

*Financial Statements*

OPERATION  
FIRST RESPONSE, INC.

December 31, 2018

## **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)  
Danielle Ferguson

#### **SENIOR ADVISORS**

Nick Constantino  
Carl Monk

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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, 2018, 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, 2018, 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 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 27, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Leesburg, Virginia  
May 1, 2019

*Mitchell & Co., P.C.*

**OPERATION FIRST RESPONSE, INC.**

**STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2018  
(with December 31, 2017 comparative totals)**

	<b>2018</b>	<b>2017</b>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 723,019	\$ 561,148
Gift cards	-	7,000
<b>Total current assets</b>	<b>723,019</b>	<b>568,148</b>
Property and equipment, net of accumulated depreciation 2018, \$10,860; 2017, \$7,625	<b>2,041</b>	5,276
<b>Total assets</b>	<b>\$ 725,060</b>	<b>\$ 573,424</b>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 1,906	\$ 683
<b>Total liabilities</b>	<b>1,906</b>	<b>683</b>
Net Assets		
Without Donor Restriction	723,128	565,741
With Donor Restriction	26	7,000
<b>Total net assets</b>	<b>723,154</b>	<b>572,741</b>
<b>Total liabilities and net assets</b>	<b>\$ 725,060</b>	<b>\$ 573,424</b>

See Notes to Financial Statements.

**OPERATION FIRST RESPONSE, INC.**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(with December 31, 2017 comparative totals)**

	Without Donor Restriction	With Donor Restriction	<b>2018</b>	2017
<b>SUPPORT AND REVENUE</b>				
Contributions	\$ 814,505	\$ 11,500	\$ <b>826,005</b>	\$ 835,428
Grants	-	-	-	50,000
In-kind donations	229,082	-	<b>229,082</b>	212,275
Interest income	235	-	<b>235</b>	105
<b>Total support and revenue</b>	<u>1,043,822</u>	<u>11,500</u>	<u><b>1,055,322</b></u>	<u>1,097,808</u>
Net assets released from donor restriction	18,474	(18,474)	-	-
	<u>1,062,296</u>	<u>(6,974)</u>	<u><b>1,055,322</b></u>	<u>1,097,808</u>
<b>EXPENSES</b>				
Program expenses	867,184	-	<b>867,184</b>	897,340
Supporting services				
General operating expenses	18,428	-	<b>18,428</b>	21,387
Fundraising expenses	19,297	-	<b>19,297</b>	12,073
<b>Total expenses</b>	<u>904,909</u>	<u>-</u>	<u><b>904,909</b></u>	<u>930,800</u>
<b>Change in net assets</b>	157,387	(6,974)	<b>150,413</b>	167,008
<b>Net assets, beginning of year</b>	<u>565,741</u>	<u>7,000</u>	<u><b>572,741</b></u>	<u>405,733</u>
<b>Net assets, end of year</b>	<u>\$ 723,128</u>	<u>\$ 26</u>	<u><b>\$ 723,154</b></u>	<u>\$ 572,741</u>

See Notes to Financial Statements.

**OPERATION FIRST RESPONSE, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(with December 31, 2017 comparative totals)**

	Program	Management & General	Fundraising	Totals	
				2018	2017
<b>Salary Expenses</b>					
Salaries	\$ 81,850	\$ 4,547	\$ 4,547	\$ 90,944	\$ 91,479
Payroll taxes	6,288	349	350	6,987	7,032
<b>Total salary expenses</b>	<b>88,138</b>	<b>4,896</b>	<b>4,897</b>	<b>97,931</b>	<b>98,511</b>
<b>Direct Assistance and Outreach Programs</b>					
Automobile	59,808	-	-	59,808	73,669
Food and supplies	51,212	-	-	51,212	64,909
General financial support	121,131	-	-	121,131	99,803
Household renovations/repairs	5,150	-	-	5,150	34,870
OFR backpacks	2,929	-	-	2,929	3,421
In-kind:					
Backpacks	95,935	-	-	95,935	56,455
Google AdWords	92,471	-	-	92,471	103,357
Military family assistance	13,826	-	-	13,826	21,054
Rental	111,748	-	-	111,748	121,643
Telephone	10,536	-	-	10,536	6,366
Transportation and lodging	43,296	-	-	43,296	38,063
Utilities	84,873	-	-	84,873	96,279
<b>Total direct assistance and outreach</b>	<b>692,915</b>	<b>-</b>	<b>-</b>	<b>692,915</b>	<b>719,889</b>
<b>Other Expenses</b>					
Bank charges	851	-	-	851	2,298
Depreciation	-	3,235	-	3,235	3,352
Dues and subscriptions	-	784	-	784	575
Fundraising expense	-	-	4,722	4,722	293
In-kind:					
Rent	21,600	1,200	1,200	24,000	24,000
Office	1,425	1,425	-	2,850	7,409
Interest expense	-	37	-	37	118
Insurance	1,452	171	85	1,708	1,708
License and registration	-	-	5,699	5,699	2,657
Office	11,871	1,397	698	13,966	14,980
Payroll fees	1,922	226	113	2,261	2,180
Postage and delivery	14,606	148	-	14,754	8,402
Printing and reproduction	3,112	366	183	3,661	4,188
Professional fees	9,370	1,102	552	11,024	10,724
Storage	-	-	-	-	1,471
Communications	3,309	184	184	3,677	8,273
Travel	14,336	1,687	843	16,866	16,043
Utilities	2,058	242	121	2,421	1,887
Volunteer appreciation	-	1,304	-	1,304	1,842
Website	219	24	-	243	-
<b>Total other expenses</b>	<b>86,131</b>	<b>13,532</b>	<b>14,400</b>	<b>114,063</b>	<b>112,400</b>
<b>Total expenses</b>	<b>\$ 867,184</b>	<b>\$ 18,428</b>	<b>\$ 19,297</b>	<b>\$ 904,909</b>	<b>\$ 930,800</b>

See Notes to Financial Statements.

