

Triangle, Inc. and Affiliates

Consolidated Financial Report
and Supplementary Information
June 30, 2009

McGladrey & Pullen

Certified Public Accountants

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an affiliation of separate and independent legal entities.

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McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report on the Consolidated Financial Statements

Board of Directors
Triangle, Inc. and Affiliates
Malden, Massachusetts

We have audited the accompanying consolidated statements of financial position of Triangle, Inc. and Affiliates as of June 30, 2009 and 2008 and the related consolidated statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of Triangle, Inc. and Affiliates' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Triangle, Inc. and Affiliates as of June 30, 2009 and 2008, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

McGladrey & Pullen, LLP

Burlington, Massachusetts
January 7, 2010

Triangle, Inc. and Affiliates

Consolidated Statements of Financial Position
June 30, 2009 and 2008

| Assets (Note 5) | 2009 | 2008 |
|--|---------------------|---------------------|
| Current Assets | | |
| Cash and cash equivalents | \$ 1,149,940 | \$ 362,457 |
| Cash escrow | 99,112 | 97,973 |
| Accounts receivable, less allowance for doubtful accounts of \$88,137 (\$15,423 at June 30, 2008) (Note 2) | 1,202,295 | 671,395 |
| Pledges receivable (Note 3) | 23,500 | 31,540 |
| Inventory (Note 4) | 436,923 | 257,396 |
| Prepaid expenses and deposits | 150,847 | 113,632 |
| Total current assets | 3,062,617 | 1,534,393 |
| Property and Equipment (Notes 6 and 7) | | |
| Buildings and improvements | 3,681,087 | 3,577,954 |
| Land | 612,451 | 612,451 |
| Equipment | 883,756 | 230,528 |
| Furniture and fixtures | 347,824 | 323,225 |
| Computer equipment | 580,198 | 526,861 |
| Leasehold improvements | 270,381 | 16,973 |
| Motor Vehicles | 169,205 | 123,124 |
| | 6,544,902 | 5,411,116 |
| Accumulated depreciation and amortization | 3,538,859 | 2,513,098 |
| Property and equipment, net | 3,006,043 | 2,898,018 |
| Deferred Financing Costs, net | 15,652 | 18,377 |
| Total assets | \$ 6,084,312 | \$ 4,450,788 |
| Liabilities and Net Assets | | |
| Current Liabilities | | |
| Notes payable (Note 5) | \$ 691,803 | \$ 441,803 |
| Current portion of long-term debt (Note 6) | 25,359 | 23,452 |
| Current maturities of capital lease obligation (Note 7) | 20,023 | 8,295 |
| Accounts payable | 1,398,688 | 995,059 |
| Accrued expenses and other liabilities | 544,050 | 392,703 |
| Recoverable grant | 50,000 | 50,000 |
| Tenant security deposits | 7,928 | 7,716 |
| Deferred revenue (Note 2) | 3,650 | 5,324 |
| Total current liabilities | 2,741,501 | 1,924,352 |
| Commitment and contingent liability (Note 8) | | |
| Other Liabilities | | |
| Property deposit (Note 11) | 750,000 | 750,000 |
| Recoverable grant | 50,000 | 100,000 |
| Capital lease obligations, net of current maturities (Note 7) | 22,450 | 14,989 |
| Long-term debt, net of current portion (Note 6) | 934,248 | 959,606 |
| Total long term liabilities | 1,756,698 | 1,824,595 |
| Total liabilities | 4,498,199 | 3,748,947 |
| Net Assets | | |
| Unrestricted net assets | 1,542,539 | 577,291 |
| Temporarily restricted net assets (Note 14) | 43,574 | 124,550 |
| Total net assets | 1,586,113 | 701,841 |
| Total liabilities and net assets | \$ 6,084,312 | \$ 4,450,788 |

See Notes to Consolidated Financial Statements.

Triangle, Inc. and Affiliates

Consolidated Statements of Activities
Years Ended June 30, 2009 and 2008

| | 2009 | | | 2008 | | |
|---|-------------------|------------------------|-------------------|------------------|------------------------|------------------|
| | Unrestricted | Temporarily Restricted | Totals | Unrestricted | Temporarily Restricted | Totals |
| Support and Revenues | | | | | | |
| Support | | | | | | |
| Contract revenue | \$ 6,527,172 | \$ - | \$ 6,527,172 | \$ 6,336,625 | \$ - | \$ 6,336,625 |
| Contributions (Note 2) | 1,583,110 | - | 1,583,110 | 853,888 | 91,067 | 944,955 |
| United Way | 5,137 | - | 5,137 | 7,707 | - | 7,707 |
| Client rental income | 381,500 | - | 381,500 | 347,652 | - | 347,652 |
| Other income | 37,233 | - | 37,233 | 7,734 | - | 7,734 |
| Net assets released from restrictions (Note 13) | 80,976 | (80,976) | - | 88,433 | (88,433) | - |
| Total support | 8,615,128 | (80,976) | 8,534,152 | 7,642,039 | 2,634 | 7,644,673 |
| Other Revenue | | | | | | |
| Products enterprise income (Note 2) | 4,702,763 | - | 4,702,763 | 1,823,134 | - | 1,823,134 |
| Less: Cost of goods sold | 3,041,970 | - | 3,041,970 | 1,272,677 | - | 1,272,677 |
| Gross profit from other revenue | 1,660,793 | - | 1,660,793 | 550,457 | - | 550,457 |
| Total support and revenues | 10,275,921 | (80,976) | 10,194,945 | 8,192,496 | 2,634 | 8,195,130 |
| Expenses | | | | | | |
| Program Services | | | | | | |
| Employment Support | 242,612 | - | 242,612 | 338,859 | - | 338,859 |
| Products Enterprise | 844,696 | - | 844,696 | 554,056 | - | 554,056 |
| Vocational Services | 598,246 | - | 598,246 | 652,806 | - | 652,806 |
| Residential | 3,210,302 | - | 3,210,302 | 3,299,250 | - | 3,299,250 |
| Day Habilitation | 377,749 | - | 377,749 | 370,965 | - | 370,965 |
| Adult Day Health | 452,274 | - | 452,274 | 417,082 | - | 417,082 |
| Extended Employment | 713,099 | - | 713,099 | 783,511 | - | 783,511 |
| Impact | 239,984 | - | 239,984 | 232,110 | - | 232,110 |
| Ablevision | 94,531 | - | 94,531 | 56,665 | - | 56,665 |
| FLOW | 462,503 | - | 462,503 | 499,361 | - | 499,361 |
| Employ + Ability | 1,665,541 | - | 1,665,541 | - | - | - |
| Total program services | 8,901,537 | - | 8,901,537 | 7,204,665 | - | 7,204,665 |
| Supporting Services | | | | | | |
| Management and general | 1,242,880 | - | 1,242,880 | 1,225,330 | - | 1,225,330 |
| Fundraising | 541,875 | - | 541,875 | 377,325 | - | 377,325 |
| Total supporting services | 1,784,755 | - | 1,784,755 | 1,602,655 | - | 1,602,655 |
| Total expenses | 10,686,292 | - | 10,686,292 | 8,807,320 | - | 8,807,320 |
| Change in net assets from operations | (410,371) | (80,976) | (491,347) | (614,824) | 2,634 | (612,190) |
| Non-Operating Income (Expense) | | | | | | |
| Rental property income (Note 9) | 81,081 | - | 81,081 | 79,499 | - | 79,499 |
| Rental property expenses | (55,299) | - | (55,299) | (127,469) | - | (127,469) |
| Other revenue | 361 | - | 361 | 82,260 | - | 82,260 |
| Gains on disposal of fixed assets | - | - | - | - | - | - |
| Non-operating income | 26,143 | - | 26,143 | 34,290 | - | 34,290 |
| Change in net assets | (384,228) | (80,976) | (465,204) | (580,534) | 2,634 | (577,900) |
| Net Assets at Beginning of Year (Note 12) | 1,926,767 | 124,550 | 2,051,317 | 1,157,825 | 121,916 | 1,279,741 |
| Net Assets at End of Year | \$ 1,542,539 | \$ 43,574 | \$ 1,586,113 | \$ 577,291 | \$ 124,550 | \$ 701,841 |

