



Found in Translation, Inc.

FINANCIAL STATEMENTS

August 31, 2023 and 2022

With Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Found in Translation, Inc.

Opinion

We have audited the accompanying financial statements of Found in Translation, Inc. (the Organization), which comprise the statements of financial position as of August 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years 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 the Organization as of August 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles (U.S. GAAP).

Basis for Opinion

We conducted our audits in accordance with U.S. generally accepted auditing standards (U.S. GAAS). 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 the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the Organization adopted Financial Accounting Standards Board Accounting Standards Codification Topic 842, *Leases* in 2023. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. GAAP; 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 the Organization'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 Responsibility 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 U.S. GAAS 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 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 U.S. GAAS, 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 the Organization'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 the Organization'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.

Berry Dunn McNeil & Parker, LLC

Portland, Maine
March 25, 2024

FOUND IN TRANSLATION, INC.
Statements of Financial Position
August 31, 2023 and 2022

ASSETS

	<u>2023</u>	<u>2022</u>
Current assets		
Cash	\$ 327,350	\$ 394,581
Prepaid expenses	3,510	-
Accounts receivable	9,622	3,305
Grants receivable, current portion	<u>532,250</u>	<u>731,100</u>
Total current assets	<u>872,732</u>	<u>1,128,986</u>
Property and equipment, net	<u>4,384</u>	<u>2,495</u>
Other assets		
Capitalized software costs	194,303	136,127
Grants receivable, net of current portion and present value discount	269,159	484,415
Security deposit	3,330	3,330
Right-of-use asset, operating lease	<u>99,575</u>	<u>-</u>
Total other assets	<u>566,367</u>	<u>623,872</u>
Total assets	<u>\$ 1,443,483</u>	<u>\$ 1,755,353</u>

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable and accrued expenses	\$ 16,222	\$ 76,722
Current portion of lease liability, operating lease	25,584	-
Accrued payroll and related liabilities	<u>87,668</u>	<u>48,172</u>
Total current liabilities	<u>129,474</u>	<u>124,894</u>
Noncurrent liabilities		
Lease liability, operating lease, net of current portion	<u>73,991</u>	<u>-</u>
Total liabilities	<u>203,465</u>	<u>124,894</u>
Net assets		
Without donor restrictions	241,728	220,450
With donor restrictions	<u>998,290</u>	<u>1,410,009</u>
Net assets	<u>1,240,018</u>	<u>1,630,459</u>
Total liabilities and net assets	<u>\$ 1,443,483</u>	<u>\$ 1,755,353</u>

The accompanying notes are an integral part of these financial statements.

FOUND IN TRANSLATION, INC.

Statements of Activities

Years Ended August 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Revenues and support without donor restrictions		
Gifts, grants, and contributions	\$ 458,448	\$ 547,375
Program revenue	58,538	22,768
Other revenue	35,905	7,550
Net assets released from restriction	<u>938,463</u>	<u>588,020</u>
Total revenues and support without donor restrictions	<u>1,491,354</u>	<u>1,165,713</u>
Expenses		
Program services	879,803	644,952
Administrative	271,868	230,805
Fundraising	<u>318,405</u>	<u>190,365</u>
Total expenses	<u>1,470,076</u>	<u>1,066,122</u>
Change in net assets without donor restrictions	<u>21,278</u>	<u>99,591</u>
Net assets with donor restrictions		
Gifts and donations	526,744	1,472,016
Net assets released from restriction	<u>(938,463)</u>	<u>(588,020)</u>
Change in net assets with donor restrictions	<u>(411,719)</u>	<u>883,996</u>
Change in net assets	<u>(390,441)</u>	<u>983,587</u>
Net assets, beginning of year	<u>1,630,459</u>	<u>646,872</u>
Net assets, end of year	<u>\$ 1,240,018</u>	<u>\$ 1,630,459</u>

The accompanying notes are an integral part of these financial statements.

FOUND IN TRANSLATION, INC.

Statement of Functional Expenses

Year Ended August 31, 2023

	<u>Program Services</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 573,887	\$ 159,930	\$ 209,445	\$ 943,262
Payroll taxes	48,072	17,652	19,478	85,202
Employee benefits	42,839	9,609	18,381	70,829
Program contractors	3,125	-	-	3,125
Program - non-personnel	61,329	151	247	61,727
Supportive job placement	118,679	-	-	118,679
Professional fees	6,290	43,731	61,819	111,840
Fundraising and development	-	564	780	1,344
Staff development and training	2,654	4,180	2,051	8,885
Occupancy	15,756	21,291	4,019	41,066
Advertising and promotion	779	177	906	1,862
Dues and subscriptions	1,560	1,083	265	2,908
Insurance	802	6,366	330	7,498
Supplies and other	4,031	5,967	684	10,682
Depreciation	<u>-</u>	<u>1,167</u>	<u>-</u>	<u>1,167</u>
Total expenses	<u>\$ 879,803</u>	<u>\$ 271,868</u>	<u>\$ 318,405</u>	<u>\$ 1,470,076</u>

The accompanying notes are an integral part of these financial statements.

