



**FINANCIAL STATEMENTS IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS
AND THE UNIFORM GUIDANCE
JUNE 30, 2017 AND 2016**

SPRINGWELL, INC.

Contents
June 30, 2017 and 2016

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**Unmodified Opinion On Financial Statements Accompanied By Other
Information – Not-For-Profit Entity**

Independent Auditor's Report

To the Board of Directors of
Springwell, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Springwell, Inc. (a Massachusetts corporation, not for profit) (the Agency) which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years 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 these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 audits 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 auditor's 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.

Opinion

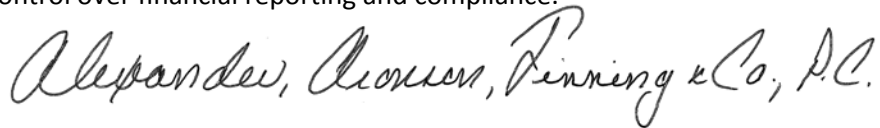
In our opinion, the financial statements referred to on page one present fairly, in all material respects, the financial position of Springwell, Inc. as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards for the year ended June 30, 2017, as required by Title 2 U.S. Code of Federal Regulation (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2017, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.



Boston, Massachusetts
October 26, 2017

SPRINGWELL, INC.Statements of Financial Position
June 30, 2017 and 2016

| Assets | 2017 | 2016 |
|--|----------------------|----------------------|
| Current Assets: | | |
| Cash | \$ 4,444,839 | \$ 3,747,779 |
| Accounts receivable | 6,924,549 | 5,860,565 |
| Prepaid expenses | 110,776 | 115,767 |
| Total current assets | <u>11,480,164</u> | <u>9,724,111</u> |
| Security Deposits | <u>76,040</u> | <u>76,040</u> |
| Property and Equipment: | | |
| Equipment | 615,673 | 589,580 |
| Furnishings | 273,343 | 273,343 |
| Leasehold improvements | 104,355 | 104,355 |
| | <u>993,371</u> | <u>967,278</u> |
| Less - accumulated depreciation | <u>751,695</u> | <u>649,271</u> |
| Net property and equipment | <u>241,676</u> | <u>318,007</u> |
| Total assets | <u>\$ 11,797,880</u> | <u>\$ 10,118,158</u> |
| Liabilities and Net Assets | | |
| Current Liabilities: | | |
| Current portion of capital lease obligation | \$ 19,775 | \$ 18,758 |
| Accounts payable, accrued expenses and other | 3,440,903 | 3,001,138 |
| Deferred rent | 142,770 | 142,575 |
| Total current liabilities | <u>3,603,448</u> | <u>3,162,471</u> |
| Capital Lease Obligation, net of current portion | <u>17,255</u> | <u>37,030</u> |
| Total liabilities | <u>3,620,703</u> | <u>3,199,501</u> |
| Net Assets: | | |
| Unrestricted: | | |
| Operating | 7,388,421 | 6,249,569 |
| Designated | 448,180 | 351,422 |
| Property and equipment | 204,646 | 262,219 |
| Total unrestricted | <u>8,041,247</u> | <u>6,863,210</u> |
| Temporarily restricted | <u>135,930</u> | <u>55,447</u> |
| Total net assets | <u>8,177,177</u> | <u>6,918,657</u> |
| Total liabilities and net assets | <u>\$ 11,797,880</u> | <u>\$ 10,118,158</u> |

SPRINGWELL, INC.Statements of Activities and Changes in Net Assets
For the Years Ended June 30, 2017 and 2016

