



**FINANCIAL STATEMENTS IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS
AND UNIFORM GUIDANCE
JUNE 30, 2019 AND 2018**

SPRINGWELL, INC.

Contents
June 30, 2019 and 2018

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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, 2019 and 2018, 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

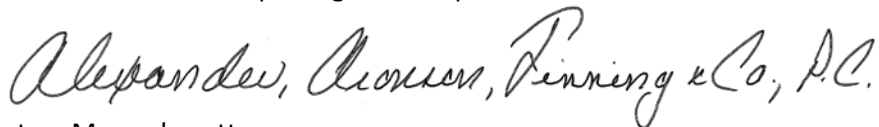
In our opinion, the financial statements referred to on page one present fairly, in all material respects, the financial position of Springwell, Inc. as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally 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, 2019, 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 24, 2019, 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 24, 2019

SPRINGWELL, INC.Statements of Financial Position
June 30, 2019 and 2018

Assets	2019	2018
Current Assets:		
Cash	\$ 12,291,575	\$ 5,958,770
Accounts receivable	5,801,942	7,135,241
Prepaid expenses	160,030	125,826
Total current assets	<u>18,253,547</u>	<u>13,219,837</u>
Security Deposits	<u>76,040</u>	<u>76,040</u>
Property and Equipment:		
Equipment	630,008	610,091
Furnishings	302,496	302,496
Leasehold improvements	177,466	170,645
	<u>1,109,970</u>	<u>1,083,232</u>
Less - accumulated depreciation	<u>841,845</u>	<u>843,921</u>
Net property and equipment	<u>268,125</u>	<u>239,311</u>
Total assets	<u>\$ 18,597,712</u>	<u>\$ 13,535,188</u>
Liabilities and Net Assets		
Current Liabilities:		
Current portion of capital lease obligation	\$ 21,051	\$ 17,255
Accounts payable, accrued expenses and other	7,581,485	3,645,425
Deferred rent	108,064	131,266
Total current liabilities	<u>7,710,600</u>	<u>3,793,946</u>
Capital Lease Obligation, net of current portion	<u>41,557</u>	<u>-</u>
Total liabilities	<u>7,752,157</u>	<u>3,793,946</u>
Net Assets:		
Without donor restrictions:		
Operating	10,298,695	9,053,181
Designated	238,945	280,392
Property and equipment	205,517	222,056
Total without donor restrictions	<u>10,743,157</u>	<u>9,555,629</u>
With donor restrictions	<u>102,398</u>	<u>185,613</u>
Total net assets	<u>10,845,555</u>	<u>9,741,242</u>
Total liabilities and net assets	<u>\$ 18,597,712</u>	<u>\$ 13,535,188</u>

The accompanying notes are an integral part of these statements.

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SPRINGWELL, INC.

 Statements of Activities and Changes in Net Assets
 For the Years Ended June 30, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:						
Contract revenue	\$ 45,453,442	\$ -	\$ 45,453,442	\$ 40,227,057	\$ -	\$ 40,227,057
Program service fees	484,477	-	484,477	475,312	-	475,312
Contributions and grants	270,559	87,253	357,812	423,101	60,312	483,413
Interest income and other	238,949	-	238,949	10,488	-	10,488
Net assets released from purpose restrictions	170,468	(170,468)	-	10,629	(10,629)	-
Total revenues	46,617,895	(83,215)	46,534,680	41,146,587	49,683	41,196,270
Expenses:						
Program services:						
Home care services to elders	40,441,028	-	40,441,028	34,990,535	-	34,990,535
Nursing home screening	503,935	-	503,935	493,221	-	493,221
Nutrition and community services	1,445,645	-	1,445,645	1,347,458	-	1,347,458
Protective services	1,157,876	-	1,157,876	994,247	-	994,247
Total program services	43,548,484	-	43,548,484	37,825,461	-	37,825,461
Support services:						
General and administrative	1,732,421	-	1,732,421	1,665,599	-	1,665,599
Fundraising	149,462	-	149,462	141,145	-	141,145
Total support services	1,881,883	-	1,881,883	1,806,744	-	1,806,744
Total expenses	45,430,367	-	45,430,367	39,632,205	-	39,632,205
Changes in net assets	1,187,528	(83,215)	1,104,313	1,514,382	49,683	1,564,065
Net Assets:						
Beginning of year	9,555,629	185,613	9,741,242	8,041,247	135,930	8,177,177
End of year	\$ 10,743,157	\$ 102,398	\$ 10,845,555	\$ 9,555,629	\$ 185,613	\$ 9,741,242

