

**TRIUMPH, INC.**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2018**  
**(WITH COMPARATIVE TOTALS FOR**  
**THE YEAR ENDED JUNE 30, 2017)**

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



**TRIUMPH, INC.**  
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**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017)**

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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, 2018, 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, 2018, 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.

***Other Matters***

The June 30, 2017 summarized comparative information has been derived from Triumph, Inc.'s 2017 financial statements and in our report dated December 13, 2017, 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, 2017, is consistent in all material respects, with the audited financial statements from which it has been derived.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Boston, Massachusetts  
November 7, 2018

**TRIUMPH, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2018**  
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2017)

	2018	2017
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 241,685	\$ 137,702
Accounts Receivable	255,924	167,215
Contribution Receivable, Current	42,945	42,988
Prepaid Expenses	2,029	80,117
Total Current Assets	542,583	428,022
<b>CONTRIBUTION RECEIVABLE, Noncurrent</b>	142,609	181,027
<b>PROPERTY AND EQUIPMENT</b>		
Property and Equipment	4,112,631	4,307,408
Less: Accumulated Depreciation	1,447,045	1,571,738
Property and Equipment, Net	2,665,586	2,735,670
Total Assets	\$ 3,350,778	\$ 3,344,719
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current Maturities of Long-Term Debt	\$ 56,052	\$ 53,324
Accounts Payable	55,136	33,090
Accrued Expenses	274,980	214,228
Deferred Revenue	-	7,919
Total Current Liabilities	386,168	308,561
<b>LONG-TERM DEBT, Net of Current Maturities</b>	782,451	837,588
Total Liabilities	1,168,619	1,146,149
<b>NET ASSETS</b>		
Unrestricted	1,314,004	1,253,058
Temporarily Restricted	868,155	945,512
Total Net Assets	2,182,159	2,198,570
Total Liabilities and Net Assets	\$ 3,350,778	\$ 3,344,719

See accompanying Notes to Financial Statements.

**TRIUMPH, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2018**  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2018 Total	2017 Total
<b>OPERATING REVENUE AND SUPPORT</b>					
Program Service Revenue	\$ 6,130,684	\$ 15,000	\$ -	\$ 6,145,684	\$ 6,017,262
Contributed Services and Property	111,107	4,539	-	115,646	151,052
Contributions	28,926	-	-	28,926	13,725
Special Event Income	4,506	-	-	4,506	1,013
Net Assets Released from Restriction	53,896	(53,896)	-	-	-
Other Income	8,442	-	-	8,442	2,641
Total Operating Revenue and Support	<u>6,337,561</u>	<u>(34,357)</u>	<u>-</u>	<u>6,303,204</u>	<u>6,185,693</u>
<b>EXPENSES</b>					
Program Services	5,334,593	-	-	5,334,593	5,220,313
Management and General	942,022	-	-	942,022	904,859
Impairment Loss - Management and General	-	-	-	-	201,993
Total Expenses	<u>6,276,615</u>	<u>-</u>	<u>-</u>	<u>6,276,615</u>	<u>6,327,165</u>
<b>INCOME (LOSS) FROM BEFORE DONATED RENT</b>	60,946	(34,357)	-	26,589	(141,472)
Donated Rent Expense	(43,000)	-	-	(43,000)	(43,000)
Net Asset Releases - Donated Rent	43,000	(43,000)	-	-	-
<b>INCOME (LOSS) FROM OPERATIONS</b>	60,946	(77,357)	-	(16,411)	(184,472)
Gain on Sale of Property and Equipment	-	-	-	-	500
<b>CHANGE IN NET ASSETS</b>	60,946	(77,357)	-	(16,411)	(183,972)
Net Assets - Beginning of Year	1,253,058	945,512	-	2,198,570	2,382,542
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 1,314,004</u>	<u>\$ 868,155</u>	<u>\$ -</u>	<u>\$ 2,182,159</u>	<u>\$ 2,198,570</u>

See accompanying Notes to Financial Statements.