FOUND IN TRANSLATION, INC.

Statement of Functional Expenses

Year Ended August 31, 2022

	<u>Program Services</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 415,837	\$ 144,650	\$ 92,687	\$ 653,174
Payroll taxes	28,656	12,363	14,851	55,870
Employee benefits	39,234	10,021	17,188	66,443
Program contractors	5,750	-	-	5,750
Program - non-personnel	42,902	100	179	43,181
Supportive job placement	55,757	-	-	55,757
Professional fees	5,397	37,478	36,533	79,408
Fundraising and development	44	521	4,536	5,101
Staff development and training	13,136	7,467	12,325	32,928
Occupancy	22,712	5,292	9,342	37,346
Advertising and promotion	728	165	950	1,843
Dues and subscriptions	-	2,033	-	2,033
Insurance	562	6,141	231	6,934
Supplies and other	14,237	4,059	1,543	19,839
Depreciation	<u>-</u>	<u>515</u>	<u>-</u>	<u>515</u>
Total expenses	<u>\$ 644,952</u>	<u>\$ 230,805</u>	<u>\$ 190,365</u>	<u>\$ 1,066,122</u>

The accompanying notes are an integral part of these financial statements.

FOUND IN TRANSLATION, INC.**Statements of Cash Flows****Years Ended August 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Change in net assets	\$ (390,441)	\$ 983,587
Adjustments to reconcile change in net assets to net cash used by operating activities		
Depreciation	1,167	515
Change in discount on grants receivable	(39,744)	40,084
Gifts and donations restricted for long-term purposes	(526,744)	(1,472,016)
Decrease (increase) in		
Accounts receivable	(6,317)	12,634
Prepaid Expenses	(3,510)	-
Grants receivable	673,094	70,775
Increase (decrease) in		
Accounts payable and accrued expenses	(60,500)	75,369
Accrued payroll and related liabilities	<u>39,496</u>	<u>26,895</u>
Net cash used by operating activities	<u>(313,499)</u>	<u>(262,157)</u>
Cash flows from investing activities		
Purchases of capitalized software	(58,176)	(136,127)
Purchases of equipment	<u>(3,056)</u>	<u>(3,011)</u>
Net cash used by investing activities	<u>(61,232)</u>	<u>(139,138)</u>
Cash flows from financing activities		
Cash received on gifts and donations restricted for long-term purposes	<u>307,500</u>	<u>616,000</u>
Net cash provided by from financing activities	<u>307,500</u>	<u>616,000</u>
Net (decrease) increase in cash	(67,231)	214,705
Cash, beginning of year	<u>394,581</u>	<u>179,876</u>
Cash, end of year	<u>\$ 327,350</u>	<u>\$ 394,581</u>

The accompanying notes are an integral part of these financial statements.

FOUND IN TRANSLATION, INC.

Notes to Financial Statements

August 31, 2023 and 2022

Nature of Operations

Found in Translation, Inc. (FIT or the Organization) was incorporated on December 22, 2011 under Massachusetts General Laws Chapter 180. The Organization provides medical interpreter certificate training, job placement, and ongoing career development to low-income bilingual women through its Language Access Fellowship Program.

Through its Interpreting and Translation Services, Found in Translation provides well-paying job opportunities for program graduates, while generating revenue to support the Organization and providing affordable, high-quality language access services for people with limited English proficiency in medical, legal, and community settings.

1. Significant Accounting Policies

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting.

The accompanying financial statements have been prepared to focus on the Organization as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. The Organization's transactions are categorized as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions that may be expended for any purpose furthering the Organization's mission. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by passage of time. Other donor-imposed stipulations are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (U.S. GAAP) 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash

The Organization maintains cash in interest-bearing bank deposit accounts, which may at times exceed federally insured limits. The Organization has not experienced any losses on such accounts.

FOUND IN TRANSLATION, INC.

Notes to Financial Statements

August 31, 2023 and 2022

Gifts, Grants, and Contributions

The Organization reports gifts of cash and other assets as revenues with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. As donor-stipulated time restrictions end or purpose restrictions are accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions in the statements of activities as net assets released from restrictions.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date received.

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues without donor restrictions.

The Organization reports gifts of property and equipment as support without donor restrictions, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit donor restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. The Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Amounts due are from organizations for interpreter services provided. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuations allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. As of August 31, 2023 and 2022, no allowance for doubtful accounts has been established for accounts receivable.