SPRINGWELL, INC.Statements of Cash Flows
For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ 1,104,313	\$ 1,564,065
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	122,078	126,865
Changes in operating assets and liabilities:		
Accounts receivable	1,333,299	(210,692)
Prepaid expenses	(34,204)	(15,050)
Accounts payable, accrued expenses and other	3,936,060	204,522
Deferred rent	<u>(23,202)</u>	<u>(11,504)</u>
Net cash provided by operating activities	6,438,344	1,658,206
Cash Flows from Investing Activities:		
Acquisition of property and equipment	(84,886)	(124,500)
Cash Flows from Financing Activities:		
Payment of capital lease obligation	<u>(20,653)</u>	<u>(19,775)</u>
Net Change in Cash	6,332,805	1,513,931
Cash:		
Beginning of year	<u>5,958,770</u>	<u>4,444,839</u>
End of year	<u>\$ 12,291,575</u>	<u>\$ 5,958,770</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	<u>\$ 950</u>	<u>\$ 1,397</u>
Supplemental Disclosure of Non-Cash Activity:		
Equipment financed under capital lease obligation	<u>\$ 66,006</u>	<u>\$ -</u>

SPRINGWELL, INC.

Statement of Functional Expenses

For the Year Ended June 30, 2019

(With Summarized Comparative Totals for the Year Ended June 30, 2018)

	2019				2018					
	Program Services				Support Services					
	Home Care Service to Elders	Nursing Home Screening	Nutrition and Community Services	Protective Services	Total Program Services	General and Administrative	Fundraising	Total Support Services	Total	
Contracted Services	\$ 34,921,064	\$ -	\$ -	\$ -	\$ 34,921,064	\$ -	\$ -	\$ -	\$ 34,921,064	\$ 29,859,133
Personnel and Related:										
Salaries and wages	3,937,744	391,362	1,007,768	830,213	6,167,087	1,015,308	90,900	1,106,208	7,273,295	6,738,118
Payroll taxes and fringe benefits	888,433	88,265	238,287	187,821	1,402,806	227,996	20,585	248,581	1,651,387	1,393,527
Total personnel and related costs	4,826,177	479,627	1,246,055	1,018,034	7,569,893	1,243,304	111,485	1,354,789	8,924,682	8,131,645
Occupancy:										
Rent	253,509	10,788	55,935	60,143	380,375	140,788	10,734	151,522	531,897	534,606
Depreciation	41,449	1,560	5,725	3,606	52,340	69,266	472	69,738	122,078	126,865
Repairs and maintenance	-	-	2,892	-	2,892	59,236	-	59,236	62,128	54,493
Utilities	11,700	498	2,580	2,774	17,552	6,830	495	7,325	24,877	24,150
Total occupancy	306,658	12,846	67,132	66,523	453,159	276,120	11,701	287,821	740,980	740,114
Other:										
Professional fees	90,284	1,009	5,835	16,767	113,895	121,263	194	121,457	235,352	258,786
Recruiting	77,915	-	44,669	11,924	134,508	9,795	52	9,847	144,355	137,300
Program support	86,717	4,152	25,365	10,225	126,459	-	-	-	126,459	125,515
Staff training and travel	71,260	3,948	24,502	25,921	125,631	2,484	-	2,484	128,115	146,670
Office supplies	32,039	1,506	12,330	4,714	50,589	9,691	2,040	11,731	62,320	75,448
Printing and postage	27,239	847	11,270	3,766	43,122	2,857	8,343	11,200	54,322	41,167
Insurance	-	-	-	-	-	43,789	-	43,789	43,789	41,057
Dues and subscriptions	1,675	-	7,557	-	9,232	14,750	9,886	24,636	33,868	60,726
Miscellaneous	-	-	930	2	932	2,332	5,761	8,093	9,025	7,604
Leased equipment	-	-	-	-	-	6,036	-	6,036	6,036	7,040
Total other operating expenses	387,129	11,462	132,458	73,319	604,368	212,997	26,276	239,273	843,641	901,313
Total operating expenses before allocation of general and administrative expenses	40,441,028	503,935	1,445,645	1,157,876	43,548,484	1,732,421	149,462	1,881,883	45,430,367	39,632,205
General and Administrative Allocation	1,088,188	108,220	281,154	229,704	1,707,266	(1,732,421)	25,155	(1,707,266)	-	-
Total operating expenses	\$ 41,529,216	\$ 612,155	\$ 1,726,799	\$ 1,387,580	\$ 45,255,750	\$ -	\$ 174,617	\$ 174,617	\$ 45,430,367	\$ 39,632,205

