

NONPROFIT INVESTOR

INDEPENDENT RESEARCH FOR PHILANTHROPY

Operation Homefront

Nonprofit Investor Rating:

NEUTRAL

Mission Statement

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

Financial Overview

\$ in MM, Fiscal Year Ended December 31

	<u>2009</u>	<u>2010</u>	<u>2011</u>
Revenue and Support	\$28.5	\$24.5	\$24.7
Operating Expenses	\$27.8	\$21.0	\$24.8
% of Total:			
Program Expenses	95.4%	94.9%	94.3%
G&A	2.2%	2.2%	2.3%
Fundraising	2.4%	2.9%	3.4%

Year Founded: 2002

Contact Details

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SUMMARY

Operation Homefront provides services to alleviate a military family's or individual's emergency financial burden, as well as counseling and recovery support. The organization currently provides services to military families across the nation with 23 chapters serving 27 states. The target population is American military personnel and their families who have unmet needs due to financial hardship, death, injury, or physical or mental detriment as a result of service in Iraq or Afghanistan.

STRENGTHS

- ▲ **High % of costs go toward supporting military and their families.** Nearly 95% of Operation Homefront's total expenses go directly to programs that assist military families and wounded warriors.
- ▲ **Diverse group of supporters.** Operation Homefront supporters include many large corporations and about 15% of contributions come from corporations.

CAUTIONS

- ▼ **Difficulty in attributing impact to the cost of delivering specific services.** Certain states have independently run affiliate chapters which file separately from the national organization. This makes it difficult to evaluate the cumulative impact and corresponding expenses of the collective Operation Homefront organizations.
- **Slight operating loss in 2011 financials.** Operation Homefront's total expenses were slightly higher than revenues in 2011. Additionally a large portion of revenues and expenses are in the form of in-kind contributions.

RECOMMENDATION: NEUTRAL

Operation Homefront is an organization providing services to military families. The organization has developed a model which requires limited spending for fundraising and administrative functions, yet generates substantial contributions and support. However, Operation Homefront's affiliate structure makes it challenging to evaluate the impact of the organization's efforts and the costs associated with each program. The financial information would be better suited for evaluation by clearly breaking out each affiliate as well as highlighting the costs associated with each individual program.

OVERVIEW OF OPERATION HOMEFRONT'S ACTIVITIES

Operation Homefront was formed in February 2002 to support the families of deployed service members immediately following 9/11. Operation Homefront provides direct services to alleviate a military family's or individual's emergency financial burden, as well as counseling and/or recovery support. The organization currently provides services to military families across the nation with 23 chapters serving 27 states. The national office handles cases in states that do not have their own chapters. Operation Homefront is headquartered in San Antonio, Texas.

The majority of Operation Homefront's beneficiaries are the lowest-paid service members (E-1 through E-6 enlisted ranks). The target population is American military personnel and their families who have unmet needs due to financial hardship, death, injury, or physical or mental detriment 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% are minorities): approximately 20% are African-American; 5% Asian-American; 34% Hispanic/Latino; 5% Native American; and 36% Caucasian. Roughly 75% live at an income level 80% below the median income for the communities in which they reside.

Overview of Individual Programs

Food Assistance: Provides food assistance in the form of food boxes, gift certificates to grocery stores, or food vouchers to the commissary. While not a long term solution for chronic financial problems, Operation Homefront is able to provide emergency food assistance to those families that find themselves in a budget crunch and will also assist clients in identifying additional food resources.

Auto Repair: Offers auto repair assistance through authorized service centers for the vehicle that serves as the primary means of transportation for the beneficiary. The average cost of a vehicle repair is around \$700 with some repairs exceeding \$2,500. Medical appointments, school attendance, and grocery store trips all require safe transportation, and by providing this critical service Operation Homefront helps ease service members' financial and emotional burdens.

Moving Assistance: Provides assistance with local moves by providing the physical labor or a moving company to assist a family with the huge undertaking that a move can be. Operation Homefront relies on volunteers and community partners to provide this much-needed service to military families.

Vision Care: The military provides for a new eye exam every year for military family members, but the cost of glasses is not a covered benefit. Operation Homefront offers new glasses for those that cannot otherwise afford to replace them.

Homefront Celebrations: The Homefront Celebrations give military spouses an evening out experience with a catered meal, inspirational speaker, door prizes, and a goody bag. The night is designed to create a relaxing, luxurious event for military spouses to enjoy a night off from the pressures of life, kids, and service, and focus on themselves and making new friends. The goal is for each military spouse to feel welcomed and enveloped in appreciation and care from the time they walk through the door until the end of the evening.

