

Financial Statements

OPERATION FIRST
RESPONSE, INC.

December 31, 2008

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

Peggy L. Baker, Founder/President/CEO
Carolyn D. Crossley, Vice President/Treasurer
Heather L. Sliwinski, Secretary

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statement of financial position of Operation First Response, Inc. (a nonprofit organization) as of December 31, 2008, 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 financial statements of Operation First Response, Inc. as of December 31, 2007, and for the year ended were audited by other auditors whose report dated October 6, 2008, expressed an unqualified opinion on those 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, 2008, 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
June 25, 2009

Mitchell & Co., P.C.

OPERATION FIRST RESPONSE, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2008 and 2007

	2008	2007
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 28,830	\$ 18,060
Accounts receivable	-	750
Total current assets	28,830	18,810
Property and equipment, net of accumulated depreciation 2008, \$416; 2007, \$259.	753	248
Total assets	\$ 29,583	\$ 19,058
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 5,235	\$ 5,982
Total current liabilities	5,235	5,982
Net Assets		
Unrestricted	24,348	13,076
Total liabilities and net assets	\$ 29,583	\$ 19,058

See Notes to Financial Statements.

OPERATION FIRST RESPONSE, INC.

STATEMENTS OF ACTIVITIES

For The Years Ended December 31, 2008 and 2007

	2008	2007
SUPPORT AND REVENUE		
Contributions	\$ 277,660	\$ 259,339
Grants	196,500	55,000
In-kind donations (OFR backpacks)	11,980	-
Interest income	70	303
Total support and revenue	486,210	314,642
EXPENSES		
Program expenses	425,247	258,818
Supporting services		
General operating expenses	48,757	44,129
Fund raising expenses	934	440
Total expenses	474,938	303,387
Increase in unrestricted net assets	11,272	11,255
Net assets, beginning of year	13,076	1,821
Net assets, end of year	\$ 24,348	\$ 13,076

See Notes to Financial Statements.

OPERATION FIRST RESPONSE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended December 31, 2008

(with December 31, 2007 Comparative Totals)

	Totals				
	Program Services	General Operating	Fundraising	2008	2007
Salaries	\$ 46,250	\$ 9,238	\$ -	\$ 55,488	54,446
Payroll taxes	-	4,208	-	4,208	-
Total salaries and related expenses	46,250	13,446	-	59,696	54,446
Assistance Programs:					
Automobile	38,214	-	-	38,214	8,831
Financial	27,158	-	-	27,158	39,612
Food and supplies	21,252	-	-	21,252	27,327
General	12,284	-	-	12,284	7,349
Household and maintenance	81,430	-	-	81,430	54,083
OFR backpacks	13,769	-	-	13,769	3,122
Rental	67,120	-	-	67,120	5,315
Telephone	9,698	-	-	9,698	1,149
Transportation & lodging	74,234	-	-	74,234	52,679
Utilities	23,962	-	-	23,962	10,567
Bank charges	3,603	1,486	-	5,089	3,228
Depreciation	-	157	-	157	156
Dues and subscriptions	-	165	-	165	75
License and registration		1,261	934	2,195	551
Miscellaneous expenses	679	3,357	-	4,036	4,384
Office supplies	-	7,476	-	7,476	5,253
Per diem	-	807	-	807	-
Postage and delivery	3,919	847	-	4,766	4,749
Printing and reproduction	-	3,359	-	3,359	436
Professional fees	-	11,336	-	11,336	11,996
Travel	1,675	5,060	-	6,735	8,079
	378,997	35,311	934	415,242	248,941
Total expenses	\$ 425,247	\$ 48,757	\$ 934	\$ 474,938	\$ 303,387

See Notes to Financial Statements.

OPERATION FIRST RESPONSE, INC.

STATEMENTS OF CASH FLOWS

For The Years Ended December 31, 2008 and 2007

	2008	2007
Cash Flows From Operating Activities		
Increase in net assets	\$ 11,272	\$ 11,255
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	157	156
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	750	(750)
Increase (decrease) in accounts payable	5,003	(629)
Increase (decrease) in accrued expenses	(5,750)	5,750
Net cash flow from operations	11,432	15,782
Cash Flows From Investing Activities		
Purchase of property and equipment	(662)	-
Net cash flows (used in) investing activities	(662)	-
Net increase in cash	10,770	15,782
Cash and Cash Equivalents		
Beginning of year	18,060	2,278
End of year	<u>\$ 28,830</u>	<u>\$ 18,060</u>

See Notes to Financial Statements.

OPERATION FIRST RESPONSE, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Organization and Summary of 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. Operation First Response 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 Operation First Response 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 Operation First Response, Inc. 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 in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, OFR 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: Operation First Response 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. Summary of Accounting Policies (Continued)

Contributed Services: Operation First Response 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*.

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: In 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: Operation First Response 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 2. Cash and Cash Equivalents

Composition of cash and cash equivalents at December 31, 2008, is as follows:

Type	Amount
Non-interest business checking	\$ 16,033
Interest Bearing Accounts:	
Interest PayPal	1,916
Interest Money Market	10,881
	<u>\$ 28,830</u>

Individual bank combined cash account deposits up to \$250,000 are insured by the Federal Deposit Insurance Corporation (FDIC). At December 31, 2008, OFR bank account balances did not exceed the FDIC coverage.