47,633
Military family assistance	4,079	-	-	4,079	41,233
Rental	245,826	-	-	245,826	142,592
Telephone	6,772	-	-	6,772	1,524
Transportation and lodging	57,325	-	-	57,325	28,024
Utilities	146,027	-	-	146,027	91,866
Total assistance and outreach	932,055	-	-	932,055	634,597
Other Expenses					
Bank charges	4,394	-	-	4,394	3,530
Depreciation	-	434	-	434	885
Dues and subscriptions	-	197	-	197	191
Fundraising expense	-	-	2,626	2,626	3,905
In-kind:					
Rent	21,600	1,200	1,200	24,000	24,000
Office	401	402	-	803	3,251
Interest expense	-	590	-	590	685
License and registration	-	-	2,634	2,634	1,964
Office supplies	10,030	1,180	590	11,800	12,730
Payroll fees	1,657	195	97	1,949	1,779
Postage and delivery	10,126	102	-	10,228	8,081
Printing and reproduction	7,095	835	417	8,347	4,848
Professional fees	8,828	1,039	519	10,386	7,383
Storage	1,004	-	-	1,004	601
Telephone	3,793	446	223	4,462	4,381
Travel	8,135	957	479	9,571	10,715
Volunteer appreciation	-	1,893	-	1,893	1,748
Website	8,183	909	-	9,092	9,361
Total other expenses	85,246	10,379	8,785	104,410	100,038
Total expenses	\$ 1,085,844	\$ 18,443	\$ 12,817	\$ 1,117,104	\$ 809,925

See Notes to Financial Statements.

OPERATION FIRST RESPONSE, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014
(with December 31, 2013 comparative totals)**

	2014	2013
Cash Flows From Operating Activities		
Increase in net assets	\$ 146,704	\$ 251,448
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation	434	885
Changes in assets and liabilities:		
Increase in assets:		
(Increase) in accounts receivable	(66,594)	(113,690)
Decrease in liabilities:		
(Decrease) in accounts payable	(147)	(1,731)
Net cash flow provided by operations	<u>80,397</u>	<u>136,912</u>
Cash Flows From Investing Activities		
Purchase of equipment	(1,892)	-
Net cash flow (used in) investing activities	<u>(1,892)</u>	<u>-</u>
Net increase in cash	78,505	136,912
Cash and Cash Equivalents		
Beginning of year	255,102	118,190
End of year	<u>\$ 333,607</u>	<u>\$ 255,102</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.

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.

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.

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 2014 or 2013.

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 2011, 2012, 2013, and 2014.

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	2014	2013
Non-interest business checking	\$ 50,931	\$ 43,608
Interest Bearing Accounts:		
Interest PayPal	79	2,839
Interest Money Market	282,597	208,655
	<u>\$ 333,607</u>	<u>\$ 255,102</u>

Individual bank combined cash account deposits up to \$250,000 are insured by the Federal Deposit Insurance Corporation (FDIC). At December 31, 2014 and 2013, 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:

In-kind description	2014	2013
Direct Assistance and Outreach Programs		
OFR backpacks	\$ 38,017	\$ 58,818
Family assistance programs	4,079	41,233
Google ads	94,530	47,633
	<u>136,626</u>	<u>147,684</u>
Other In-Kind Provided Support		
Office supplies	803	3,251
Office space	24,000	24,000
	<u>24,803</u>	<u>27,251</u>
Total in-kind donations	<u>\$ 161,429</u>	<u>\$ 174,935</u>

Note 4. Temporarily Restricted Net Assets

There are no temporarily restricted net assets at December 31, 2014 and 2013.

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. Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the OFR financial statements for the year ended December 31, 2013 from which the summarized information was derived.

Note 7. Subsequent Events

The Organization has evaluated subsequent events through May 11, 2015, 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, 2014.