



SPURWINK

FINANCIAL STATEMENTS

and

Government Reports in Accordance with the Uniform Guidance and
Maine Uniform Accounting and Auditing Practices for Community Agencies

June 30, 2021 and 2020

With Independent Auditor's Report

**SPURWINK SERVICES, INC. AND
FOR DEVELOPMENTAL RESOURCES**

Year Ended June 30, 2021

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INDEPENDENT AUDITOR'S REPORT

The Boards of Directors
Spurwink Services, Inc. and FOR Developmental Resources

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Spurwink Services, Inc. and FOR Developmental Resources (the Organization), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; 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 U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of 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 risk of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organization as of June 30, 2021 and 2020, and the consolidated changes in their net assets and their consolidated cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Change in Accounting Principles

As discussed in Note 1 to the financial statements, during the year ended June 30, 2021, the Organization adopted new accounting guidance, Financial Accounting Standards Board Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), and related guidance. Our opinion is not modified with respect to this matter.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. Schedules 1 and 2 are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of activities of the individual entities and are not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards (Schedule 3) is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the consolidated financial statements. The accompanying schedule of expenditures of Department agreements (Schedule 4) is presented for purposes of additional analysis as required by *Maine Uniform Accounting and Auditing Practices for Community Agencies*, and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the consolidated 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 November 1, 2021 on our consideration of the Organization's internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the Organization's 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 Organization's internal control over financial reporting and compliance.

Berry Dunn McNeil & Parker, LLC

Portland, Maine

November 1, 2021, except for Schedules 3 and 4 for which the
date is March 8, 2022

**SPURWINK SERVICES, INC. AND
FOR DEVELOPMENTAL RESOURCES**

Consolidated Statements of Financial Position

June 30, 2021 and 2020

ASSETS

| | <u>2021</u> | <u>2020</u> |
|---|----------------------|----------------------|
| Current assets | | |
| Cash | \$ 13,635,252 | \$ 2,651,801 |
| Accounts receivable, net of allowance for doubtful accounts of approximately \$2,093,000 and \$2,447,000 in 2021 and 2020, respectively | 6,997,810 | 8,769,912 |
| Grants receivable | 1,333,434 | 1,211,705 |
| Assets whose use is limited, current portion | 740,352 | 766,687 |
| Annuity receivable, current portion | 87,750 | 87,750 |
| Program settlements receivable | 303,077 | 258,526 |
| Prepaid expenses | <u>1,338,286</u> | <u>865,034</u> |
| Total current assets - continuing operations | <u>24,435,961</u> | <u>14,611,415</u> |
| Property and equipment | | |
| Land and buildings | 27,083,589 | 28,380,545 |
| Equipment | 4,113,036 | 3,984,236 |
| Vehicles | 3,081,216 | 3,277,006 |
| Leasehold improvements | 2,087,859 | 2,070,053 |
| Projects in progress | <u>190,036</u> | <u>10,952</u> |
| | 36,555,736 | 37,722,792 |
| Less accumulated depreciation and amortization | <u>16,101,189</u> | <u>15,432,654</u> |
| Net property and equipment - continuing operations | <u>20,454,547</u> | <u>22,290,138</u> |
| Other assets | | |
| Investments | 751,581 | 605,164 |
| Annuity receivable, net of amount required to meet current obligations | 856,230 | 915,062 |
| Deferred compensation plan | 440,765 | 338,778 |
| Deposits | 126,368 | 124,264 |
| Assets whose use is limited, long-term portion | <u>753,047</u> | <u>838,809</u> |
| Total other assets - continuing operations | <u>2,927,991</u> | <u>2,822,077</u> |
| Total assets - continuing operations | 47,818,499 | 39,723,630 |
| Total assets - discontinued operations | <u>1,985,766</u> | <u>2,158,056</u> |
| Total assets | <u>\$ 49,804,265</u> | <u>\$ 41,881,686</u> |

The accompanying notes are an integral part of these consolidated financial statements.

LIABILITIES AND NET ASSETS

| | <u>2021</u> | <u>2020</u> |
|---|----------------------|----------------------|
| Current liabilities | | |
| Accounts payable and accrued liabilities | \$ 1,868,811 | \$ 2,501,565 |
| Accrued wages and related expenses | 4,957,715 | 3,419,426 |
| Current portion of long-term debt | 1,892,609 | 1,454,496 |
| Current portion of capital leases | 256,887 | 242,783 |
| Deferred revenue | 160,302 | 130,392 |
| Refundable advance - Paycheck Protection Program (PPP) loan | 8,318,275 | - |
| Other current liabilities | <u>120,900</u> | <u>105,260</u> |
| Total current liabilities - continuing operations | <u>17,575,499</u> | <u>7,853,922</u> |
| Long-term liabilities | | |
| Long-term debt, net of current portion and unamortized debt issuance costs | 8,766,952 | 10,721,272 |
| Deferred compensation payable, net of current portion | 1,296,995 | 1,253,840 |
| Postretirement benefits, net of current portion | 229,472 | 254,578 |
| Pension liability | 2,600,337 | 6,031,831 |
| Capital leases, net of current portion | <u>403,084</u> | <u>627,634</u> |
| Total long-term liabilities - continuing operations | <u>13,296,840</u> | <u>18,889,155</u> |
| Total liabilities - continuing operations | <u>30,872,339</u> | <u>26,743,077</u> |
| Net assets | | |
| Without donor restrictions | 18,848,239 | 15,081,951 |
| With donor restrictions | <u>83,687</u> | <u>56,658</u> |
| Total net assets | <u>18,931,926</u> | <u>15,138,609</u> |
| Total liabilities and net assets | <u>\$ 49,804,265</u> | <u>\$ 41,881,686</u> |