| | 2017 | | | 2016 | | |
|---|-------------------|------------------------|-------------------|-------------------|------------------------|-------------------|
| | Unrestricted | Temporarily Restricted | Total | Unrestricted | Temporarily Restricted | Total |
| Revenues: | | | | | | |
| Contract revenue | \$ 38,455,411 | \$ - | \$ 38,455,411 | \$ 35,556,885 | \$ - | \$ 35,556,885 |
| Program service fees | 434,752 | - | 434,752 | 449,745 | - | 449,745 |
| Contributions and grants | 250,623 | 86,892 | 337,515 | 307,122 | 28,586 | 335,708 |
| Interest income and other | 9,735 | - | 9,735 | 7,742 | - | 7,742 |
| In-kind revenue | - | - | - | 9,000 | - | 9,000 |
| Net assets released from purpose restrictions | 6,409 | (6,409) | - | 165,741 | (165,741) | - |
| Total revenues | 39,156,930 | 80,483 | 39,237,413 | 36,496,235 | (137,155) | 36,359,080 |
| Expenses: | | | | | | |
| Program services: | | | | | | |
| Home care services to elders | 33,441,148 | - | 33,441,148 | 30,721,215 | - | 30,721,215 |
| Nursing home screening | 450,087 | - | 450,087 | 474,736 | - | 474,736 |
| Nutrition and community services | 1,408,822 | - | 1,408,822 | 1,343,875 | - | 1,343,875 |
| Protective services | 1,119,708 | - | 1,119,708 | 1,117,171 | - | 1,117,171 |
| Total program services | 36,419,765 | - | 36,419,765 | 33,656,997 | - | 33,656,997 |
| Support services: | | | | | | |
| General and administrative | 1,431,321 | - | 1,431,321 | 1,589,237 | - | 1,589,237 |
| Fundraising | 127,807 | - | 127,807 | 130,640 | - | 130,640 |
| Total support services | 1,559,128 | - | 1,559,128 | 1,719,877 | - | 1,719,877 |
| Total expenses | 37,978,893 | - | 37,978,893 | 35,376,874 | - | 35,376,874 |
| Changes in net assets | 1,178,037 | 80,483 | 1,258,520 | 1,119,361 | (137,155) | 982,206 |
| Net Assets: | | | | | | |
| Beginning of year | 6,863,210 | 55,447 | 6,918,657 | 5,743,849 | 192,602 | 5,936,451 |
| End of year | \$ 8,041,247 | \$ 135,930 | \$ 8,177,177 | \$ 6,863,210 | \$ 55,447 | \$ 6,918,657 |

The accompanying notes are an integral part of these statements.

SPRINGWELL, INC.Statements of Cash Flows
For the Years Ended June 30, 2017 and 2016

| | <u>2017</u> | <u>2016</u> |
|--|---------------------|---------------------|
| Cash Flows from Operating Activities: | | |
| Changes in net assets | \$ 1,258,520 | \$ 982,206 |
| Adjustments to reconcile changes in net assets to net cash provided by operating activities: | | |
| Depreciation | 133,739 | 143,747 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (1,063,984) | (357,276) |
| Prepaid expenses | 4,991 | 5,719 |
| Accounts payable, accrued expenses and other | 439,765 | 108,365 |
| Deferred rent | 195 | 11,894 |
| | <u>773,226</u> | <u>894,655</u> |
| Net cash provided by operating activities | 773,226 | 894,655 |
| Cash Flows from Investing Activities: | | |
| Acquisition of property and equipment | (57,408) | (46,726) |
| Cash Flows from Financing Activities: | | |
| Payment of capital lease obligation | <u>(18,758)</u> | <u>(19,834)</u> |
| Net Change in Cash | 697,060 | 828,095 |
| Cash: | | |
| Beginning of year | <u>3,747,779</u> | <u>2,919,684</u> |
| End of year | <u>\$ 4,444,839</u> | <u>\$ 3,747,779</u> |
| Supplemental Disclosure of Cash Flow Information: | | |
| Cash paid for interest | <u>\$ 2,414</u> | <u>\$ 881</u> |
| Supplemental Disclosure of Non-Cash Activity: | | |
| Equipment financed under capital lease obligation | <u>\$ -</u> | <u>\$ 58,814</u> |

SPRINGWELL, INC.

