

Financial Statements

OPERATION
FIRST RESPONSE, INC.

December 31, 2022

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

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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, 2022, 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, 2022, 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 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 9, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Leesburg, Virginia
May 23, 2022

Mitchell, Burns & Co., P.C.

OPERATION FIRST RESPONSE, INC.

**STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022**

(with December 31, 2021 comparative totals)

	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 767,748	\$ 837,245
Investments	17,408	-
Total current assets	<u>785,156</u>	<u>837,245</u>
Property and equipment		
Office furniture and equipment	19,276	12,901
Less: accumulated depreciation	(13,432)	(12,901)
	<u>5,844</u>	<u>-</u>
Total assets	<u>\$ 791,000</u>	<u>\$ 837,245</u>
LIABILITIES AND NET ASSETS		
Net Assets		
Without donor restriction:		
Undesignated	\$ 191,000	\$ 237,245
Designated by governing board:		
Operating reserve	350,000	250,000
COVID relief	-	100,000
New initiatives	250,000	250,000
	<u>600,000</u>	<u>600,000</u>
With donor restriction	-	-
Total net assets	<u>791,000</u>	<u>837,245</u>
Total liabilities and net assets	<u>\$ 791,000</u>	<u>\$ 837,245</u>

See Notes to Financial Statements.

OPERATION FIRST RESPONSE, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022
(with December 31, 2021 comparative totals)

	Without Donor Restriction	With Donor Restriction	Total	
			2022	2021
SUPPORT AND REVENUE				
Contributions	\$ 617,448	\$ -	\$ 617,448	\$ 498,142
In-kind donations	330,139	-	330,139	260,981
Unrealized investment income (loss)	(2,553)	-	(2,553)	-
Interest income	10	-	10	10
Total support and revenue	945,044	-	945,044	759,133
Net assets released from donor restriction	-	-	-	-
	945,044	-	945,044	759,133
EXPENSES				
Program services	942,666	-	942,666	793,093
Supporting services				
Management and general	24,727	-	24,727	21,333
Fundraising	23,896	-	23,896	20,481
Total expenses	991,289	-	991,289	834,907
Change in net assets	(46,245)	-	(46,245)	(75,774)
Net assets, beginning of year	837,245	-	837,245	913,019
Net assets, end of year	\$ 791,000	\$ -	\$ 791,000	\$ 837,245

See Notes to Financial Statements.

OPERATION FIRST RESPONSE, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022**

(with December 31, 2021 comparative totals)

	Program	Management & General	Fundraising	Totals	
				2022	2021
Salary Expenses					
Salaries	\$ 89,755	\$ 4,986	\$ 4,987	\$ 99,728	\$ 99,232
Payroll taxes	6,937	385	386	7,708	7,632
Employee benefits	1,925	107	107	2,139	2,818
Total salary expenses	98,617	5,478	5,480	109,575	109,682
Direct Assistance and Outreach Programs					
Automobile	54,808	-	-	54,808	36,089
Food and supplies	114,646	-	-	114,646	66,953
General financial support	36,691	-	-	36,691	64,247
OFR backpacks	874	-	-	874	1,943
In-kind:					
Backpacks	29,129	-	-	29,129	42,559
Google AdWords	45,900	-	-	45,900	49,400
Military family assistance	-	-	-	-	6,422
Specialized training	231,000	-	-	231,000	138,000
Project expense	90,212	-	-	90,212	106,971
Rental	92,251	-	-	92,251	54,869
Telephone	11,118	-	-	11,118	4,700
Transportation and lodging	18,995	-	-	18,995	34,962
Utilities	62,869	-	-	62,869	29,167
Total direct assistance and outreach	788,493	-	-	788,493	636,282
Other Expenses					
Bank charges	1,079	-	-	1,079	891
Depreciation	-	531	-	531	-
Dues and subscriptions	-	1,581	-	1,581	1,427
Fundraising expense	-	-	9,508	9,508	4,839
In-kind:					
Rent	21,600	1,200	1,200	24,000	24,000
Office	55	55	-	110	600
Insurance	1,706	201	100	2,007	1,646
License and registration	-	-	6,001	6,001	7,391
Office	4,068	479	239	4,786	8,535
Payroll fees	2,130	251	125	2,506	2,847
Postage and delivery	5,402	55	-	5,457	3,651
Printing and reproduction	2,007	236	118	2,361	735
Professional fees	1,230	10,456	615	12,301	11,301
Communications	6,666	370	371	7,407	3,947
Travel	7,196	-	-	7,196	13,263
Utilities	1,533	180	90	1,803	2,125
Volunteer appreciation	-	3,605	-	3,605	1,477
Website	884	49	49	982	268
Total other expenses	55,556	19,249	18,416	93,221	88,943
Total expenses	\$ 942,666	\$ 24,727	\$ 23,896	\$ 991,289	\$ 834,907

See Notes to Financial Statements.