**SPURWINK SERVICES, INC. AND
FOR DEVELOPMENTAL RESOURCES**

Consolidated Statements of Activities

Years Ended June 30, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|--|-----------------------------|----------------------------|
| Operating revenues - continuing operations | | |
| Fees for services | | |
| State of Maine agencies | \$54,827,395 | \$55,831,784 |
| Maine school districts | 3,248,630 | 3,551,025 |
| Third-party insurance | 2,582,174 | 2,103,341 |
| Private pay | 869,328 | 1,335,442 |
| Social Security | 645,681 | 734,887 |
| Medicare | 411,837 | 355,268 |
| Grants | 8,298,864 | 8,763,321 |
| Contributions | 655,410 | 618,958 |
| Investment income | 197,136 | 31,427 |
| Gain on sale of property and equipment | 173,627 | 173,464 |
| Other revenue | 402,569 | 429,837 |
| Net assets released from restriction for operations | 2,088 | - |
| Total operating revenues - continuing operations | <u>72,314,739</u> | <u>73,928,754</u> |
| Operating expenses - continuing operations | | |
| Program services | 61,579,510 | 62,698,313 |
| Management and general | 9,173,450 | 9,260,617 |
| Fundraising | 355,477 | 328,658 |
| Total operating expenses - continuing operations | <u>71,108,437</u> | <u>72,287,588</u> |
| Change in net assets without donor restrictions from operations - continuing operations | 1,206,302 | 1,641,166 |
| Non-operating gains (losses) | | |
| Change in net assets to recognize funded status of pension plan | <u>3,558,186</u> | <u>(3,358,109)</u> |
| Total non-operating gains (losses) | <u>3,558,186</u> | <u>(3,358,109)</u> |
| Change in net assets without donor restrictions - continuing operations | 4,764,488 | (1,716,943) |
| Loss from discontinued operations | <u>(998,200)</u> | <u>(775,228)</u> |
| Change in net assets without donor restrictions | 3,766,288 | (2,492,171) |
| Net assets with donor restrictions | | |
| Contributions | 29,117 | - |
| Net assets released from restriction for operations | <u>(2,088)</u> | <u>-</u> |
| Change in net assets with donor restrictions | <u>27,029</u> | <u>-</u> |
| Change in net assets | 3,793,317 | (2,492,171) |
| Net assets, beginning of year | <u>15,138,609</u> | <u>17,630,780</u> |
| Net assets, end of year | <u>\$ 18,931,926</u> | <u>\$15,138,609</u> |

The accompanying notes are an integral part of these consolidated financial statements.

**SPURWINK SERVICES, INC. AND
FOR DEVELOPMENTAL RESOURCES**

Consolidated Statements of Functional Expenses

Years Ended June 30, 2021 and 2020

| | <u>Year Ended June 30, 2021</u> | | | | <u>Year Ended June 30, 2020</u> | | | |
|--|---------------------------------|-----------------------------------|--------------------|---------------------|---------------------------------|-----------------------------------|--------------------|----------------------|
| | <u>Program Services</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total</u> | <u>Program Services</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total</u> |
| Salaries and wages | \$ 33,202,406 | \$ 4,314,326 | \$ 166,834 | \$37,683,566 | \$33,057,729 | \$ 4,299,020 | \$ 164,531 | \$ 37,521,280 |
| Employee taxes and benefits | 7,372,992 | 1,406,582 | 45,620 | 8,825,194 | 7,033,058 | 1,383,671 | 29,250 | 8,445,979 |
| Consultants | 10,186,770 | 1,666,261 | 47,967 | 11,900,998 | 10,588,845 | 1,621,603 | 31,711 | 12,242,159 |
| Supplies | 1,835,651 | 161,312 | 18,553 | 2,015,516 | 2,230,187 | 347,630 | 10,151 | 2,587,968 |
| Service provider tax | 1,873,459 | - | - | 1,873,459 | 1,970,037 | - | - | 1,970,037 |
| Occupancy | 3,072,372 | 572,339 | 40,550 | 3,685,261 | 3,244,279 | 573,105 | 16,215 | 3,833,599 |
| Utilities | 774,992 | 572,660 | 3,589 | 1,351,241 | 817,310 | 487,108 | 2,990 | 1,307,408 |
| Depreciation | 1,678,826 | 145,847 | 9,601 | 1,834,274 | 1,600,842 | 158,906 | 8,330 | 1,768,078 |
| Interest | 349,675 | 233,890 | 805 | 584,370 | 388,862 | 258,318 | 1,192 | 648,372 |
| Bad debt expense | 799,456 | - | - | 799,456 | 1,091,209 | - | - | 1,091,209 |
| Other | 432,911 | 100,233 | 21,958 | 555,102 | 675,955 | 131,256 | 64,288 | 871,499 |
| Total expenses from continuing operations | <u>\$ 61,579,510</u> | <u>\$ 9,173,450</u> | <u>\$ 355,477</u> | <u>\$71,108,437</u> | <u>\$62,698,313</u> | <u>\$ 9,260,617</u> | <u>\$ 328,658</u> | <u>\$ 72,287,588</u> |

The accompanying notes are an integral part of these consolidated financial statements.

