

FIRN, INC.

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS REPORT**

JUNE 30, 2008 AND 2007

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Independent Auditors' Report

To the Board of Directors
FIRN, Inc.

We have audited the accompanying statements of financial position of FIRN, Inc. as of June 30, 2008 and 2007, 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, 2008 and 2007, 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.

October 3, 2008

FIRN, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2008 AND 2007

	2008	2007
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 101,559	\$ 64,519
Certificate of deposit	21,246	20,000
Accounts receivable	17,095	45,673
Grants receivable	78,225	40,142
Prepaid expenses	1,432	1,969
Total Current Assets	219,557	172,303
PROPERTY AND EQUIPMENT		
Furniture and fixtures	75,557	74,156
Leasehold improvements	5,375	5,375
Less: accumulated depreciation	(79,257)	(79,103)
Total Property and Equipment	1,675	428
OTHER ASSETS		
Certificates of deposit	89,504	113,255
Security deposit	2,166	2,566
Total Other Assets	91,670	115,821
TOTAL ASSETS	\$ 312,902	\$ 288,552
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 11,287	\$ 12,334
Accrued expenses	29,190	28,866
Deferred revenue	5,760	5,760
Total Current Liabilities	46,237	46,960
NET ASSETS		
Unrestricted	146,868	191,403
Temporarily restricted	119,797	50,189
Total Net Assets	266,665	241,592
TOTAL LIABILITIES AND NET ASSETS	\$ 312,902	\$ 288,552

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

FIRN, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2008 AND 2007

	2008			2007		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT						
Grants	\$ 5,000	\$ 366,525	\$ 371,525	\$ 175,953	\$ 100,600	\$ 276,553
Program services	228,591	-	228,591	339,456	-	339,456
Special event	29,015	-	29,015	42,685	-	42,685
Contributions	51,742	-	51,742	33,623	-	33,623
In-kind contributions	3,828	-	3,828	1,416	-	1,416
Interest income	5,405	-	5,405	6,048	-	6,048
Net assets released from restrictions	296,917	(296,917)	-	84,230	(84,230)	-
TOTAL REVENUE AND SUPPORT	620,498	69,608	690,106	683,411	16,370	699,781
EXPENSES						
Program services						
Information and referral	299,344	-	299,344	282,902	-	282,902
Education and training	85,126	-	85,126	108,764	-	108,764
Language connections	197,515	-	197,515	187,514	-	187,514
Total program services	581,985	-	581,985	579,180	-	579,180
Support services						
Fundraising	28,049	-	28,049	22,894	-	22,894
Management and general	54,999	-	54,999	73,567	-	73,567
Total support services	83,048	-	83,048	96,461	-	96,461
TOTAL EXPENSES	665,033	-	665,033	675,641	-	675,641
CHANGE IN NET ASSETS	(44,535)	69,608	25,073	7,770	16,370	24,140
NET ASSETS, BEGINNING OF YEAR	191,403	50,189	241,592	183,633	33,819	217,452
NET ASSETS, END OF YEAR	\$ 146,868	\$ 119,797	\$ 266,665	\$ 191,403	\$ 50,189	\$ 241,592

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

FIRN, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2008 AND 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 25,073	\$ 24,140
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	154	1,180
Changes in operating assets and liabilities:		
Decrease in accounts receivable	28,578	37,026
Increase in grants receivable	(38,083)	(36,142)
Decrease (increase) in prepaid expenses	537	(577)
Decrease (increase) in security deposit	400	(400)
Decrease in accounts payable	(1,047)	(5,259)
Increase in accrued expenses	324	17,502
Net Cash Provided by Operating Activities	15,936	37,470
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(1,401)	-
Purchases of certificates of deposit	-	(65,084)
Earnings from certificates of deposit reinvested	(3,478)	(8,171)
Proceeds from maturity of certificate of deposit	25,983	20,000
Net Cash Provided by Investing Activities	21,104	(53,255)
 NET INCREASE (DECREASE) IN CASH	37,040	(15,785)
 CASH, beginning of year	64,519	80,304
 CASH, end of year	\$ 101,559	\$ 64,519

