

TRIUMPH, INC.
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR
THE YEAR ENDED JUNE 30, 2019)



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TRIUMPH, INC.
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(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019)

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Triumph, Inc.
Taunton, Massachusetts

We have audited the accompanying financial statements of Triumph, Inc., which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
Triumph, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Triumph, Inc. as of June 30, 2020, and changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Effect of Adopting New Accounting Standards

As discussed in Note 1 to the financial statements, Triumph, Inc. has adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The adoption of this standard did not have a significant impact on Triumph's reported historical revenue. Our opinion is not modified with respect to that matter.

As described in Note 1, Triumph, Inc. adopted Accounting Standards (ASU) 2018-08, *Accounting Guidance for Contributions Received and Made*. The accounting change has not been retrospectively applied to prior periods presented but applied prospectively. Our opinion is not modified with respect to that matter.

Other Matters

The June 30, 2019 summarized comparative information has been derived from Triumph, Inc.'s 2019 financial statements and in our report dated November 14, 2019, we expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent in all material respects, with the audited financial statements from which it has been derived.



CliftonLarsonAllen LLP

Boston, Massachusetts
December 23, 2020

TRIUMPH, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2019)

| | 2020 | 2019 |
|--------------------------------------------------|--------------|--------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash | \$ 784,786 | \$ 417,722 |
| Accounts Receivable | 205,178 | 219,311 |
| Contribution Receivable, Current | 34,384 | 34,384 |
| Prepaid Expenses | 102,207 | 1,200 |
| Total Current Assets | 1,126,555 | 672,617 |
| CONTRIBUTION RECEIVABLE, Noncurrent | 185,702 | 212,492 |
| PROPERTY AND EQUIPMENT | | |
| Property and Equipment | 4,417,309 | 4,154,675 |
| Less: Accumulated Depreciation | 1,628,679 | 1,533,442 |
| Property and Equipment, Net | 2,788,630 | 2,621,233 |
| Total Assets | \$ 4,100,887 | \$ 3,506,342 |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Current Maturities of Long-Term Debt | \$ 60,553 | \$ 57,166 |
| Accounts Payable | 29,871 | 36,189 |
| Accrued Expenses | 299,832 | 201,972 |
| Deferred Revenue | 14,858 | - |
| Total Current Liabilities | 405,114 | 295,327 |
| LONG-TERM DEBT, Net of Current Maturities | 676,466 | 736,980 |
| Total Liabilities | 1,081,580 | 1,032,307 |
| NET ASSETS | | |
| Without Donor Restrictions | 1,873,026 | 1,538,387 |
| With Donor Restrictions | 1,146,281 | 935,648 |
| Total Net Assets | 3,019,307 | 2,474,035 |
| Total Liabilities and Net Assets | \$ 4,100,887 | \$ 3,506,342 |

See accompanying Notes to Financial Statements.

TRIUMPH, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019)

| | Without Donor Restrictions | With Donor Restrictions | 2020 Total | 2019 Total |
|----------------------------------------|-------------------------------|----------------------------|---------------------|---------------------|
| OPERATING REVENUE AND SUPPORT | | | | |
| Program Service Revenue | \$ 6,865,669 | \$ 297,298 | \$ 7,162,967 | \$ 6,132,126 |
| Contributed Services and Property | 197,035 | 7,593 | 204,628 | 237,232 |
| Contributions | 41,399 | 10,500 | 51,899 | 15,553 |
| Special Event Income | 6,385 | - | 6,385 | 4,655 |
| Net Assets Released from Restrictions | 70,374 | (70,374) | - | - |
| Other Income | 10,119 | - | 10,119 | 4,296 |
| Total Operating Revenue and Support | <u>7,190,981</u> | <u>245,017</u> | <u>7,435,998</u> | <u>6,393,862</u> |
| EXPENSES | | | | |
| Program Services | 5,862,045 | - | 5,862,045 | 5,224,022 |
| Management and General | 994,297 | - | 994,297 | 828,905 |
| Total Expenses | <u>6,856,342</u> | <u>-</u> | <u>6,856,342</u> | <u>6,052,927</u> |
| INCOME BEFORE DONATED RENT | 334,639 | 245,017 | 579,656 | 340,935 |
| Donated Rent Expense | (34,384) | - | (34,384) | (42,945) |
| Net Asset Releases - Donated Rent | 34,384 | (34,384) | - | - |
| INCOME FROM OPERATIONS | 334,639 | 210,633 | 545,272 | 297,990 |
| Loss on Sale of Property and Equipment | <u>-</u> | <u>-</u> | <u>-</u> | <u>(6,114)</u> |
| CHANGE IN NET ASSETS | 334,639 | 210,633 | 545,272 | 291,876 |
| Net Assets - Beginning of Year | <u>1,538,387</u> | <u>935,648</u> | <u>2,474,035</u> | <u>2,182,159</u> |
| NET ASSETS - END OF YEAR | <u>\$ 1,873,026</u> | <u>\$ 1,146,281</u> | <u>\$ 3,019,307</u> | <u>\$ 2,474,035</u> |

See accompanying Notes to Financial Statements.