**SPURWINK SERVICES, INC. AND
FOR DEVELOPMENTAL RESOURCES**

Consolidated Statements of Cash Flows

Years Ended June 30, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|---|----------------------|---------------------|
| Cash flows from operating activities | | |
| Change in net assets | \$ 3,793,317 | \$ (2,492,171) |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities | | |
| Depreciation and amortization | 1,844,205 | 1,778,009 |
| Accretion of bond premiums | (67,071) | (67,071) |
| Bad debt expense | 799,456 | 1,091,209 |
| Change in funded status of pension plan | (3,558,186) | 3,358,109 |
| Deferred compensation expense | 278,424 | 300,872 |
| Realized and unrealized (gains) losses on investments | (146,417) | 35,377 |
| Loss from discontinued operations | 998,200 | 775,228 |
| Gain on sale of property and equipment | (173,627) | (173,464) |
| Decrease (increase) in | | |
| Accounts receivable | 972,646 | (3,212,834) |
| Grants receivable | (121,729) | 401,437 |
| Prepaid expenses | (473,252) | (1,173,442) |
| Annuity receivable | 58,832 | (15,155) |
| Program settlements receivable | (44,551) | (258,526) |
| Deposits | (2,104) | 17,423 |
| (Decrease) increase in | | |
| Accounts payable and accrued liabilities | (632,754) | 279,884 |
| Accrued wages and related expenses | 1,538,289 | (212,931) |
| Program settlements payable | - | (91,876) |
| Deferred revenue | 29,910 | 75,597 |
| Refundable advance - PPP loan | 8,318,275 | - |
| Other current liabilities | 15,640 | (79,491) |
| Accrued postretirement benefits | (25,106) | 25,895 |
| Annuity payable and deferred compensation obligation | (235,269) | (239,794) |
| Pension liability, net | <u>126,692</u> | <u>83,783</u> |
| Net cash provided by operating activities from continuing operations | <u>13,293,820</u> | 206,068 |
| Net cash used by operating activities from discontinued operations | <u>(825,910)</u> | <u>(556,038)</u> |
| Net cash provided (used) by operating activities | <u>12,467,910</u> | <u>(349,970)</u> |
| Cash flows from investing activities | | |
| Purchases of property and equipment | (659,206) | (2,418,305) |
| Proceeds from sale of property and equipment | 908,978 | 266,617 |
| Deposits and reinvested income in deferred compensation plans | <u>(101,987)</u> | <u>(45,923)</u> |
| Net cash provided (used) by investing activities | <u>147,785</u> | <u>(2,197,611)</u> |
| Cash flows from financing activities | | |
| Repayment of long-term debt | (1,459,067) | (1,478,570) |
| Proceeds from issuance of long-term debt | - | 1,700,000 |
| Repayment of capital leases | <u>(285,274)</u> | <u>(224,189)</u> |
| Net cash used by financing activities | <u>(1,744,341)</u> | <u>(2,759)</u> |
| Net increase (decrease) in cash and restricted cash | 10,871,354 | (2,550,340) |
| Cash and restricted cash beginning of year | <u>4,257,297</u> | <u>6,807,637</u> |
| Cash and restricted cash, end of year | <u>\$ 15,128,651</u> | <u>\$ 4,257,297</u> |

The accompanying notes are an integral part of these consolidated financial statements.

**SPURWINK SERVICES, INC. AND
FOR DEVELOPMENTAL RESOURCES**

Consolidated Statements of Cash Flows (Concluded)

Years Ended June 30, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|--|----------------------|---------------------|
| Composition of cash and restricted cash, end of year | | |
| Cash | \$ 13,635,252 | \$ 2,651,801 |
| Assets whose is limited, current portion | 740,352 | 766,687 |
| Assets whose use is limited, long-term portion | <u>753,047</u> | <u>838,809</u> |
| | <u>\$ 15,128,651</u> | <u>\$ 4,257,297</u> |
| Supplemental disclosure of cash flow information: | | |
| Cash paid during the year for interest | <u>\$ 602,196</u> | <u>\$ 649,601</u> |

Noncash transactions:

During 2021 and 2020, the Organization financed the purchase of vehicles and equipment with capital lease agreements and commercial notes in the amount of \$74,868 and \$460,682, respectively. The leases payable, capital assets and commercial notes have been treated as noncash transactions.

The accompanying notes are an integral part of these consolidated financial statements.

**SPURWINK SERVICES, INC. AND
FOR DEVELOPMENTAL RESOURCES**

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

Nature of Activities

Spurwink Services, Inc. (Spurwink) is a private, not-for-profit entity established to promote the delivery of effective mental health services. FOR Developmental Resources (FOR) is a separate not-for-profit entity which constructed and operates a seven-unit residential facility for persons with intellectual and developmental disabilities in Westbrook, Maine.

1. Summary of Significant Accounting Policies

Principles of Consolidation and Reporting Entity

The consolidated financial statements include the accounts of Spurwink and FOR (collectively referred to as the Organization). Intercompany accounts and transactions have been eliminated in the consolidated financial statements.

Basis of Presentation

The consolidated financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of Organization management and the Board of Directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

**SPURWINK SERVICES, INC. AND
FOR DEVELOPMENTAL RESOURCES**

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

Recently Adopted Accounting Pronouncement

In 2021, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, (Topic 606), and related guidance, which supersedes accounting standards that previously existed under U.S. GAAP and provides a single revenue model to address revenue recognition to be applied to all companies. Under the new standard, companies recognize revenue when a customer obtains control of promised goods or services in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods and services. ASU No. 2014-09 also requires companies to disclose additional information, including the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Organization elected to adopt this ASU retrospectively with the cumulative effect realized at the date of initial application; therefore, the consolidated financial statements and the related notes have been presented accordingly. The impact of the adoption of ASU No. 2014-09 resulted in no material changes to financial reporting.

Contributions

Contributions received, including unconditional promises to give, are recognized as revenues when donors' commitments are received.

All contributions are included in net assets without donor restrictions unless specifically restricted by the donor. Amounts received that are designated for future periods or are restricted by the donor for specific purposes are reported as support that increases net assets with donor restrictions.

Use of Estimates

The preparation of consolidated financial statements in conformity 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property and Equipment

Property and equipment are recorded at cost, except for donated assets, which are recorded at fair value at the time of donation. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as support with donor restrictions.

Leasehold improvements are amortized on a straight-line basis over the estimated useful life of the respective assets or the term of the lease, whichever is less. Depreciation of owned assets is provided over the estimated useful lives of the respective assets on a straight-line basis. Costs of repairs and maintenance are expensed as incurred.

**SPURWINK SERVICES, INC. AND
FOR DEVELOPMENTAL RESOURCES**

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

Debt Issuance Costs

Costs associated with the issuance of the Maine Health and Higher Educational Facilities Authority (MHHEFA) bonds referred to in Note 6 have been capitalized, are being amortized over the terms of the related bonds and are included in long-term debt. At June 30, 2021 and 2020, accumulated amortization totaled \$76,760 and \$66,829, respectively.

