

Financial Statements

OPERATION
FIRST RESPONSE, INC.

December 31, 2017

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
Lauri Hauser
SGT Phillip Irizarry, USMC (Honorably Discharged)
Robert O'Donoghue
CPL Ronny Porta, USMC (Retired)

SENIOR ADVISORS

Nick Constantino
Carl Monk

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
-------------------------------------	---

FINANCIAL STATEMENTS

Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6-8

MITCHELL & Co., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

JEFFREY D. MITCHELL, CPA
SANDRA M. TONDREAU, CPA
W. MATTHEW BURNS, CPA

AMANDA M. NOORDHOFF, CPA
KARA J. SANTMYER, CPA
TONJI M. LEISS, CPA

110 EAST MARKET STREET 108 W. WASHINGTON STREET
SUITE 200 SUITE 203
LEESBURG, VIRGINIA 20176 MIDDLEBURG, VIRGINIA 20117
703.777.4900 540.883.3173
WWW.MCOCPA.COM | FAX: 703.771.3082

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

VIRGINIA SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

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, 2017, 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, 2017, 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 9, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Leesburg, Virginia
April 27, 2018

Mitchell & Co., P.C.

OPERATION FIRST RESPONSE, INC.

**STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017
(with December 31, 2016 comparative totals)**

	2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 561,148	\$ 400,256
Gift cards	7,000	-
Total current assets	568,148	400,256
Property and equipment, net of accumulated depreciation 2017, \$7,625; 2016, \$5,335	5,276	6,452
Total assets	\$ 573,424	\$ 406,708
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 683	\$ 975
Total liabilities	683	975
Net Assets		
Unrestricted	565,741	405,733
Temporarily restricted	7,000	-
Total net assets	572,741	405,733
Total liabilities and net assets	\$ 573,424	\$ 406,708

See Notes to Financial Statements.

OPERATION FIRST RESPONSE, INC.

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017
(with December 31, 2016 comparative totals)**

	Unrestricted	Temporarily Restricted	2017	2016
SUPPORT AND REVENUE				
Contributions	\$ 793,928	\$ 41,500	\$ 835,428	\$ 789,973
Grants	50,000	-	50,000	50,000
In-kind donations	212,275	-	212,275	226,553
Interest income	105	-	105	92
Total support and revenue	1,056,308	41,500	1,097,808	1,066,618
Net assets released from restriction	34,500	(34,500)	-	-
	1,090,808	7,000	1,097,808	1,066,618
EXPENSES				
Program expenses	897,340	-	897,340	976,769
Supporting services				
General operating expenses	21,387	-	21,387	18,134
Fundraising expenses	12,073	-	12,073	12,566
Total expenses	930,800	-	930,800	1,007,469
Change in net assets	160,008	7,000	167,008	59,149
Net assets, beginning of year	405,733	-	405,733	346,584
Net assets, end of year	\$ 565,741	\$ 7,000	\$ 572,741	\$ 405,733

See Notes to Financial Statements.

OPERATION FIRST RESPONSE, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017
(with December 31, 2016 comparative totals)**