See Notes to Consolidated Financial Statements.

Triangle, Inc. and Affiliates

Consolidated Statement of Functional Expenses
Year Ended June 30, 2009

| | Employment Support | Products Enterprise | Vocational Services | Residential | Day Habilitation | Adult Day Health | Extended Employment | Balance Forward |
|---|-----------------------|------------------------|------------------------|---------------------|---------------------|---------------------|------------------------|---------------------|
| Salaries | \$ 129,556 | \$ 465,224 | \$ 416,337 | \$ 1,925,829 | \$ 183,081 | \$ 160,477 | \$ 447,867 | \$ 3,728,371 |
| Fringe benefits (Note 10) | 20,206 | 30,722 | 45,991 | 207,433 | 19,161 | 21,129 | 64,661 | 409,303 |
| Payroll taxes | 26,422 | 25,026 | 37,429 | 140,153 | 31,027 | 25,362 | 57,912 | 343,331 |
| Total salaries, fringe and taxes | 176,184 | 520,972 | 499,757 | 2,273,415 | 233,269 | 206,968 | 570,440 | 4,481,005 |
| Depreciation and amortization | 21,461 | 56,609 | 12,155 | 49,309 | 16,125 | 2,507 | 31,883 | 190,049 |
| Program supplies and materials | 1,304 | 39,205 | 7,698 | 6,928 | 7,852 | 5,537 | 2,024 | 70,548 |
| Repairs and maintenance | 12,577 | 30,122 | 6,419 | 41,318 | 5,059 | 3,407 | 7,008 | 105,910 |
| Occupancy (Note 8) | 27,296 | 49,757 | 34,123 | 557,197 | 78,525 | 7,836 | 83,420 | 838,154 |
| Program support | 28 | 69,972 | 1,068 | 1,732 | 112 | (384) | 827 | 73,355 |
| Food and kitchen | 5 | 57,991 | 54 | 112,248 | 8,412 | 16,647 | 13 | 195,370 |
| Professional fees | - | - | - | - | - | - | - | - |
| Direct care consultants | 1,030 | 10,989 | 4,686 | 13,087 | 18,208 | 32,321 | 431 | 80,752 |
| Transportation (Note 8) | 2,694 | 9,684 | 31,414 | 114,688 | 9,572 | 176,847 | 16,413 | 361,312 |
| Staff training | 33 | (605) | 872 | 1,837 | 615 | 588 | 640 | 3,980 |
| Interest | - | - | - | 38,543 | - | - | - | 38,543 |
| Donated facilities | - | - | - | - | - | - | - | - |
| | \$ 242,612 | \$ 844,696 | \$ 598,246 | \$ 3,210,302 | \$ 377,749 | \$ 452,274 | \$ 713,099 | \$ 6,438,978 |

See Notes to Consolidated Financial Statements.

(continued)

Triangle, Inc. and Affiliates

Consolidated Statement of Functional Expenses (continued)
Year Ended June 30, 2009

| | Balance Brought Forward | Impact | Ablevision | FLOW | Employ + Ability | Total Program Services | Management and General | Fundraising | Total Supporting Services | Rental Property | Total |
|---|-------------------------------|-------------------|------------------|-------------------|---------------------|------------------------------|---------------------------|-------------------|---------------------------------|--------------------|----------------------|
| Salaries | \$ 3,728,371 | \$ 176,473 | \$ 60,792 | \$ 119,727 | \$ 671,340 | 4,756,703 | \$ 640,330 | \$ 270,982 | \$ 911,312 | | \$ 5,668,015 |
| Fringe benefits (Note 10) | 409,303 | 14,146 | 4,202 | 8,595 | 249,979 | 686,225 | 63,470 | 19,888 | 83,358 | | 769,583 |
| Payroll taxes | 343,331 | 12,962 | 4,237 | 2,893 | 87,288 | 450,711 | 48,597 | 19,027 | 67,624 | | 518,335 |
| Total salaries, fringe and taxes | 4,481,005 | 203,581 | 69,231 | 131,215 | 1,008,607 | 5,893,639 | 752,397 | 309,897 | 1,062,294 | - | 6,955,933 |
| Depreciation and amortization | 190,049 | 3,716 | 6,033 | 20,699 | 59,427 | 279,924 | 11,587 | 2,993 | 14,580 | | 294,504 |
| Program supplies and materials | 70,548 | 3,572 | 11,979 | 18,294 | 130,477 | 234,870 | 56,809 | 45,908 | 102,717 | | 337,587 |
| Repairs and maintenance | 105,910 | 2,610 | 1,637 | 5,000 | 34,850 | 150,007 | 23,136 | 2,639 | 25,775 | | 175,782 |
| Occupancy (Note 8) | 838,154 | 11,180 | 1,698 | 9,521 | 306,848 | 1,167,401 | 39,749 | 9,519 | 49,268 | 39,069 | 1,255,738 |
| Program support | 73,355 | 6,247 | 1,053 | (150) | 59,155 | 139,660 | 119,042 | 162,909 | 281,951 | 16,230 | 437,841 |
| Food and kitchen | 195,370 | 197 | 96 | - | - | 195,663 | 1,052 | 983 | 2,035 | | 197,698 |
| Professional fees | - | - | - | - | - | - | - | - | - | | - |
| Direct care consultants | 80,752 | 1,080 | 2,660 | 9,234 | 33,968 | 127,694 | 168,481 | 5,644 | 174,125 | | 301,819 |
| Transportation (Note 8) | 361,312 | 7,071 | 144 | 6,629 | 32,209 | 407,365 | 9,753 | 438 | 10,191 | | 417,556 |
| Staff training | 3,980 | 730 | - | - | - | 4,710 | 1,878 | 945 | 2,823 | | 7,533 |
| Interest | 38,543 | - | - | 2,081 | - | 40,624 | 58,996 | - | 58,996 | | 99,620 |
| Donated facilities | - | - | - | 259,980 | - | 259,980 | - | - | - | | 259,980 |
| | \$ 6,438,978 | \$ 239,984 | \$ 94,531 | \$ 462,503 | \$ 1,665,541 | \$ 8,901,537 | \$1,242,880 | \$ 541,875 | \$ 1,784,755 | \$ 55,299 | \$ 10,741,591 |

See Notes to Consolidated Financial Statements.