Funding Sources

Revenues from services to clients include amounts reimbursable by various funding sources, including Medicaid (MaineCare) and the State of Maine. Fees for services are recorded as revenue at the time the service is provided. Amounts received for services provided to clients covered under the programs are generally based upon the costs of the services provided. These amounts fall into two separate funding methods:

- Certain cost recovery programs' settlements are established via audits conducted by the funding sources. Under this procedure, rates are adjusted retrospectively for any historical surpluses or deficits.
- Fees for other programs are determined under rate negotiations or are fixed by MaineCare through its rules.

The State of Maine enacted legislation establishing a service provider tax. As a result, the Organization was subjected to and recorded \$1,873,459 and \$1,970,037 of service provider taxes in 2021 and 2020, respectively. This tax is offset through increased reimbursement under the related programs.

A portion of revenue includes amounts related to federal and state grants. Revenue recognized under these grants for services under ongoing awards is recognized based upon allowable expenses incurred to date not to exceed available funding. For awards which were completed during the year, revenue is recognized based upon allowable expenditures incurred up to the award total. Any adjustments in estimated settlement amounts under state and federal awards are recognized when final settlements are determined. Revenue received prior to providing services is deferred until the related services are rendered.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on historical account write-off patterns by payor. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

**SPURWINK SERVICES, INC. AND
FOR DEVELOPMENTAL RESOURCES**

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

Revenue Recognition

Fees for services revenue is reported at the estimated net realizable amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing client services. These amounts are due from third-party payors (including health insurers and government programs), and others, and include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Organization bills third-party payors several days after services are provided. Revenue is recognized as performance obligations are satisfied. It is the Organization's expectation that the period between the time the service is provided to a client and the time a third-party payor pays for that service will be one year or less.

Under the Organization's contractual arrangements with the Maine Department of Health and Human Services (DHHS), the Organization provides services to clients for an agreed upon fee. The Organization recognizes revenue for client services in accordance with the provisions of ASU 2014-09 and related guidance.

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time is recognized based on actual services rendered. Generally, performance obligations are satisfied over time when services are provided. The Organization measures the performance obligation from when the Organization begins to provide services to a client to the point when it is no longer required to provide services to that client, which is generally at the time of DHHS notification to the Organization.

Because all of its performance obligations relate to short-term contracts, the Organization has elected to apply the optional exemption provided in FASB Accounting Standards Codification (ASC) Subtopic 606-10-50-14(a), and therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

Investments

Investments are presented in the consolidated financial statements at fair value. Investments in general are exposed to various risks, such as interest rates, credit, and overall market volatility. As such, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statements of financial position.

Functional Allocation of Expenses

The consolidated financial statements report certain categories of expenses that are attributable to more than one program or supporting functions of the Organization. Those expenses include salaries, wages and benefits, which are allocated based on time and effort, and depreciation and other occupancy costs, which are allocated based on square feet.

**SPURWINK SERVICES, INC. AND
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Accrued Earned Time

Employees of the Organization are vested in earned vacation, personal time, and sick pay (earned time). All pay for earned time is computed at the employee's current base pay (excluding overtime, shift and other premiums), and is accrued as earned. The liability for unused earned time is included in accrued wages and related expenses in the consolidated statements of financial position.

Benefit Plans

The Organization sponsors a tax sheltered 403(b) plan which covers all employees who have met the eligibility requirements. The Organization's matching contributions totaled \$591,595 and \$616,156 in 2021 and 2020, respectively.

The Organization has entered into three 457(b) deferred compensation plans which cover highly compensated employees of the Organization. The amount contributed to the plans in 2021 and 2020 was \$78,000 and \$58,000, respectively.

Postretirement Benefits

The Organization sponsors a defined benefit postretirement plan providing health insurance for eligible employees. The plan is not prefunded and the Organization recognizes the cost for these benefits on the accrual method as prescribed by FASB ASC Topic 715, *Compensation - Retirement Benefits*.

The Organization also sponsors a defined benefit pension plan. Effective January 1, 2010, the defined benefit pension plan was amended to exclude new participants; current participants were not affected by the amendment. Effective July 1, 2014, the accrued benefits of all participants in the pension plan were frozen.

Income Taxes

Spurwink and FOR are nonprofit organizations pursuant to Internal Revenue Code (Code) Section 501(c)(3), whereby only unrelated business income, as defined by Section 512(a)(1) of the Code, is subject to federal income tax.

Subsequent Events

The Organization has considered transactions or events occurring through November 1, 2021, which was the date the consolidated financial statements were available to be issued. The Organization has not evaluated subsequent events after that date for inclusion in the consolidated financial statements.

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2. Accounts Receivable

A rollforward of accounts receivable, net, activity for the years ended June 30 is as follows:

| | <u>2021</u> | <u>2020</u> |
|---------------------------------------|---------------------|---------------------|
| Balance, beginning of year | \$ 8,769,912 | \$ 6,648,287 |
| Net payments, charges and adjustments | <u>(1,772,102)</u> | <u>2,121,625</u> |
| Balance, end of year | <u>\$ 6,997,810</u> | <u>\$ 8,769,912</u> |

3. Fair Value Measurement

FASB ASC Topic 820, *Fair Value Measurement*, defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect an entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Assets measured at fair value on a recurring basis are summarized below.

| | <u>Fair Value Measurements at June 30, 2021</u> | | | |
|---|---|----------------------|---------------------|-------------------|
| | <u>Total</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
| Investments | \$ <u>751,581</u> | \$ <u>-</u> | \$ <u>-</u> | \$ <u>751,581</u> |
| Annuity receivable | \$ <u>943,980</u> | \$ <u>-</u> | \$ <u>943,980</u> | \$ <u>-</u> |
| Investments - deferred compensation: Mutual funds | \$ <u>440,765</u> | \$ <u>440,765</u> | \$ <u>-</u> | \$ <u>-</u> |
| Investments - held by defined benefit pension plan (Note 8): | | | | |
| Cash and cash equivalents | \$ 11,143 | \$ 11,143 | \$ - | \$ - |
| Equity mutual funds | 10,795,238 | 10,795,238 | - | - |
| Corporate bonds | 7,750,284 | - | 7,750,284 | - |
| U.S. government securities | <u>9,302,013</u> | <u>9,302,013</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 27,858,678</u> | <u>\$ 20,108,394</u> | <u>\$ 7,750,284</u> | <u>\$ -</u> |