Statement of Functional Expenses

For the Year Ended June 30, 2017

(With Summarized Comparative Totals for the Year Ended June 30, 2016)

| | 2017 | | | | | | | | 2016 | |
|---|-----------------------------|------------------------|----------------------------------|---------------------|------------------|----------------------------|-------------|------------------------|---------------|---------------|
| | Program Services | | | | Support Services | | | | Total | |
| | Home Care Service to Elders | Nursing Home Screening | Nutrition and Community Services | Protective Services | Total Programs | General and Administrative | Fundraising | Total Support Services | | |
| Contracted Services | \$ 28,462,903 | \$ - | \$ 176,389 | \$ - | \$ 28,639,292 | \$ - | \$ - | \$ - | \$ 28,639,292 | \$ 26,632,394 |
| Personnel and Related: | | | | | | | | | | |
| Salaries and wages | 3,567,240 | 345,811 | 877,573 | 829,631 | 5,620,255 | 770,626 | 81,121 | 851,747 | 6,472,002 | 5,884,683 |
| Payroll taxes and fringe benefits | 688,745 | 66,714 | 178,430 | 159,830 | 1,093,719 | 148,211 | 15,632 | 163,843 | 1,257,562 | 1,240,738 |
| Total personnel and related costs | 4,255,985 | 412,525 | 1,056,003 | 989,461 | 6,713,974 | 918,837 | 96,753 | 1,015,590 | 7,729,564 | 7,125,421 |
| Occupancy: | | | | | | | | | | |
| Rent | 237,528 | 19,231 | 66,513 | 56,319 | 379,591 | 166,580 | 8,187 | 174,767 | 554,358 | 521,808 |
| Depreciation | 43,124 | 1,715 | 7,029 | 6,718 | 58,586 | 74,374 | 779 | 75,153 | 133,739 | 143,747 |
| Repairs and maintenance | - | - | 3,550 | - | 3,550 | 65,894 | 136 | 66,030 | 69,580 | 66,769 |
| Utilities | 8,908 | 721 | 2,333 | 2,112 | 14,074 | 6,221 | 307 | 6,528 | 20,602 | 20,207 |
| Total occupancy | 289,560 | 21,667 | 79,425 | 65,149 | 455,801 | 313,069 | 9,409 | 322,478 | 778,279 | 752,531 |
| Other: | | | | | | | | | | |
| Professional fees | 174,817 | 852 | 24,141 | 14,249 | 214,059 | 79,784 | 124 | 79,908 | 293,967 | 343,388 |
| Staff training and travel | 83,989 | 5,060 | 25,945 | 20,789 | 135,783 | 8,912 | - | 8,912 | 144,695 | 129,243 |
| Program support | 86,089 | 3,156 | 23,007 | 10,820 | 123,072 | - | - | - | 123,072 | 103,372 |
| Dues and subscriptions | 18,042 | - | 1,268 | - | 19,310 | 45,221 | 9,340 | 54,561 | 73,871 | 64,894 |
| Recruiting | 28,719 | 4,619 | 6,654 | 12,378 | 52,370 | 4,571 | - | 4,571 | 56,941 | 73,444 |
| Office supplies | 23,640 | 1,482 | 7,415 | 4,762 | 37,299 | 11,327 | 435 | 11,762 | 49,061 | 48,490 |
| Printing and postage | 17,404 | 726 | 7,875 | 2,100 | 28,105 | 2,066 | 7,457 | 9,523 | 37,628 | 47,041 |
| Insurance | - | - | - | - | - | 36,984 | - | 36,984 | 36,984 | 34,784 |
| Miscellaneous | - | - | 700 | - | 700 | 3,614 | 4,289 | 7,903 | 8,603 | 5,936 |
| Leased equipment | - | - | - | - | - | 6,936 | - | 6,936 | 6,936 | 6,936 |
| In-kind | - | - | - | - | - | - | - | - | - | 9,000 |
| Total other operating expenses | 432,700 | 15,895 | 97,005 | 65,098 | 610,698 | 199,415 | 21,645 | 221,060 | 831,758 | 866,528 |
| Total operating expenses before allocation of general and administrative expenses | 33,441,148 | 450,087 | 1,408,822 | 1,119,708 | 36,419,765 | 1,431,321 | 127,807 | 1,559,128 | 37,978,893 | 35,376,874 |
| General and Administrative Allocation | 894,425 | 86,695 | 221,926 | 207,942 | 1,410,988 | (1,431,321) | 20,333 | (1,410,988) | - | - |
| Total operating expenses | \$ 34,335,573 | \$ 536,782 | \$ 1,630,748 | \$ 1,327,650 | \$ 37,830,753 | \$ - | \$ 148,140 | \$ 148,140 | \$ 37,978,893 | \$ 35,376,874 |

The accompanying notes are an integral part of these statements.