Financial Assistance: Provides emergency financial assistance to service members and their families as they take corrective action to resolve their financial situations. Financial assistance is in the form of checks paid directly to providers such as mortgage lenders, auto mechanics, contractors, hospitals, doctors, and dentists.

Travel & Transportation: For families of service members in need of emergency travel and transportation, Operation Homefront offers support to help commute to medical appointments and funerals.

Home Repair: Offers assistance with unexpected, routine home repair in partnership with community members willing to donate materials and services. Also provides home modifications as needed by injured service members.

Essential Home Items: Offers essential home items for qualified deployed service members and wounded warriors. These items can be in the form of new purchases, repairs, or replacements.

Morale Donated Items: Coordinates donations made by the community to provide assistance to military families. Operation Homefront provides gently used furniture and appliances, household necessities, and baby items as they are donated.

Morale Holiday Programs: Provides exciting morale building opportunities through a variety of programs due to the support of generous individuals, community groups, civic organizations, and businesses who reach out to provide these programs.

Community Events: Operation Homefront sponsors local events, ranging from raising awareness to raising money for local causes.

Wounded Warrior Wives: Through on-site support communities, and an Operation Homefront virtual community that includes an online discussion forum, Wounded Warrior Wives provides female caregivers with opportunities to build relationships, access resources, and enjoy brief moments of rest and respite from their care giving responsibilities. Two-day retreats are available for members of the Wounded Warrior Wives program who serve as caregivers to a wounded, ill, or injured service member.

Military Child of the Year: Operation Homefront annually hosts a Military Child of the Year Award, with one winner from each branch of military service receiving a monetary stipend and a trip to Washington, D.C. for a special recognition ceremony.

Army Homefront Fund: The Fund provides for basic needs, with food assistance and rent being the most common, and other areas including transitional housing, utilities, travel/transportation, and automobile payment, repair, and insurance. Since its kickoff in June 2011, the Army Homefront Fund has met more than 770 needs of wounded soldiers and their families.

OH Villages (Short-term Transitional Housing): Wounded Warriors are a specific concern for Operation Homefront. Service members that return home with a disability typically have to vacate base housing before VA compensation begins. Young returning veterans from Iraq and Afghanistan are at risk of becoming homeless if programs are not put into place to help these service members transition back into civilian life. Operation Homefront Village allows these service members to live rent free while they go through the transition process. Upon placement in OH Village, service members, veterans, and their families are required to attend support groups, workshops, benefits briefings, and résumé writing classes, as determined by a counselor. OH counselors will meet with each military family every 30 days to review their financial situation, determine where they are in the transition process, review their attendance in the required workshops and classes, and determine if they still present adequate need to continue living in OH Village. Once they have become self-sufficient, OH counselors will help them find suitable housing in the area they intend to live on a permanent basis. OH Village properties are fully furnished, complete with full utility services, internet access, cable TV, and telephone service.

Operation Homefront currently operates three Villages:

- SoCal serves primarily Balboa Hospital and Camp Pendleton and is located in Oceanside, CA

- Bethesda is located in Gaithersburg, MD and serves those primarily being treated at Bethesda Naval Medical Center
- San Antonio serves those primarily being treated at Brooke Army Medical Center and Audie Murphy VA Hospital

Homes on the Homefront: The Homes on the Homefront program was created through a new partnership with Chase Bank. Operation Homefront and Chase will match homes in the bank's inventory with deserving families served by the nonprofit. The program's first priority is to place families who currently live at an Operation Homefront Village.

PROGRAM RESULTS AND EFFECTIVENESS

In 2011, Operation Homefront met 156,073 needs for military families, including active duty, National Guard and Reserve members from all branches of service. Since its inception, Operation Homefront has provided more than \$128 million of funding to programs to benefit military families. Moreover, it has served more than 4,200 wounded warriors and their families. It is unclear from public disclosure which needs were met by the home office, versus which needs were met by Operation Homefront affiliates.