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

FIRN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

NOTE A – NATURE OF THE ORGANIZATION AND PROGRAM DESCRIPTIONS

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 learn 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 is one of only a few non-profit organizations in Maryland that provides interpreter services through its Language Connections program. 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, 2008 AND 2007
(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 either 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 they be maintained permanently by FIRN. For the years ended June 30, 2008 and 2007, there were no permanently restricted net assets.

Cash and Cash Equivalents

FIRN maintains its cash and cash equivalents in bank deposit accounts that 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.

Certificates of Deposits

Certificates of deposit are recorded at fair value which equals the cost basis.

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.

FIRN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007
(continued)

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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.

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 and the agreement has been received. 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, 2008 and 2007, 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. During the fiscal year 2008, FIRN discontinued its fiscal agent relationship with Conexiones.

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. In-kind contributions are recorded at fair value. For the years ended 2008 and 2007, in-kind contributions totaled \$3,828 and \$1,416, respectively.

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, 2008 AND 2007
(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, 2008 and 2007, 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, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Furniture and fixtures	\$ 75,557	\$ 74,156
Leasehold improvements	<u>5,375</u>	<u>5,375</u>
	80,932	79,531
Less accumulated depreciation	<u>(79,257)</u>	<u>(79,103)</u>
Property and equipment - net	<u>\$ 1,675</u>	<u>\$ 428</u>

Depreciation expense was \$154 and \$1,180 for the years ended June 30, 2008 and 2007, 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 \$59,617 and \$52,162 for the years ended June 30, 2008 and 2007.

On May 28, 2008, FIRN entered into an operating lease for a copier which expires on August 1, 2013.

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

Year ending June 30:

2009	\$ 65,652
2010	67,464
2011	69,342
2012	71,274
2013	73,254
2014 and thereafter	<u>88,794</u>
Total	<u>\$ 435,780</u>

FIRN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007
(continued)

NOTE F - TEMPORARILY RESTRICTED NET ASSETS

For the years ended June 30, 2008 and 2007, FIRN's temporarily restricted net assets consisted of the following:

	<u>2008</u>	<u>2007</u>
Department of Housing and Community Development	\$ 15,964	\$ -
Horizon Foundation – Survey Grant and Cultural Project	2,389	8,354
Horizon Foundation – Safety Net	4,590	4,590
Horizon Foundation - Language Connection Project	35,000	35,000
Howard County Community Service Project	6,010	-
Howard County Local Children's Board	1,250	-
Maryland Department of Health and Mental Hygiene	35,000	-
United Way – Club LEAP and Adult Literacy	894	1,645
Rouse Company Foundation	15,000	-
Verizon Maryland	3,000	-
Women's Giving Circle	700	600
Total temporarily restricted net assets	<u>\$ 119,797</u>	<u>\$ 50,189</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. Contributions to the plan for the years ended June 30, 2008 and 2007 totaled \$6,127 and \$5,363, respectively.

FIRM, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008
(continued)

NOTE H - FUNCTIONAL EXPENSE CLASSIFICATION

The following schedule allocates expenses by functional categories for the year ended June 30, 2008.