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| | Fair Value Measurements at June 30, 2020 | | | |
|---|--|---------------------|----------------------|-------------------|
| | Total | Level 1 | Level 2 | Level 3 |
| Investments | \$ <u>605,164</u> | \$ <u>-</u> | \$ <u>-</u> | \$ <u>605,164</u> |
| Annuity receivable | \$ <u>1,002,812</u> | \$ <u>-</u> | \$ <u>1,002,812</u> | \$ <u>-</u> |
| Investments - deferred compensation: Mutual funds | \$ <u>338,778</u> | \$ <u>338,778</u> | \$ <u>-</u> | \$ <u>-</u> |
| Investments - held by defined benefit pension plan - (Note 8): | | | | |
| Cash and cash equivalents | \$ 531,451 | \$ 531,451 | \$ - | \$ - |
| Equity mutual funds | 8,958,737 | 8,958,737 | - | - |
| Corporate bonds | 14,583,256 | - | 14,583,256 | - |
| U.S. government securities | <u>1,233,724</u> | <u>1,233,724</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$25,307,168</u> | <u>\$10,723,912</u> | <u>\$ 14,583,256</u> | <u>\$ -</u> |

Corporate bonds are valued using quoted market prices of similar assets. The annuity receivable is valued using the method described in Note 9.

Certain investments at June 30, 2021 and 2020 are held at the Maine Community Foundation (MCF) in a pooled investment portfolio and are valued at the Organization's proportionate share of the fair value of the assets in the portfolio. The Organization's assets are not separately identifiable and as such are not readily transferable and are classified as Level 3. MCF's portfolio is comprised primarily of marketable equities, fixed income funds, and real asset funds.

The following is a reconciliation of investments in which significant unobservable inputs (Level 3) were used in determining fair value:

| | |
|--------------------------------|-------------------|
| Balance, July 1, 2019 | \$ 640,541 |
| Change in value of investments | <u>(35,377)</u> |
| Balance, June 30, 2020 | 605,164 |
| Change in value of investments | <u>146,417</u> |
| Balance, June 30, 2021 | <u>\$ 751,581</u> |

4. Liquidity and Availability of Financial Assets

At June 30, 2021, the Organization has working capital of \$6,860,462 and average days (based on normal expenditures) cash and cash equivalents on hand of 72.

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Financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, scheduled principal payments on debt, and capital construction costs not financed with debt, were as follows as of June 30:

| | <u>2021</u> | <u>2020</u> |
|---|-----------------------------|-----------------------------|
| Cash | \$ 13,635,252 | \$ 2,651,801 |
| Accounts receivable, net | 6,997,810 | 8,769,912 |
| Grants receivable | 1,333,434 | 1,211,705 |
| Annuity receivable, current portion | 87,750 | 87,750 |
| Investments | <u>751,581</u> | <u>605,164</u> |
| | 22,805,827 | 13,326,332 |
| Less Board designated net assets | (751,581) | (605,164) |
| Less net assets with donor restrictions | <u>(46,610)</u> | <u>(28,611)</u> |
| | <u>\$ 22,007,636</u> | <u>\$ 12,692,557</u> |

The Organization's goal is generally to maintain financial assets to meet 14 days of operating expenses (approximately \$3.1 million). The Organization also has a line of credit available to meet short-term needs, as discussed in Note 6.

5. Assets Whose Use is Limited

Assets whose use is limited are comprised of the following at June 30:

| | <u>2021</u> | <u>2020</u> |
|--|--------------------------|--------------------------|
| In accordance with the terms of the MHHEFA revenue bonds referred to in Note 6, the Organization is required to maintain debt service funds with a trustee (trustee held funds). The debt service funds represent amounts which have been deposited, via monthly payment of principal and interest, with the trustee. The semi-annual bond interest payments and the annual bond principal payments are to be made from these funds as they become due. The debt service funds consist of cash and money market funds. | \$ 740,352 | \$ 766,687 |
| The Organization participates in a state unemployment insurance trust, which requires funds to be deposited in trust. These trust assets consist of a money market fund. | 557,480 | 772,182 |
| In accordance with the terms of its general liability insurance policy, the Organization maintains a separate cash account to fund general liability insurance claims. The account consists solely of cash. | 158,490 | 38,580 |
| Cash held for donor restricted net assets | <u>37,077</u> | <u>28,047</u> |
| | 1,493,399 | 1,605,496 |
| Less current portion | <u>740,352</u> | <u>766,687</u> |
| | <u>\$ 753,047</u> | <u>\$ 838,809</u> |

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6. Borrowings and Capital Leases

Long-term debt at June 30 consists of the following:

| | <u>2021</u> | <u>2020</u> |
|---|-------------------|-------------|
| <u>Spurwink</u> | | |
| MHHEFA Revenue Bonds, Series 2010B, term bonds due July 1, 2028 with interest rates ranging from 3.125% to 5.25%. | \$ 620,773 | \$ 715,069 |
| MHHEFA Revenue Bonds, Series 2014A, term bonds due July 1, 2024 with interest rates ranging from 3.0% to 5.0%. | 1,212,856 | 1,885,130 |
| Note payable, due in monthly installments of \$7,113, including interest at 4.05%, through September 2024 at which time the balance becomes due; collateralized by equipment and accounts receivable of the Organization. | 1,600,418 | 1,685,774 |
| Note payable, due in monthly payments of \$30,912, including interest at 3.52%, through January 2021; collateralized by equipment. | - | 200,875 |
| Construction note payable, due in monthly installments of \$29,677, including interest at 3.91%, through January 2039; collateralized by inventory, equipment and accounts receivable of the Organization. | 3,516,667 | 3,716,667 |
| Note payable, due in monthly installments of \$15,858, including interest at 4.45%, through March 2023; collateralized by equipment and accounts receivable of the Organization. | 1,816,667 | 1,916,667 |
| Note payable, due in monthly installments of \$7,797, including interest at one-month LIBOR plus 2.25% (2.34% at June 30, 2021), through August 2024; collateralized by building and equipment. | 1,433,496 | 1,484,552 |
| Various notes payable, with interest rates of 4.38%, in monthly installments ranging from \$1,288 to \$2,385 (including principal and interest), maturing in 2022; collateralized by motor vehicles and equipment. | 27,411 | 67,063 |
| Capital lease agreements for vehicles with interest rates ranging from 7.09% to 10.98%, expiring at various dates through 2026. | 659,971 | 870,417 |