<i>Operation Homefront's Impact in 2011</i>		
Auto Repair & Donation	171 Needs Met	Rent & Mortgage: 365
Furniture & Household Items	160 Needs Met	Car Payments & Insurance: 193
Moving Assistance	54 Needs Met	Utilities: 388
Home & Appliance Repair	49 Needs Met	Dental: 34
Back to School Brigade	30,077 Needs Met	Financial Assistance
Homefront Celebrations	1,135 Needs Met	Child Care: 1
Food Assistance	6,044 Needs Met	Critical Baby Items: 146
Operation Homefront Villages	119 Families	Travel: 135
Vision Care	73 Needs Met	Other Financial: 282
Military Child of the Year Award	5 Needs Met	Medical: 9
	Tickets: 24,510	Wounded Warrior Wives
	Care Packages: 4,688	Total Members: 844
	Baby Packs: 1,152	Retreat Attendees: 56
	Computers: 278	Easter Baskets: 2,132
Community Events	Wounded Packages: 1,656	Thanksgiving Meals: 2,346
	iServed Stickers: 17,177	Holiday Food Baskets: 3,621
	Freedom Walks: 4,460	Holiday Toys: 24,149
	Other: 29,874	
		156,073 TOTAL NEEDS MET FOR FAMILIES IN 2011

TRANSPARENCY

Operation Homefront provides key information on its website including newsletters, IRS Form 990s, annual reports, audits, letters from Charity Navigator, and contact information. This information is easy to find and well-presented. Additionally, Operation Homefront has support from many large US corporations including Walmart, PGA Tour Charities, MillerCoors, Chase Bank, Lockheed Martin, Mary Kay, Outback Steakhouse, Dollar Tree, Jim Beam, and BAE Systems. There is also a fair amount of media coverage on Operation Homefront which provides additional information and resources.

Certain states have independently run Operation Homefront chapters that file separately from the national organization. These organizations, though affiliated with Operation Homefront, are separate entities and file separate financials. This makes it difficult to track the cumulative financials of the collective Operation Homefront organizations. It is also potentially misleading to represent that Operation Homefront is able to meet all of the needs stated in the organization's annual report when affiliate chapters are potentially contributing to the totals as well.

The affiliate structure of Operation Homefront is acceptable for this type of organization, but the disclosure could be better by breaking out each affiliate and the corresponding financials. It would also be useful if Operation Homefront more clearly broke out the expenses associated with each individual program. It is currently difficult to determine which programs are the most cost effective and the impact of those programs.

FINANCIAL OVERVIEW

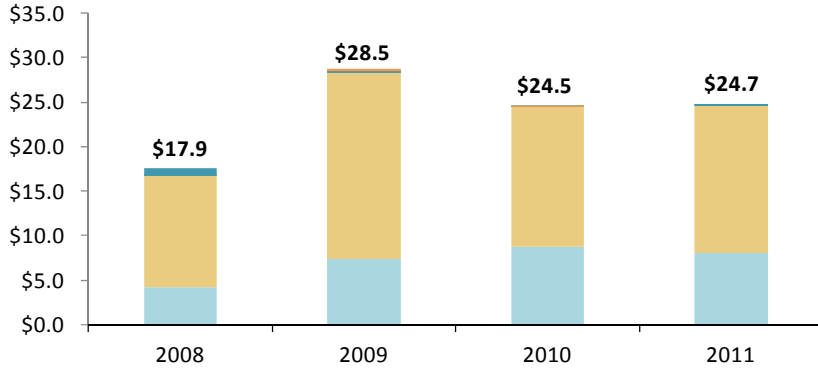
Nearly all of Operation Homefront's revenues come from contributions. Revenue remained essentially flat in 2011 compared to 2010, but decreased 13% in 2010 compared to 2009. The effectiveness of fundraising efforts will be an area to monitor, but it seems like the organization is currently well-managed from a revenue perspective and likely receives some benefits from its affiliations with large corporate sponsors. 95% of Operation Homefront's total revenue goes directly to programs that assist military families and wounded warriors, which is a very high percentage compared to other nonprofits.

Fundraising costs increased in excess of 40% in 2011 while contributions were essentially flat. Despite the slightly negative trend in 2011, fundraising expenses remain only 3.4% of total costs which is a very impressive ratio. Likely a source of the low cost of fundraising is due to Operation Homefront's well-known brand name across the country and partnerships with many large US corporations as described above. The organization's total expenses were slightly higher than revenues in 2011, leading to a negative net change in assets. This will be an area to monitor next year but is not a critical concern at this point given the magnitude (expenses were only greater than revenue by 0.2%) and strength of the balance sheet with over \$7 million in cash and investments. The CEO receives over \$180,000 in compensation and three other top officers receive over \$100,000. The organization seems to be somewhat leanly staffed and these salary figures are in line with what is expected for individuals in these roles at an organization of this size.

Operation Homefront's balance sheet is strong as they have over \$7 million in cash and investments. The organization can cover outstanding liabilities, and the \$4 million in cash and savings could cover approximately 28% of annual expenses.