The accompanying notes are an integral part of these statements.

SPRINGWELL, INC.

Statement of Functional Expenses
For the Year Ended June 30, 2018

	Program Services				Support Services				Total
	Home Care Service to Elders	Nursing Home Screening	Nutrition and Community Services	Protective Services	Total Program Services	General and Administrative	Fundraising	Total Support Services	
Contracted Services	\$ 29,799,078	\$ -	\$ 60,055	\$ -	\$ 29,859,133	\$ -	\$ -	\$ -	\$ 29,859,133
Personnel and Related:									
Salaries and wages	3,690,092	377,875	884,268	693,554	5,645,789	1,003,069	89,260	1,092,329	6,738,118
Payroll taxes and fringe benefits	757,037	77,715	192,164	142,091	1,169,007	206,216	18,304	224,520	1,393,527
Total personnel and related costs	4,447,129	455,590	1,076,432	835,645	6,814,796	1,209,285	107,564	1,316,849	8,131,645
Occupancy:									
Rent	228,865	21,161	61,807	69,413	381,246	145,398	7,962	153,360	534,606
Depreciation	43,062	1,976	7,282	5,929	58,249	67,837	779	68,616	126,865
Repairs and maintenance	-	-	3,550	-	3,550	50,583	360	50,943	54,493
Utilities	10,344	956	2,782	3,137	17,219	6,571	360	6,931	24,150
Total occupancy	282,271	24,093	75,421	78,479	460,264	270,389	9,461	279,850	740,114
Other:									
Professional fees	142,116	1,022	26,938	18,452	188,528	70,115	143	70,258	258,786
Recruiting	76,474	305	33,659	20,849	131,287	5,712	301	6,013	137,300
Program support	87,616	4,033	23,479	10,387	125,515	-	-	-	125,515
Staff training and travel	88,333	4,803	26,000	21,959	141,095	5,575	-	5,575	146,670
Office supplies	45,160	2,602	10,508	5,893	64,163	10,424	861	11,285	75,448
Printing and postage	18,341	773	7,909	2,583	29,606	1,957	9,604	11,561	41,167
Insurance	-	-	-	-	-	41,057	-	41,057	41,057
Dues and subscriptions	4,017	-	6,487	-	10,504	41,448	8,774	50,222	60,726
Miscellaneous	-	-	570	-	570	2,597	4,437	7,034	7,604
Leased equipment	-	-	-	-	-	7,040	-	7,040	7,040
Total other operating expenses	462,057	13,538	135,550	80,123	691,268	185,925	24,120	210,045	901,313
Total operating expenses before allocation of general and administrative expenses	34,990,535	493,221	1,347,458	994,247	37,825,461	1,665,599	141,145	1,806,744	39,632,205
General and Administrative Allocation	1,070,030	109,620	259,002	201,066	1,639,718	(1,665,599)	25,881	(1,639,718)	-
Total operating expenses	\$ 36,060,565	\$ 602,841	\$ 1,606,460	\$ 1,195,313	\$ 39,465,179	\$ -	\$ 167,026	\$ 167,026	\$ 39,632,205

The accompanying notes are an integral part of these statements.

SPRINGWELL, INC.

Notes to Financial Statements
June 30, 2019 and 2018

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* (POS) 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 (ECOP) 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.

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).

