

**FIRN, INC.**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**

**JUNE 30, 2007 AND 2006**

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## Independent Auditors' Report

To the Board of Directors of FIRN, Inc.  
Columbia, Maryland

We have audited the accompanying statements of financial position of FIRN, Inc. as of June 30, 2007 and 2006, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of FIRN's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of FIRN's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of FIRN, Inc. for the years ending June 30, 2007 and 2006, and the changes in its net assets and its cash flows for the period then ended in conformity with accounting principles generally accepted in the United States of America.

*Ribis, Jones & Maresca, P.A.*

August 9, 2007

**FIRN, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2007 AND 2006**

**ASSETS**

	<u>2007</u>	<u>2006</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 64,519	\$ 80,304
Certificates of deposit	20,000	20,000
Accounts receivable	45,673	82,699
Grants receivable	40,142	4,000
Prepaid expenses	1,969	1,392
Total Current Assets	<u>172,303</u>	<u>188,395</u>
<b>PROPERTY AND EQUIPMENT</b>		
Furniture and fixtures	74,156	74,156
Leasehold improvements	5,375	5,375
Less: accumulated depreciation	<u>(79,103)</u>	<u>(77,923)</u>
Total Property and Equipment	428	1,608
<b>OTHER ASSETS</b>		
Certificates of deposit	113,255	60,000
Security deposit	<u>2,566</u>	<u>2,166</u>
Total Other Assets	<u>115,821</u>	<u>62,166</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 288,552</u></u>	<u><u>\$ 252,169</u></u>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 12,334	\$ 17,593
Accrued expenses	28,866	11,364
Deferred revenue	<u>5,760</u>	<u>5,760</u>
Total Current Liabilities	46,960	34,717
<b>NET ASSETS</b>		
Unrestricted	191,403	183,633
Temporarily restricted	<u>50,189</u>	<u>33,819</u>
Total Net Assets	<u>241,592</u>	<u>217,452</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 288,552</u></u>	<u><u>\$ 252,169</u></u>

See independent auditors' report and accompanying notes to financial statements.

**FIRN, INC.**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED JUNE 30, 2007 AND 2006**

	2007			2006		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>REVENUE AND SUPPORT</b>						
Grants	\$ 175,953	\$ 100,600	\$ 276,553	\$ 163,308	\$ 112,848	\$ 276,156
Program services	339,456	-	339,456	301,021	-	301,021
Special event	42,685	-	42,685	38,305	-	38,305
Contributions	33,623	-	33,623	31,779	-	31,779
In-kind contributions	1,416	-	1,416	-	-	-
Interest income	6,048	-	6,048	841	-	841
Other income	-	-	-	257	-	257
Net assets released from restrictions	84,230	(84,230)	-	131,614	(131,614)	-
<b>TOTAL REVENUE AND SUPPORT</b>	<b>683,411</b>	<b>16,370</b>	<b>699,781</b>	<b>667,125</b>	<b>(18,766)</b>	<b>648,359</b>
<b>EXPENSES</b>						
Program services						
Information and referral	282,902	-	282,902	235,018	-	235,018
Education and training	108,764	-	108,764	86,464	-	86,464
Language connection	187,514	-	187,514	184,195	-	184,195
Total program services	579,180	-	579,180	505,677	-	505,677
Support services						
Fundraising	22,894	-	22,894	17,077	-	17,077
Management and general	73,567	-	73,567	79,366	-	79,366
Total support services	96,461	-	96,461	96,443	-	96,443
<b>TOTAL EXPENSES</b>	<b>675,641</b>	<b>-</b>	<b>675,641</b>	<b>602,120</b>	<b>-</b>	<b>602,120</b>
<b>CHANGE IN NET ASSETS</b>	<b>7,770</b>	<b>16,370</b>	<b>24,140</b>	<b>65,005</b>	<b>(18,766)</b>	<b>46,239</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>183,633</b>	<b>33,819</b>	<b>217,452</b>	<b>118,628</b>	<b>52,585</b>	<b>171,213</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 191,403</b>	<b>\$ 50,189</b>	<b>\$ 241,592</b>	<b>\$ 183,633</b>	<b>\$ 33,819</b>	<b>\$ 217,452</b>

See independent auditors' report and accompanying notes to financial statements.