(continued)

Triangle, Inc. and Affiliates

Consolidated Statement of Functional Expenses
Year Ended June 30, 2008

| | Employment Support | Products Enterprise | Vocational Services | Residential | Day Habilitation | Adult Day Health | Extended Employment | Balance Forward |
|---|-----------------------|------------------------|------------------------|---------------------|---------------------|---------------------|------------------------|---------------------|
| Salaries | \$ 220,001 | \$ 338,350 | \$ 472,002 | \$ 1,991,434 | \$ 213,781 | \$ 185,223 | \$ 542,876 | \$ 3,963,667 |
| Fringe benefits (Note 10) | 30,422 | 9,388 | 51,629 | 226,943 | 17,031 | 23,506 | 71,140 | 430,059 |
| Payroll taxes | 15,515 | 17,101 | 36,866 | 151,364 | 15,649 | 13,870 | 38,847 | 289,212 |
| Total salaries, fringe and taxes | 265,938 | 364,839 | 560,497 | 2,369,741 | 246,461 | 222,599 | 652,863 | 4,682,938 |
| Depreciation and amortization | 24,066 | 31,973 | 10,329 | 50,242 | 16,376 | 2,548 | 24,145 | 159,679 |
| Program supplies and materials | 7,277 | 17,967 | 2,631 | 12,487 | 6,266 | 5,251 | 4,520 | 56,399 |
| Repairs and maintenance | 9,810 | 19,669 | 3,523 | 26,328 | 2,964 | 2,029 | 5,689 | 70,012 |
| Occupancy (Note 8) | 26,441 | 29,938 | 39,165 | 549,641 | 79,733 | 7,227 | 81,847 | 813,992 |
| Program support | 113 | 21,344 | 519 | 1,074 | 415 | 651 | 208 | 24,324 |
| Food and kitchen | - | 57,445 | - | 121,435 | 7,134 | 14,777 | 16 | 200,807 |
| Direct care consultants | - | 69 | 4,270 | 10,039 | 1,750 | 3,333 | - | 19,461 |
| Transportation (Note 8) | 4,806 | 10,677 | 31,040 | 115,616 | 8,198 | 158,504 | 13,515 | 342,356 |
| Staff training | 408 | 135 | 832 | 2,868 | 1,668 | 163 | 708 | 6,782 |
| Interest | - | - | - | 39,779 | - | - | - | 39,779 |
| Donated facilities | - | - | - | - | - | - | - | - |
| | \$ 338,859 | \$ 554,056 | \$ 652,806 | \$ 3,299,250 | \$ 370,965 | \$ 417,082 | \$ 783,511 | \$ 6,416,529 |

See Notes to Consolidated Financial Statements.

Triangle, Inc. and Affiliates

Consolidated Statement of Functional Expenses (continued)
Year Ended June 30, 2008

| | Balance Brought Forward | Impact | Ablevision | FLOW | Total Program Services | Management and General | Fundraising | Total Supporting Services | Rental Property | Total |
|---|-------------------------------|-------------------|------------------|-------------------|------------------------------|---------------------------|-------------------|---------------------------------|--------------------|---------------------|
| Salaries | \$ 3,963,667 | \$ 165,104 | \$ 33,544 | \$ 167,130 | \$4,329,445 | \$ 714,013 | \$ 178,041 | \$ 892,054 | \$ 61,487 | \$ 5,282,986 |
| Fringe benefits (Note 10) | 430,059 | 8,573 | 3,538 | 5,582 | 447,752 | 77,109 | 12,663 | 89,772 | 6,654 | 544,178 |
| Payroll taxes | 289,212 | 12,137 | 2,424 | 6,063 | 309,836 | 50,779 | 13,531 | 64,310 | 4,373 | 378,519 |
| Total salaries, fringe and taxes | 4,682,938 | 185,814 | 39,506 | 178,775 | 5,087,033 | 841,901 | 204,235 | 1,046,136 | 72,514 | 6,205,683 |
| Depreciation and amortization | 159,679 | 3,584 | 3,614 | - | 166,877 | 3,114 | 3,372 | 6,486 | 4,494 | 177,857 |
| Program supplies and materials | 56,399 | 5,311 | 6,850 | 22,229 | 90,789 | 52,986 | 5,380 | 58,366 | 1,569 | 150,724 |
| Repairs and maintenance | 70,012 | 1,708 | 1,770 | 4,389 | 77,879 | 11,483 | 2,588 | 14,071 | 555 | 92,505 |
| Occupancy (Note 8) | 813,992 | 12,261 | 1,229 | 9,904 | 837,386 | 50,720 | 8,399 | 59,119 | 32,363 | 928,868 |
| Program support | 24,324 | 7,999 | 2,831 | 150 | 35,304 | 95,840 | 147,602 | 243,442 | 2,450 | 281,196 |
| Food and kitchen | 200,807 | 508 | 396 | - | 201,711 | - | - | - | - | 201,711 |
| Direct care consultants | 19,461 | 7,693 | - | 15,079 | 42,233 | 124,402 | 4,440 | 128,842 | 10,237 | 181,312 |
| Transportation (Note 8) | 342,356 | 5,797 | 354 | 3,058 | 351,565 | 2,937 | 309 | 3,246 | 162 | 354,973 |
| Staff training | 6,782 | 1,435 | 115 | - | 8,332 | 179 | 1,000 | 1,179 | - | 9,511 |
| Interest | 39,779 | - | - | 5,797 | 45,576 | 41,768 | - | 41,768 | 3,125 | 90,469 |
| Donated facilities | - | - | - | 259,980 | 259,980 | - | - | - | - | 259,980 |
| | \$ 6,416,529 | \$ 232,110 | \$ 56,665 | \$ 499,361 | \$7,204,665 | \$1,225,330 | \$ 377,325 | \$1,602,655 | \$ 127,469 | \$ 8,934,789 |

See Notes to Consolidated Financial Statements.

