

Financial Statements

OPERATION
FIRST RESPONSE, INC.

December 31, 2016

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

SGT Phillip Irizarry, USMC (Honorably Discharged), Chair
Peggy L. Baker, Founder/President/CEO/Treasurer
Lauri Hauser, Secretary

DIRECTORS

Peggy L. Baker
Justin Barker
Lauri Hauser
SGT Phillip Irizarry, USMC (Honorably Discharged)
Robert O'Donoghue
CPL Ronny Porta, USMC (Retired)

SENIOR ADVISORS

Nick Constantino
Carl Monk

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CERTIFIED PUBLIC ACCOUNTANTS

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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, 2016, 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, 2016, 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 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 6, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Leesburg, Virginia
May 9, 2017

Mitchell & Co., P.C.

OPERATION FIRST RESPONSE, INC.

**STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016
(with December 31, 2015 comparative totals)**

	2016	2015
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 400,256	\$ 338,633
Contributions receivable	-	8,000
Total current assets	400,256	346,633
Property and equipment, net of accumulated depreciation 2016, \$5,335; 2015, \$6,921	6,452	1,112
Total assets	\$ 406,708	\$ 347,745
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 975	\$ 1,161
Total liabilities	975	1,161
Net Assets		
Unrestricted	405,733	346,584
Total net assets	405,733	346,584
Total liabilities and net assets	\$ 406,708	\$ 347,745

See Notes to Financial Statements.

OPERATION FIRST RESPONSE, INC.

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016
(with December 31, 2015 comparative totals)**

	Unrestricted	Temporarily Restricted	2016	2015
SUPPORT AND REVENUE				
Contributions	\$ 789,973	\$ -	\$ 789,973	\$ 809,470
Grants	50,000	-	50,000	5,000
In-kind donations	226,553	-	226,553	191,133
Interest income	92	-	92	181
Total support and revenue	1,066,618	-	1,066,618	1,005,784
Net assets released from restriction	-	-	-	-
	1,066,618	-	1,066,618	1,005,784
EXPENSES				
Program expenses	976,769	-	976,769	1,149,548
Supporting services				
General operating expenses	18,134	-	18,134	24,846
Fundraising expenses	12,566	-	12,566	14,268
Total expenses	1,007,469	-	1,007,469	1,188,662
Change in net assets	59,149	-	59,149	(182,878)
Net assets, beginning of year	346,584	-	346,584	529,462
Net assets, end of year	\$ 405,733	\$ -	\$ 405,733	\$ 346,584

See Notes to Financial Statements.

OPERATION FIRST RESPONSE, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016
(with December 31, 2015 comparative totals)**

	Program Services	General Operating	Fundraising	Totals	
				2016	2015
Salary Expenses					
Salaries	\$ 74,390	\$ 4,133	\$ 4,133	\$ 82,656	\$ 78,890
Payroll taxes	5,775	321	321	6,417	6,141
Total salary expenses	80,165	4,454	4,454	89,073	85,031
Direct Assistance and Outreach Programs					
Automobile	76,843	-	-	76,843	132,812
Food and supplies	103,326	-	-	103,326	100,297
General financial support	106,903	-	-	106,903	95,682
Household and maintenance	-	-	-	-	7,024
OFR backpacks	1,503	-	-	1,503	1,529
In-kind:					
Backpacks	64,257	-	-	64,257	25,008
Google AdWords	106,285	-	-	106,285	118,624
Military family assistance	28,502	-	-	28,502	12,401
Rental	143,509	-	-	143,509	233,980
Telephone	5,162	-	-	5,162	13,713
Transportation and lodging	64,167	-	-	64,167	56,766
Utilities	105,865	-	-	105,865	181,144
Total assistance and outreach	806,322	-	-	806,322	978,980
Other Expenses					
Bank charges	3,120	273	-	3,393	3,693
Depreciation	-	1,692	-	1,692	520
Dues and subscriptions	-	571	-	571	203
Fundraising expense	-	-	1,584	1,584	1,342
In-kind:					
Rent	21,600	1,200	1,200	24,000	24,000
Office	1,754	1,755	-	3,509	11,100
Interest expense	-	92	-	92	380
Insurance	1,434	169	84	1,687	1,585
License and registration	-	-	2,253	2,253	3,075
Office	13,393	1,576	788	15,757	9,212
Payroll fees	1,733	204	102	2,039	2,018
Postage and delivery	5,696	58	-	5,754	9,844
Printing and reproduction	3,960	466	233	4,659	11,679
Professional fees	9,250	1,088	544	10,882	10,274
Storage	2,312	-	-	2,312	1,966
Communications	4,302	506	253	5,061	3,332
Travel	16,218	1,908	954	19,080	16,368
Utilities	1,992	234	117	2,343	3,410
Volunteer appreciation	-	1,497	-	1,497	1,721
Website	3,518	391	-	3,909	8,929
Total other expenses	90,282	13,680	8,112	112,074	124,651
Total expenses	\$ 976,769	\$ 18,134	\$ 12,566	\$ 1,007,469	\$ 1,188,662

See Notes to Financial Statements.

OPERATION FIRST RESPONSE, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016
(with December 31, 2015 comparative totals)**

	2016	2015
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ 59,149	\$ (182,878)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,692	520
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	8,000	(7,250)
(Decrease) in accounts payable	(186)	(1,420)
Net cash flow provided by (used in) operations	68,655	(191,028)
Cash Flows From Investing Activities		
Purchase of equipment	(7,032)	-
Net cash flow (used in) investing activities	(7,032)	-
Net increase (decrease) in cash	61,623	(191,028)
Cash and Cash Equivalents		
Beginning of year	338,633	529,661
End of year	\$ 400,256	\$ 338,633

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.

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

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 2016 or 2015.

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 2013, 2014, 2015 and 2016.

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	2016	2015
Non-interest business checking	\$ 107,711	\$ 68,120
Interest Bearing Accounts:		
Interest PayPal	263	1,221
Interest Money Market	292,282	269,292
	<u>\$ 400,256</u>	<u>\$ 338,633</u>

Individual bank combined cash account deposits up to \$250,000 are insured by the Federal Deposit Insurance Corporation (FDIC). At December 31, 2016 and 2015 OFR bank account balances exceeded the FDIC coverage limit by \$34,640 and \$13,292, respectively.

OPERATION FIRST RESPONSE, INC.

NOTES TO FINANCIAL STATEMENTS

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	2016	2015
Direct Assistance and Outreach Programs		
OFR backpacks	\$ 64,257	\$ 25,008
Family assistance programs	28,502	12,401
Google ads	106,285	118,624
	<u>199,044</u>	<u>156,033</u>
Other In-Kind Provided Support		
Office supplies	3,509	11,100
Office space	24,000	24,000
	<u>27,509</u>	<u>35,100</u>
Total in-kind donations	<u>\$ 226,553</u>	<u>\$ 191,133</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, 2015 from which the summarized information was derived.

Note 6. Subsequent Events

The Organization has evaluated subsequent events through May 9, 2017, 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, 2016.