**FIRN, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2007 AND 2006**

	2007	2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 24,140	\$ 46,239
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,180	6,316
Changes in operating assets and liabilities:		
Decrease in accounts receivable	37,026	19,720
(Increase) decrease in grants receivable	(36,142)	4,000
Increase in prepaid expenses	(577)	(281)
Increase in security deposit	(400)	-
Increase (decrease) in accounts payable	(5,259)	447
Increase (decrease) in accrued expenses	17,502	(9,046)
Increase (decrease) in deferred revenue	-	(3,225)
Net Cash Provided by Operating Activities	37,470	64,170
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of certificates of deposit	(53,255)	(80,000)
Net Cash Used for Investing Activities	(53,255)	(80,000)
 <b>NET DECREASE IN CASH</b>	(15,785)	(15,830)
 <b>CASH, beginning of year</b>	80,304	96,134
 <b>CASH, end of year</b>	\$ 64,519	\$ 80,304

See independent auditors' report and accompanying notes to financial statements.

**FIRN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007 AND 2006**

**NOTE A - GENERAL INFORMATION**

Nature of Organization

FIRN, Inc. is a not-for-profit, tax-exempt organization incorporated on May 24, 1985 in the State of Maryland. FIRN offers assistance to foreign-born individuals and families settling in Howard County, Maryland and the surrounding area. FIRN's mission is to help ensure equal access to community resources and opportunities for all foreign-born individuals.

Program Services

**Information and Referral:** FIRN provides basic information and referral to immigrants from nearly 70 countries to help them navigate various complex services systems as they learn to adapt to the American culture. Common areas of support include social services, health services, immigration counseling, citizenship, employment, and housing.

**Education and Training:** FIRN places a strong emphasis on education and training for immigrants. One major component is mobilizing volunteers to help adults and children in learning English. The second major component is helping immigrants transition into the American workforce by providing job referrals and training. A grant from the Howard County Community Development Block Grant (CDBG) program supports this effort.

**Language Connections:** FIRN's Language Connections is one of the few non-profit organizations providing interpreter services in Maryland. Specializing in health and human services, Language Connections offers approximately 100 interpreters who speak 50 languages. Approximately 50 of these interpreters are also trained and certified in medical services.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting

The financial statements have been prepared using the accrual basis of accounting under which revenue is recognized when earned and expenses are recognized when incurred.

Financial Statement Presentation

Net assets, revenue, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of FIRN and changes therein, are classified and reported as follows:

**FIRN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007 AND 2006**  
(continued)

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

Financial Statement Presentation - continued

*Unrestricted Net Assets* - Net assets not subject to donor-imposed restrictions.

*Temporarily Restricted Net Assets* - Net assets subject to donor-imposed restrictions that may or will be met by actions of FIRN and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions.

*Permanently Restricted Net Assets* - Net assets subject to donor-imposed stipulations that may be maintained permanently by FIRN.

For the years ended June 30, 2007 and 2006, there were no permanently restricted net assets.

Cash and Cash Equivalents

FIRN maintains its cash and cash equivalents in bank deposit accounts, which are insured by the Federal Deposit Insurance Corporation up to \$100,000. At times, the accounts may exceed these limits. FIRN believes it is not exposed to any significant credit risk on cash. FIRN considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Accounts Receivable

FIRN considers all accounts receivable to be collectible. Accordingly, there was no allowance for doubtful accounts. Most of the accounts receivable are due from either the State of Maryland or other municipalities in Maryland.

Property and Equipment

Property and equipment are stated at cost or, if donated, at fair value as of the date of donation. The cost of furniture and fixtures is depreciated using the straight-line method over the estimated useful lives of the assets, generally five to seven years. Leasehold improvements are depreciated using the straight-line method over the lesser of the asset's useful life or the lease term. The cost of maintenance, repairs, and minor replacements are charged to expense as incurred.

