ANNUAL REPORT 2009
Dear Friends of Operation Homefront:

2009 was a year of great challenges and equally great accomplishments for Operation Homefront. With ongoing deployments in Iraq, increased deployments to Afghanistan, and severe economic challenges back at home, the stresses on our military families were greater than ever. We know military families struggled meeting the most basic of needs as we saw a year-over-year increase of 191% in requests for food assistance.

With your support, Operation Homefront met 160,536 needs in 2009, a 144% increase over 2008. Our total revenue increased by 59%, although our cash contributions were one-third less than projected, consistent with the nationwide philanthropic trend in 2009. So while the needs were greater than ever, cash contributions dropped. This led to a staff restructuring in early 2010. The restructuring was difficult, yet we are proud we still were able to meet the significant increase in needs to our warriors and their families.

For our stewardship, Operation Homefront received the highest four-star rating from watchdog Charity Navigator for the third straight year, an achievement of only 13% of all charities they rate. We cut our overhead rate to 5% for 2009, meaning that $.95 of all contributions directly supported programs and services to our military families.

As we work in conjunction with Department of Defense services and other nonprofit organizations, we provide families with what they need, when they need it — whether it’s a place to stay, emergency financial help, food, school supplies for their children or other necessities. Our clients turn to us out of genuine need. They are not looking for a handout. They need temporary assistance to help them get through a rough spot. Then they’re not only back on their feet, they’re knocking on our door asking how they can give back.

We’ve highlighted just a couple of our supporters, who are indicative of the many that support our military families. I encourage you to look at these examples, and think about other ways you personally, your company, or your foundation can support our military families through Operation Homefront.

We look forward to a successful 2010, because we are privileged to serve our country by serving military families. Thank you for your continued partnership in this honorable endeavor.

Sincerely,

Jim Knotts
President & CEO

Sources of Financial Support
- IN-KIND NONCASH CONTRIBUTIONS . . . . 73%
- FOUNDATIONS . . . . 15%
- CORPORATIONS . . . . 7%
- INDIVIDUAL GIVING . . . . 3%
- OTHER REVENUE . . . . 2%

Expenses
- PROGRAM SERVICES . . . . 95%
- MEMBERSHIP AND FUNDRAISING . . . . 3%
- MANAGEMENT AND GENERAL . . . . 2%

Needs Met
2007 2008 2009
Board of Directors

Rob Wolford, Chair
Managing Director
Hollencrest Securities

Marc Hedde, Vice Chair
President
California Office Systems

Commander Leda Chong, USN (Ret), Secretary
Staff Vice President, Government Relations
General Dynamics

Rick Moore, Treasurer
President
Wells Fargo Worldwide Military Banking

Aaron Cuha
President & CEO
Synergy Management Systems, Inc.

Glen Latona
Partner & Managing Director
Spend Reduction Solutions, LLC

Captain Jeff Cathey, USN (Ret)
Senior Vice President, Military Affairs
Bank of America

