

*Financial Statements*

OPERATION  
FIRST RESPONSE, INC.

December 31, 2015

## **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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**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, 2015, 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, 2015, 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 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 11, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Leesburg, Virginia  
May 6, 2016

*Mitchell & Co., P.C.*

**OPERATION FIRST RESPONSE, INC.**

**STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2015  
(with December 31, 2014 comparative totals)**

	2015	2014
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 338,633	\$ 529,661
Contributions receivable	8,000	750
<b>Total current assets</b>	<b>346,633</b>	530,411
Property and equipment, net of accumulated depreciation 2015, \$6,921; 2014, \$6,401	1,112	1,632
<b>Total assets</b>	<b>\$ 347,745</b>	<b>\$ 532,043</b>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable	\$ 1,161	\$ 2,581
<b>Total liabilities</b>	<b>1,161</b>	2,581
Net Assets		
Unrestricted	346,584	529,462
<b>Total net assets</b>	<b>346,584</b>	529,462
<b>Total liabilities and net assets</b>	<b>\$ 347,745</b>	<b>\$ 532,043</b>

See Notes to Financial Statements.

**OPERATION FIRST RESPONSE, INC.**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(with December 31, 2014 comparative totals)**

	Unrestricted	Temporarily Restricted	2015	2014
<b>SUPPORT AND REVENUE</b>				
Contributions	\$ 804,470	\$ 5,000	\$ <b>809,470</b>	\$ 1,052,182
Grants	5,000	-	<b>5,000</b>	50,000
In-kind donations	191,133	-	<b>191,133</b>	161,429
Interest income	181	-	<b>181</b>	197
<b>Total support and revenue</b>	<b>1,000,784</b>	<b>5,000</b>	<b>1,005,784</b>	<b>1,263,808</b>
Net assets released from restriction	5,000	(5,000)	-	-
	<b>1,005,784</b>	<b>-</b>	<b>1,005,784</b>	<b>1,263,808</b>
<b>EXPENSES</b>				
Program expenses	1,149,548	-	<b>1,149,548</b>	1,085,844
Supporting services				
General operating expenses	24,846	-	<b>24,846</b>	18,443
Fundraising expenses	14,268	-	<b>14,268</b>	12,817
<b>Total expenses</b>	<b>1,188,662</b>	<b>-</b>	<b>1,188,662</b>	<b>1,117,104</b>
<b>Change in net assets</b>	<b>(182,878)</b>	<b>-</b>	<b>(182,878)</b>	<b>146,704</b>
<b>Net assets, beginning of year</b>	<b>529,462</b>	<b>-</b>	<b>529,462</b>	<b>382,758</b>
<b>Net assets, end of year</b>	<b>\$ 346,584</b>	<b>\$ -</b>	<b>\$ 346,584</b>	<b>\$ 529,462</b>

See Notes to Financial Statements.

**OPERATION FIRST RESPONSE, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(with December 31, 2014 comparative totals)**