TRIUMPH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019)

| | Early Childhood Services | Transportation Services | Heath and Nutrition Services | Total Program Services | Management and General | 2020 Total | 2019 Total |
|---------------------------------|--------------------------------|----------------------------|------------------------------------|------------------------------|---------------------------|---------------------|---------------------|
| OPERATING EXPENSES | | | | | | | |
| Salaries | \$ 3,327,974 | \$ 156,294 | \$ 212,654 | \$ 3,696,922 | \$ 611,742 | \$ 4,308,664 | \$ 3,709,784 |
| Employee Benefits | 729,773 | 49,437 | 52,654 | 831,864 | 99,585 | 931,449 | 807,222 |
| Payroll Taxes | 142,381 | 10,560 | 15,422 | 168,363 | 42,786 | 211,149 | 265,874 |
| Occupancy | 140,819 | 2,405 | 2,366 | 145,590 | 95,530 | 241,120 | 218,163 |
| Supplies | 116,541 | - | 60,269 | 176,810 | 13,435 | 190,245 | 136,985 |
| Lunch Program Supplies | - | - | 191,312 | 191,312 | - | 191,312 | 233,569 |
| Professional Fees | 256,186 | 608 | 1,931 | 258,725 | 43,383 | 302,108 | 218,451 |
| Transportation | - | 24,096 | - | 24,096 | - | 24,096 | 42,233 |
| Training | 45,703 | 1,078 | 3,626 | 50,407 | 5,226 | 55,633 | 84,784 |
| Insurance | 15,729 | 13,515 | 361 | 29,605 | 760 | 30,365 | 36,943 |
| Office Expense | 1,136 | 17 | 207 | 1,360 | 1,379 | 2,739 | 1,484 |
| Dues and Subscriptions | 7,701 | 689 | 754 | 9,144 | 11,504 | 20,648 | 14,357 |
| Postage and Printing | 5,076 | 112 | 74 | 5,262 | 906 | 6,168 | 6,577 |
| Interest Expense | - | - | - | - | 42,996 | 42,996 | 48,299 |
| Other Expense | 34,696 | 4,979 | 1,407 | 41,082 | 7,061 | 48,143 | 27,748 |
| Equipment Expense | 35,797 | 1,638 | 11,443 | 48,878 | 5,791 | 54,669 | 28,449 |
| Telephone | 17,719 | 2,537 | 775 | 21,031 | 2,736 | 23,767 | 23,545 |
| Vehicle Expense | 4,072 | 29,547 | - | 33,619 | - | 33,619 | 28,921 |
| Depreciation | 122,697 | 1,422 | 3,856 | 127,975 | 9,477 | 137,452 | 119,539 |
| Total Operating Expenses | \$ 5,004,000 | \$ 298,934 | \$ 559,111 | \$ 5,862,045 | \$ 994,297 | \$ 6,856,342 | \$ 6,052,927 |

See accompanying Notes to Financial Statements.

TRIUMPH, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019)

| | 2020 | 2019 |
|------------------------------------------------------------------------------------------------|------------|------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in Net Assets | \$ 545,272 | \$ 291,876 |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities: | | |
| Depreciation | 137,452 | 119,539 |
| Loss on Property and Equipment Disposal | - | 6,114 |
| (Increase) Decrease in: | | |
| Accounts Receivable | 14,133 | 36,613 |
| Contribution Receivable | 26,790 | (61,322) |
| Prepaid Expenses | (101,007) | 829 |
| Increase (Decrease) in: | | |
| Accounts Payable | (6,318) | (18,947) |
| Accrued Expenses | 97,860 | (73,008) |
| Deferred Revenue | 14,858 | - |
| Net Cash Provided by Operating Activities | 729,040 | 301,694 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from Sale of Property and Equipment | - | 700 |
| Purchases of Property and Equipment | (304,849) | (82,000) |
| Net Cash Used by Investing Activities | (304,849) | (81,300) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repayment of Long-Term Debt | (57,127) | (44,357) |
| Net Cash Used by Financing Activities | (57,127) | (44,357) |
| NET INCREASE IN CASH | 367,064 | 176,037 |
| Cash - Beginning of Year | 417,722 | 241,685 |
| CASH - END OF YEAR | \$ 784,786 | \$ 417,722 |
| SUPPLEMENTARY DISCLOSURES | | |
| Cash Paid for Interest | \$ 42,996 | \$ 48,299 |

See accompanying Notes to Financial Statements.

