

Financial Statements

OPERATION
FIRST RESPONSE, INC.

December 31, 2019

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, 2019, 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, 2019, 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 May 1, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Leesburg, Virginia
April 29, 2020

Mitchell & Co., P.C.

OPERATION FIRST RESPONSE, INC.

**STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019**

(with December 31, 2018 comparative totals)

	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 803,997	\$ 723,019
Total current assets	803,997	723,019
Property and equipment, net of accumulated depreciation 2019, 12,840; and 2018, \$10,860	61	2,041
Total assets	\$ 804,058	\$ 725,060
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 621	\$ 1,906
Total current liabilities	621	1,906
Net Assets		
Without donor restriction	803,437	723,128
With donor restriction	-	26
Total net assets	803,437	723,154
Total liabilities and net assets	\$ 804,058	\$ 725,060

See Notes to Financial Statements.

OPERATION FIRST RESPONSE, INC.

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019**

(with December 31, 2018 comparative totals)

	Without Donor Restriction	With Donor Restriction	2019	2018
SUPPORT AND REVENUE				
Contributions	\$ 755,495	\$ -	\$ 755,495	\$ 826,005
In-kind donations	251,492	-	251,492	229,082
Interest income	294	-	294	235
Total support and revenue	1,007,281	-	1,007,281	1,055,322
Net assets released from donor restriction	26	(26)	-	-
	1,007,307	(26)	1,007,281	1,055,322
EXPENSES				
Program expenses	885,785	-	885,785	867,184
Supporting services				
General operating expenses	24,690	-	24,690	18,428
Fundraising expenses	16,523	-	16,523	19,297
Total expenses	926,998	-	926,998	904,909
Change in net assets	80,309	(26)	80,283	150,413
Net assets, beginning of year	723,128	26	723,154	572,741
Net assets, end of year	\$ 803,437	\$ -	\$ 803,437	\$ 723,154

See Notes to Financial Statements.

OPERATION FIRST RESPONSE, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019**
(with December 31, 2018 comparative totals)

	Program	Management & General	Fundraising	Totals	
				2019	2018
Salary Expenses					
Salaries	\$ 85,371	\$ 4,743	\$ 4,743	\$ 94,857	\$ 90,944
Payroll taxes	6,555	364	364	7,283	6,987
Employee Benefits	339	19	19	377	-
Total salary expenses	92,265	5,126	5,126	102,517	97,931
Direct Assistance and Outreach Programs					
Automobile	34,794	-	-	34,794	59,808
Food and supplies	41,261	-	-	41,261	51,212
General financial support	162,576	-	-	162,576	121,131
Household renovations/repairs	-	-	-	-	5,150
OFR backpacks	3,682	-	-	3,682	2,929
In-kind:					
Backpacks	93,034	-	-	93,034	95,935
Google AdWords	116,201	-	-	116,201	92,471
Military family assistance	17,792	-	-	17,792	13,826
Rental	85,066	-	-	85,066	111,748
Telephone	5,446	-	-	5,446	10,536
Transportation and lodging	102,571	-	-	102,571	43,296
Utilities	51,204	-	-	51,204	84,873
Total direct assistance and outreach	713,627	-	-	713,627	692,915
Other Expenses					
Bank charges	3,407	-	-	3,407	851
Depreciation	-	1,980	-	1,980	3,235
Dues and subscriptions	-	903	-	903	784
Fundraising expense	-	-	-	-	4,722
In-kind:					
Rent	21,600	1,200	1,200	24,000	24,000
Office	232	233	-	465	2,850
Interest expense	-	-	-	-	37
Insurance	1,363	160	81	1,604	1,708
License and registration	-	-	8,216	8,216	5,699
Office	11,220	1,320	660	13,200	13,966
Payroll fees	1,997	235	117	2,349	2,261
Postage and delivery	11,690	118	-	11,808	14,754
Printing and reproduction	3,425	403	201	4,029	3,661
Professional fees	1,186	10,080	593	11,859	11,024
Communications	2,672	148	149	2,969	3,677
Travel	17,993	-	-	17,993	16,866
Utilities	2,199	259	129	2,587	2,421
Volunteer appreciation	-	2,474	-	2,474	1,304
Website	909	51	51	1,011	243
Total other expenses	79,893	19,564	11,397	110,854	114,063
Total expenses	\$ 885,785	\$ 24,690	\$ 16,523	\$ 926,998	\$ 904,909

See Notes to Financial Statements.

OPERATION FIRST RESPONSE, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019
(with December 31, 2018 comparative totals)

	2019	2018
Cash Flows From Operating Activities		
Increase in net assets	\$ 80,283	\$ 150,413
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,980	3,235
Changes in assets and liabilities:		
Decrease in gift cards	-	7,000
Increase (decrease) in accounts payable and accrued expenses	(1,285)	1,223
Net cash flow provided by operations	80,978	161,871
Net increase in cash	80,978	161,871
Cash and Cash Equivalents		
Beginning of year	723,019	561,148
End of year	\$ 803,997	\$ 723,019

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 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

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 2019 or 2018.

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 2016, 2017, 2018 and 2019.

OPERATION FIRST RESPONSE, INC.

NOTES TO FINANCIAL STATEMENTS

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 2019 and 2018.

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, 2018 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	
	2019	2019	2018
Wells Fargo			
Checking	\$ 79,294	\$ 213,330	\$ 212,491
Money Market	91,668	91,668	24,105
Suntrust			
Checking	14,388	14,373	14,388
Money Market	498,754	484,381	471,323
Paypal	245	245	712
	<u>\$ 684,349</u>	<u>\$ 803,997</u>	<u>\$ 723,019</u>

Individual bank combined cash account deposits up to \$250,000 are insured by the Federal Deposit Insurance Corporation (FDIC). At December 31, 2019 Suntrust bank account balances exceeded FDIC insurance coverage limits by \$263,142.

OPERATION FIRST RESPONSE, INC.

NOTES TO FINANCIAL STATEMENTS

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	2019	2018
Direct Assistance and Outreach Programs		
OFR backpacks	\$ 93,034	\$ 95,935
Family assistance programs	17,792	13,826
Google ads	116,201	92,471
	<u>227,027</u>	<u>202,232</u>
Other In-Kind Provided Support		
Office supplies	465	2,850
Office space	24,000	24,000
	<u>24,465</u>	<u>26,850</u>
Total in-kind donations	<u>\$ 251,492</u>	<u>\$ 229,082</u>

Note 6. Net Assets with Donor Restriction

A summary of net assets with donor restriction at December 31, 2019 and 2018 is as follows:

Purpose	Balance	2019 Activity		Balance
	12/31/2018	Additions	Uses	12/31/2019
Veteran home rehabilitation costs	\$ 26	\$ -	\$ (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	<u>\$ 803,997</u>

Note 8. Subsequent Events

The Organization has evaluated subsequent events through April 29, 2020, 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, 2019.