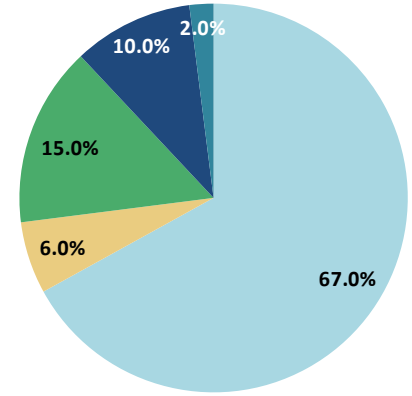
Revenue Mix Over Time

\$ in MM



- Contributions
- In-Kind Contributions
- Miscellaneous
- Interest Income
- Special Events, Net
- Sponsorships

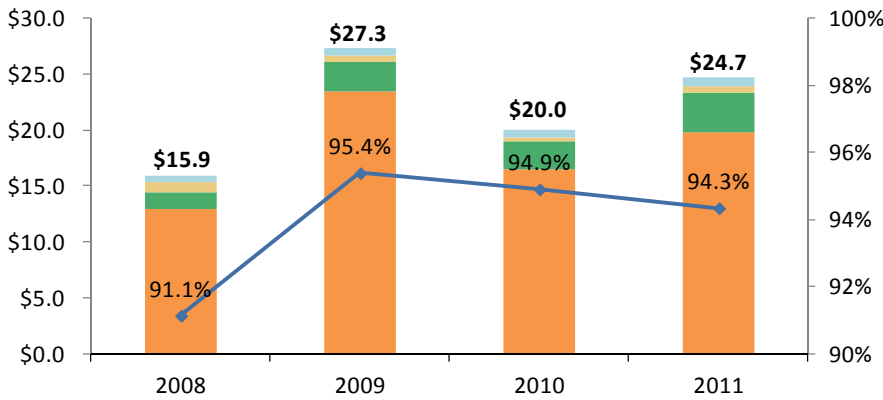
2011 Revenue Mix



- In-Kind Contributions
- Individual Giving
- Corporations
- Foundations
- Other Revenue

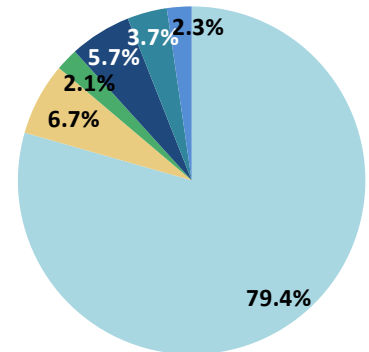
Expense Mix Over Time

\$ in MM



- Grants & Other Assistance to Individuals
- Other Program Service Expenses
- Management, G&A
- Fundraising
- Program Expense % of Total

2011 Expense Mix



- Program - General
- Program - Deployed, Wounded, Education
- Chapter Development
- Transitional Housing
- Membership / Fundraising / Volunteer Services
- Management / General

Detailed Financial Information

Fiscal Year Ended December 31

	2009	2010	2011	<u>Source:</u>
Revenue and Expenses (GAAP Accounting Basis)				
Operating Revenue:				
Contributions	\$7,387,857	\$8,795,831	\$8,033,487	Audited Financial Statements (GAAP)
In-Kind Contributions	20,878,418	15,675,766	16,540,156	Audited Financial Statements (GAAP)
Miscellaneous	4,863	24,768	5,504	Audited Financial Statements (GAAP)
Interest Income	10,232	14,120	74,345	Audited Financial Statements (GAAP)
Special Events, Net	\$172,788	0	85,901	Audited Financial Statements (GAAP)
Sponsorships	79,500	5,000	0	Audited Financial Statements (GAAP)
Total Support and Revenues	\$28,533,658	\$24,515,485	\$24,739,393	
<i>% Growth</i>	59.1%	(14.1%)	0.9%	
<i>In-Kind Contributions as % Total Revenue</i>	73.2%	63.9%	66.9%	
Expenses:				
Program Services:				
Program Services	\$26,481,358	\$19,648,139	\$23,355,945	Audited Financial Statements (GAAP)
Supporting Services:				
Membership and Fundraising	719,897	587,264	863,758	Audited Financial Statements (GAAP)
Management and General	614,851	717,118	569,895	Audited Financial Statements (GAAP)
Total Expenses:	\$27,816,106	\$20,952,521	\$24,789,598	
<i>% of Revenue</i>	97.5%	85.5%	100.2%	
In-Kind Expenses (Included in Total Above)	20,878,418	14,956,124	16,317,337	
<i>% of Total Expenses</i>	75.1%	71.4%	65.8%	
Change in Assets	\$717,552	\$3,562,964	(\$50,205)	Audited Financial Statements (GAAP)

