

Financial Statements

OPERATION
FIRST RESPONSE, INC.

December 31, 2021

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
Lauri Hauser, Secretary
Danielle Ferguson, Treasurer

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

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT

1-2

FINANCIAL STATEMENTS

Statement of Financial Position

3

Statement of Activities

4

Statement of Functional Expenses

5

Statement of Cash Flows

6

Notes to Financial Statements

7-10

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Operation First Response, Inc.
Culpeper, Virginia

Opinion

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, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Operation First Response, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Operation First Response Inc's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Operation First Response, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Operation First Response, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Operation First Response, Inc.'s 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 3, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Leesburg, Virginia
May 9, 2022

Mitchell, Burns & Co., P.C.

OPERATION FIRST RESPONSE, INC.

**STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021**

(with December 31, 2020 comparative totals)

	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 837,245	\$ 913,019
Total current assets	837,245	913,019
Property and equipment		
Office furniture and equipment	12,901	12,901
Less: accumulated depreciation	(12,901)	(12,901)
	-	-
Total assets	\$ 837,245	\$ 913,019
LIABILITIES AND NET ASSETS		
Net Assets		
Without donor restriction:		
Undesignated	\$ 237,245	\$ 313,019
Designated by governing board:		
Operating reserve	250,000	250,000
COVID relief	100,000	100,000
New initiatives	250,000	250,000
	600,000	600,000
With donor restriction		
	-	-
Total net assets	837,245	913,019
Total liabilities and net assets	\$ 837,245	\$ 913,019

See Notes to Financial Statements.

OPERATION FIRST RESPONSE, INC.

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021**
(with December 31, 2020 comparative totals)

	Without Donor Restriction	With Donor Restriction	Total	
			2021	2020
SUPPORT AND REVENUE				
Contributions	\$ 498,142	\$ -	\$ 498,142	\$ 714,684
In-kind donations	260,981	-	260,981	274,455
Interest income	10	-	10	124
Total support and revenue	759,133	-	759,133	989,263
Net assets released from donor restriction	-	-	-	-
	759,133	-	759,133	989,263
EXPENSES				
Program services	793,093	-	793,093	836,107
Supporting services				
Management and general	21,333	-	21,333	23,528
Fundraising	20,481	-	20,481	20,046
Total expenses	834,907	-	834,907	879,681
Change in net assets	(75,774)	-	(75,774)	109,582
Net assets, beginning of year	913,019	-	913,019	803,437
Net assets, end of year	\$ 837,245	\$ -	\$ 837,245	\$ 913,019

See Notes to Financial Statements.

OPERATION FIRST RESPONSE, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021**

(with December 31, 2020 comparative totals)

	Program	Management & General	Fundraising	Totals	
				2021	2020
Salary Expenses					
Salaries	\$ 89,309	\$ 4,962	\$ 4,961	\$ 99,232	\$ 100,224
Payroll taxes	6,869	382	381	7,632	7,694
Employee Benefits	2,536	141	141	2,818	2,573
Total salary expenses	98,714	5,485	5,483	109,682	110,491
Direct Assistance and Outreach Programs					
Automobile	36,089	-	-	36,089	36,738
Food and supplies	66,953	-	-	66,953	112,379
General financial support	64,247	-	-	64,247	57,439
OFR backpacks	1,943	-	-	1,943	8,086
In-kind:					
Backpacks	42,559	-	-	42,559	59,115
Google AdWords	49,400	-	-	49,400	106,000
Military family assistance	6,422	-	-	6,422	10,840
Veterans assistance programs	-	-	-	-	74,400
Specialized Training	138,000	-	-	138,000	-
Project Expense	106,971	-	-	106,971	57,869
Rental	54,869	-	-	54,869	94,569
Telephone	4,700	-	-	4,700	9,461
Transportation and lodging	34,962	-	-	34,962	12,247
Utilities	29,167	-	-	29,167	48,322
Total direct assistance and outreach	636,282	-	-	636,282	687,465
Other Expenses					
Bank charges	891	-	-	891	745
Depreciation	-	-	-	-	61
Dues and subscriptions	-	1,427	-	1,427	2,911
Fundraising expense	-	-	4,839	4,839	3,745
In-kind:					
Rent	21,600	1,200	1,200	24,000	24,000
Office	300	300	-	600	100
Insurance	1,399	165	82	1,646	1,646
License and registration	-	-	7,391	7,391	7,945
Office	7,255	854	426	8,535	10,794
Payroll fees	2,420	285	142	2,847	2,452
Postage and delivery	3,614	37	-	3,651	4,757
Printing and reproduction	625	74	36	735	336
Professional fees	1,130	9,606	565	11,301	12,508
Communications	3,552	197	198	3,947	2,617
Travel	13,263	-	-	13,263	3,556
Utilities	1,806	213	106	2,125	1,927
Volunteer appreciation	-	1,477	-	1,477	1,234
Website	242	13	13	268	391
Total other expenses	58,097	15,848	14,998	88,943	81,725
Total expenses	\$ 793,093	\$ 21,333	\$ 20,481	\$ 834,907	\$ 879,681

See Notes to Financial Statements.

OPERATION FIRST RESPONSE, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021
(with December 31, 2020 comparative totals)

	2021	2020
Cash Flows From Operating Activities		
Increase in net assets	\$ (75,774)	\$ 109,582
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	-	61
Changes in assets and liabilities:		
Increase (decrease) in accounts payable and accrued expenses	-	(621)
Net cash flow provided by operations	<u>(75,774)</u>	<u>109,022</u>
Net increase in cash	(75,774)	109,022
Cash and Cash Equivalents		
Beginning of year	<u>913,019</u>	<u>803,997</u>
End of year	<u>\$ 837,245</u>	<u>\$ 913,019</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 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, ranging from 3-7 years.

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 2021 or 2020.

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 2018, 2019, 2020 and 2021.

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 2021 and 2020.

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, 2020 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	
	2021	2021	2020
Wells Fargo			
Checking	\$ 148,255	\$ 152,654	\$ 118,101
Money Market	71,706	71,706	176,697
Atlantic Union			
Checking	612,890	612,890	618,152
Paypal	3,157	(5)	69
	<u>\$ 836,008</u>	<u>\$ 837,245</u>	<u>\$ 913,019</u>

Individual bank combined cash account deposits up to \$250,000 are insured by the Federal Deposit Insurance Corporation (FDIC). At December 31, 2021, bank balances at Atlantic Union Bank exceeded FDIC insurance coverage limit by \$362,890.

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	2021	2020
Direct Assistance and Outreach Programs		
OFR backpacks	\$ 42,559	\$ 59,115
Military family assistance	6,422	10,840
Veterans assistance programs	-	74,400
Google ads	49,400	106,000
Specialized Training	138,000	-
	<u>236,381</u>	<u>250,355</u>
Other In-Kind Provided Support		
Office supplies	600	100
Office space	24,000	24,000
	<u>24,600</u>	<u>24,100</u>
Total in-kind donations	<u>\$ 260,981</u>	<u>\$ 274,455</u>

Note 6. 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>\$837,245</u>

Note 7. Subsequent Events

The Organization has evaluated subsequent events through May 9, 2022, 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, 2021.