SPRINGWELL, INC.

Statement of Functional Expenses
For the Year Ended June 30, 2016

| | Program Services | | | | Support Services | | | | |
|---|-----------------------------|------------------------|----------------------------------|---------------------|------------------|----------------------------|-------------|------------------------|---------------|
| | Home Care Service to Elders | Nursing Home Screening | Nutrition and Community Services | Protective Services | Total Programs | General and Administrative | Fundraising | Total Support Services | Total |
| Contracted Services | \$ 26,376,496 | \$ - | \$ 230,525 | \$ 25,373 | \$ 26,632,394 | \$ - | \$ - | \$ - | \$ 26,632,394 |
| Personnel and Related: | | | | | | | | | |
| Salaries and wages | 3,087,770 | 348,116 | 738,313 | 731,922 | 4,906,121 | 900,863 | 77,699 | 978,562 | 5,884,683 |
| Payroll taxes and fringe benefits | 647,096 | 73,052 | 162,353 | 153,430 | 1,035,931 | 188,567 | 16,240 | 204,807 | 1,240,738 |
| Total personnel and related costs | 3,734,866 | 421,168 | 900,666 | 885,352 | 5,942,052 | 1,089,430 | 93,939 | 1,183,369 | 7,125,421 |
| Occupancy: | | | | | | | | | |
| Rent | 236,123 | 18,965 | 56,032 | 54,863 | 365,983 | 147,958 | 7,867 | 155,825 | 521,808 |
| Depreciation | 42,820 | 1,715 | 7,403 | 6,540 | 58,478 | 84,490 | 779 | 85,269 | 143,747 |
| Repairs and maintenance | 1,189 | - | 725 | - | 1,914 | 64,811 | 44 | 64,855 | 66,769 |
| Utilities | 9,156 | 736 | 2,147 | 2,128 | 14,167 | 5,735 | 305 | 6,040 | 20,207 |
| Total occupancy | 289,288 | 21,416 | 66,307 | 63,531 | 440,542 | 302,994 | 8,995 | 311,989 | 752,531 |
| Other: | | | | | | | | | |
| Professional fees | 103,379 | 22,556 | 35,872 | 96,282 | 258,089 | 85,147 | 152 | 85,299 | 343,388 |
| Staff training and travel | 71,066 | 3,636 | 22,457 | 23,089 | 120,248 | 8,945 | 50 | 8,995 | 129,243 |
| Program support | 68,242 | 2,765 | 22,510 | 9,855 | 103,372 | - | - | - | 103,372 |
| Dues and subscriptions | 3,063 | - | 9,002 | - | 12,065 | 42,870 | 9,959 | 52,829 | 64,894 |
| Recruiting | 32,156 | 357 | 29,889 | 5,988 | 68,390 | 5,054 | - | 5,054 | 73,444 |
| Office supplies | 24,076 | 1,925 | 8,337 | 4,972 | 39,310 | 8,003 | 1,177 | 9,180 | 48,490 |
| Printing and postage | 18,583 | 913 | 8,660 | 2,729 | 30,885 | 2,901 | 13,255 | 16,156 | 47,041 |
| Insurance | - | - | - | - | - | 34,784 | - | 34,784 | 34,784 |
| Miscellaneous | - | - | 650 | - | 650 | 2,173 | 3,113 | 5,286 | 5,936 |
| Leased equipment | - | - | - | - | - | 6,936 | - | 6,936 | 6,936 |
| In-kind | - | - | 9,000 | - | 9,000 | - | - | - | 9,000 |
| Total other operating expenses | 320,565 | 32,152 | 146,377 | 142,915 | 642,009 | 196,813 | 27,706 | 224,519 | 866,528 |
| Total operating expenses before allocation of general and administrative expenses | 30,721,215 | 474,736 | 1,343,875 | 1,117,171 | 33,656,997 | 1,589,237 | 130,640 | 1,719,877 | 35,376,874 |
| General and Administrative Allocation | 983,368 | 110,891 | 237,137 | 233,107 | 1,564,503 | (1,589,237) | 24,734 | (1,564,503) | - |
| Total operating expenses | \$ 31,704,583 | \$ 585,627 | \$ 1,581,012 | \$ 1,350,278 | \$ 35,221,500 | \$ - | \$ 155,374 | \$ 155,374 | \$ 35,376,874 |

The accompanying notes are an integral part of these statements.