TRIUMPH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Triumph, Inc. (the Organization) is a Massachusetts corporation exempt from tax under Section 501(c)(3) of the Internal Revenue Code as a public charity. The Organization provides comprehensive child development, school readiness, and family support services to pregnant women and children six weeks to four years old. The Organization is funded primarily by the Head Start program of the U.S. Department of Health and Human Services. Additional funding is provided by the Massachusetts Department of Early Education and Care.

Summarized Comparative Data

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Triumph, Inc.'s financial statements for the year ended June 30, 2019, from which the summarized information was derived.

Cash and Cash Equivalents

The Organization considers all short-term debt securities purchased with an original maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are recorded net of an allowance of expected losses. The allowance is estimated from historical performance and projections of trends. Management considers all amounts to be fully collectible. Accordingly, no allowance for doubtful accounts has been established. Historically, interest has not been charged on delinquent accounts.

Contributions Receivable

Contributions receivable that are expected to be collected within one year are recorded at their net realizable value. Contributions that are expected to be collected in future years are recorded at the present value of the amount expected to be collected unless immaterial. Conditional promises are not included as revenue until such times as the conditions are substantially met. Unconditional promises to give the use of long-lived assets are included as contributions receivable (see Note 9). Management considers all amounts to be fully collectible. Accordingly, no allowance for doubtful accounts has been established.

Property and Equipment

Property and equipment are recorded at cost. Assets with an estimated useful life of more than one year and a historical cost in excess of \$5,000 are capitalized. Gifts of long-lived assets are reported as support without donor restrictions unless explicit donor stipulations 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.

TRIUMPH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Property and Equipment (Continued)

The useful lives of property and equipment for purposes of computing depreciation are:

| | |
|----------------------------|---------------|
| Buildings and Improvements | 5 to 40 Years |
| Equipment | 5 to 10 Years |
| Vehicles | 5 Years |

Absent explicit donor stipulation about how long those assets must be maintained, expiration of donor restrictions are reported when the donated or acquired long-lived assets are placed into service. Depreciation is computed using the straight-line method over the estimated useful life of the assets. At various times, government agencies provide the Organization with grants to purchase furniture, vehicles, leasehold improvements, and equipment. Title to such property does not vest with the Organization and the assets must be returned to the grantor upon request. Government/Grantor owned assets are recorded at depreciated cost with offsetting net assets with donor restrictions of an equal amount. The net assets with donor restrictions are decreased as the assets depreciate.

It is the Organization's policy to assess impairment losses on assets when events and circumstances indicate that the assets might be impaired. The Organization did not identify any impairment losses as of June 30, 2020.

Basis of Presentation

Net assets, revenues, expenses, gains, and losses are classified based on the existence of donor-imposed restrictions. Accordingly, net assets of the Organizations and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations. Designated amounts represent those revenues that the board has set aside for a particular purpose.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purposes for which the resources was restricted has been fulfilled, or both.

Revenue Recognition

Contributions received are recorded as without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions. Contributions of property and equipment are reported as net assets with donor restrictions if the donor restricted the use of the property or equipment to a particular program, as are contributions of cash restricted to the purchase of property and equipment.

TRIUMPH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Revenue Recognition (Continued)

Otherwise, donor restrictions on contributions of property and equipment or assets restricted for purchase of property and equipment are considered to expire when the assets are placed in service. All other donor-restricted support is reported as an increase in net assets with donor restrictions based on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

The majority of the Organization's revenue is derived from federal and state contracts and grants, which are conditional based on certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. As of June 30, 2020, conditional contracts and grants of \$3,126,418 have not been recognized in the financial statements.

A portion of the revenue included in program service revenue is from private pay childcare services. Private pay childcare revenue is recorded over time when services are provided to the children. As of June 30, 2020, there was \$107,800 of private pay childcare revenue included in program service revenue in the statement of activities.

Promotional Advertising

Promotional advertising costs are expensed as incurred. Promotional advertising costs charged to operations amounted to \$2,739 for 2020.

Contributed Services

Contributed services are recognized in the financial statements if the services enhance or create nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Functional Allocation of Expenses

The cost of providing the various programs and services are summarized on a functional basis. Costs are generally identified as to program site, and are then allocated between programs and supporting services. Expenses including fringe benefits, utilities, supplies, and materials are allocated based on related salary expense, funded enrollment, personal activity reports, and square footage.

