

Financial Statements

OPERATION
FIRST RESPONSE, INC.

December 31, 2011

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

Kevin Andrew Smith, Chair
Peggy L. Baker, Founder/President/CEO
Heather L. Sliwinski, Secretary
Margaret Sundling, Treasurer

DIRECTORS

Peggy L. Baker
Phillip Irizarry
Ian Newland
Robert O'Donoghue
P.J. Sesker-Green
Heather L. Sliwinski
Kevin Andrew Smith
Margaret Sundling

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MITCHELL & Co., P.C.

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statement of financial position of Operation First Response, Inc. (a nonprofit organization) as of December 31, 2011 and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2010 financial statements and, in our report dated April 13, 2011 we expressed an unqualified opinion on those financial statements.

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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2011, and the changes in its net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Leesburg, Virginia
March 6, 2012

Mitchell & Co., P.C.

OPERATION FIRST RESPONSE, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2011

(WITH DECEMBER 31, 2010 COMPARATIVE TOTALS)

	2011	2010
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 224,248	\$ 144,696
Contributions receivable	985	2,443
Total current assets	<u>225,233</u>	<u>147,139</u>
Property and equipment, net of accumulated depreciation 2011, \$3,650; 2010, \$2,218	<u>2,491</u>	<u>3,923</u>
Total assets	<u><u>\$ 227,724</u></u>	<u><u>\$ 151,062</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accrued expenses	<u>\$ 5,046</u>	<u>\$ 4,267</u>
Net Assets		
Unrestricted	222,678	102,695
Temporarily restricted	-	44,100
Total net assets	<u>222,678</u>	<u>146,795</u>
Total liabilities and net assets	<u><u>\$ 227,724</u></u>	<u><u>\$ 151,062</u></u>

See Notes to Financial Statements.

OPERATION FIRST RESPONSE, INC.

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011
(WITH DECEMBER 31, 2010 COMPARATIVE TOTALS)**

	Unrestricted	Temporarily Restricted	2011	2010
SUPPORT AND REVENUE				
Contributions	\$ 603,002	\$ -	\$ 603,002	\$ 382,810
Grants	16,890	60,000	76,890	223,000
In-kind donations (OFR backpacks)	73,388	-	73,388	116,633
Interest income	85	-	85	127
Total support and revenue	693,365	60,000	753,365	722,570
Net assets released from restriction	104,100	(104,100)	-	-
	<u>797,465</u>	<u>(44,100)</u>	<u>753,365</u>	<u>722,570</u>
EXPENSES				
Program expenses	633,183	-	633,183	630,927
Supporting services				
General operating expenses	39,817	-	39,817	44,549
Fund raising expenses	4,482	-	4,482	5,169
Total expenses	677,482	-	677,482	680,645
Increase in net assets	119,983	(44,100)	75,883	41,925
Net assets, beginning of year	102,695	44,100	146,795	104,870
Net assets, end of year	\$ 222,678	\$ -	\$ 222,678	\$ 146,795

See Notes to Financial Statements.

OPERATION FIRST RESPONSE, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2011
(WITH DECEMBER 31, 2010 COMPARATIVE TOTALS)**

	Program Services	General Operating	Fundraising	Totals	
				2011	2010
Salary Expenses					
Salaries	\$ 40,697	\$ 4,522	\$ -	\$ 45,219	\$ 35,000
Payroll taxes	-	3,632	-	3,632	2,780
Total salary expenses	40,697	8,154	-	48,851	37,780
Direct Assistance Programs					
Automobile	56,718	-	-	56,718	45,236
Financial	3,235	-	-	3,235	3,766
Food and supplies	72,000	-	-	72,000	78,934
General	68,315	-	-	68,315	49,172
Household and maintenance	16,112	-	-	16,112	57,618
OFR backpacks and other in-kind	77,903	-	-	77,903	119,138
Rental	124,786	-	-	124,786	113,134
Telephone	4,859	-	-	4,859	6,638
Transportation & lodging	55,928	-	-	55,928	29,141
Utilities	54,892	-	-	54,892	45,835
Total assistance payments	534,748	-	-	534,748	548,612
Other Operating Expenses					
Bank charges	3,694	547	-	4,241	3,222
Depreciation	-	1,432	-	1,432	1,480
Dues and subscriptions	-	917	-	917	931
Fundraising expense	-	-	2,244	2,244	4,067
Interest expense	-	767	-	767	832
License and registration	-	-	2,238	2,238	1,102
Miscellaneous expenses	-	-	-	-	4,009
Office supplies	-	7,760	-	7,760	6,202
Payroll fees	-	1,918	-	1,918	1,652
Per diem	-	-	-	-	809
Postage and delivery	9,053	378	-	9,431	6,062
Printing and reproduction	-	4,193	-	4,193	3,737
Professional fees	33,483	-	-	33,483	31,207
Storage	-	756	-	756	716
Telephone	4,083	-	-	4,083	5,346
Travel	2,711	10,087	-	12,798	15,576
Volunteer appreciation	-	2,158	-	2,158	3,967
Website	4,714	750	-	5,464	3,336
Total operating expenses	57,738	31,663	4,482	93,883	94,253
Total expenses	\$ 633,183	\$ 39,817	\$ 4,482	\$ 677,482	\$ 680,645

See Notes to Financial Statements.

OPERATION FIRST RESPONSE, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011
(WITH DECEMBER 31, 2010 COMPARATIVE TOTALS)**

	2011	2010
Cash Flows From Operating Activities		
Increase in net assets	\$ 75,883	\$ 41,925
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	1,432	1,480
Changes in assets and liabilities:		
Decrease in accounts receivable	1,458	11,846
Increase in accrued expenses	779	1,365
Net cash flow provided by operations	<u>79,552</u>	<u>56,616</u>
Cash Flows From Investing Activities		
Purchase of property and equipment	-	(3,277)
Net cash flows used in investing activities	<u>-</u>	<u>(3,277)</u>
Net increase in cash	79,552	53,339
Cash and Cash Equivalents		
Beginning of year	144,696	91,357
End of year	<u>\$ 224,248</u>	<u>\$ 144,696</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 2011 or 2010.

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 2009, 2010, and 2011.

Note 2. Cash and Cash Equivalents

Composition of cash and cash equivalents is as follows:

Type	2011	2010
Non-interest business checking	\$ 19,396	\$ 58,156
Interest Bearing Accounts:		
Interest PayPal	1,662	405
Interest Money Market	203,190	86,135
	<u>\$ 224,248</u>	<u>\$ 144,696</u>

Individual bank combined cash account deposits up to \$250,000 are insured by the Federal Deposit Insurance Corporation (FDIC). At December 31, 2011 and 2010, 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. OFR sends care packages to combat support hospitals in Iraq and Afghanistan which are provided to wounded soldiers. Total in-kind donations for the Backpack Program were \$73,388 in 2011 and \$116,633 in 2010.

OPERATION FIRST RESPONSE, INC.

NOTES TO FINANCIAL STATEMENTS

Note 4. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2011 and 2010 consist of the following:

Description	2011	2010
Bob Woodruff Family Foundation	\$ -	\$ 44,100

Note 5. Fair Value of Instruments

The Organization's financial instruments are cash and cash equivalents, 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 March 6, 2012, 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, 2011.