Deferred Revenue

Deferred revenue consists of monies for interpreter contracts that have been advanced to FIRN for services not yet rendered as of the end of the fiscal year.

**FIRN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007 AND 2006**  
(continued)

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

Support and Revenue

In addition to revenue generated from immigration services, FIRN receives grants from both public and private agencies which are recognized when awarded by the granting authority. Unexpended funds may be due back to the funding authorities, unless the funding authority allows FIRN to retain such excess. For the years ended June 30, 2007 and 2006, there were no unexpended funds due back to the granting authority.

Fiscal Agency Transactions

FIRN serves as a fiscal agent to Conexiones, a non-profit organization that provides tutoring and other forms of educational services to assist Hispanic students in graduating from high school. Funds received on behalf of Conexiones are held in FIRN's checking account and are later disbursed to pay invoices and other costs as directed by Conexiones. FIRN has no discretion or variance power over the distribution of these funds; and therefore, they are not included in the statement of activities.

In-kind Contributions

FIRN recognizes in-kind contributions 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.

Functional Expense Classification

The costs of providing various program and supporting services have been summarized on a functional basis in Notes H and I. Accordingly, certain costs have been allocated among the program and supporting services that benefited from such costs.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**FIRN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007 AND 2006**  
(continued)

**NOTE C - INCOME TAXES**

FIRN is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. FIRN is, however, subject to tax on business income unrelated to the Organization's exempt purpose. No provision for income taxes is reflected in the accompanying financial statements for the years ended June 30, 2007 and 2006, since FIRN had no taxable income from unrelated business activities.

**NOTE D - PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following as of June 30, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Furniture and fixtures	\$ 74,156	\$ 74,156
Leasehold improvements	<u>5,375</u>	<u>5,375</u>
	79,531	79,531
Less accumulated depreciation	<u>(79,103)</u>	<u>(77,923)</u>
Property and equipment - net	<u>\$ 428</u>	<u>\$ 1,608</u>

Depreciation expense was \$1,180 and \$6,316 for the years ended June 30, 2007 and 2006, respectively.

**NOTE E - LEASE COMMITMENTS**

Effective September 1, 2007, FIRN entered into an agreement to amend its existing operating lease for office space by extending the lease term to September 30, 2014. Office rent expense is subject to an annual escalation of approximately three percent. Rent expense under the operating lease totaled \$52,162 and \$46,447 for the years ended June 30, 2007 and 2006.

On June 15, 2005, FIRN entered into an operating lease agreement for a copier, which expires on September 15, 2010.

The future minimum lease payments required under both operating leases as of June 30 are:

Year ending June 30:	
2008	\$ 45,858
2009	62,640
2010	64,452
2011	64,809
2012	66,234
2013 and thereafter	<u>156,168</u>
Total	<u>\$ 460,161</u>

**FIRN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007 AND 2006**  
(continued)

**NOTE F - TEMPORARILY RESTRICTED NET ASSETS**

For the years ended June 30, 2007 and 2006, FIRN's temporarily restricted net assets consisted of the following:

	<u>2007</u>	<u>2006</u>
Horizon Foundation – Survey Grant and Cultural Project	\$ 8,354	\$ 3,601
Horizon Foundation – Safety Net	4,590	24,718
Horizon Foundation - Language Connection Project	35,000	-
United Way – Club LEAP and Adult Literacy	1,645	5,000
Women’s Giving Circle	<u>600</u>	<u>500</u>
 Total temporarily restricted net assets	 <u>\$ 50,189</u>	 <u>\$ 33,819</u>

**NOTE G – TAX DEFERRED ANNUITY**

FIRN maintains a 403(b) tax deferred annuity plan. Employees contribute to the plan through payroll deductions. Contributions by FIRN are at the discretion of the Board of Directors. Total contributions for the years ended June 30, 2007 and 2006 were \$5,363 and \$5,867.

**FIRN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**  
 (continued)

**NOTE H - FUNCTIONAL EXPENSE CLASSIFICATION**

The following schedule allocates expenses by natural classification for the year ended June 30, 2007.