Triangle, Inc. and Affiliates

Consolidated Statements of Cash Flows
Years Ended June 30, 2009 and 2008

| | 2009 | 2008 |
|---|---------------------|-------------------|
| Cash Flows from Operating Activities | | |
| Change in net assets | \$ (465,204) | \$ (577,900) |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities | | |
| Depreciation and amortization | 354,406 | 211,703 |
| Change in accounts receivable | (530,900) | (99,887) |
| Change in pledges receivable | 8,040 | 64,169 |
| Change in inventory | (179,527) | 84,109 |
| Change in prepaid expenses and deposits | (37,215) | (28,257) |
| Change in accounts payable | 403,629 | 62,096 |
| Change in accrued expenses and other liabilities | 151,347 | (60,638) |
| Change in tenant security deposits | 212 | 23 |
| Change in recoverable grant | (50,000) | - |
| Change in deferred revenue | (1,674) | 299 |
| Net adjustments | 118,318 | 233,617 |
| Net cash used in operating activities | (346,886) | (344,283) |
| Cash Flows from Investing Activities | | |
| Change in cash escrow | (1,139) | 7,066 |
| Change in assets restricted for debt | - | - |
| Purchase of property and equipment | (205,906) | (200,852) |
| Net cash used in investing activities | (207,045) | (193,786) |
| Cash Flows from Financing Activities | | |
| Advances (repayments) on note payable, net | 250,000 | (58,197) |
| Repayments of long-term debt | (23,451) | (15,279) |
| Proceeds from new debt | - | 500,000 |
| Debt issuance costs | - | (16,476) |
| Payments of capital lease obligations | (13,910) | (8,181) |
| Net cash provided by financing activities | 212,639 | 401,867 |
| Change in Cash and Cash Equivalents | (341,292) | (136,202) |
| Cash and Cash Equivalents at | | |
| Beginning of Year | 362,457 | 498,659 |
| Cash from Employ + Ability | 1,128,775 | - |
| End of Year | \$ 1,149,940 | \$ 362,457 |
| <u>Supplemental Disclosure of Cash Flow Information</u> | | |
| Cash paid during the year for interest | \$ 99,620 | \$ 90,469 |

See Notes to Consolidated Financial Statements.

Note 1. Nature of Activities and Significant Accounting Policies

Nature of Activities: Triangle, Inc. and Affiliates (the "Organization") is a nonprofit organization providing services to people with disabilities within eastern Massachusetts. Triangle, Inc. and Affiliates empower people with disabilities to lead rich, fulfilling lives in gaining greater independence, dignity and economic self-sufficiency, by providing highly individualized employment, social development, health care and residential services.

During the year ended June 30, 2009, the Organization acquired through a merger Employ + Ability, Inc., a human service provider that provides employment opportunities for individuals with disabilities. The Organization manufactures hot and cold therapy products for the medical, sports, first aid and safety markets and performs light contract assembly of medical devices and products (see Note 12).

During the year ended June 30, 2007, the Organization acquired through a merger FLOW Enterprises, Inc., a human service provider that serves people with disabilities.

Principles of Consolidation: The consolidated financial statements of Triangle, Inc. and Affiliates include the accounts of Triangle, Inc., Impact, Inc., FLOW Enterprises, Inc. and Employ + Ability, Inc. All intercompany activity has been eliminated in consolidation.

A summary of the Organization's significant accounting policies follows:

Classification and Reporting of Net Assets: To ensure observation of limitations and restrictions placed on the use of resources available to the Organization, the assets, liabilities and net assets of the Organization are classified into three net assets classes. The classifications are related to the existence or absence of donor-imposed restrictions as follows:

- Unrestricted net assets represent the portion of net assets of the Organization that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.
- Temporarily restricted net assets represent contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations.

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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents: For purposes of reporting cash flows, the Organization defines cash equivalents as short-term, highly liquid investments with original maturities of three months or less. The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (continued)

Cash Escrow: Cash escrow represents cash accounts maintained by the Organization under regulatory agreements with the United States Department of Housing and Urban Development (HUD), to be used as a reserve for repairs and improvements to certain properties owned by the Organization that were purchased with grants from HUD.

Accounts Receivable: Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables and considering a customer's financial condition, credit history, and current economic conditions. Account receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received. An account receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 90 days. Interest is not charged on account receivables that are outstanding for more than 30 days.

Inventory: Inventory consists of various raw materials and finished goods and is stated at the lower of cost or market value. Cost is determined on the first-in, first-out method.

Property and Equipment: All property and equipment are stated at cost. Major renewals, additions and betterments are charged to the property accounts while replacements and maintenance and repairs, which do not improve or extend the lives of the respective assets, are expensed in the year incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets as follows:

| | <u>Years</u> |
|----------------------------|--------------|
| Buildings and improvements | 20-45 |
| Equipment | 5-10 |
| Furniture and fixtures | 3-7 |
| Computer equipment | 3-5 |
| Leasehold improvements | 5 |
| Motor vehicles | 3-5 |

Revenue Recognition: The Organization's revenue is generated from a variety of sources including state, federal and private agency grants and contracts, sales of products, and charitable donations from private citizens, foundations and corporations.

The programs of the Organization are principally supported by the Massachusetts Department of Mental Retardation, the Massachusetts Rehabilitation Commission, the Massachusetts Division of Medical Assistance, and the U.S. Department of Housing and Urban Development.

Revenue is recorded in individual programs at the rates approved by the Massachusetts Operational Services Division. Excess of revenue over expenses from Commonwealth of Massachusetts supported programs, up to certain defined limits, can be utilized by the Organization for expenditures in accordance with their exempt purposes, provided such expenditures are reimbursable under the Operational Services Division's regulations.

Products Enterprise Income: Products enterprise income represents fees for subcontract assembly and packaging work, sales of products, cafeteria sales, and supported employment revenue. Revenue is recognized when services are performed or when products are shipped, title passes, there are no uncertainties regarding customer acceptance, the sales price is fixed and determinable, and collectability is probable.

Note 1. Nature of Activities and Significant Accounting Policies (continued)

Rental Revenue: Rental revenues are recognized over the term of the lease agreement when earned.

Contributions: Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment of potential defaults. The determination includes such factors as prior collection history, type of contribution and nature of fundraising activity.

Contributions of cash and other assets are presented as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the unrestricted net asset category. A reclassification to unrestricted net assets is made to reflect the expiration of such restrictions in the year the restriction is met.

Contributions of property and equipment are presented as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit 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 restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the long-lived assets are acquired.

Income Taxes: The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization is subject to income taxes on unrelated business income related to the rental of certain condominium units. The Organization has paid less than \$1,100 for such taxes in prior years and estimates no significant change for the year ended June 30, 2009.

Functional Expense Allocation: The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising Costs: The Organization expenses advertising costs as incurred. During the years ended June 30, 2009 and 2008, the Organization incurred minimal advertising expenses.

Deferred Financing Costs, Net: Deferred financing costs relate to costs incurred in connection with refinancing of debt. The costs are being amortized over the terms of the related refinancing. Amortization expense for the years ended June 30, 2009 and 2008 totaled \$2,725 and \$4,395, respectively.