**TRIUMPH, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2018**  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017)

	2018			2017
	Program Services	Supporting Services	Total	Total
	Total Program Services	Management and General		
<b>OPERATING EXPENSES</b>				
Salaries	\$ 3,207,678	\$ 641,387	\$ 3,849,065	\$ 3,837,249
Employee Benefits	769,238	134,205	903,443	735,301
Payroll Taxes	243,591	47,063	290,654	278,785
Occupancy	188,983	6,933	195,916	187,985
Supplies	223,678	3,726	227,404	280,293
Lunch Program Supplies	242,576	-	242,576	264,773
Professional Fees	65,362	67,950	133,312	113,244
Transportation	40,586	1,159	41,745	46,044
Training	59,986	13,607	73,593	77,681
Insurance	29,854	5,488	35,342	35,471
Advertising	2,696	142	2,838	4,203
Dues and Subscriptions	231	6,870	7,101	14,211
Postage	1,197	696	1,893	1,992
Printing	3,575	388	3,963	11,097
Scholarships	-	1,500	1,500	1,000
Interest Expense	46,072	-	46,072	46,139
Other Expense	20,005	6,386	26,391	35,177
Equipment Expense	22,230	2,620	24,850	33,371
Telephone	22,180	1,736	23,916	22,461
Vehicle Lease Expense	29,434	166	29,600	14,507
Impairment Loss	-	-	-	201,993
Depreciation	115,441	-	115,441	127,188
Total Operating Expenses	<u>\$ 5,334,593</u>	<u>\$ 942,022</u>	<u>\$ 6,276,615</u>	<u>\$ 6,370,165</u>

See accompanying Notes to Financial Statements.

**TRIUMPH, INC.**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2018**  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017)

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (16,411)	\$ (183,972)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	115,441	127,188
Gain on Property and Equipment Disposal	-	(500)
Impairment Loss	-	201,993
(Increase) Decrease in:		
Accounts Receivable	(88,709)	292,582
Contribution Receivable	38,461	38,971
Prepaid Expenses	78,088	(77,371)
Increase (Decrease) in:		
Accounts Payable	22,046	(50,720)
Accrued Expenses	60,752	(239,298)
Deferred Revenue	(7,919)	(2,081)
Net Cash Provided by Operating Activities	201,749	106,792
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from Sale of Property and Equipment	-	500
Purchases of Property and Equipment	(45,357)	(41,114)
Net Cash Used by Investing Activities	(45,357)	(40,614)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of Long-Term Debt	(52,409)	(50,883)
Net Cash Used by Financing Activities	(52,409)	(50,883)
<b>NET INCREASE IN CASH</b>	103,983	15,295
Cash - Beginning of Year	137,702	122,407
<b>CASH - END OF YEAR</b>	\$ 241,685	\$ 137,702
<b>SUPPLEMENTARY DISCLOSURES</b>		
Cash Paid for Interest	\$ 46,072	\$ 46,139
<b>NONCASH INVESTING ACTIVITY</b>		
Change in Property and Equipment	\$ 45,357	\$ (160,879)
Add: Impairment Loss	-	201,993
Total Cash Paid for Property and Equipment	\$ 45,357	\$ 41,114

See accompanying Notes to Financial Statements.



**TRIUMPH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**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's sole activity is comprehensive early childhood services and 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, 2017, 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. Cash and cash equivalents designated for long-term purposes or received with donor-imposed restrictions are not considered cash or cash equivalents for the purposes of the statement of cash flows.

**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 unrestricted support 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 restricted support.

**TRIUMPH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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

**Property and Equipment (Continued)**

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 temporarily restricted net assets of an equal amount. The temporarily restricted net assets 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 had no impairment losses as of June 30, 2018.

**Net Assets**

Net assets of the Organization are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

Permanently Restricted Net Assets – Include contributions which require by donor restriction that the corpus be invested in perpetuity and only the income be made available for operations in accordance with donor restrictions. As of June 30, 2018, the Organization did not have any permanently restricted net assets.

**Recognition of Donor Restrictions**

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Donor restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements.

**Promotional Advertising**

Promotional advertising costs are expensed as incurred. Promotional advertising costs charged to operations amounted to \$2,838 for 2018.

**TRIUMPH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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

**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.

**Program Service Revenue**

The Organization receives support through various federal, state, and local grants and programs based on cost reimbursement or unit reimbursement contracts. Program service revenue is recognized as costs are incurred and services are provided.