Income Taxes

The Organization is a nonprofit corporation as described in section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes on related income pursuant to section 501(a) of the code.

TRIUMPH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

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.

Change in Accounting Principles

In May 2014, FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Subsequent to May 2014, the FASB has issued six ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity and understandability of revenue recognition and provide sufficient information to enable financial statements users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Organization's financial statements reflect the application of ASC 606 guidance beginning July 1, 2018. No cumulative-effect adjustment in net assets was recorded as the adoption of ASU 2014-09 did not significantly impact the Organization's reported historical revenue.

Additionally, in June 2018, FASB issued Accounting Standards (ASU) 2018-08, *Accounting Guidance for Contributions Received and Made*. This ASU was issued to clarify accounting guidance for contributions received and contributions made. The amendments to this ASU assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as an exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. These financial statements reflect the application of ASU 2018-08 beginning July 1, 2019. The clarified guidance did not require prior period results to be restated.

New Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which is a comprehensive lease accounting standard that requires entities that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the balance sheet for leases with terms exceeding 12 months. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. The FASB issued ASU 2020-05, which deferred the effective date for the Organization until annual periods beginning after December 15, 2021, however, early application is permitted. The Organization is currently evaluating the impact this guidance will have on its financial statements.

TRIUMPH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through December 23, 2020, the date the financial statements were available to be issued.

NOTE 2 CONTRIBUTED GOODS, SERVICES AND FACILITIES

The Organization receives contributed services for volunteer time, program supplies, facilities, and property for use in the operations of the Organization. Contributed goods used for program purposes amounted to \$8,079, contributed services for building maintenance and other consultants amounted to \$188,956, and contributed property for use in operations amounted to \$34,384 for the year ended June 30, 2020.

NOTE 3 PROPERTY AND EQUIPMENT

A summary of property and equipment is as follows as of June 30, 2020:

| | |
|-----------------------------------|----------------------------|
| Land | \$ 358,166 |
| Building and Improvements | 3,876,486 |
| Equipment | 65,502 |
| Vehicles | 117,155 |
| Total Property and Equipment | <u>4,417,309</u> |
| Less: Accumulated Depreciation | <u>(1,628,679)</u> |
| Total Property and Equipment, Net | <u><u>\$ 2,788,630</u></u> |

At June 30, 2020, the Organization had in its possession \$911,656, net of accumulated depreciation, in vehicles, leasehold improvements, and equipment purchased with grants from government agencies and for which the government possesses a reversionary interest.

Total depreciation expense for the year totaled \$137,452. Depreciation expense on those assets for which the federal government has a reversionary interest amounted to \$70,373 for 2020. Depreciation expense on assets owned by the Organization amounted to \$67,079 for 2020.

NOTE 4 ACCOUNTS RECEIVABLE

Accounts receivable are comprised of the following as of June 30, 2020:

| | |
|-----------------------|--------------------------|
| Governmental Agencies | \$ 193,341 |
| Other | 11,837 |
| Total | <u><u>\$ 205,178</u></u> |

TRIUMPH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 5 CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of the following:

Cash and Cash Equivalents

The Organization maintains cash and cash equivalent balances in various federally insured financial institutions in the same geographic area. The Federal Deposit Insurance Corporation (FDIC) insures balances up to certain amounts. At times during the year, cash balances may exceed the federally insured amounts. The Organization has not experienced any losses in such accounts and monitors the credit worthiness of the banks at which it conducts business and management does not believe it is exposed to any significant risk with respect to such cash balances.

Accounts Receivable

Amounts due from governmental agencies comprise 95% of the Organization's total accounts receivable balance at June 30, 2020.

Major Funding

The Organization receives significant funding from the Head Start program by the U.S. Department of Health and Human Services (Head Start). The funds provide comprehensive developmental services for preschool children. The Head Start contract is subject to annual renewal and, if a significant reduction in the level of support were to occur, the Organization's programs and activities would be affected proportionately. The Organization received \$4,763,993 from Head Start programs, which approximated 64% of the Organization's operating revenue for 2020.

NOTE 6 LINE OF CREDIT

The Organization maintains a \$200,000 revolving line of credit agreement with a bank. The line of credit is payable on demand, with interest payable at the greater of 5% or the bank's based lending rate plus 1% (5.0% at June 30, 2020). The agreement is subject to annual renewal and is secured by a second mortgage on property located in Taunton, Massachusetts. The unused portion at June 30, 2020 amounted to \$200,000.