	Program Services	General Operating	Fundraising	Totals	
				2017	2016
Salary Expenses					
Salaries	\$ 82,331	\$ 4,574	\$ 4,574	\$ 91,479	\$ 82,656
Payroll taxes	6,329	352	351	7,032	6,417
Total salary expenses	88,660	4,926	4,925	98,511	89,073
Direct Assistance and Outreach Programs					
Automobile	73,669	-	-	73,669	76,843
Food and supplies	64,909	-	-	64,909	103,326
General financial support	99,803	-	-	99,803	106,903
Household renovations/repairs	34,870	-	-	34,870	-
OFR backpacks	3,421	-	-	3,421	1,503
In-kind:					
Backpacks	56,455	-	-	56,455	64,257
Google AdWords	103,357	-	-	103,357	106,285
Military family assistance	21,054	-	-	21,054	28,502
Rental	121,643	-	-	121,643	143,509
Telephone	6,366	-	-	6,366	5,162
Transportation and lodging	38,063	-	-	38,063	64,167
Utilities	96,279	-	-	96,279	105,865
Total direct assistance and outreach	719,889	-	-	719,889	806,322
Other Expenses					
Bank charges	2,298	-	-	2,298	3,393
Depreciation	-	3,352	-	3,352	1,692
Dues and subscriptions	-	575	-	575	571
Fundraising expense	-	-	293	293	1,584
In-kind:					
Rent	21,600	1,200	1,200	24,000	24,000
Office	3,704	3,705	-	7,409	3,509
Interest expense	-	118	-	118	92
Insurance	1,452	171	85	1,708	1,687
License and registration	-	-	2,657	2,657	2,253
Office	12,733	1,498	749	14,980	15,757
Payroll fees	1,853	218	109	2,180	2,039
Postage and delivery	8,318	84	-	8,402	5,754
Printing and reproduction	3,560	419	209	4,188	4,659
Professional fees	9,115	1,072	537	10,724	10,882
Storage	1,471	-	-	1,471	2,312
Communications	7,446	414	413	8,273	5,061
Travel	13,637	1,604	802	16,043	19,080
Utilities	1,604	189	94	1,887	2,343
Volunteer appreciation	-	1,842	-	1,842	1,497
Website	-	-	-	-	3,909
Total other expenses	88,791	16,461	7,148	112,400	112,074
Total expenses	\$ 897,340	\$ 21,387	\$ 12,073	\$ 930,800	\$ 1,007,469

See Notes to Financial Statements.

OPERATION FIRST RESPONSE, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017
(with December 31, 2016 comparative totals)**

	2017	2016
Cash Flows From Operating Activities		
Increase in net assets	\$ 167,008	\$ 59,149
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	3,352	1,692
Changes in assets and liabilities:		
Decrease in accounts receivable	-	8,000
(Increase) in gift cards	(7,000)	
(Decrease) in accounts payable and accrued expenses	(292)	(186)
Net cash flow provided by operations	<u>163,068</u>	<u>68,655</u>
Cash Flows From Investing Activities		
Purchase of equipment	(2,176)	(7,032)
Net cash flow (used in) investing activities	<u>(2,176)</u>	<u>(7,032)</u>
Net increase in cash	160,892	61,623
Cash and Cash Equivalents		
Beginning of year	400,256	338,633
End of year	<u>\$ 561,148</u>	<u>\$ 400,256</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.

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.

In-kind Donations: 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 Operations and 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 2017 or 2016.

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 2014, 2015, 2016 and 2017.

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	Bank Balance	Accounting Balance	
	2017	2017	2016
Wells Fargo			
Checking	\$ 106,493	\$ 175,491	\$ 93,293
Money Market	74,076	74,076	22,060
Suntrust			
Checking	14,403	14,403	14,418
Money Market	266,996	294,496	270,222
Paypal	2,682	2,682	263
	<u>\$ 464,650</u>	<u>\$ 561,148</u>	<u>\$ 400,256</u>

Individual bank combined cash account deposits up to \$250,000 are insured by the Federal Deposit Insurance Corporation (FDIC). At December 31, 2017 Suntrust bank account balances exceeded FDIC insurance coverage limits by \$31,399.

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	2017	2016
Direct Assistance and Outreach Programs		
OFR backpacks	\$ 56,455	\$ 64,257
Family assistance programs	21,054	28,502
Google ads	103,357	106,285
	<u>180,866</u>	<u>199,044</u>
Other In-Kind Provided Support		
Office supplies	7,409	3,509
Office space	24,000	24,000
	<u>31,409</u>	<u>27,509</u>
Total in-kind donations	<u>\$ 212,275</u>	<u>\$ 226,553</u>

Note 4. Temporarily Restricted Net Assets

A summary of temporarily restricted net assets at December 31, 2017 and 2016 is as follows:

Purpose	Balance	2017 Activity		Balance
	12/31/2016	Additions	Uses	12/31/2017
Veteran home rehabilitation costs	\$ -	\$ 41,500	(34,500)	\$ 7,000

Note 5. 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 6. 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, 2016 from which the summarized information was derived.

Note 7. Subsequent Events

The Organization has evaluated subsequent events through April 27, 2018, 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, 2017.