Accounting Principle Adoption

During fiscal year 2019, the Agency adopted FASB's Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This ASU modified the current guidance over several criteria, of which the following affected the Agency's financial statements:

- Net assets are to be segregated into two categories, "with donor restrictions" and "without donor restrictions", as opposed to the previous requirement of three classes of net assets.
- Qualitative and quantitative information relating to management of liquidity and the availability of financial assets to cover short-term cash needs within one year from the statement of position date.
- A more detailed explanation of the methods used to allocate costs among program and support services.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Principle Adoption (Continued)

The adoption of this ASU did not impact the Agency's net asset classes, changes in net assets, or cash flows for the year ended June 30, 2018. This ASU has been applied retrospectively to all periods presented. This ASU provides an option to omit the disclosures about liquidity and availability of resources for the 2018 financial statements.

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.

Net Assets

Net Assets Without Donor Restrictions

Net assets without donor restrictions are those net resources that bear no external restrictions and are generally available for use by the Agency. The Agency has grouped its net assets without donor restrictions 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 EOEI for use in the purchase service component of Home Care and Enhanced Community Options 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.

Net assets with donor restrictions include amounts received with donor restrictions which have not yet been expended for their designated purposes. Net assets with donor restrictions consist of purpose restricted grants totaling \$102,398 and \$185,613 as of June 30, 2019 and 2018, 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, 2019 and 2018.

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.

SPRINGWELL, INC.

Notes to Financial Statements
June 30, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment and Depreciation (Continued)

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.

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. Contributions and grants without donor restrictions are recorded as revenue when received or unconditionally pledged. All other income is recorded as earned.

Restricted contributions and grants are recorded as revenues and net assets with donor restrictions when received or unconditionally pledged. Transfers are made to net assets without donor restrictions as costs are incurred or time or program restrictions have lapsed. Donor restricted grants received and satisfied in the same period are included in net assets without donor restrictions.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

The financial statements contain certain categories of expenses that are attributable to program and supporting functions. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include personnel and related, occupancy, and office supplies, which are allocated based on an estimate of time and level of effort spent on the Agency's program and supporting functions.

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 2019 and 2018, the estimated value of these donated services was approximately \$693,000 and \$592,000, respectively.

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, 2019 and 2018. The Agency's information returns are subject to examination by the Federal and state jurisdictions.

Subsequent Events

Subsequent events have been evaluated through October 24, 2019, 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, 2019 and 2018, or on the changes in its net assets for the years then ended.

Approximately 77% and 78% of contract revenues were earned from contracts with EOEA during 2019 and 2018, respectively. Approximately 65% and 73% of accounts receivable at June 30, 2019 and 2018, respectively, were due from EOEA. Approximately 21% and 16% of accounts receivable at June 30, 2019 and 2018, respectively, were due from another funding source.

SPRINGWELL, INC.

Notes to Financial Statements
June 30, 2019 and 2018

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 (5.50% and 5.00% at June 30, 2019 and 2018, respectively), but will not be less than 4% at any time. The line of credit is secured by all assets of the Agency and is renewable annually in November by the bank. As of June 30, 2019 and 2018, 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, 2019 and 2018.

5. CAPITAL LEASE OBLIGATION

The Agency leases certain equipment under capital lease agreements. During fiscal year 2019, the previous capital lease expired and the Agency entered into a new capital lease agreement through April 2022. The aggregate cost of the new asset was \$66,006. The interest rate under the new agreement is 0.4%.

The future minimum lease payments under this agreement are as follows:

<u>Fiscal Years</u>	
2020	\$ 23,760
2021	23,760
2022	<u>19,800</u>
Total future minimum payments	67,320
Less – amounts representing interest	<u>4,712</u>
Present value of future minimum payments	62,608
Less – current portion	<u>21,051</u>
	<u>\$ 41,557</u>

The total cost of assets under capital lease obligation was \$66,006 and \$58,814 as of June 30, 2019 and 2018, respectively. Accumulated depreciation on assets under capital lease obligation was \$11,001 and \$49,013 as of June 30, 2019 and 2018, 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 (4.0% and 3.0% for the years ended June 30, 2019 and 2018, respectively). Pension expense was \$286,430 and \$196,339 for the years ended June 30, 2019 and 2018, respectively, and is included in payroll taxes and fringe benefits in the accompanying statements of functional expenses.