SPRINGWELL, INC.

Notes to Financial Statements
June 30, 2017 and 2016

1. OPERATIONS AND NONPROFIT STATUS

Springwell, Inc. (the Agency) is a Massachusetts corporation, not-for-profit, founded in 1977. Its primary purpose is to plan, develop and coordinate programs and deliver services which will enhance a person's ability to live in their home and community.

The Agency is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Agency is also exempt from state income taxes. Donors may deduct contributions made to the Agency within IRC regulations.

The programs of the Agency are substantially funded by contracts negotiated with various Federal and Commonwealth of Massachusetts agencies including the Executive Office of Elder Affairs (EOEA). The Agency operates in eight communities and provides in the following programs:

Home Care Services – The *Purchase Service* component permits the Agency to subcontract with area providers for various home care services delivered through programs including, but not limited to, Home Care, Enhanced Community Options Program and Community Choices. The *Case Management* component provides for administration of these programs. These programs are funded through state budget line items that are administered by the EOEA.

As a designated provider for MassHealth, the Agency operates the *Adult Foster Care Program*, and the *Personal Care Attendant Program*, all of which are intended to provide services to keep adults with disabilities in the community instead of an institution.

Nursing Home Screening – Provides various screening services, including clinical approval for Adult Day Health and Nursing Home placement, as well as actively working with nursing home residents to create opportunities to return to the community for Medicaid eligible clients.

Nutrition and Community Services – Provides meals to the elderly in their homes and at various community dining sites. Title III grants provide an array of health and social service supports, including healthy aging programs to empower people to manage chronic health conditions.

Protective Services – Provides protective services for elders who are subjects of abuse, neglect, self-neglect, or financial exploitation by family members. The Agency provides this service to residents of its eight communities plus nine communities in *MetroWest*.

2. SIGNIFICANT ACCOUNTING POLICIES

The Agency's financial statements have been prepared in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

Unrestricted Net Assets

Unrestricted net assets are those net resources that bear no external restrictions and are generally available for use by the Agency. The Agency has grouped its unrestricted net assets into the following categories:

Operating net assets represent funds available to carry on the operations of the Agency.

Designated net assets represent funds that have been set aside by EOE for use in the purchase service component of Home Care and Enhanced Programs.

Property and equipment net assets reflect the net book value of the activities relating to the Agency's property and equipment, net of related debt.

Temporarily restricted net assets include amounts received with donor restrictions which have not yet been expended for their designated purposes. Temporarily restricted net assets consist of purpose restricted grants totaling \$135,930 and \$55,447 as of June 30, 2017 and 2016, respectively.

Accounts Receivable and Allowance for Uncollectible Accounts

Included in accounts receivable are amounts for Federal and state funding, as well as program service fees which were not received by the Agency prior to year-end. It is the Agency's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. There was no allowance for doubtful accounts as of June 30, 2017 and 2016.

Property and Equipment and Depreciation

Property and equipment are recorded at cost when purchased, or at fair value at the date of donation. Renewals and betterments in excess of \$1,000 are capitalized as additions to the related asset accounts, while repairs and maintenance are expensed as they are incurred. Capital leases are recorded as property and equipment based on net present value of the lease and amortized over the lesser of the lease term or the assets' useful life. Depreciation is computed using the straight-line method over the following estimated useful lives:

| | |
|------------------------|-------------------------------------|
| Equipment | 3 years |
| Furnishings | 7 years |
| Leasehold improvements | Lesser of 10 years or lease term |

Fair Value Measurements

The Agency follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that the Agency would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

The Agency uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Agency. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement. All qualifying assets and liabilities are valued using Level 1 inputs.