Recently Adopted Accounting Policy

Effective September 1, 2022, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 842, *Leases* (Topic 842). The Organization determines if an arrangement is a lease or contains a lease at inception of a contract. A contract is determined to be or contain a lease if the contract conveys the right to control the use of identified property or equipment (an identified asset) in exchange for consideration. The Organization determines these assets are leased because the Organization has the right to obtain substantially all of the economic benefit from and the right to direct the use of the identified asset. Assets in which the supplier or lessor has the practical ability and right to substitute alternative assets for the identified asset and would benefit economically from the exercise of its right to substitute the asset are not considered to be or contain a lease because the Organization determines it does not have the right to control and direct the use of the identified asset. The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

FOUND IN TRANSLATION, INC.

Notes to Financial Statements

August 31, 2023 and 2022

In evaluating its contracts, the Organization separately identifies lease and non-lease components, such as common area and other maintenance costs, in calculating the right-of-use (ROU) assets and lease liabilities. The Organization has elected the practical expedient to not separate lease and non-lease components and classifies the contract as a lease if consideration in the contract allocated to the lease component is greater than the consideration allocated to the non-lease agreement.

Leases result in the recognition of ROU assets and lease liabilities on the statement of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Organization determines lease classification as operating or finance at the lease commencement date. The Organization did not have any finance leases as of August 31, 2023.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. Topic 842 requires the use of the implicit rate in the lease when readily determinable. As most of the leases do not provide an implicit rate, the Organization uses risk-free interest rates based on the information available at the commencement date to determine the present value of lease payments. Risk-free rates were applied to leases based on the underlying lease term to calculate the undiscounted future payments over the term of the lease.

The lease term may include options to extend or to terminate the lease that the Organization is reasonably certain to exercise. Operating lease expense is recognized on a straight-line basis over the lease term.

The Organization has elected not to record leases with an initial term of 12 months or less on the consolidated statement of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

Upon adoption of Topic 842, the Organization elected the package of practical expedients permitted under the transition guidance within the new standard which includes the following: relief from determination of lease contracts included in existing or expiring leases at the point of adoption, relief from having to reevaluate the classification of leases in effect at the point of adoption, and relief from reevaluation of existing leases that have initial direct costs associated with the execution of the lease contract.

FOUND IN TRANSLATION, INC.

Notes to Financial Statements

August 31, 2023 and 2022

The adoption of Topic 842 resulted in the recognition of the following asset and liability on September 1, 2022:

Right-of-use assets, operating lease	\$ <u>121,458</u>
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Lease liability, operating lease	\$ <u>121,458</u>
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Grants Receivable

Grants receivable are stated at the amount management expects to collect from outstanding balances. Receivables that are expected to be collected beyond one year are recorded at the present value of estimated future cash flows. The present value of estimated future cash flows has been measured using a rate of return commensurate with the risk involved in the collection of outstanding grants receivable. Amortization of the discount is included in the grant revenue. The Organization provides for probable uncollectible amounts through a charge to expense and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after the Organization has used reasonable efforts are written off through a charge to the valuation allowance and a credit to grants receivable. As of August 31, 2023 and 2022, no allowance for doubtful accounts has been established for grants receivable.

Functional Expenses

The Organization allocates its expenses on a functional basis among various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expense classification. Other expenses that are common to several functions are allocated using payroll and time usage formulas. Supporting services are those related to operating and managing the Organization and its programs on a day-to-day basis. Supporting services have been further classified as follows:

Administrative – includes all activities related to the Organization's internal management and accounting for program services.

Fundraising – includes all activities related to maintaining contributor information, writing grant proposals, direct mail solicitation, costs of fundraising events, distribution of materials, and other similar projects related to the procurement of funds.

Income Taxes

The Organization is a nonprofit corporation exempt from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code (Code), whereby only unrelated business income, as defined by Section 512(a)(1) of the Code, is subject to income tax.

The Organization currently evaluates all tax positions and makes a determination regarding the likelihood of those positions being upheld under review. The primary tax positions made by the Organization are the nonexistence of Unrelated Business Income Tax and the Organization's status as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. For the years presented, the Organization has not recognized any tax benefits or loss contingencies for uncertain tax positions based on this evaluation.

FOUND IN TRANSLATION, INC.

Notes to Financial Statements

August 31, 2023 and 2022

Program Revenue

Program revenue for performance obligations, such as translation services, which are satisfied at a point in time, are generally recognized when the service is provided to customers and the Organization does not believe it is required to provide additional services related to that sale. Performance obligations for program revenues are separately identifiable based on the activity provided by the Organization. Revenue is recognized based upon the stated contract price for the agreed upon performance obligation at the time of service.