OPERATION FIRST RESPONSE, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022
(with December 31, 2021 comparative totals)

	2022	2021
Cash Flows From Operating Activities		
Increase in net assets	\$ (46,245)	\$ (75,774)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	531	-
Unrealized (gain) loss on investments	2,553	-
Donated securities	(19,961)	-
Net cash flow (used in) operations	<u>(63,122)</u>	<u>(75,774)</u>
Cash Flows From Investing Activities		
Purchase of equipment	<u>(6,375)</u>	-
Net cash flow (used in) investing activities	<u>(6,375)</u>	-
Net (decrease) in cash	(69,497)	(75,774)
Cash and Cash Equivalents		
Beginning of year	837,245	913,019
End of year	<u>\$ 767,748</u>	<u>\$ 837,245</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, first responders 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". 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.

Investments: Investments are stated at fair market value. Investments consist principally of publicly traded stocks.

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, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted use by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realized value. 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 2022 or 2021.

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 2019, 2020, 2021 and 2022.

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 2022 and 2021.

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, 2021 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	
	2022	2022	2021
Wells Fargo			
Checking	\$ 121,308	\$ 121,267	\$ 152,654
Money Market	26,717	26,717	71,706
Atlantic Union			
Checking	619,739	619,739	612,890
Paypal	2,026	25	(5)
	<u>\$ 769,790</u>	<u>\$ 767,748</u>	<u>\$ 837,245</u>

Individual bank combined cash account deposits up to \$250,000 are insured by the Federal Deposit Insurance Corporation (FDIC). At December 31, 2022, bank balances at Atlantic Union Bank exceeded FDIC insurance coverage limit by \$369,739.

OPERATION FIRST RESPONSE, INC.

NOTES TO FINANCIAL STATEMENTS

Note 5. Investments

A summary of investments at December 31, 2022 and 2021 is as follows:

Description	Cost	Fair Value	Unrealized Gain
2022			
Stocks	\$ 19,961	\$ 17,408	\$ (2,553)
2021			
Stocks	\$ -	\$ -	\$ -

Note 6. Fair Value Measurements

FASB has issued guidance for measurement and disclosure of fair value and establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1:* Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that OFR has the ability to access.
- Level 2:* Quoted prices for similar instruments in active and inactive markets; and model driven valuations with significant inputs and drivers derived from observable active markets.
- Level 3:* Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used for investments carried or disclosed at fair value:

Mutual Funds: Valued at the net asset value ("NAV") of shares held by OFR at year end.

The following tables set forth by level, within the fair value hierarchy, the Organization's assets measured at fair value as of December 31, 2022 and 2021:

December 31, 2022	Level 1	Level 2	Level 3	Total
Stocks	\$ 17,408	\$ -	\$ -	\$ 17,408
December 31, 2021	Level 1	Level 2	Level 3	Total
Stocks	\$ -	\$ -	\$ -	\$ -

OPERATION FIRST RESPONSE, INC.

NOTES TO FINANCIAL STATEMENTS

Note 7. In-kind Donations

The fair value of in-kind donations included as contributions in the financial statements and the corresponding expenses or fixed assets additions. Total in-kind donations consist of the following:

In-kind description	2022	2021
Direct Assistance and Outreach Programs		
OFR backpacks	\$ 29,129	\$ 42,559
Military family assistance	-	6,422
Google AdWords	45,900	49,400
Specialized training	231,000	138,000
	<u>306,029</u>	<u>236,381</u>
Other In-Kind Provided Support		
Office supplies	110	600
Office space	24,000	24,000
	<u>24,110</u>	<u>24,600</u>
Total in-kind donations	<u>\$ 330,139</u>	<u>\$ 260,981</u>

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. The cost of these are recorded direct to program expense. OFR also receives office space and supplies. The cost of these is allocated among program and supporting services and is broken out on the statement of functional expenses.

Note 8. 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>\$767,748</u>

Note 9. Subsequent Events

The Organization has evaluated subsequent events through May 23, 2023, 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, 2022.