**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 that benefited based on related salary expenses.

**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.

**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.

**Subsequent Events**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 7, 2018, 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 \$105,504 and contributed services for a dentist and other consultants amounted to \$10,142 for the year ended June 30, 2018.

**TRIUMPH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 3 PROPERTY AND EQUIPMENT**

A summary of property and equipment is as follows as of June 30, 2018:

Land	\$ 358,166
Building and Improvements	3,552,933
Equipment	57,207
Vehicles	144,325
Total Property and Equipment	<u>4,112,631</u>
Less: Accumulated Depreciation	<u>(1,447,045)</u>
Total Property and Equipment, Net	<u><u>\$ 2,665,586</u></u>

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

At June 30, 2018, the Organization had in its possession \$679,661 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.

Depreciation expense on those assets for which the federal government has a reversionary interest amounted to \$52,408 for 2018. Depreciation expense on assets owned by the Organization amounted to \$63,033 for 2018.

**NOTE 4 ACCOUNTS RECEIVABLE**

Accounts receivable are comprised of the following as of June 30, 2018:

Governmental Agencies	<u>\$ 255,924</u>
Total	<u><u>\$ 255,924</u></u>

**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 several federally insured financial institutions in the same geographic area. During the year there may be times when cash is higher than insurance limits.

**Accounts Receivable**

The Organization is owed unsecured funds from certain governmental agencies amounting to \$255,924 as of 2018.

**TRIUMPH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 5 CONCENTRATION OF CREDIT RISK (CONTINUED)**

**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 \$4,104,630 from Head Start programs which was approximately 65% of the Organization's operating revenue for 2018.

**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% (6% at June 30, 2018), the expiration date on the agreement was extended to November 2018. The line of credit is secured by a second mortgage on property located in Taunton, Massachusetts. The unused portion at June 30, 2018 amounted to \$200,000.

**NOTE 7 LONG-TERM DEBT**

The Organization is obligated under long-term debt at June 30, 2018 as follows:

<u>Description</u>	<u>Amount</u>
5% mortgage payable to a bank, secured by a first mortgage on property located in Taunton, Massachusetts, payable in monthly installments of \$8,103 including interest, due with all unpaid interest and principal on December 17, 2029. At December 17, 2014 the interest rate converted to the bank's base rate plus 1% annually, with a floor of 5%. The interest rate was 5.5% at June 30, 2018.	\$ 838,503
Less: Current Maturities	56,052
Long-Term Debt, Net	<u>\$ 782,451</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>
2019	\$ 56,052
2020	58,920
2021	61,934
2022	65,103
2023	68,444

**TRIUMPH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 8 TEMPORARILY RESTRICTED NET ASSETS**

The Organization has received donor-restricted contributions, which have been accounted for as temporarily restricted net assets. Temporarily restricted net assets consist of the following at June 30, 2018:

Property and Equipment Purchased with Government Funds (Note 3)	\$ 679,661
Contribution Receivable (Note 9)	185,554
Scholarships	2,940
Total Temporarily Restricted Net Assets	<u>\$ 868,155</u>

**NOTE 9 OPERATING LEASES**

The Organization occupies its main facility on land owned by the City of Taunton School Department; the lease is for a term which expired in August of 2016. 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 contribution receivable and as such the estimated fair market value of the annual lease payments has been reflected in the financial statements. The discounted contribution receivable amounted to \$153,597 as of June 30, 2018. The contribution receivable will amortize \$10,988 annually into lease expense over the term of the lease.

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. Base rent under the lease agreement is \$1, payable annually. Management's estimate of the fair market value of the annual lease payments is approximately \$32,000 for a total value over the lease term of \$160,000. At June 30, 2018, \$31,957 is presented as a contribution receivable. The amortization of the lease expense is included in occupancy expense and amounted to \$32,012 for 2018.

**NOTE 10 PENSION PLAN**

The Organization offers a tax-deferred savings plan which is available to all employees that meet the terms of the plans 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 \$102,098 for 2018.

**TRIUMPH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**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.



Investment advisory services are offered through CliftonLarsonAllen  
Wealth Advisors, LLC, an SEC-registered investment advisor.