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| | <u>2021</u> | <u>2020</u> |
|---|----------------------------|-----------------------------|
| 4.50% mortgage note, due in monthly installments of \$1,780, including interest, through November 2025; collateralized by land and a building at 42-44 Glenwood Avenue, Saco, Maine. | 85,144 | 102,184 |
| 4.50% mortgage note, due in monthly installments of \$1,097, including interest, through April 2026; collateralized by land and building at 46-48 Glenwood Avenue, Saco, Maine. | 56,202 | 66,506 |
| 7.5% mortgage note to Maine State Housing Authority, due in monthly installments of \$1,363, including interest, through January 2025; collateralized by property at 45 Heath Road, Saco, Maine. | 50,227 | 62,325 |
| Mortgage note, due in monthly installments of \$1,566, including interest which is at 4.93% for five years then adjusted to the Federal Home Loan Bank rate plus 2.75%, thereafter subject to adjustment every five years, through June 2031; collateralized by all property at 26 Old Lisbon Road, Lewiston, Maine. | 152,302 | 164,214 |
| 5.24% mortgage note, due in monthly installments of \$1,318, including interest, through September 2019, at which time it changed to monthly installments of principal and interest based on a fixed interest rate of Federal Home Loan Bank of Boston rate at that date plus 2.78% through January 2025; collateralized by property at 45 Heath Road, Saco, Maine. | 50,999 | 63,971 |
| <u>FOR</u> | | |
| 9.25% U.S. Department of Housing and Urban Development mortgage note, due in monthly installments of \$2,179, including interest, through October 2024; collateralized by all property at 15 Woodmont Street, Westbrook, Maine. | <u>74,760</u> | <u>93,063</u> |
| | 11,357,893 | 13,094,477 |
| Less current portion of long-term debt | 1,892,609 | 1,454,496 |
| Less current portion of capital leases | 256,887 | 242,783 |
| Less unamortized debt issuance costs | <u>38,361</u> | <u>48,292</u> |
| Long-term debt and capital leases, excluding current portion | \$ <u>9,170,036</u> | \$ <u>11,348,906</u> |

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Maturities of long-term debt and capital lease obligations are as follows:

| | Long-Term Debt (Excluding Capital Lease Obligations) | Capital Lease Obligations |
|------------------------------------|--|------------------------------|
| 2022 | \$ 1,892,609 | \$ 282,343 |
| 2023 | 1,207,963 | 208,674 |
| 2024 | 1,002,862 | 157,672 |
| 2025 | 589,346 | 46,813 |
| 2026 | 559,204 | 9,309 |
| Thereafter | <u>5,445,938</u> | <u>-</u> |
| Total | <u>\$ 10,697,922</u> | 704,811 |
| Less amounts representing interest | | <u>44,840</u> |
| | | <u>\$ 659,971</u> |

The MHHEFA bonds are collateralized by a first mortgage on all applicable properties, related improvements and equipment, as well as the gross receipts of the Organization.

The MHHEFA loan agreements call for the maintenance of a required minimum ratio of debt service coverage. The Organization is in compliance with this loan covenant for the year ended June 30, 2021.

Spurwink Services, Inc. is required to make monthly deposits of principal and interest in sufficient amounts to enable semi-annual interest payments and annual principal payments on the MHHEFA bonds to be made when due.

Spurwink Services, Inc. has available a line of credit agreement with a bank with a total borrowing capacity of \$5,500,000. The line bears interest at a variable rate based on prime, which was 0.31% at June 30, 2021. There were no amounts outstanding under the line of credit at June 30, 2021 and 2020. The line of credit is secured by outstanding accounts receivable of the Organization.

Spurwink Services, Inc. has available a \$725,508 irrevocable standby letter of credit with Key Bank, which renews annually and serves as collateral for a direct reimbursement agreement with the State of Maine for unemployment benefits. There was no outstanding balance on this letter of credit at June 30, 2021.

The Organization leases vehicles under capital leases as noted above. Assets held under capital leases included in net property and equipment are as follows at June 30:

| | <u>2021</u> | <u>2020</u> |
|-------------------------------|-------------------|-------------------|
| Vehicles, at cost | \$ 839,521 | \$ 1,230,171 |
| Less accumulated amortization | <u>317,386</u> | <u>359,754</u> |
| | <u>\$ 522,135</u> | <u>\$ 870,417</u> |

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7. Operating Leases

The Organization leases facilities under operating lease agreements expiring in various years through May 2026. Certain leases require the payment of property taxes in addition to a base rental fee. Certain leases also provide for the base rental fee to be increased annually, typically by between 2%-3%, as well as adjustment for changes in the lessors' debt service because of interest rate fluctuations. The Organization also leases several other facilities on a month-to-month, tenant-at-will basis. The rental charges for the years ended June 30, 2021 and 2020 were \$1,521,078 and \$1,527,499, respectively. The majority of the leases described include provisions which allow for a renewal of the lease at the option of the Organization. The Organization intends to renew such leases as long as the programs, which are conducted at the leased facilities, continue to receive government funding.

The following is a schedule of future minimum rental payments under the above noncancelable operating leases as of June 30, 2021:

| | |
|------|---------------------|
| 2022 | \$ 1,135,844 |
| 2023 | 998,940 |
| 2024 | 208,714 |
| 2025 | 150,352 |
| 2026 | <u>52,899</u> |
| | <u>\$ 2,546,749</u> |

8. Retirement Plans

The Organization participates in a defined benefit pension plan that covers substantially all its employees employed through December 31, 2009. Effective January 1, 2010, the plan was amended to exclude new participants. Effective July 1, 2014, the accrued benefits of all participants in the plan were frozen. The plan calls for benefits to be paid to eligible employees at retirement based upon amounts accumulated in their hypothetical accounts. Hypothetical account balances are based upon 4% of compensation, interest, and years of service. Contributions to the plan are made based upon amounts actuarially determined to sufficiently fund the plan.