Scott K. Celley
Vice President External Affairs
TriWest Healthcare Alliance

Brigadier General John Howard, USA (Ret)
Business Development Manager
CDW-G

Jim Knotts
President & CEO
Operation Homefront

Ralph Meoni
Senior Vice President, Strategy and Planning
BAE Systems

Tony Williams
Vice President
Advanced Systems Group

Advisory Board

The Honorable Richard Burr (R-NC)
United States Senate

The Reverend Stephanie Caldwell
Ordained Minister and Army Wife

The Honorable Benjamin Cardin (D-MD)
United States Senate

The Honorable Saxby Chambliss (R-GA)
United States Senate

The Honorable John Cornyn (R-TX)
United States Senate

The Honorable Geoff Davis (R-KY)
United States House of Representatives

The Honorable Susan Davis (D-CA)
United States House of Representatives

The Honorable Trent Franks (R-AZ)
United States House of Representatives

The Honorable Duncan Hunter (R-CA)
United States House of Representatives

The Honorable Jim Inhofe (R-OK)
United States Senate

The Honorable Darrell Issa (R-CA)
United States House of Representatives

Colonel Jack Jacobs U.S. Army (Ret)
Medal of Honor Recipient

The Honorable Tim Johnson (D-SD)
United States Senate

The Honorable Jack Kingston (R-GA)
United States House of Representatives

The Honorable Jim Marshall (D-GA)
United States House of Representatives

The Honorable Mike McIntyre (D-NC)
United States House of Representatives

The Honorable Jeff Miller (R-FL)
United States House of Representatives

The Honorable Randy Neugebauer (R-TX)
United States House of Representatives

The Honorable Mark Pryor (D-AR)
United States Senate

The Honorable Joe Wilson (R-SC)
United States House of Representatives
Our Mission

Mission ▶ Operation Homefront provides emergency financial and other assistance to the families of our service members and wounded warriors.

Vision ▶ Through generous, widespread public support and a collaborative team of exceptional staff and volunteers, we aspire to become the provider of choice for emergency financial and other assistance to the families of our service members and wounded warriors. Where there is a need we do not provide, we will partner with others for the benefit of our military families.

Our Values ▶ Our values serve as fundamental principles that govern the behavior of our staff, volunteers, and Board members associated with Operation Homefront.

Our core values include:

I Honor Patriotism and Service to Country: We believe those who wear our country’s uniform do so with a sense of duty, knowing they support the causes of freedom. We serve by serving them and their families.

I Do What’s Right: We are committed to the highest standards of ethical conduct in all that we do. We believe that honesty and integrity engender trust, which is the cornerstone of providing our services. We are careful stewards of the resources provided by our donors. We strive to be good citizens and we take responsibility for our actions.

I Respect Others: We recognize that our success as an enterprise depends on the talent, skills and expertise of our people and our ability to function as a tightly integrated team. We appreciate our diversity and believe that respect — for our colleagues, clients, partners, and all those with whom we interact — is an essential element of all positive and productive relationships.

I Perform With Excellence: We understand the importance of our mission and the trust our clients and donors place in us. With this in mind, we strive to excel in every aspect of our activities and approach every challenge with a determination to succeed.

History ▶ Operation Homefront, a 501(c)(3) organization, was formed in February of 2002, as support for the families of deployed service members immediately following 9/11. Headquartered in San Antonio, Texas, Operation Homefront currently provides services to military families across the nation with 23 chartered chapters serving 32 states. The national office handles cases in states that do not have an active chapter.

Services ▶ Operation Homefront provides direct services that alleviate a military family’s or individual’s emergency financial burden, as well as counseling and/or recovery support. Emergency financial assistance is in the form of grants (checks) paid directly to mortgage lenders, auto mechanics, contractors, hospitals, doctors, dentists and other providers. Other emergency assistance, which an applicant receives in 24 to 72 hours, includes:

I Emergency food
I Emergency home repairs
I Financial assistance
I Critical baby items: formula, food and diapers
I Vehicle repairs and vehicle donations
I Furniture and household items
I Operation Homefront Village for wounded and their families

The need is greater than ever... for basic necessities like food, utilities and rent.
Demographics ▶ The majority of our clients — 75 percent — are the lowest-paid service members; the E1 through E6 enlisted ranks. The target population is American military personnel and/or their families who have unmet needs due to financial hardship, injury, or physical or mental detriment, or financial hardship as a result of service in Iraq or Afghanistan. These may include active duty, Reserve, National Guard and veteran service members. They are a diverse ethnic group (64 percent are minorities): approximately 20 percent are African-American; 5 percent Asian-American; 34 percent Hispanic/Latino; 5 percent Native American; and 36 percent Caucasian. Roughly 75 percent live at an income level 80 percent below the median income for the communities in which they reside.

Operation Homefront does not discriminate on the grounds of age, ethnicity, gender, geography or physical limitations.