KEY BALANCE SHEET INFORMATION

Cash and Cash Equivalents	\$2,791,089	\$4,193,480	\$2,252,707	Audited Financial Statements (GAAP)
Investments (1)	\$200	\$2,750,989	\$4,760,867	Audited Financial Statements (GAAP)
Total Assets	\$6,747,041	\$10,153,805	\$9,974,830	Audited Financial Statements (GAAP)
Total Net Assets	\$6,183,915	\$9,746,879	\$9,696,674	Audited Financial Statements (GAAP)

Expenses by Function (Tax Accounting Basis)

Grants & Other Assistance to Individuals	\$23,395,093	\$16,429,556	\$19,768,936	IRS Form 990 (Tax)
Other Program Service Expenses	2,623,300	2,520,846	3,511,953	IRS Form 990 (Tax)
Management, G&A	592,459	432,118	568,731	IRS Form 990 (Tax)
Fundraising	667,286	586,464	828,370	IRS Form 990 (Tax)
Total Expenses	\$27,278,138	\$19,968,984	\$24,677,990	

Program Costs as a % of Total Expenses	95.4%	94.9%	94.3%
Grants as a % of Total Expenses	85.8%	82.3%	80.1%
G&A as a % of Total Expenses	2.2%	2.2%	2.3%
Fundraising as a % of Total Expenses	2.4%	2.9%	3.4%

Source: Annual Reports (GAAP Accounting Basis) and IRS Form 990 (Tax Accounting Basis)

Note:

(1) 2011 Accrued interest receivable excluded from investments

OTHER THIRD PARTY RATINGS

- Charity Navigator rates Operation Homefront 4 out of 4 stars, receiving high ratings for financial metrics as well as accountability & transparency.
<http://www.charitynavigator.org/index.cfm?bay=search.summary&orgid=10849>
- GreatNonprofits rates Operation Homefront 5 out of 5 stars based on 31 user reviews.
<http://greatnonprofits.org/organizations/view/operation-homefront-inc-5>

Operation Homefront is not currently covered by Philanthropedia or GiveWell.

GET INVOLVED

Follow the links below for ways to get involved with Operation Homefront

Volunteer	Opportunities range from special event volunteers to staff-level volunteers. Operation Homefront relies on volunteers to meet the needs of clients as each Operation Homefront chapter has few or no paid staff. Without the dedicated support of volunteers, Operation Homefront cannot accomplish its mission.
Make a Financial Donation	Make a donation using the online form.
Donate to Current Needs	Allows you to view the need and background of specific families and the struggles they face.
Join Monthly Giving Club	Homefront Heroes is Operation Homefront's membership program for donors who give to the organization via recurring gifts.
Sponsorship Opportunities	Operation Homefront offers many one-of-a-kind events that offer an exciting variety of sponsorship opportunities.
Cause-Related Marketing Projects	Cause-related marketing involves targeted marketing campaigns that strategically align organizations with a specific cause consumer's care about.
Planned Giving	A planned gift is any major gift, made during your lifetime or at death, as part of your overall financial and/or estate planning.
Combined Federal Campaign	The Combined Federal Campaign is a partnership between federal employees, the government and charitable organizations like Operation Homefront. Most Federal employees elect to pledge a specific amount to be withheld regularly from their pay beginning in January and continuing through December. One-time gifts are also possible.
Cars and Other Non-Cash Gifts	Donate to wounded warrior families who need reliable transportation for medical and physical therapy appointments.
Organize a Fundraiser	There are many ways to organize a fundraiser to benefit military families.
Other Ways to Give	Shop Amazon, Purchase items at Dollar Tree stores, Purchase a Reusable tote bag from Stage Stores or buy a Norelco razor at any military exchange.
Team Operation Homefront	Team Operation Homefront (TOH) is an endurance training program that provides athletes with an opportunity to fundraise for Operation Homefront while training for an endurance event either on their own or in a team environment.

DISCLOSURES

Tom Hutchins certifies that he does not have any affiliation with Operation Homefront and has never made a donation to the organization. Additionally, Tom Hutchins has not supported directly competing organizations in a greater capacity than a nominal donation. NPI analysts and NPI as an organization do not receive any form of compensation from reviewed charities.

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