The following tables set forth the funded status of the defined benefit plan and amounts recognized in the Organization's consolidated financial statements as of and for the years ended June 30:

| | <u>2021</u> | <u>2020</u> |
|----------------------------------|-----------------------|-----------------------|
| Benefit obligation | \$ 30,459,015 | \$ 31,338,999 |
| Fair value of plan assets | <u>27,858,678</u> | <u>25,307,168</u> |
| Funded status, accrued liability | <u>\$ (2,600,337)</u> | <u>\$ (6,031,831)</u> |
| Employer contributions | \$ <u>-</u> | \$ <u>-</u> |
| Benefits paid | <u>\$ (740,901)</u> | <u>\$ (678,369)</u> |
| Net periodic pension credit | <u>\$ (152,309)</u> | <u>\$ (214,217)</u> |

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Net loss not yet recognized as a component of net periodic benefit cost is \$7,173,150 and \$10,452,335 at June 30, 2021 and 2020, respectively. This amount is determined pursuant to the provisions of ASC Subtopic 715-30-25-4.

The target allocation percentage for investments is 50%-70% equities and 30%-50% debt securities. The Plan trustee evaluates its target allocation periodically in relation to market performance and overall market conditions. The overall goal is to provide for adequate investment growth, along with contributions, to provide adequate funding to meet plan obligations on a current and projected basis.

The overall expected long-term rate of return is based upon achieved historical returns of a mix of stocks and bonds and expectations of future yields and market performance for such securities.

Weighted-average assumptions as of and for the years ended June 30 are as follows:

| | <u>2021</u> | <u>2020</u> |
|--------------------------------|---------------|-------------|
| <u>Benefit cost</u> | | |
| Discount rate | 2.62 % | 3.47 % |
| Expected return on plan assets | 4.80 | 7.50 |
| <u>Benefit obligation</u> | | |
| Discount rate | 2.76 % | 2.62 % |

Expected benefits to be paid for the next ten years as of June 30, 2021 are as follows:

| | |
|--|------------|
| 2022 | \$ 888,000 |
| 2023 | 943,000 |
| 2024 | 985,000 |
| 2025 | 1,025,000 |
| 2026 | 1,062,000 |
| Aggregate for the next five years thereafter | 5,730,000 |

No contributions are expected to be made in 2022.

The Organization also participates in a postretirement plan which provides health insurance coverage for two of its former executive directors. The following tables set forth information regarding the postretirement benefits based on measurement dates of June 30:

| | <u>2021</u> | <u>2020</u> |
|---|----------------------------|----------------------------|
| Accumulated postretirement benefit obligation | \$ 248,353 | \$ 273,477 |
| Fair value of plan assets | <u>-</u> | <u>-</u> |
| Funded status | <u>\$ (248,353)</u> | <u>\$ (273,477)</u> |

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| | <u>2021</u> | <u>2020</u> |
|--|---------------------|---------------------|
| Accrued benefit liability recognized in the statement of financial position: | | |
| Current portion | \$ (18,881) | \$ (18,899) |
| Long-term portion | <u>(229,472)</u> | <u>(254,578)</u> |
| | <u>\$ (248,353)</u> | <u>\$ (273,477)</u> |

Weighted-average assumptions as of and for the years ended June 30 are as follows:

| | <u>2021</u> | <u>2020</u> |
|---------------------------|-------------|-------------|
| <u>Benefit cost</u> | | |
| Discount rate | 1.86 % | 2.97 % |
| <u>Benefit obligation</u> | | |
| Discount rate | 2.06 % | 1.86 % |

Activities for the year consist of:

| | | |
|--|------------------|------------------|
| Benefit cost | \$ <u>4,032</u> | \$ <u>2,899</u> |
| Employer contributions and benefits paid | \$ <u>19,074</u> | \$ <u>17,961</u> |

Expected benefits to be paid for the next ten years as of June 30, 2021 are as follows:

| | |
|--|-----------|
| 2022 | \$ 19,074 |
| 2023 | 19,201 |
| 2024 | 19,278 |
| 2025 | 19,273 |
| 2026 | 19,156 |
| Aggregate for the next five years thereafter | 89,261 |

Contributions expected to be made in 2022 are \$18,881.

An assumed health cost increase of 4.9% was used for 2022 to measure the expected cost of benefits covered by the plan for the next year with an assumed cost trend that increases to 5.2% in 2023 and remains at that level. A one percentage point increase in the assumed healthcare cost trend for 2021 would increase the benefit cost by \$379 and the benefit obligation by \$18,398. A one percentage point decrease in the assumed healthcare cost trend for 2021 would decrease the benefit cost by \$343 and the benefit obligation by \$16,635.

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9. Deferred Compensation Payable

The Organization has incurred liabilities relating to salary continuation agreements with two of its former executive directors. Under the terms of the agreements, they are entitled to receive, for their lifetimes, an annual amount as a supplement to their other retirement benefits, paid on a monthly basis.

The present value of the estimated liabilities has been based on a discount rate of 2.76% and 2.62% at June 30, 2021 and 2020, respectively, and published life expectancy tables.

In conjunction with the salary continuation agreements, the Organization had established a trust to assist in providing such benefits (a Rabbi Trust). In July 2014, the Organization liquidated the Rabbi Trust and purchased a single premium group annuity from Pacific Life & Annuity Company (Pacific Life) to pay the deferred compensation. Under this agreement, Pacific Life will make monthly payments to the Organization for the lifetime of the executive, who will pay the remaining former executive. At June 30, 2021 and 2020, the present value of amounts anticipated to be received from the annuity based on actuarial assumptions regarding life expectancy and market interest rates is \$943,980 and \$1,002,812, respectively.