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (continued)

Recently issued accounting pronouncements: In June 2009, the Financial Accounting Standards Board ("FASB") issued *The Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles* (the "Codification") as the single source of authoritative accounting guidance for public companies. The Codification did not change generally accepted accounting principles but rather enhanced the way accounting principles are organized. The Codification was effective for the years ending on or after September 15, 2009 and its adoption will not have a material impact on the Organization's statements of financial position or activities.

In May 2009, the FASB issued accounting guidance on subsequent events which requires organizations to address the accounting and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The adoption of this accounting guidance did not have any impact on the Organization's statements of financial position or activities.

In July 2006, the FASB issued FASB Interpretation ("FIN") No. 48, *Accounting for Uncertainty in Income Taxes*, an interpretation of FASB Statement No. 109. FIN No. 48 clarifies the accounting for uncertainty in income taxes by prescribing the recognition threshold a tax position is required to meet before being recognized in the financial statements. It also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition.

In December 2008, the FASB provided for a deferral of the effective date of FIN No. 48 for certain nonpublic enterprises to annual financial statements for fiscal years beginning after December 15, 2008. The Organization has elected this deferral and accordingly will be required to adopt FIN 48 in its 2010 annual financial statements. Prior to adoption of FIN 48, the Organization will continue to evaluate its uncertain tax positions and related income tax contingencies under SFAS No. 5, *Accounting for Contingencies*. SFAS No. 5 requires the Organization to accrue for losses it believes are probable and can be reasonably estimated. Management is currently assessing the impact of FIN 48 on its financial position and results of operations and has not yet determined if the adoption of FIN 48 will have a material effect on its financial statements.

Note 2. Related Party Transactions

Included in the consolidated financial statements for the years ended June 30, 2009 and 2008 are the following amounts from a company in which the senior vice president of merchandising is a member of the Board of Directors:

| | 2009 | 2008 |
|---|---------|----------|
| Accounts receivable – product purchases | \$ - | \$ 8,626 |
| Contributions revenue | 63,861 | 21,000 |
| Products enterprise income | 802,879 | 749,671 |

Included in the consolidated financial statements for the years ended June 30, 2009 and 2008 are the following amounts from a company in which a senior vice president is a member of the Board of Directors.

| | 2009 | 2008 |
|----------------------------|------------|------------|
| Contributions revenue | \$ 290,924 | \$ 136,705 |
| Products enterprise income | 30,815 | 10,500 |

Triangle, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 2. Related Party Transactions (Continued)

As described in Note 3, the Organization has recognized a pledge receivable for an unconditional promise to give. The pledge is receivable from an organization for which one of the members of Triangle's Board of Directors is a trustee.

The Organization incurred legal expenses in the normal course of operations, from a law firm, which employs a member of the governing Board of Directors. Total amount expended for legal services during the year ended June 30, 2009 and 2008 totaled \$61,392 and \$24,653, respectively. The Organization also received donations of \$7,016 from the law firm.

Note 3. Pledges Receivable

Pledges receivable of \$23,500 and \$31,540 at June 30, 2009 and 2008, respectively consists of unconditional promises to give. All unconditional promises to give are expected to be received during the next fiscal year.

Note 4. Inventory

| | <u>2009</u> | <u>2008</u> |
|--|-------------------|-------------------|
| Raw materials | \$ 286,878 | \$ 170,905 |
| Finished goods | 150,045 | 110,731 |
| | <u>436,923</u> | <u>281,636</u> |
| Less: Reserve for obsolescence and slow moving items | - | 24,240 |
| | <u>\$ 436,923</u> | <u>\$ 257,396</u> |

Note 5. Notes Payable

On January 31, 2008, the Organization entered into a \$700,000 revolving credit note with a bank. The note is secured by all business assets of the Organization. Advances on the note bear interest at the Wall Street Journal Prime Lending Rate (3.25% at June 30, 2009). The line, which expired on June 30, 2009, was renewed for the same term subsequent to year end. The balance outstanding at June 30, 2009 and 2008 totaled \$691,803 and \$441,803, respectively.

During 2008, notes payable consisted of a \$500,000 revolving credit note with a bank. Advances under the line bore interest at the base rate (8%) plus .25% (8.25% at June 30, 2008). The note was secured by all business assets of the Organization and required the Organization to obtain five individual guarantors. The Organization repaid and terminated this agreement during 2008.

Triangle, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 6. Long-Term Debt

| | <u>2009</u> | <u>2008</u> |
|---|-------------------|-------------------|
| Long-term debt consists of the following: | | |
| 9.25% note payable to the U.S. Department of Housing and Urban Development, secured by property with a depreciated cost of \$293,572. Principal and interest are payable in installments of \$3,029 through October 2021. | \$ 266,835 | \$ 277,937 |
| 6.5% note payable to a financial institution with principal and interest payable in monthly installments of \$1,450 through March 2031, and secured by property with a depreciated cost of \$154,262. | 202,328 | 206,430 |
| 6.0% note payable to a financial institution with principal and interest payable in monthly installments of \$3,406 through April 2033, and secured by all business assets of the Organization. | <u>490,444</u> | <u>498,691</u> |
| | 959,607 | 983,058 |
| Less current portion of long term debt | 25,359 | 23,452 |
| Total | <u>\$ 934,248</u> | <u>\$ 959,606</u> |

Maturities of long-term debt as of June 30, 2009 are as follows:

| <u>Year ending June 30,</u> | |
|-----------------------------|-------------------|
| 2010 | \$ 25,359 |
| 2011 | 27,425 |
| 2012 | 29,580 |
| 2013 | 32,088 |
| 2014 | 34,722 |
| Thereafter | <u>810,433</u> |
| | <u>\$ 959,607</u> |

Note 7. Capital Lease Obligations

The Organization leased a vehicle and office equipment under capital lease agreements. The leases require monthly payments of \$691 and \$977 through November 2011 and July 2012, respectively. The assets are being amortized over the term of the leases.

| <u>Year ending June 30,</u> | <u>Amount</u> |
|--|------------------|
| 2010 | \$ 20,023 |
| 2011 | 20,023 |
| 2012 | 15,184 |
| 2013 | <u>977</u> |
| Total minimum lease payments | 56,207 |
| Less amount representing interest | <u>(13,734)</u> |
| Present value of minimum lease payments | 42,473 |
| Less current maturities | <u>(20,023)</u> |
| Capital lease obligations, net of current maturities | <u>\$ 22,450</u> |

Triangle, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 8. Operating Leases

The Organization leases certain office equipment, motor vehicles and facilities under operating leases expiring through July 2014. Rent expense under these leases was \$548,757 and \$559,834 for the years ended June 30, 2009 and 2008, respectively.