Financial Responsibility ▶ Because we believe in total transparency with our donors and volunteers, a partnership in responsibility, and a commitment to ethics, we offer:

- Operation Homefront spends 95% of its budget on program services.
- Charity Navigator, for the third consecutive year, has named Operation Homefront a Four Star Charity. Only 13% of the charities rated receive this rating for three consecutive years.
- The American Institute of Philanthropy (AIP), a prominent charity watchdog service, has named Operation Homefront a top-rated charity.
- Financial information including audited financial statements and the most recent IRS tax filing (Form 990) are posted on the website at www.operationhomefront.net.
By the numbers: Operation Homefront’s impact in 2009

- 259 cases
- 532 cases
- 62 cases
- 84 cases
- 19,656* members
- 467 wives
- 223 spouses

160,536 needs met

*NOT INCLUDED
## Homefront’s impact in 2009

<table>
<thead>
<tr>
<th>Category</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Assistance</td>
<td>★ 1,565 cases: rent, utilities, car payments, etc.</td>
</tr>
<tr>
<td>Food Assistance</td>
<td>★ 3,078 cases</td>
</tr>
<tr>
<td>Operation Homefront Villages</td>
<td>★ 84 families</td>
</tr>
<tr>
<td>Vision Care</td>
<td>★ 32 cases</td>
</tr>
<tr>
<td>Military Child &amp; Military Motherhood Awards</td>
<td>★ 2 award winners</td>
</tr>
<tr>
<td></td>
<td>★ 782* total applicants</td>
</tr>
<tr>
<td>Community Events</td>
<td>★ 267 cases</td>
</tr>
<tr>
<td>Communication Devices</td>
<td>★ 64,351 cases: holiday toys, backpacks, Thanksgiving meals, etc.</td>
</tr>
</tbody>
</table>

*not included in total

for military families
Top Donors 2009

Our partners recognize military families

The partnership between Operation Homefront and Lockheed Martin addresses a variety of needs of military families. Through a multi-year commitment, the corporation is the primary sponsor of the wounded warrior transitional housing program near Washington, D.C. Lockheed Martin originated and sponsors the Military Child Award and the Military Motherhood Award to recognize outstanding military family members. Company executives serve on the National Board of Directors and on the Boards of Directors of Operation Homefront chapters. Finally, company employees volunteer their time and effort across a variety of activities. Since 2007, Lockheed Martin has committed more than $1M to Operation Homefront.
Military families were warmed by the holiday spirit as the Walmart–Operation Homefront partnership made the holidays happier and less stressful. In 2009 the partnership’s “Walmart Gives Back” organized Santa’s Toy Shops in six locations and served more than 3,000 military moms and dads with 10,000 children. The children were given toys and books donated by Walmart. In addition, Walmart gift cards were given to more than 1,500 military families in 30 cities and 1,000 gift packages were distributed to caregivers of wounded warriors.
Highlights of 2009

- Needs met increased 144% over 2008, from 65,693 to 160,536.
- Requests for food assistance rose a dramatic 191% over 2008, from 1,059 to 3,078.
- Total revenue increased 59% over 2008, from $17.9 million to $28.5 million.
- Back-to-school backpack distributions increased 132%, from 8,177 in 2008 to 18,998 in 2009.
- Served 84 wounded warrior families through Operation Homefront Village with a steady waiting list of 10 to 30 families.
- Served 345 wounded warrior wives through online and on-site discussion groups.
- Served 19,646 members through OH Online and had more than 17.5 million total page views for the year.
- Received the highest possible four-star rating from Charity Navigator for the third consecutive year, which is only awarded to 13% of charities.
- Operation Homefront had an overhead ratio of 5%, which means 95 cents of every contribution directly supports our military families.
- American Institute of Philanthropy recognized Operation Homefront on its best-rated list of military charities.
- Operation Homefront participated in major sponsorship and promotional events through the holiday campaign with Walmart, the Kid Rock concert series in conjunction with Jim Beam, and a very successful Veterans Day campaign with MillerCoors.
- Through the Walmart partnership, Operation Homefront reached 10,000 military children in a single day to distribute Christmas toys.
- Arbonne International donated approximately $7 million in product that was distributed to thousands of military families across the country through Operation Homefront.
- Operation Homefront launched the Military Child Award to recognize the service and sacrifice of our nation’s youngest heroes. This event honors a child of a military family who exemplifies what it means to be part of the military community.
- Through our partnership with Dollar Tree, Operation Homefront collected 5.6 million toys in more than 3,400 Dollar Stores to provide holiday toys to military children.
- Sgt. Maj. John Estrada, USMC (Ret.), the 15th Sergeant Major of the Marine Corps, joined the Board of Directors.
## Operation Homefront Inc. Statement of Activities for the Year Ended December 31, 2009