Revenue Recognition

Contract revenue is recognized over the period covered by the contract as services are provided and costs are incurred. Program service fees are recognized as services are provided. Unrestricted contributions and grants are recorded as revenue when received or unconditionally pledged. All other income is recorded as earned.

Restricted contributions and grants are recorded as temporarily restricted revenues and net assets when received or unconditionally pledged. Transfers are made to unrestricted net assets as costs are incurred or time or program restrictions have lapsed. Donor restricted grants received and satisfied in the same period are included in unrestricted net assets.

Expense Allocation

Expenses related directly to a function are distributed to that function, while other expenses are allocated to functions based upon management's estimates.

In-kind Goods and Services

The Agency receives services of volunteers primarily for its Nutrition and Home Care programs. The value of these services is not reflected in the accompanying financial statements, since the services by the donating volunteers do not meet the recognition criteria outlined in U.S. GAAP. During fiscal years 2017 and 2016, the estimated value of these donated services was approximately \$624,000 and \$500,000, respectively.

SPRINGWELL, INC.

Notes to Financial Statements
June 30, 2017 and 2016

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

In-kind Goods and Services (Continued)

The Agency also received meals for its Nutrition program at a reduced rate through August 2015. Accordingly, the difference between the estimated cost of the food and the price the Agency pays for the food is represented as in-kind revenue and in-kind expense in the accompanying 2016 financial statements.

Income Taxes

The Agency accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. The Agency has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at June 30, 2017 and 2016.

Subsequent Events

Subsequent events have been evaluated through October 26, 2017, which is the date the financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the financial statements.

3. FUNDING

The Agency receives significant funding from various governmental sources for services rendered under cost reimbursement and unit-rate contracts. These contracts are subject to possible audit by the appropriate government agencies. In the opinion of management, the results of such audits, if any, will not have a material effect on the financial position of the Agency as of June 30, 2017 and 2016, or on its changes in its net assets for the years then ended.

Approximately 82% of contract revenues were received from EOEА during 2017 and 2016. Approximately 82% and 75% of accounts receivable at June 30, 2017 and 2016, respectively, were due from EOEА. Approximately 13% and 18% of accounts receivable at June 30, 2017 and 2016, respectively, were due from another funding source.

4. LINE OF CREDIT

The Agency has available up to \$600,000 under a line of credit agreement with a bank. Borrowings are due on demand and interest is payable monthly at the *Wall Street Journal's* prime rate (4.25% and 3.50% at June 30, 2017 and 2016, respectively), but will not be less than 4% at any time. The line of credit is unsecured and is renewable annually in November by the bank. As of June 30, 2017 and 2016, there was no outstanding balance under this agreement. Under this agreement, the Agency must meet certain financial covenants. The Agency was in compliance with these covenants as of June 30, 2017 and 2016.

SPRINGWELL, INC.Notes to Financial Statements
June 30, 2017 and 2016

5. CAPITAL LEASE OBLIGATION

The Agency leases certain equipment under a capital lease agreement. The interest rate under this agreement is 4%. The future minimum lease payments under these agreements are as follows:

| <u>Fiscal Years</u> | |
|--|------------------|
| 2018 | \$ 21,172 |
| 2019 | <u>17,643</u> |
| Total future minimum payments | 38,815 |
| Less - amounts representing interest | <u>1,785</u> |
| Present value of future minimum payments | 37,030 |
| Less - current portion | <u>19,775</u> |
| | <u>\$ 17,255</u> |

The total cost of assets under capital lease obligation was \$58,814 as of June 30, 2017 and 2016. Accumulated depreciation on assets under capital lease obligation was \$29,408 and \$9,803 as of June 30, 2017 and 2016, respectively.

6. RETIREMENT PLANS

The Agency has a defined contribution pension plan covering all eligible employees in accordance with IRC Section 401(k). Employees become eligible after completing one year of service and reaching the age of 21. The Agency matches 50% of participant contributions up to 3% of an employee's annual compensation. The Agency also contributes a discretionary amount determined annually (2.5% for the years ended June 30, 2017 and 2016). Pension expense was \$169,460 and \$143,070 for the years ended June 30, 2017 and 2016, respectively, and is included in payroll taxes and fringe benefits in the accompanying statements of functional expenses.