Description	PROGRAM SERVICES				SUPPORT SERVICES				TOTAL EXPENSES
	INFORMATION AND REFERRAL	EDUCATION AND TRAINING	LANGUAGE CONNECTIONS	TOTAL PROGRAM SERVICES	FUNDRAISING	MANAGEMENT AND GENERAL	TOTAL SUPPORT SERVICES	TOTAL EXPENSES	
Bank charges	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 600	\$ 600	\$ 600	\$ 600
Depreciation	71	22	23	116	-	38	38	154	154
Dues and subscriptions	-	-	-	-	-	1,208	1,208	1,208	1,208
Employee benefits	14,298	4,260	4,564	23,122	219	7,872	8,091	31,213	31,213
Insurance	2,199	654	702	3,555	-	1,123	1,123	4,678	4,678
Interpreting and training	53,186	3,218	111,019	167,423	-	-	-	167,423	167,423
Marketing and advertising	120	36	38	194	-	62	62	256	256
Occupancy	28,867	8,419	9,021	46,307	6,014	7,296	13,310	59,617	59,617
Office supplies and expenses	3,771	1,100	1,179	6,050	723	1,415	2,138	8,188	8,188
Payroll taxes	12,553	3,661	3,923	20,137	213	5,010	5,223	25,360	25,360
Postage and delivery	1,392	401	436	2,229	509	160	669	2,898	2,898
Printing and copying	3,145	917	983	5,045	2,997	338	3,335	8,380	8,380
Professional fees	5,788	1,688	1,808	9,284	-	2,772	2,772	12,056	12,056
Repairs and maintenance	1,636	477	511	2,624	32	752	784	3,408	3,408
Salaries	167,974	58,629	61,687	288,290	3,602	24,890	28,492	316,782	316,782
Special event	-	-	-	-	12,530	-	12,530	12,530	12,530
Telephone	3,892	1,135	1,216	6,243	810	1,055	1,865	8,108	8,108
Travel	52	109	5	166	-	8	8	174	174
Website design	400	400	400	1,200	400	400	800	2,000	2,000
TOTAL EXPENSES	\$ 299,344	\$ 85,126	\$ 197,515	\$ 581,985	\$ 28,049	\$ 54,999	\$ 83,048	\$ 665,033	\$ 665,033

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

NOTE I - FUNCTIONAL EXPENSE CLASSIFICATION

The following schedule allocates expenses by functional categories for the year ended June 30, 2007.

Description	PROGRAM SERVICES				SUPPORT SERVICES				TOTAL EXPENSES
	INFORMATION AND REFERRAL	EDUCATION AND TRAINING	LANGUAGE CONNECTIONS	TOTAL PROGRAM SERVICES	FUNDRAISING	MANAGEMENT AND GENERAL	TOTAL SUPPORT SERVICES	TOTAL EXPENSES	
Bank charges	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 653	\$ 653	\$ 653	\$ 653
Depreciation	544	165	177	886	-	294	294	294	1,180
Dues and subscriptions	-	-	-	-	-	2,073	2,073	2,073	2,073
Employee benefits	15,330	4,567	4,893	24,790	234	7,592	7,826	7,826	32,616
Insurance	1,889	561	603	3,053	-	965	965	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	398	398	1,659
Occupancy	25,037	7,302	7,824	40,163	5,217	6,782	11,999	11,999	52,162
Office supplies and expenses	6,994	2,041	2,186	11,221	1,341	2,010	3,351	3,351	14,372
Payroll taxes	13,369	4,490	2,860	20,719	226	4,139	4,365	4,365	25,084
Postage and delivery	1,202	346	376	1,924	440	139	579	579	2,503
Printing and copying	3,640	1,061	1,138	5,839	1,353	391	1,744	1,744	7,583
Professional fees	6,627	1,349	1,446	9,422	-	216	216	216	9,638
Repairs and maintenance	1,657	483	518	2,658	32	761	793	793	3,451
Salaries	149,099	50,073	31,890	231,062	2,518	46,157	48,675	48,675	279,737
Special event	-	-	-	-	10,814	-	10,814	10,814	10,814
Telephone	3,456	1,007	1,080	5,543	719	937	1,656	1,656	7,199
Travel	395	832	38	1,265	-	60	60	60	1,325
TOTAL EXPENSES	\$ 282,902	\$ 108,764	\$ 187,514	\$ 579,180	\$ 22,894	\$ 73,567	\$ 96,461	\$ 96,461	\$ 675,641