

OPERATION FIRST RESPONSE, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2007 AND 2006

OPERATION FIRST RESPONSE, INC.

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Independent Auditors' Report

To the Board of Directors
Operation First Response, Inc.
Culpeper, Virginia 22701

We have audited the accompanying statements of financial position of Operation First Response, Inc. (a nonprofit organization), as of December 31, 2007 and 2006, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of Operation First Response, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Clark and Anderson, P.A.

CLARK AND ANDERSON, P.A.
Certified Public Accountants

October 6, 2008

OPERATION FIRST RESPONSE, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2007 AND 2006

ASSETS

	<u>2007</u>	<u>2006</u>
Current Assets		
Cash	\$ <u>18,060</u>	\$ <u>2,278</u>
Total Current Assets	<u>18,060</u>	<u>2,278</u>
Accounts Receivable	<u>750</u>	<u>-</u>
Fixed Assets		
Equipment, furniture and fixtures	507	507
Less accumulated depreciation	<u>259</u>	<u>102</u>
Total Fixed Assets, Net	<u>248</u>	<u>405</u>
Total Assets	<u>\$ 19,058</u>	<u>\$ 2,683</u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable and accrued expenses	\$ <u>5,982</u>	\$ <u>862</u>
Total Liabilities	<u>5,982</u>	<u>862</u>
Net Assets		
Unrestricted	<u>13,076</u>	<u>1,821</u>
Total Net Assets	<u>13,076</u>	<u>1,821</u>
Total Liabilities and Net Assets	<u>\$ 19,058</u>	<u>\$ 2,683</u>

-See independent auditors' report and accompanying notes-

OPERATION FIRST RESPONSE, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2007

	Unrestricted	Temporarily Restricted	Total
Revenue			
Public donations	\$ 259,339	\$ -	\$ 259,339
Grants	55,000	-	55,000
Gift in kind	-	-	-
Other income	300	-	300
Interest income	3	-	3
Total Revenues	314,642	-	314,642
Expenses			
Program expenses	258,818	-	258,818
General operating expenses	44,129	-	44,129
Fund raising expenses	440	-	440
Total Expenses	303,387	-	303,387
Increase in Net Assets	11,255	-	11,255
Net Assets Beginning of Year	1,821	-	1,821
Net Assets End of Year	\$ 13,076	\$ -	\$ 13,076

-See independent auditors' report and accompanying notes-

OPERATION FIRST RESPONSE, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue			
Public donations	\$ 78,160	\$ -	\$ 78,160
Grants	95,000	-	95,000
Gift in kind	4,930	-	4,930
Other income	-	-	-
Interest income	<u>2,059</u>	<u>-</u>	<u>2,059</u>
Total Revenues	<u>180,149</u>	<u>-</u>	<u>180,149</u>
Expenses			
Program expenses	260,280	-	260,280
General operating expenses	19,087	-	19,087
Fund raising expenses	<u>25</u>	<u>-</u>	<u>25</u>
Total Expenses	<u>279,392</u>	<u>-</u>	<u>279,392</u>
Decrease in Net Assets	(99,243)	-	(99,243)
Net Assets Beginning of Year	<u>101,064</u>	<u>-</u>	<u>101,064</u>
Net Assets End of Year	<u>\$ 1,821</u>	<u>\$ -</u>	<u>\$ 1,821</u>

-See independent auditors' report and accompanying notes-

OPERATION FIRST RESPONSE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2007

	Program	General and Administrative	Fund-raising	Total
Financial assistance	\$ 39,612	\$ -	\$ -	\$ 39,612
General assistance	7,349	-	-	7,349
Household support and maintenance	54,083	-	-	54,083
OFR backpacks	3,122	-	-	3,122
Rental assistance	5,315	-	-	5,315
Telephone	1,149	-	-	1,149
Utilities	10,567	-	-	10,567
Travel and transportation expense	61,510	3,827	-	65,337
Food and supplies	27,327	-	-	27,327
Travel and entertainment expense	-	4,252	-	4,252
Professional fees	-	11,996	-	11,996
Printing and reproduction	-	436	-	436
Office supplies	-	5,253	-	5,253
License and registration	-	111	-	111
Bank service charges	2,901	327	-	3,228
Dues and subscriptions	-	75	-	75
Postage and delivery	3,191	1,558	-	4,749
Payroll expenses	42,692	11,754	-	54,446
Tax	-	-	440	440
Depreciation	-	156	-	156
Miscellaneous expenses	-	4,269	-	4,269
Others	-	115	-	115
Total Expenses	\$ 258,818	\$ 44,129	\$ 440	\$ 303,387