Subsequent Events

For purposes of the preparation of these financial statements in conformity with U.S. GAAP, the Organization has considered transactions or events occurring through March 25, 2024, which was the date the financial statements were available to be issued.

2. Revenue Concentration

For the year ended August 31, 2023, no amounts received from funders accounted for a significant percentage of total revenues and support. For the year ended August 31, 2022, amounts received from two funders accounted for 47% of total revenues and support.

3. Grants Receivable

Grants receivable are discounted to a present value as required using a risk-free rate of return, and are expected to be collected in the years outlined below as of August 31:

	<u>2023</u>	<u>2022</u>
Less than one year	\$ 532,250	731,100
One to five years	210,000	425,000
More than five years	<u>80,000</u>	<u>120,000</u>
	822,250	1,276,100
Less discount to present value (rates between 1.14% and 3.45%)	<u>(20,841)</u>	<u>(60,585)</u>
Net grants receivable	<u>\$ 801,409</u>	<u>\$ 1,215,515</u>

FOUND IN TRANSLATION, INC.

Notes to Financial Statements

August 31, 2023 and 2022

4. Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following at August 31:

	<u>2023</u>	<u>2022</u>
Purpose restriction	\$ 196,881	\$ 194,494
Subject to passage of time - grants receivable	<u>801,409</u>	<u>1,215,515</u>
	<u>\$ 998,290</u>	<u>\$ 1,410,009</u>

Net assets released from donor restrictions were as follows for the years ended August 31:

	<u>2023</u>	<u>2022</u>
Purpose restrictions:		
Supplies and training	\$ 263,447	\$ 132,667
Infrastructure investment	<u>150,016</u>	<u>147,853</u>
Time restrictions - grants receivable	<u>525,000</u>	<u>307,500</u>
	<u>\$ 938,463</u>	<u>\$ 588,020</u>

5. Liquidity and Availability of Financial Assets

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to optimize the investment of its available funds.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing operating activities. In addition to financial assets available to meet general expenditures over the next 12 months, the Organization hopes to operate a balanced budget and anticipates collecting sufficient revenue to cover expenditures not covered by donor-restricted resources, or where appropriate, borrowings.

Financial assets and liquid resources available within 12 months for general expenditures were as follows as of August 31:

	<u>2023</u>	<u>2022</u>
Cash	\$ 327,350	\$ 394,581
Accounts receivable	<u>9,622</u>	<u>3,305</u>
Grants receivable to be received over the next 12 months	<u>532,250</u>	<u>731,100</u>
	<u>869,222</u>	<u>1,128,986</u>
Less: restricted grants receivable	<u>(532,250)</u>	<u>(731,100)</u>
Less: restricted cash	<u>(196,880)</u>	<u>(208,730)</u>
	<u>\$ 140,092</u>	<u>\$ 189,156</u>

FOUND IN TRANSLATION, INC.

Notes to Financial Statements

August 31, 2023 and 2022

6. Employee Benefit Plan

The Organization sponsors a 401(k) defined contribution benefit plan, which covers all eligible employees. Participants can elect to contribute to the plan up to the limits imposed by the Internal Revenue Service. The plan also includes an employer discretionary contribution provision. There were no employer contributions for the years ended August 31, 2023 or 2022.

7. Leases

The Organization leases a building under a noncancelable operating lease that expires in 2027 subject to Topic 842. The monthly lease payment is \$2,312 through the end of the lease term. The following table presents the right-of-use assets and lease liabilities as of August 31, 2023:

Asset	
Right-of-use asset, operating lease	\$ <u>99,575</u>
Liability	
Current portion of lease liability, operating lease	\$ 25,584
Lease liability, operating lease	<u>73,991</u>
	\$ <u>99,575</u>
Discount rate	
	3.4 %
Remaining lease term	
	4.2

Expense under the operating lease was \$25,584 for the year ended 2023, which approximated the cash paid for operating lease.

The maturity analysis of the annual undiscounted cash flows reconciled to the carrying value of the operating lease liabilities are as follows for the years ending August 31:

2024	\$ 25,584
2025	25,584
2026	25,584
2027	25,584
2028	<u>4,266</u>
	106,602
Less present value discount	<u>(7,027)</u>
	\$ <u>99,575</u>

FOUND IN TRANSLATION, INC.

Notes to Financial Statements

August 31, 2023 and 2022

8. Capitalized Software

The Organization capitalizes certain costs incurred to develop and obtain software for internal use. Costs that are capitalized include external direct costs of services and materials, as well as internal costs for employees directly associated with software development, including compensation and benefits. Capitalized software costs are amortized using the straight-line method over the useful life of the software. Amounts for the years ended August 31 were as follows:

	<u>2023</u>	<u>2022</u>
Capitalized software costs	\$ 194,303	\$ 136,127