Minimum future lease payments under the operating leases as of June 30, 2009 are as follows:

| <u>Year ending June 30,</u> | <u>Amount</u> |
|-----------------------------|---------------------|
| 2010 | \$ 489,366 |
| 2011 | 394,593 |
| 2012 | 367,236 |
| 2013 | 282,731 |
| 2014 | 142,971 |
| Thereafter | 4,750 |
| Total | <u>\$ 1,681,647</u> |

Note 9. Building Rental Income

The Organization leased space to two tenants in its facilities located in Malden, Massachusetts requiring monthly lease receipts of \$8,621. The units occupied by tenants under fixed lease terms were sold in December 2006. Currently the Organization leases space to one tenant under a tenant at will agreement with monthly rent of \$2,148 which was increased to \$6,206 in February 2009. Rental income under these agreements was \$81,081 and \$79,499 for the years ended June 30, 2009 and 2008, respectively.

Note 10. Retirement Plan

The Organization offers all of its qualified employees participation in a tax sheltered annuity (TSA) retirement plan under the provisions of section 403(b) of the Internal Revenue Code. All participants can elect to make voluntary contributions to the TSA for their account. A discretionary Organization contribution to the plan may be made based on a percentage of participant contributions subject to limitations. The Organization made no contributions during the years ended June 30, 2009 and 2008.

Note 11. Property Deposit

The Organization received a deposit totaling \$750,000 in December 2006 from a buyer interested in purchasing approximately 15,000 square feet of a building owned by the Organization. The parties are currently in land court and outcome of the sale is pending.

Note 12. Merger

During the year ended June 30, 2009, Triangle, Inc. and affiliates merged with Employ + Ability, Inc. to operate under the name Triangle, Inc. and assumed the net assets of the Organization. These transactions have been accounted for under the pooling-of-interests method of accounting.

Triangle, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 12. Merger (continued)

Following is a summary of the effect on net assets of the merger:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|--|---------------------|-----------------------------------|---------------------|
| Net assets at June 30, 2008 for Employ + Ability, Inc. | \$ 1,349,476 | \$ - | \$ 1,349,476 |
| Net assets at June 30, 2008 for Triangle, Inc. and Affiliates | 577,291 | 124,550 | 701,841 |
| Net assets at June 30, 2008 | <u>\$ 1,926,767</u> | <u>\$ 124,550</u> | <u>\$ 2,051,317</u> |

Following is a summary of the change in net assets for the year ended June 30, 2009:

| | <u>Revenue</u> | <u>Expenses</u> | <u>Change in Net assets</u> |
|---|----------------------|----------------------|---------------------------------|
| Change in net assets for Employ + Ability, Inc. | \$ 1,189,288 | \$ 1,665,541 | \$ (476,253) |
| Change in net assets for Triangle, Inc. and Affiliates | 9,091,529 | 9,076,050 | 15,479 |
| Change in net assets | <u>\$ 10,280,817</u> | <u>\$ 10,741,591</u> | <u>\$ (460,774)</u> |

The merger became effective January 1, 2009. The following summarizes the statement of activities of Employ + Ability for the six month period from July 1, 2008 – December 31, 2008 (pre-merger), and the six months January 1, 2009 – June 30, 2009 (post-merger):

| | <u>Pre-merger</u> | <u>Post-merger</u> | <u>Total</u> |
|-------------------------|---------------------|--------------------|---------------------|
| Product Revenue | \$ 1,301,199 | \$ 1,682,029 | \$ 2,983,228 |
| Cost of Goods Sold | (992,408) | (1,158,249) | (2,150,657) |
| Gross Profit | 308,791 | 523,780 | 832,571 |
| Contributions | 38,757 | 287,660 | 326,417 |
| Operating Expenses | 988,289 | 676,843 | 1,665,132 |
| Operating (Loss) Income | (640,741) | 134,597 | (506,144) |
| Other Income | 15,821 | 14,070 | 29,891 |
| Net (Loss) Income | <u>\$ (624,920)</u> | <u>\$ 148,667</u> | <u>\$ (476,253)</u> |

Note 13. Net Assets Released From Restrictions

Net assets were released from donor restrictions during the years ended June 30, 2009 and 2008 by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors. During the years ended June 30, 2009 and 2008 net assets released from restrictions totaled \$80,976 and \$88,433, respectively.

Triangle, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 14. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of net assets restricted for the following purposes as of June 30:

| | <u>2009</u> | <u>2008</u> |
|-------------------------------|------------------|-------------------|
| Cafeteria | \$ - | \$ 8,021 |
| Resident holiday party | - | 599 |
| Bashers uniform | - | 2,304 |
| School to career | - | 49,127 |
| Fulfillment center renovation | <u>43,574</u> | <u>64,499</u> |
| Total | <u>\$ 43,574</u> | <u>\$ 124,550</u> |

Note 15. Economic Dependency

The Organization received substantially all of its program service revenue from contracts with the Commonwealth of Massachusetts Department of Mental Retardation and Rehabilitation Commission for the years ended June 30, 2009 and 2008.

Service fee revenue from these departments represents approximately 80% of the Organization's contract revenue for each of the years ended June 30, 2009 and 2008, respectively.

Note 16. Subsequent Events

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through January 7, 2010, the date the financial statements were issued.

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report on the Supplementary Information

Board of Directors
Triangle, Inc. and Affiliates
Malden, Massachusetts

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The consolidating information is presented for purposes of additional analysis of the basic consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies. The consolidating information has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