(with summarized financial information for the year ended December 31, 2009)

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>2009 Totals</th>
<th>2008 Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue, Support, and Other</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions</td>
<td>$7,239,817</td>
<td>$148,040</td>
<td>$7,387,857</td>
<td>$4,124,393</td>
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<tr>
<td>In-kind contributions</td>
<td>20,878,418</td>
<td>—</td>
<td>20,878,418</td>
<td>12,614,924</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>4,863</td>
<td>—</td>
<td>4,863</td>
<td>11,800</td>
</tr>
<tr>
<td>Interest income</td>
<td>10,232</td>
<td>—</td>
<td>10,232</td>
<td>45,340</td>
</tr>
<tr>
<td>Sponsorships</td>
<td>79,500</td>
<td>—</td>
<td>79,500</td>
<td>314,220</td>
</tr>
<tr>
<td>Special events — net of direct expenses of $52,611 and $66,123</td>
<td>172,788</td>
<td>—</td>
<td>172,788</td>
<td>828,103</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>402,600</td>
<td>(402,600)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total Revenue, Support, and Other</strong></td>
<td>$28,788,218</td>
<td>($254,560)</td>
<td>$28,533,658</td>
<td>$17,938,780</td>
</tr>
</tbody>
</table>

| **Expenses** |              |                        |             |             |
| Program services   | 26,481,358   | —                      | 26,481,358  | 16,005,622  |
| Membership and fundraising | 667,286 | —                      | 667,286     | 570,978     |
| Management and general | 614,851 | —                      | 614,851     | 857,287     |
| **Total Expenses** | $27,763,495 |                        | $27,763,495 | $17,433,887 |

| **Change in Net Assets** |              |                        |             |             |
| Change in Net Assets    | $1,024,273   | ($254,560)            | $770,163    | $504,893    |
| Net assets at beginning of year | 5,147,866 | 265,886              | 5,413,752   | 4,908,859   |
| **Net Assets at End of Year** | $6,172,589 | $11,326               | $6,183,915  | $5,413,752  |


<table>
<thead>
<tr>
<th>Assets</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and equivalents</td>
<td>$2,791,089</td>
<td>$3,875,003</td>
</tr>
<tr>
<td>Receivables:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unconditional promises to give</td>
<td>3,517,588</td>
<td>1,514,845</td>
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<tr>
<td>Sponsorships receivable</td>
<td>—</td>
<td>378,838</td>
</tr>
<tr>
<td>Investments</td>
<td>200</td>
<td>200</td>
</tr>
<tr>
<td>Inventory</td>
<td>64,168</td>
<td>43,018</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>58,466</td>
<td>69,636</td>
</tr>
<tr>
<td>Other current assets</td>
<td>86,312</td>
<td>38,981</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td>$6,517,823</td>
<td>$5,579,321</td>
</tr>
<tr>
<td>Fixed assets, net</td>
<td>229,218</td>
<td>64,432</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$6,747,041</td>
<td>$5,643,753</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities and Net Assets</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$389,917</td>
<td>$80,198</td>
</tr>
<tr>
<td>Accrued liabilities</td>
<td>173,209</td>
<td>149,803</td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td>$563,126</td>
<td>$230,001</td>
</tr>
<tr>
<td><strong>Net Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrestricted</td>
<td>6,172,589</td>
<td>5,147,866</td>
</tr>
<tr>
<td>Temporarily restricted</td>
<td>11,326</td>
<td>265,886</td>
</tr>
<tr>
<td><strong>Total Net Assets</strong></td>
<td>$6,183,915</td>
<td>$5,413,752</td>
</tr>
<tr>
<td><strong>Total Liabilities and Net Assets</strong></td>
<td>$6,747,041</td>
<td>$5,643,753</td>
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</table>