TRIUMPH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 7 LONG-TERM DEBT

The Organization is obligated under long-term debt at June 30, 2020 as follows:

| <u>Description</u> | <u>Amount</u> |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|
| Mortgage payable to a bank, bearing interest at 5.50% at June 30, 2020 secured by a first mortgage on property located in Taunton, Massachusetts, payable in monthly installments of \$8,344 including interest, due with all unpaid interest and principal on December 17, 2029; subject to interest rate conversion on April 17, 2024 to the bank's base rate plus 1% annually, with a floor of 5.50%. | \$ 737,019 |
| Less: Current Maturities | <u>(60,553)</u> |
| Long-Term Debt, Net | <u><u>\$ 676,466</u></u> |

The following are maturities of long-term debt for each of the next five years:

| <u>Year Ending June 30,</u> | <u>Amount</u> |
|-----------------------------|--------------------------|
| 2021 | \$ 60,553 |
| 2022 | 64,018 |
| 2023 | 67,680 |
| 2024 | 71,120 |
| 2025 | 73,891 |
| Thereafter | 399,757 |
| Total | <u><u>\$ 737,019</u></u> |

NOTE 8 NET ASSETS WITH DONOR RESTRICTION

The Organization has received donor-restricted contributions, which have been accounted for as net assets with donor restrictions.

Net assets with donor restrictions consist of the following at June 30, 2020:

| | |
|-----------------------------------------------------------------|----------------------------|
| Property and Equipment Purchased with Government Funds (Note 3) | \$ 911,656 |
| Contribution Receivable (Note 9) | 220,086 |
| Scholarships | 4,539 |
| COVID-19 Relief | 10,000 |
| Total Net Assets With Donor Restriction | <u><u>\$ 1,146,281</u></u> |

TRIUMPH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 9 OPERATING LEASES

The Organization occupies its main facility on land owned by the City of Taunton School Department. Base rent under the lease agreement is \$1, payable annually. Management's estimate of the fair market value of the annual lease payments have been determined to be immaterial and therefore the in-kind contribution of the free use of the land is not reflected in the financial statements. In June of 2016, the lease agreement was extended for a term of ten years with a base rent of \$1, payable annually. The Organization has treated this as a contribution receivable, and therefore the estimated fair market value of the annual lease payments has been reflected in the financial statements. At June 30, 2020, the contribution receivable amounted to \$140,161 net of unamortized discount of \$37,479. The amortization of the lease expense included in occupancy expense in 2020 amounted to approximately \$10,988.

The Organization occupies a building under a lease for a term of five years beginning July 1, 2014, with two options to extend the term for periods of five years each through June 30, 2029. Base rent under the lease agreement is \$1, payable annually. The Organization exercised their first right to extend the term for five additional years, beginning July 1, 2019 through June 30, 2024. Management's estimate of the fair market value of the annual lease payments for the next five-year extension granted is \$23,396, for a total value over the lease term of \$116,979. At June 30, 2020, the contribution receivable amounted to \$79,925, net of unamortized discount of \$13,658. The amortization of the lease expense included in occupancy expense in 2020 amounted to approximately \$23,396.

NOTE 10 PENSION PLAN

The Organization offers a tax-deferred savings plan and Roth IRA option which are available to all employees that meet the terms of the plan's eligibility criteria. Employees may provide tax deferred contributions to fully vested individual retirement accounts up to the Internal Revenue Code limit. The Organization matches 100% of these contributions up to 5% of wages. Pension plan expenses amounted to \$108,435 for 2020.

NOTE 11 CONTINGENCY

A significant portion of the Organization's revenues are derived from government agencies. Due to budgetary constraints at all levels of government, the Organization cannot determine whether there will be any changes in funding in the near term.

NOTE 12 RISKS AND UNCERTAINTIES

During March 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses and communities. Specific to Triumph, COVID-19 has impacted various parts of its 2020 operations and financial results including program service revenue. Management believes that the Organization is taking appropriate actions to mitigate the negative impact.

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NOTE 13 LIQUIDITY

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing programmatic activities, as well as the conduct of services undertaken to support those activities, to be general expenditures. In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

Financial assets available for general expenditure within one year of the statement of financial position date consisted of the following:

Financial Assets

| | |
|---------------------------------------------------------|--------------------------|
| Cash | \$ 784,786 |
| Accounts Receivable, Net | <u>205,178</u> |
| Total | 989,964 |
| Less: Restricted for Program Purposes | <u>(14,539)</u> |
| Financial Assets Available to Meet General Expenditures | <u><u>\$ 975,425</u></u> |

In addition to the financial assets available to meet general expenditures over the next 12 months, the Organization has a line of credit in the amount of \$200,000 available for use as of June 30, 2020. (See Note 6)

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