McGladrey & Pullen, LLP

Burlington, Massachusetts
January 7, 2010

Triangle, Inc. and Affiliates

Consolidating Schedule of Financial Position
June 30, 2009

| Assets (Note 5) | Triangle | Flow | Impact | Employ + Ability | Eliminations | Total |
|--|---------------------|-------------------|------------------|---------------------|---------------------|---------------------|
| Current Assets | | | | | | |
| Cash and cash equivalents | \$ 393,084 | \$ 26,444 | \$ 14,060 | \$ 716,352 | \$ - | \$ 1,149,940 |
| Cash escrow | 99,112 | - | - | - | - | 99,112 |
| Accounts receivable | 780,038 | 70,479 | 3,125 | 348,653 | - | 1,202,295 |
| Due from affiliate | 163,112 | 223,369 | - | - | (386,481) | - |
| Pledges receivable | 23,500 | - | - | - | - | 23,500 |
| Inventory | 210,560 | 35,707 | - | 190,656 | - | 436,923 |
| Prepaid expenses and deposits | 84,945 | 26,449 | 3,215 | 36,238 | - | 150,847 |
| Total current assets | 1,754,351 | 382,448 | 20,400 | 1,291,899 | (386,481) | 3,062,617 |
| Property and Equipment | | | | | | |
| Buildings and improvements | 3,681,087 | - | - | - | - | 3,681,087 |
| Land | 612,451 | - | - | - | - | 612,451 |
| Equipment | 213,434 | 5,413 | 13,001 | 651,908 | - | 883,756 |
| Furniture and fixtures | 345,721 | 2,103 | - | - | - | 347,824 |
| Computer equipment | 580,198 | - | - | - | - | 580,198 |
| Leasehold improvements | 16,973 | - | - | 253,408 | - | 270,381 |
| Motor vehicles | 112,519 | 56,686 | - | - | - | 169,205 |
| | 5,562,383 | 64,202 | 13,001 | 905,316 | - | 6,544,902 |
| Accumulated depreciation and amortization | 2,700,416 | 51,437 | 6,854 | 780,152 | - | 3,538,859 |
| Property and equipment, net | 2,861,967 | 12,765 | 6,147 | 125,164 | - | 3,006,043 |
| Deferred Financing Costs, net | 15,652 | - | - | - | - | 15,652 |
| Total assets | 4,631,970 | 395,213 | 26,547 | 1,417,063 | (386,481) | 6,084,312 |
| Liabilities and Net Assets | | | | | | |
| Current Liabilities | | | | | | |
| Notes payable | 691,803 | - | - | - | - | 691,803 |
| Current portion of long-term debt | 25,359 | - | - | - | - | 25,359 |
| Current maturities of capital lease obligations | 11,728 | 8,295 | - | - | - | 20,023 |
| Accounts payable | 987,595 | 10,471 | - | 400,622 | - | 1,398,688 |
| Due to affiliate | 223,369 | 121,879 | 36,430 | 4,803 | (386,481) | - |
| Accrued expenses and other liabilities | 401,205 | - | - | 142,845 | - | 544,050 |
| Recoverable grant | 50,000 | - | - | - | - | 50,000 |
| Tenant security deposits | 7,928 | - | - | - | - | 7,928 |
| Deferred revenue | 1,000 | - | 2,650 | - | - | 3,650 |
| Total current liabilities | 2,399,987 | 140,645 | 39,080 | 548,270 | (386,481) | 2,741,501 |
| Commitment and contingent liability | | | | | | |
| Other Liabilities | | | | | | |
| Property deposit | 750,000 | - | - | - | - | 750,000 |
| Recoverable grant | 50,000 | - | - | - | - | 50,000 |
| Capital lease obligations, net of current maturities | 15,756 | 6,694 | - | - | - | 22,450 |
| Long-term debt, net of current portion | 934,248 | - | - | - | - | 934,248 |
| Total long term liabilities | 1,750,004 | 6,694 | - | - | - | 1,756,698 |
| Total liabilities | 4,149,991 | 147,339 | 39,080 | 548,270 | (386,481) | 4,498,199 |
| Net Assets | | | | | | |
| Unrestricted net assets | 438,405 | 247,874 | (12,533) | 868,793 | - | 1,542,539 |
| Temporarily restricted net assets | 43,574 | - | - | - | - | 43,574 |
| Total net assets | 481,979 | 247,874 | (12,533) | 868,793 | - | 1,586,113 |
| Total liabilities and net assets | \$ 4,631,970 | \$ 395,213 | \$ 26,547 | \$ 1,417,063 | \$ (386,481) | \$ 6,084,312 |

Triangle, Inc. and Affiliates

Consolidating Schedule of Activities
Year Ending June 30, 2009

| | Triangle | Flow | Impact | Employ + Ability | Eliminations | Totals |
|--|------------------|----------------|----------------|------------------|--------------|-------------------|
| Support and Revenues | | | | | | |
| Contract revenue | \$ 6,324,920 | \$ - | \$ 202,252 | \$ - | \$ - | \$ 6,527,172 |
| Contributions | 946,543 | 272,322 | 37,828 | 326,417 | - | 1,583,110 |
| United Way | 5,137 | - | - | - | - | 5,137 |
| Client rental income | 381,500 | - | - | - | - | 381,500 |
| Other income | 6,947 | 230 | - | 30,056 | - | 37,233 |
| Total support | 7,665,047 | 272,552 | 240,080 | 356,473 | - | 8,534,152 |
| Other Revenue | | | | | | |
| Products enterprise income | 1,305,074 | 413,042 | 1,420 | 2,983,227 | - | 4,702,763 |
| Less: Cost of goods sold | 658,972 | 228,156 | - | 2,154,842 | - | 3,041,970 |
| Gross profit from other revenue | 646,102 | 184,886 | 1,420 | 828,385 | - | 1,660,793 |
| Total support and revenues | 8,311,149 | 457,438 | 241,500 | 1,184,858 | - | 10,194,945 |
| Expenses | | | | | | |
| Program Services | | | | | | |
| Employment Support | 242,612 | - | - | - | - | 242,612 |
| Products Enterprise | 844,696 | - | - | - | - | 844,696 |
| Vocational Services | 598,246 | - | - | - | - | 598,246 |
| Residential | 3,210,302 | - | - | - | - | 3,210,302 |
| Day Habilitation | 377,749 | - | - | - | - | 377,749 |
| Adult Day Health | 452,274 | - | - | - | - | 452,274 |
| Extended Employment | 713,099 | - | - | - | - | 713,099 |
| Impact | - | - | 239,984 | - | - | 239,984 |
| Ablevision | 94,531 | - | - | - | - | 94,531 |
| FLOW | 239 | 462,264 | - | - | - | 462,503 |
| Employ + Ability | - | - | - | 1,665,541 | - | 1,665,541 |
| Total program services | 6,533,748 | 462,264 | 239,984 | 1,665,541 | - | 8,901,537 |
| Supporting Services | | | | | | |
| Management and general | 1,242,880 | - | - | - | - | 1,242,880 |
| Fundraising | 541,875 | - | - | - | - | 541,875 |
| Total supporting services | 1,784,755 | - | - | - | - | 1,784,755 |
| Total expenses | 8,318,503 | 462,264 | 239,984 | 1,665,541 | - | 10,686,292 |
| Change in net assets from operations | (7,354) | (4,826) | 1,516 | (480,683) | - | (491,347) |
| Non-Operating Income | | | | | | |
| Rental property income | 81,081 | - | - | - | - | 81,081 |
| Rental property expenses | (55,299) | - | - | - | - | (55,299) |
| Other revenue | 361 | - | - | - | - | 361 |
| Gains on disposal of fixed assets | - | - | - | - | - | - |
| Non-operating income | 26,143 | - | - | - | - | 26,143 |
| Change in net assets | 18,789 | (4,826) | 1,516 | (480,683) | - | (465,204) |
| Net Assets at Beginning of Year | 463,190 | 252,700 | (14,049) | 1,349,476 | - | 2,051,317 |
| Net Assets at End of Year | \$ 481,979 | \$ 247,874 | \$ (12,533) | \$ 868,793 | \$ - | \$ 1,586,113 |