During fiscal year 2017, the Agency began participating in an IRC Section 403(b) Tax Deferred Annuity Plan. Payments are made by participating employees in the form of voluntary salary reductions. The Agency does not contribute to this plan.

7. FACILITY LEASE

The Agency leases office space under an operating lease which expires on September 30, 2022, with a five-year option to extend, which has not been exercised as of June 30, 2017. Rental expense under the lease is calculated using the straight-line method over the term of the lease in accordance with ASC Topic, *Accounting for Leases*. Total rent expense under the lease was \$554,358 and \$521,808 for the years ended June 30, 2017 and 2016, respectively, and is reflected as rent in the accompanying statements of functional expenses. Deferred rent under this lease totaled \$142,770 and \$142,575 as of June 30, 2017 and 2016, respectively.

Future minimum facility lease payments are as follows:

| | |
|------------|------------|
| 2018 | \$ 511,809 |
| 2019 | \$ 523,508 |
| 2020 | \$ 535,206 |
| 2021 | \$ 546,905 |
| 2022 | \$ 558,603 |
| Thereafter | \$ 140,382 |

SPRINGWELL, INC.

Notes to Financial Statements
June 30, 2017 and 2016

8. CONTINGENCIES

In the course of the Agency's business, from time-to-time, the Agency could be involved in legal disputes. In the opinion of management, there are no legal proceedings pending or involving the Agency whose outcome is likely to have a material effect on the accompanying financial statements.

9. CONCENTRATION OF CREDIT RISK

The Agency maintains its cash balances in financial institutions in Massachusetts. At certain times during the year, the balances in some of these accounts exceeded the maximum amount of insurance provided by the Federal Deposit Insurance Corporation. The Agency has not experienced any losses in such accounts. The Agency believes it is not exposed to any significant credit risk on cash.

10. DESIGNATED UNRESTRICTED NET ASSETS

Excess revenue generated from the Purchase Service and Enhanced Services Programs is calculated in accordance with the EOEI PI 93-20 "Surplus Funds Policy". The policy requires the use of any surplus generated within these programs to be utilized in the future within these programs, unless specific approval is obtained from EOEI.

The following is a summary of the designated unrestricted net assets as of and for the years ended June 30, 2017 and 2016:

| <u>EOEA Program</u> | <u>2016 Total</u> | <u>2017 Activity</u> | <u>2017 Total</u> |
|---------------------|-----------------------|--------------------------|-----------------------|
| Homecare POS | \$ 304,577 | \$ (27,095) | \$ 277,482 |
| Enhanced POS | <u>46,845</u> | <u>123,853</u> | <u>170,698</u> |
| | <u>\$ 351,422</u> | <u>\$ 96,758</u> | <u>\$ 448,180</u> |
| <u>EOEA Program</u> | <u>2015 Total</u> | <u>2016 Activity</u> | <u>2016 Total</u> |
| Homecare POS | \$ 327,523 | \$ (22,946) | \$ 304,577 |
| Enhanced POS | <u>106,132</u> | <u>(59,287)</u> | <u>46,845</u> |
| | <u>\$ 433,655</u> | <u>\$ (82,233)</u> | <u>\$ 351,422</u> |

During fiscal years 2017 and 2016, EOEI authorized the Agency to transfer up to 3% of both programs' current year revenues to cover program deficits in other EOEI programs. During fiscal years 2017 and 2016, the Agency transferred \$210,619 and \$199,241, respectively, under this provision.

11. COMMITMENTS

The Agency entered into sub-awards under the Title IIIB Support Services Program. These commitments expire as of September 30, 2017 and 2016, and total \$30,801 and \$27,392 as of June 30, 2017 and 2016, respectively.

12. RECLASSIFICATIONS

Certain amounts in the fiscal year 2016 financial statements were reclassified to conform with the fiscal year 2017 presentation.

SPRINGWELL, INC.