-See independent auditors' report and accompanying notes-

OPERATION FIRST RESPONSE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2006

	Program	General and Administrative	Fund-raising	Total
Financial assistance	\$ 123,563	\$ -	\$ -	\$ 123,563
General assistance	7,756	-	-	7,756
Household support and maintenance	15,193	-	-	15,193
OFR backpacks	23,403	-	-	23,403
Rental assistance	8,521	-	-	8,521
Travel and transportation expense	57,562	5,199	-	62,761
Food and supplies	10,763	-	-	10,763
Professional fees	-	2,150	-	2,150
Printing and reproduction	-	97	-	97
Office supplies	-	2,808	-	2,808
License and registration	-	540	-	540
Bank service charges	3,544	1,332	-	4,876
Dues and subscriptions	-	54	-	54
Postage and delivery	9,975	516	-	10,491
Taxes	-	220	25	245
Depreciation	-	103	-	103
Insurance	-	2,364	-	2,364
Others	-	3,704	-	3,704
Total Expenses	\$ 260,280	\$ 19,087	\$ 25	\$ 279,392

-See independent auditors' report and accompanying notes-

OPERATION FIRST RESPONSE, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
Cash Flows From Operating Activities		
Increase(decrease) in net assets	\$ 11,255	\$ (99,243)
Adjustments to reconcile increase(decrease) in net assets to net cash provided by operating activities		
Depreciation expense	156	103
Changes in assets and liabilities		
Increase in accounts receivable	(750)	-
Decrease in accounts payable	(629)	237
Increase in accrued expenses	<u>5,750</u>	<u>-</u>
Net Cash Provided By(Used In) Operating Activities	<u>15,782</u>	<u>(98,903)</u>
Cash Flows From Investing Activities		
Net Cash Used In Investing Activities-		
Acquisition of property and equipment	<u>-</u>	<u>(507)</u>
Net Increase(Decrease) in Cash and Cash Equivalents	<u>15,782</u>	<u>(99,410)</u>
Cash and Equivalents, Beginning of Year	<u>2,278</u>	<u>101,688</u>
Cash and Equivalents, End of Year	<u>\$ 18,060</u>	<u>\$ 2,278</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	<u>\$ -</u>	<u>\$ -</u>

-See independent auditors' report and accompanying notes-

OPERATION FIRST RESPONSE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2007 AND 2006

Note 1 – Nature of Operations

Operation First Response, Inc. (the Organization) is an all volunteer, non-profit 501(C)(3) tax-exempt charity organized to support our nation's wounded heroes and their families with personal and financial needs. The Organization 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 and morale packs to troops overseas.

Note 2 – Summary of Significant Accounting Policies

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

- a) Basis of Accounting - The financial statements of Operation First Response, Inc. have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.
- b) Basis of Presentation – Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, 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.

Unrestricted Net Assets – Net assets not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

OPERATION FIRST RESPONSE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2007 AND 2006

Note 2 – Summary of Significant Accounting Policies (Continued)

b) Basis of Presentation (continued)

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

c) Cash and Cash Equivalents – The Organization 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.

d) Fixed Assets – The Organization capitalizes all expenditures for buildings and improvements, and equipment with a useful life of over one year at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and improvements	30 – 40 years
Equipment, furniture, and fixtures	5 – 7 years

e) 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.

f) Contributed Services – The Organization 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 SFAS No. 116, *Accounting for Contributions Received and Contributions Made*.

OPERATION FIRST RESPONSE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2007 AND 2006

Note 2 – Summary of Significant Accounting Policies (Continued)

- g) **Functional Allocation of Expenses** – The costs 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.
- h) **Estimates** – In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- i) **Income Taxes** – The Organization 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.

Note 3 – Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding the length of time those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Property and equipment, if not donated, is carried at cost.

Depreciation has been computed on all property and equipment using the straight-line method. Depreciation expense for the years ended December 31, 2007 and 2006 amounted to \$156 and \$103, respectively.

Note 4 – Concentration of Credit Risk

The Organization has deposits in one major financial institution, which from time to time is in excess of amounts insured by the Federal Deposit Insurance Company. The Organization has not experienced any losses in such accounts. The Organization believes that it is not exposed to any significant credit risk on such instruments or cash and cash equivalents.