The Agency also participates 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.

SPRINGWELL, INC.

Notes to Financial Statements
June 30, 2019 and 2018

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, 2019. Rental expense under the lease is calculated using the straight-line method over the term of the lease in accordance with ASC Topic, *Leases*. Total rent expense under the lease was \$531,897 and \$534,606 for the years ended June 30, 2019 and 2018, respectively, and is reflected as rent in the accompanying statements of functional expenses. Deferred rent under this lease totaled \$108,064 and \$131,266 as of June 30, 2019 and 2018, respectively.

Future minimum facility lease payments are as follows:

2020	\$ 535,206
2021	\$ 546,905
2022	\$ 558,603
2023	\$ 140,382

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 NET ASSETS WITHOUT DONOR RESTRICTIONS

Excess revenue generated from the Purchase Service Home Care and Enhanced Community Options Program are calculated in accordance with the EOEA 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 EOEA.

The following is a summary of the designated net assets without donor restrictions as of and for the years ended June 30, 2019 and 2018, for the Home Care POS and ECOP POS programs:

Restricted Balance, June 30, 2017	\$ 448,180
Activity	<u>(167,788)</u>
Restricted Balance, June 30, 2018	280,392
Activity	<u>(41,447)</u>
Restricted Balance, June 30, 2019	<u>\$ 238,945</u>

During fiscal years 2019 and 2018, EOEA authorized the Agency to transfer up to 3% of both programs' current year revenues to cover program deficits in other EOEA programs. During fiscal years 2019 and 2018, the Agency transferred \$232,705 and \$220,186, respectively, under this provision.

SPRINGWELL, INC.

Notes to Financial Statements
June 30, 2019 and 2018

11. COMMITMENTS

The Agency entered into sub-awards under the Title IIIB Support Services Program. These commitments expire as of September 30, 2019 and 2018, and total \$17,324 and \$23,057 as of June 30, 2019 and 2018, respectively.

12. LIQUIDITY

The Agency's financial assets available within one year from the statement of financial position date for general operating expenses are as follows:

Cash and cash equivalents	\$ 12,291,575
Accounts receivable	<u>5,801,942</u>
Total financial assets	18,093,517
Contractual or donor-imposed restrictions:	
EOEA designated	(238,945)
Other donor restrictions	<u>(102,398)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 17,752,174</u>

The Agency receives donor restricted contributions, which require resources to be used in a particular manner or in a future period; therefore, the Agency must maintain sufficient resources to meet those responsibilities to its donors. Thus, these financial assets may not be available for general expenditure within one year. As part of the Agency's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In the event of an unanticipated liquidity need, the agency could draw upon \$600,000 of available line of credit (see Note 4).

SPRINGWELL, INC.

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

Federal Grantor/ Pass-Through Grantor/ Program or Cluster 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	TITLE3FEDYR18SPRWELL TITLE3FEDYR19SPRWELL	\$ 184,311	\$ -
Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	93.043	TITLE3FEDYR18SPRWELL TITLE3FEDYR19SPRWELL	26,786	-
Alzheimer's Disease Demonstration Grants to States	93.051	ADSSP00B00SPRINGWE00	30	-
Aging Cluster:				
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	TITLE3FEDYR18SPRWELL TITLE3FEDYR19SPRWELL	486,845	-
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	TITLE3FEDYR18SPRWELL TITLE3FEDYR19SPRWELL	782,168	84,113
Nutrition Services Incentive Program	93.053	NSIPPROGRAM2018SPWLL NSIPPROGRAM2019SPWLL	36,295	-
Total Aging Cluster			1,305,308	84,113
Total Expenditures of Federal Awards			\$ 1,516,435	\$ 84,113

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, 2019, 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 24, 2019.

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 24, 2019



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**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, 2019. 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 program for the year ended June 30, 2019.

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 24, 2019

SPRINGWELL, INC.

Schedule of Findings and Questioned Costs
June 30, 2019

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 program:

- Material weakness identified? Yes X No

- Significant deficiency identified? Yes X None reported

Type of auditor's report issued on compliance for major Federal program: 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, 2019

2. FINANCIAL STATEMENT FINDINGS

None

3. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None