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

| Federal Grantor/ Pass-Through Grantor/ Program Title | Federal CFDA Number | Pass-through Entity Identifying Number | Federal Expenditures | Expenditures to Subrecipients |
|---|---------------------------|--|-------------------------|-------------------------------------|
| U.S. Department of Health and Human Services: | | | | |
| Passed-through Commonwealth of Massachusetts, Executive Office of Elder Affairs: | | | | |
| National Family Caregiver Support, Title III, Part E | 93.052 | TITLE3FEDYR16SPRWELL TITLE3FEDYR17SPRWELL | \$ 131,307 | \$ - |
| Special Programs for the Aging_ Title III, Part D_ Disease Prevention and Health Promotion Services | 93.043 | TITLE3FEDYR16SPRWELL TITLE3FEDYR17SPRWELL | 18,475 | - |
| Aging Cluster: | | | | |
| Special Programs for the Aging_ Title III, Part C_ Nutrition Services | 94.045 | TITLE3FEDYR16SPRWELL TITLE3FEDYR17SPRWELL | 387,594 | - |
| Special Programs for the Aging_ Title III, Part B_ Grants for Supportive Services and Senior Centers | 93.044 | TITLE3FEDYR16SPRWELL TITLE3FEDYR17SPRWELL | 385,285 | 118,963 |
| Nutrition Services Incentive Program | 93.053 | NSIPPROGRAM2016SPWLL NSIPPROGRAM2017SPWLL | 63,222 | - |
| Total Aging Cluster | | | 836,101 | 118,963 |
| Total Expenditures of Federal Awards | | | \$ 985,883 | \$ 118,963 |

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the Federal assistance activity of the Agency and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Note 2: Indirect Cost Rate

The Agency has elected to use the 10% de minimis cost rate for its Federal programs.

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards***

Independent Auditor's Report

To the Board of Directors of
Springwell, Inc.:

We have audited, in accordance with the 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, the financial statements of Springwell, Inc. (the Agency), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and changes in net assets, cash flows and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 26, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Agency's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Alexander, Brown, Fenning & Co., P.C.

Boston, Massachusetts
October 26, 2017

**Report on Compliance for Each Major Federal Program and Report on Internal Control
Over Compliance Required by the Uniform Guidance**

Independent Auditor's Report

To the Board of Directors of
Springwell, Inc.:

Report on Compliance for Each Major Federal Program

We have audited Springwell, Inc.'s (the Agency) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Agency's major Federal program for the year ended June 30, 2017. The Agency's major Federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the Federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Agency's major Federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major Federal program. However, our audit does not provide a legal determination of the Agency's compliance.

Opinion on Each Major Federal Program

In our opinion, the Agency complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major Federal programs for the year ended June 30, 2017.

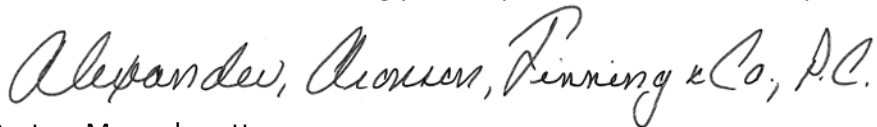
Report on Internal Control Over Compliance

Management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Agency's internal control over compliance with the types of requirements that could have a direct and material effect on the major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major Federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Boston, Massachusetts
October 26, 2017

SPRINGWELL, INC.

Schedule of Findings and Questioned Costs
June 30, 2017 and 2016

1. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Is a "going concern" emphasis-of-matter paragraph included in the auditor's report? _____ Yes X No

Internal control over financial reporting:

- Material weakness identified? _____ Yes X No

- Significant deficiency identified? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major Federal programs:

- Material weakness identified? _____ Yes X No

- Significant deficiency identified? _____ Yes X None reported

Type of auditor's report issued on compliance for major Federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ Yes X No

Identification of major programs:

| <u>Program or Cluster Title</u> | <u>Federal CFDA Number</u> |
|---------------------------------|----------------------------|
| Aging Cluster | 93.044 |
| | 93.045 |
| | 93.053 |

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.

Auditee qualified as low-risk auditee? X Yes _____ No

SPRINGWELL, INC.

Schedule of Findings and Questioned Costs
June 30, 2017 and 2016

2. FINANCIAL STATEMENT FINDINGS

None

3. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None