Triangle, Inc. and Affiliates

Consolidating Schedule of Financial Position
June 30, 2008

| Assets (Note 5) | Triangle | Flow | Impact | Eliminations | Total |
|---|--------------------|-------------------|------------------|---------------------|--------------------|
| Current Assets | | | | | |
| Cash and cash equivalents | \$ 272,074 | \$ 61,028 | \$ 29,355 | \$ - | \$ 362,457 |
| Cash escrow | 97,973 | - | - | - | 97,973 |
| Accounts receivable | 611,434 | 59,961 | - | - | 671,395 |
| Due from Affiliate | 130,760 | 173,236 | - | (303,996) | - |
| Pledges receivable (Note 3) | 31,540 | - | - | - | 31,540 |
| Inventory (Note 4) | 225,293 | 32,103 | - | - | 257,396 |
| Prepaid expenses and deposits | 103,834 | 6,721 | 3,077 | - | 113,632 |
| Total current assets | 1,472,908 | 333,049 | 32,432 | (303,996) | 1,534,393 |
| Property and Equipment (Notes 6 and 7) | | | | | |
| Buildings and improvements | 3,577,954 | - | - | - | 3,577,954 |
| Land | 612,451 | - | - | - | 612,451 |
| Equipment | 213,434 | 5,413 | 11,681 | - | 230,528 |
| Furniture and fixtures | 321,122 | 2,103 | - | - | 323,225 |
| Computer equipment | 526,861 | - | - | - | 526,861 |
| Leasehold improvements | 16,973 | - | - | - | 16,973 |
| Motor Vehicles | 84,438 | 38,686 | - | - | 123,124 |
| | 5,353,233 | 46,202 | 11,681 | - | 5,411,116 |
| Accumulated depreciation and amortization | 2,495,880 | 12,738 | 4,480 | - | 2,513,098 |
| Property and equipment, net | 2,857,353 | 33,464 | 7,201 | - | 2,898,018 |
| Deferred Financing Costs, net | 18,377 | - | - | - | 18,377 |
| Total assets | \$4,348,638 | \$ 366,513 | \$ 39,633 | \$ (303,996) | \$4,450,788 |
| Liabilities and Net Assets | | | | | |
| Current Liabilities | | | | | |
| Notes payable (Note 5) | \$ 441,803 | \$ - | \$ - | \$ - | \$ 441,803 |
| Current portion of long-term debt (Note 6) | 23,452 | - | - | - | 23,452 |
| Current portion of capital lease obligations (Note 7) | - | 8,295 | - | - | 8,295 |
| Accounts payable | 986,799 | 8,260 | - | - | 995,059 |
| Due to Affiliate | 173,369 | 82,269 | 48,358 | (303,996) | - |
| Accrued expenses and other liabilities | 392,703 | - | - | - | 392,703 |
| Recoverable grant | 50,000 | - | - | - | 50,000 |
| Tenant security deposits | 7,716 | - | - | - | 7,716 |
| Deferred revenue (Note 2) | - | - | 5,324 | - | 5,324 |
| Total current liabilities | 2,075,842 | 98,824 | 53,682 | (303,996) | 1,924,352 |
| Commitment and contingent liability (Note 8) | | | | | |
| Other Liabilities | | | | | |
| Property Deposit (Note 11) | 750,000 | - | - | - | 750,000 |
| Recoverable Grant | 100,000 | - | - | - | 100,000 |
| Capital Lease Obligations, Net of Current Installments (Note 7) | - | 14,989 | - | - | 14,989 |
| Long-term debt, net of current portion (Note 6) | 959,606 | - | - | - | 959,606 |
| Total long term liabilities | 1,809,606 | 14,989 | - | - | 1,824,595 |
| Total liabilities | 3,885,448 | 113,813 | 53,682 | (303,996) | 3,748,947 |
| Net Assets | | | | | |
| Unrestricted net assets | 338,640 | 252,700 | (14,049) | - | 577,291 |
| Temporarily restricted net assets (Note 14) | 124,550 | - | - | - | 124,550 |
| Total net assets | 463,190 | 252,700 | (14,049) | - | 701,841 |
| Total liabilities and net assets | \$4,348,638 | \$ 366,513 | \$ 39,633 | \$ (303,996) | \$4,450,788 |

Triangle, Inc. and Affiliates

Consolidating Schedule of Activities
Year Ending June 30, 2008

| | Triangle | Flow | Impact | Eliminations | Totals |
|---|------------------|----------------|----------------|--------------|------------------|
| Support and Revenues | | | | | |
| Contract revenue | \$ 6,116,063 | \$ - | \$ 220,562 | \$ - | \$ 6,336,625 |
| Contributions (Note 2) | 640,927 | 267,896 | 36,132 | - | 944,955 |
| United Way | 7,707 | - | - | - | 7,707 |
| Client rental income | 347,652 | - | - | - | 347,652 |
| Other income | 7,003 | 731 | - | - | 7,734 |
| Net gain on merger (Note 12) | - | - | - | - | - |
| Net assets released from restrictions (Note 11) | - | - | - | - | - |
| Total support | 7,119,352 | 268,627 | 256,694 | - | 7,644,673 |
| Other Revenue | | | | | |
| Products enterprise income (Note 3) | 1,374,797 | 446,142 | 2,195 | - | 1,823,134 |
| Less: Cost of goods sold | 1,025,112 | 247,565 | - | - | 1,272,677 |
| Gross profit from other revenue | 349,685 | 198,577 | 2,195 | - | 550,457 |
| Total support and revenues | 7,469,037 | 467,204 | 258,889 | - | 8,195,130 |
| Expenses | | | | | |
| Program Services | | | | | |
| Employment Support | 338,859 | - | - | - | 338,859 |
| Products Enterprise | 554,056 | - | - | - | 554,056 |
| Vocational Services | 652,806 | - | - | - | 652,806 |
| Residential | 3,299,250 | - | - | - | 3,299,250 |
| Day Habilitation | 370,965 | - | - | - | 370,965 |
| Adult Day Health | 417,082 | - | - | - | 417,082 |
| Extended Employment | 783,511 | - | - | - | 783,511 |
| Impact | - | - | 232,110 | - | 232,110 |
| Ablevision | 56,665 | - | - | - | 56,665 |
| FLOW | 43,252 | 456,109 | - | - | 499,361 |
| Total program services | 6,516,446 | 456,109 | 232,110 | - | 7,204,665 |
| Supporting Services | | | | | |
| Management and general | 1,225,330 | - | - | - | 1,225,330 |
| Fundraising | 377,325 | - | - | - | 377,325 |
| Total supporting services | 1,602,655 | - | - | - | 1,602,655 |
| Total expenses | 8,119,101 | 456,109 | 232,110 | - | 8,807,320 |
| Change in net assets from operations | (650,064) | 11,095 | 26,779 | - | (612,190) |
| Non-Operating Income (Expense) | | | | | |
| Rental property income (Note 9) | 79,499 | - | - | - | 79,499 |
| Rental property expenses | (127,469) | - | - | - | (127,469) |
| Other revenue | 82,260 | - | - | - | 82,260 |
| Gains on disposal of fixed assets | - | - | - | - | - |
| Non-operating income | 34,290 | - | - | - | 34,290 |
| Change in net assets | (615,774) | 11,095 | 26,779 | - | (577,900) |
| Net Assets at Beginning of Year | 1,078,964 | 241,605 | (40,828) | - | 1,279,741 |
| Net Assets at End of Year | \$ 463,190 | \$ 252,700 | \$ (14,049) | \$ - | \$ 701,841 |