

*Financial Statements*

**OPERATION FIRST  
RESPONSE, INC.**

December 31, 2009

## **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

#### **DIRECTORS**

Peggy L. Baker  
Robert O'Donoghue  
Marilyn J Green  
Phil Irizarry  
Heather L. Sliwinski  
Kevin A. Smith

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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, 2009, 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 Operation First Response's 2008 financial statements and in our report dated June 25, 2009, 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, 2009, 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  
May 12, 2010

*Mitchell & Co., P.C.*

**OPERATION FIRST RESPONSE, INC.**

**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2009 and 2008**

	<b>2009</b>	<b>2008</b>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 91,357	\$ 28,830
Contributions pledge receivable	<b>14,289</b>	-
<b>Total current assets</b>	<b>105,646</b>	28,830
Property and equipment, net of accumulated depreciation 2009, \$737; 2008, \$416.	<b>2,126</b>	753
<b>Total assets</b>	<b>\$ 107,772</b>	<b>\$ 29,583</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 2,902	\$ 5,235
<b>Total current liabilities</b>	<b>2,902</b>	5,235
Net Assets		
Unrestricted	<b>104,870</b>	24,348
<b>Total liabilities and net assets</b>	<b>\$ 107,772</b>	<b>\$ 29,583</b>

See Notes to Financial Statements.

**OPERATION FIRST RESPONSE, INC.**

**STATEMENTS OF ACTIVITIES**

**For The Years Ended December 31, 2009 and 2008**

	<b>2009</b>	<b>2008</b>
<b>SUPPORT AND REVENUE</b>		
Contributions	\$ 368,674	\$ 277,660
Grants	228,700	196,500
In-kind donations (OFR backpacks)	120,672	11,980
Interest income	236	70
<b>Total support and revenue</b>	<b>718,282</b>	<b>486,210</b>
<b>EXPENSES</b>		
Program expenses	596,298	425,247
Supporting services		
General operating expenses	37,420	48,757
Fund raising expenses	4,042	934
<b>Total expenses</b>	<b>637,760</b>	<b>474,938</b>
<b>Increase in unrestricted net assets</b>	<b>80,522</b>	<b>11,272</b>
<b>Net assets, beginning of year</b>	<b>24,348</b>	<b>13,076</b>
<b>Net assets, end of year</b>	<b>\$ 104,870</b>	<b>\$ 24,348</b>

See Notes to Financial Statements.

**OPERATION FIRST RESPONSE, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**For The Year Ended December 31, 2009**

(with December 31, 2008 Comparative Totals)

	Totals				
	Program Services	General Operating	Fundraising	2009	2008
Salary and Related Expenses:					
Salaries	\$ 33,167	\$ 3,871	\$ -	\$ 37,038	\$ 55,488
Payroll taxes	-	3,029	-	3,029	4,208
<b>Total salary and related expenses</b>	<b>33,167</b>	<b>6,900</b>	<b>-</b>	<b>40,067</b>	<b>59,696</b>
Direct Assistance Programs:					
Automobile	77,371	-	-	77,371	38,214
Financial	17,099	-	-	17,099	27,158
Food and supplies	31,262	-	-	31,262	21,252
General	36,630	-	-	36,630	12,284
Household and maintenance	37,088	-	-	37,088	81,430
OFR backpacks	122,011	-	-	122,011	13,769
Rental	121,932	-	-	121,932	67,120
Telephone	10,439	-	-	10,439	9,698
Transportation & lodging	32,542	-	-	32,542	74,234
Utilities	39,200	-	-	39,200	23,962
<b>Total assistance payments</b>	<b>525,574</b>	<b>-</b>	<b>-</b>	<b>525,574</b>	<b>369,121</b>
Other Operating Expenses:					
Bank charges	2,503	285	-	2,788	5,089
Depreciation	-	321	-	321	157
Dues and subscriptions	-	1,094	-	1,094	165
Fundraising expense	-	-	3,225	3,225	-
Interest expense	-	671	-	671	-
License and registration	-	25	817	842	2,195
Miscellaneous expenses	708	3,186	-	3,894	4,036
Office supplies	-	3,973	-	3,973	7,476
Per diem	-	670	-	670	807
Postage and delivery	6,614	669	-	7,283	4,766
Printing and reproduction	-	2,388	-	2,388	3,359
Professional fees	20,391	8,636	-	29,027	11,336
Telephone	2,445	-	-	2,445	-
Travel	4,896	5,881	-	10,777	6,735
Website	-	2,721	-	2,721	-
<b>Total operating expenses</b>	<b>37,557</b>	<b>30,520</b>	<b>4,042</b>	<b>72,119</b>	<b>46,121</b>
<b>Total expenses</b>	<b>\$ 596,298</b>	<b>\$ 37,420</b>	<b>\$ 4,042</b>	<b>\$ 637,760</b>	<b>\$ 474,938</b>

See Notes to Financial Statements.

**OPERATION FIRST RESPONSE, INC.**

**STATEMENTS OF CASH FLOWS**

**For The Years Ended December 31, 2009 and 2008**

	<b>2009</b>	<b>2008</b>
<b>Cash Flows From Operating Activities</b>		
Increase in net assets	\$ <b>80,522</b>	\$ 11,272
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	<b>321</b>	157
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	<b>(14,289)</b>	750
Increase (decrease) in accounts payable	<b>(2,333)</b>	5,003
(Decrease) in accrued expenses	<b>-</b>	(5,750)
<b>Net cash flow from operations</b>	<b>64,221</b>	11,432
<b>Cash Flows From Investing Activities</b>		
Purchase of property and equipment	<b>(1,694)</b>	(662)
<b>Net cash flows (used in) investing activities</b>	<b>(1,694)</b>	(662)
<b>Net increase in cash</b>	<b>62,527</b>	10,770
<b>Cash and Cash Equivalents</b>		
Beginning of year	<b>28,830</b>	18,060
End of year	<b>\$ 91,357</b>	\$ 28,830

See Notes to Financial Statements.



## OPERATION FIRST RESPONSE, INC.

### NOTES TO FINANCIAL STATEMENTS

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#### 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

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#### 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 is as follows:

Type	2009	2008
Non-interest business checking	\$ 77,192	\$ 16,033
Interest Bearing Accounts:		
Interest PayPal	3,308	1,916
Interest Money Market	10,857	10,881
	<u>\$ 91,357</u>	<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, 2009, OFR bank account balances did not exceed the FDIC coverage.

#### Note 3. Accounting for Uncertain Income Tax positions

Operation First Response is exempt from federal income tax under IRC 501(c)(3). OFR believes all of its current activities and programs continue to meet the income tax exemption criteria of the IRC for nonprofit organization. Under an Internal Revenue Service audit of the organization activities, a differing position could result with a possible income tax liability.