**OPERATION FIRST RESPONSE, INC.**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(with December 31, 2017 comparative totals)**

	<b>2018</b>	<b>2017</b>
<b>Cash Flows From Operating Activities</b>		
Increase in net assets	<b>\$ 150,413</b>	\$ 167,008
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	<b>3,235</b>	3,352
Changes in assets and liabilities:		
(Increase) in gift cards	<b>7,000</b>	(7,000)
Increase (Decrease) in accounts payable and accrued expenses	<b>1,223</b>	(292)
<b>Net cash flow provided by operations</b>	<b><u>161,871</u></b>	<u>163,068</u>
<b>Cash Flows From Investing Activities</b>		
Purchase of equipment	-	(2,176)
<b>Net cash flow (used in) investing activities</b>	<b><u>-</u></b>	<u>(2,176)</u>
<b>Net increase in cash</b>	<b>161,871</b>	160,892
<b>Cash and Cash Equivalents</b>		
Beginning of year	<b>561,148</b>	400,256
End of year	<b><u>\$ 723,019</u></b>	<u>\$ 561,148</u>

See Notes to Financial Statements.



## OPERATION FIRST RESPONSE, INC.

### NOTES TO FINANCIAL STATEMENTS

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#### 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 statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) as defined in the FASB Accounting Standards Codification (ASC) Topic 958 dated August 2016, *Not-For-Profit Entities*, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Organizations". (ASC) 958-205 was effective January 1, 2018. Under ASC Topic 958, the Organization is required to report information regarding its financial position and activities according to two classes of net assets:

*Net Assets Without Donor Restriction:* Net assets not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.

*Net Assets With Donor Restriction:* Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Non-Profit Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

*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.

**OPERATION FIRST RESPONSE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 1. Nature of Operations and Significant Accounting Policies (Continued)**

*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. Contributions restricted for the acquisition of land, buildings, and equipment are reported as net assets without donor restriction upon acquisition of the assets and the assets are placed in service.

*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.

*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 2018 or 2017.

*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. Such allocations are determined by management on based on their natural cost driver. The expenses that are allocated include the following:

<u>Natural Category</u>	<u>Allocation Method</u>
Personnel costs	Time and effort
Occupancy and related costs	Time and effort
Office and other	Time and effort

*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 2015, 2016, 2017 and 2018.

## OPERATION FIRST RESPONSE, INC.

### NOTES TO FINANCIAL STATEMENTS

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#### Note 1. Nature of Operations and Significant Accounting Policies (Continued)

*Measure of Operations:* The statements of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to OFR's ongoing activities. Non-operating activities are limited to resources that generate return from investments, endowment contributions, financing costs, and other activities considered to be of a more unusual or nonrecurring nature. There were no non-operating activities in 2018 and 2017.

*New Accounting Pronouncement:* On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. OFR has adjusted the presentation of these statements accordingly.

#### Note 2. 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 3. 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, 2017 from which the summarized information was derived.

#### Note 4. Cash and Cash Equivalents

Composition of cash and cash equivalents is as follows:

Type	Bank Balance	Accounting Balance	
	2018	2018	2017
Wells Fargo			
Checking	\$ 121,850	\$ 212,491	\$ 175,491
Money Market	24,105	24,105	74,076
Suntrust			
Checking	14,388	14,388	14,403
Money Market	461,323	471,323	294,496
Paypal	712	712	2,682
	<u>\$ 622,378</u>	<u>\$ 723,019</u>	<u>\$ 561,148</u>

Individual bank combined cash account deposits up to \$250,000 are insured by the Federal Deposit Insurance Corporation (FDIC). At December 31, 2018 Suntrust bank account balances exceeded FDIC insurance coverage limits by \$225,711.

## OPERATION FIRST RESPONSE, INC.

### NOTES TO FINANCIAL STATEMENTS

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#### Note 5. 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	2018	2017
Direct Assistance and Outreach Programs		
OFR backpacks	\$ 95,935	\$ 56,455
Family assistance programs	13,826	21,054
Google ads	92,471	103,357
	<u>202,232</u>	<u>180,866</u>
Other In-Kind Provided Support		
Office supplies	2,850	7,409
Office space	24,000	24,000
	<u>26,850</u>	<u>31,409</u>
Total in-kind donations	<u>\$ 229,082</u>	<u>\$ 212,275</u>

#### Note 6. Net Assets with Donor Restriction

A summary of net assets with donor restriction at December 31, 2018 and 2017 is as follows:

Purpose	Balance	2018 Activity		Balance
	12/31/2017	Additions	Uses	12/31/2018
Veteran home rehabilitation costs	\$ 7,000	\$ 11,500	(18,474)	\$ 26

All net assets with donor restriction were restricted for a specified purpose.

#### Note 7. Liquidity

The Organization's financial assets available within one year of the balance sheet date for general expenditure are as follows:

Description	Amount
Cash and cash equivalents without donor restriction	\$ 722,993
Cash and cash equivalents with donor restriction to be spent in one year	26
	<u>\$ 723,019</u>

#### Note 8. Subsequent Events

The Organization has evaluated subsequent events through May 1, 2019, 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, 2018.