	Program Services	General Operating	Fundraising	Totals	
				2015	2014
<b>Salary Expenses</b>					
Salaries	\$ 67,057	\$ 7,889	\$ 3,944	\$ 78,890	\$ 74,784
Payroll taxes	5,220	614	307	6,141	5,855
<b>Total salary expenses</b>	<b>72,277</b>	<b>8,503</b>	<b>4,251</b>	<b>85,031</b>	<b>80,639</b>
<b>Direct Assistance and Outreach Programs</b>					
Automobile	132,812	-	-	132,812	87,881
Food and supplies	100,297	-	-	100,297	114,434
General financial support	95,682	-	-	95,682	110,332
Household and maintenance	7,024	-	-	7,024	22,790
OFR backpacks	1,529	-	-	1,529	4,042
In-kind:					
Backpacks	25,008	-	-	25,008	38,017
Google AdWords	118,624	-	-	118,624	94,530
Military family assistance	12,401	-	-	12,401	4,079
Rental	233,980	-	-	233,980	245,826
Telephone	13,713	-	-	13,713	6,772
Transportation and lodging	56,766	-	-	56,766	57,325
Utilities	181,144	-	-	181,144	146,027
<b>Total assistance and outreach</b>	<b>978,980</b>	<b>-</b>	<b>-</b>	<b>978,980</b>	<b>932,055</b>
<b>Other Expenses</b>					
Bank charges	3,544	149	-	3,693	4,394
Depreciation	-	520	-	520	434
Dues and subscriptions	-	203	-	203	197
Fundraising expense	-	-	2,927	2,927	2,626
In-kind:					
Rent	21,600	1,200	1,200	24,000	24,000
Office	5,550	5,550	-	11,100	803
Interest expense	-	380	-	380	590
License and registration	-	-	3,075	3,075	2,634
Office supplies	10,729	1,262	631	12,622	11,800
Payroll fees	1,715	202	101	2,018	1,949
Postage and delivery	9,746	98	-	9,844	10,228
Printing and reproduction	9,927	1,168	584	11,679	8,347
Professional fees	8,733	1,027	514	10,274	10,386
Storage	1,966	-	-	1,966	1,004
Telephone	2,832	333	167	3,332	4,462
Travel	13,913	1,637	818	16,368	9,571
Volunteer appreciation	-	1,721	-	1,721	1,893
Website	8,036	893	-	8,929	9,092
<b>Total other expenses</b>	<b>98,291</b>	<b>16,343</b>	<b>10,017</b>	<b>124,651</b>	<b>104,410</b>
<b>Total expenses</b>	<b>\$ 1,149,548</b>	<b>\$ 24,846</b>	<b>\$ 14,268</b>	<b>\$ 1,188,662</b>	<b>\$ 1,117,104</b>

See Notes to Financial Statements.

**OPERATION FIRST RESPONSE, INC.**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(with December 31, 2014 comparative totals)**

	<b>2015</b>	<b>2014</b>
<b>Cash Flows From Operating Activities</b>		
Increase (decrease) in net assets	<b>\$ (182,878)</b>	\$ 146,704
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	<b>520</b>	434
Changes in assets and liabilities:		
(Increase) decrease in assets:		
(Increase) decrease in accounts receivable	<b>(7,250)</b>	129,460
(Decrease) in liabilities:		
(Decrease) in accounts payable	<b>(1,420)</b>	(147)
<b>Net cash flow provided by (used in) operations</b>	<b><u>(191,028)</u></b>	<u>276,451</u>
<b>Cash Flows From Investing Activities</b>		
Purchase of equipment	<u>-</u>	(1,892)
<b>Net cash flow (used in) investing activities</b>	<b><u>-</u></b>	<u>(1,892)</u>
<b>Net increase (decrease) in cash</b>	<b>(191,028)</b>	274,559
<b>Cash and Cash Equivalents</b>		
Beginning of year	<b>529,661</b>	255,102
End of year	<b><u>\$ 338,633</u></b>	<u>\$ 529,661</u>

See Notes to Financial Statements.

## **OPERATION FIRST RESPONSE, INC.**

### **NOTES TO FINANCIAL STATEMENTS**

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#### **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

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#### 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 2015 or 2014.

*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 2012, 2013, 2014, and 2015.

*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	2015	2014
Non-interest business checking	\$ 68,120	\$ 246,985
Interest Bearing Accounts:		
Interest PayPal	1,221	79
Interest Money Market	269,292	282,597
	<u>\$ 338,633</u>	<u>\$ 529,661</u>

Individual bank combined cash account deposits up to \$250,000 are insured by the Federal Deposit Insurance Corporation (FDIC). At December 31, 2015 OFR bank account balances exceeded the FDIC coverage limit by \$13,229. At December 31, 2014 OFR bank account balances did not exceed the FDIC coverage.

## OPERATION FIRST RESPONSE, INC.

### NOTES TO FINANCIAL STATEMENTS

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#### 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	2015	2014
Direct Assistance and Outreach Programs		
OFR backpacks	\$ 25,008	\$ 38,017
Family assistance programs	12,401	4,079
Google ads	118,624	94,530
	<u>156,033</u>	<u>136,626</u>
Other In-Kind Provided Support		
Office supplies	11,100	803
Office space	24,000	24,000
	<u>35,100</u>	<u>24,803</u>
Total in-kind donations	<u>\$ 191,133</u>	<u>\$ 161,429</u>

#### Note 4. 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 5. 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, 2014 from which the summarized information was derived.

#### Note 6. Subsequent Events

The Organization has evaluated subsequent events through May 6, 2016, 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, 2015.