Description	PROGRAM SERVICES				SUPPORT SERVICES			TOTAL EXPENSES
	INFORMATION AND REFERRAL	EDUCATION AND TRAINING	LANGUAGE CONNECTION	TOTAL PROGRAM SERVICES	FUNDRAISING	MANAGEMENT AND GENERAL	TOTAL EXPENSES	
Bank charges	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 653	\$ 653	
Depreciation	544	165	177	886	-	294	1,180	
Dues and subscriptions	-	-	-	-	-	2,073	2,073	
Employee benefits	15,330	4,567	4,893	24,790	234	7,592	32,616	
Insurance	1,889	561	603	3,053	-	965	4,018	
Interpreting and training	52,883	34,255	132,236	219,374	-	-	219,374	
Marketing and advertising	780	232	249	1,261	-	398	1,659	
Occupancy	25,037	7,302	7,824	40,163	5,217	6,782	52,162	
Office supplies and expenses	6,994	2,041	2,186	11,221	1,341	2,010	14,572	
Payroll taxes	13,369	4,490	2,860	20,719	226	4,139	25,084	
Postage and delivery	1,202	346	376	1,924	440	139	2,503	
Printing and copying	3,640	1,061	1,138	5,839	1,353	391	7,583	
Professional fees	6,627	1,349	1,446	9,422	-	216	9,638	
Repairs and maintenance	1,657	483	518	2,658	32	761	3,451	
Salaries	149,099	50,073	31,890	231,062	2,518	46,157	279,737	
Special event	-	-	-	-	10,814	-	10,814	
Telephone	3,456	1,007	1,080	5,543	719	937	7,199	
Travel	395	832	38	1,265	-	60	1,325	
<b>TOTAL EXPENSES</b>	<b>\$ 282,902</b>	<b>\$ 108,764</b>	<b>\$ 187,514</b>	<b>\$ 579,180</b>	<b>\$ 22,894</b>	<b>\$ 73,567</b>	<b>\$ 675,641</b>	

FIRM, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006  
(continued)

NOTE I - FUNCTIONAL EXPENSE CLASSIFICATION

The following schedule allocates expenses by natural classification for the year ended June 30, 2006.

Description	PROGRAM SERVICES			SUPPORT SERVICES			TOTAL EXPENSES
	INFORMATION AND REFERRAL	EDUCATION AND TRAINING	LANGUAGE CONNECTION	TOTAL PROGRAM SERVICES	FUNDRAISING	MANAGEMENT AND GENERAL	
Bad debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 615	\$ 615
Bank charges	-	-	-	-	-	302	302
Depreciation	2,909	884	947	4,740	-	1,576	6,316
Dues and subscriptions	-	-	-	-	-	4,979	4,979
Employee benefits	13,407	3,994	4,279	21,680	205	6,640	28,525
Insurance	730	217	233	1,180	-	373	1,553
Interpreting and training	51,133	33,121	127,860	212,114	-	-	212,114
Occupancy	22,294	6,502	6,967	35,763	4,645	6,039	46,447
Office supplies and expenses	5,419	1,581	1,694	8,694	1,039	1,557	11,290
Payroll taxes	11,623	3,390	3,632	18,645	197	5,372	24,214
Postage and delivery	850	245	266	1,361	311	98	1,770
Printing and copying	4,095	1,194	1,280	6,569	1,523	440	8,532
Professional fees	7,966	1,740	1,864	11,570	-	857	12,427
Repairs and maintenance	1,638	478	512	2,628	32	752	3,412
Salaries	109,695	31,532	33,718	174,945	2,575	48,925	226,445
Special event	-	-	-	-	5,944	-	5,944
Telephone	2,909	848	909	4,666	606	788	6,060
Travel	350	738	34	1,122	-	53	1,175
<b>TOTAL EXPENSES</b>	<b>\$ 235,018</b>	<b>\$ 86,464</b>	<b>\$ 184,195</b>	<b>\$ 505,677</b>	<b>\$ 17,077</b>	<b>\$ 79,366</b>	<b>\$ 602,120</b>