The estimated total amounts to be paid to the individual as of June 30, 2021 for deferred compensation benefits over the next five years are as follows:

| | |
|------|-----------|
| 2022 | \$ 87,750 |
| 2023 | 87,750 |
| 2024 | 87,750 |
| 2025 | 87,750 |
| 2026 | 87,750 |

10. Concentration of Credit Risk

Fees from State of Maine government agencies comprised approximately 76% of the Organization's operating revenues for the years ended June 30, 2021 and 2020. Approximately 4% and 5% for the years ended June 30, 2021 and 2020, respectively, is from local school districts who receive funding from State of Maine government agencies. Accordingly, a substantial portion of its accounts receivable relates to fees from these agencies.

The Organization is also subject to concentrations of credit risk in conjunction with its cash and trustee held funds. At June 30, 2021, the Organization had cash on deposit with banks of \$13,975,973. Of this amount, \$750,000 was federally insured and \$10,447,418 was collateralized by repurchase agreements. Additionally, trustee held funds totaling \$740,352 as of June 30, 2021 are invested in the First American Treasury Obligation Fund. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant risk with respect to these accounts.

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11. Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following at June 30:

| | <u>2021</u> | <u>2020</u> |
|---|------------------|------------------|
| Subject to expenditure for specified purpose: | | |
| Education | \$ 37,077 | \$ 28,047 |
| Funds invested in perpetuity for which the income is without donor restriction | <u>46,610</u> | <u>28,611</u> |
| Total net assets with donor restrictions | <u>\$ 83,687</u> | <u>\$ 56,658</u> |

12. Commitments and Contingencies

Malpractice Contingencies

Spurwink insures its professional malpractice risks on a claims-made basis. At June 30, 2021, there were no known malpractice claims nor incidents outstanding which were expected to exceed the insurance policy limits. The Organization intends to renew coverage on a claims-made basis and anticipates that such coverage will be available.

Self-Insurance Contingencies

The Organization is self-insured for unemployment benefits. The Organization participates in a state unemployment insurance trust collateralized by the letter of credit described in Note 6. No liability for unemployment benefits has been recorded as management does not expect any amounts are owed beyond the amounts deposited to the trust as of June 30, 2021 or 2020.

The Organization is self-insured for general liability insurance. Monthly deposits are made to a trust to cover claims as incurred. No liability for general liability insurance has been recorded as management does not expect any amounts are owed beyond the amounts deposited to the trust as of June 30, 2021 or 2020.

The Organization is self-insured for workers' compensation benefits. Monthly deposits are made to a trust to cover claims as incurred. No liability for workers' compensation has been recorded as management does not expect any amounts are owed beyond the amounts deposited to the trust as of June 30, 2021 or 2020.

The Organization became partially self-insured with respect to health care coverage effective July 1, 2017. This coverage is used to provide medical health benefits to its eligible employees and their eligible dependants. The stop loss provision under the Organization's insurance policy is \$150,000 per individual subscriber and approximately \$1,000,000 in the aggregate. The Organization estimates an accrual for claims incurred but not reported, which was \$300,000 at June 30, 2021 and 2020, and is included in accrued wages and related expenses in the consolidated statements of financial position.

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Asset Retirement Obligation

The State of Maine requires special disposal procedures relating to building materials containing asbestos. The Organization's buildings contain some encapsulated asbestos, but a liability has not been recognized. This is because there are no current plans to renovate or dispose of the buildings that would require the removal of the asbestos; accordingly, the liability has an indeterminate date and its fair value cannot be reasonably estimated.

13. Uncertainty and Relief Funding

In March 2020, local, U.S. and world governments encouraged self-isolation to curtail the spread of the global pandemic, COVID-19 by mandating the temporary shut-down of businesses in many sectors and imposing limitations on travel and the size and duration of group meetings. While these mandates have slowly become less restrictive in some areas, most sectors are still experiencing disruption to business operations and may feel further impacts related to volatility in investment returns and reduced philanthropic support. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Therefore, while management expects this matter will negatively impact the Organization's operating results, the full financial impact and duration cannot be reasonably estimated at this time.

The U.S. government has responded with relief legislation, including the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which was enacted into law on March 27, 2020. There are currently discussions underway for additional relief funding to support businesses across the nation. If such legislation passes, management plans to evaluate any potential benefits and limitations that may result from any funding.

The CARES Act and the PPP and Health Care Enhancement Act established the Provider Relief Fund (PRF) to support healthcare providers in the battle against the COVID-19 outbreak. The PRF is being administered by the Department of Health and Human Services (HHS).

The Organization received a PPP loan in the amount of \$8,318,275. The PPP provides funds to pay up to 24 weeks of payroll and other specified costs, and forgiveness of the advance is dependent upon compliance with this and other terms and conditions of the CARES Act. It is the Organization's intent to apply for forgiveness under the provisions of the CARES Act. Forgiveness is subject to the approval of the lending institution and the SBA. The Organization has chosen to follow the conditional contribution model for the loan, and has opted to not record any income until forgiveness is received. The full amount received is reported as a refundable advance in the current liability section of the consolidated financial position at June 30, 2021. Any amount not forgiven is to be repaid in monthly installments, including interest at 1%, through April 2026.

**SPURWINK SERVICES, INC. AND
FOR DEVELOPMENTAL RESOURCES**

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

The Organization received PRF in the amount of \$822,610 and \$1,163,113 during the years ended June 30, 2021 and 2020, respectively. These funds are to be used for qualifying expenses and to cover lost revenue due to COVID-19. The PRF monies are considered conditional contributions and are recognized as income when qualifying expenditures have been incurred. The Organization recognized the full amount of PRF in both 2021 and 2020, as it incurred \$165,494 of qualifying expenses and experienced at least \$657,116 of lost revenue in 2021 and \$184,009 of qualifying expenses and experienced at least \$979,104 of lost revenue in 2020 as defined in the program. Management believes the position taken is a reasonable interpretation of the rules, subject to further clarification expected from HHS. These amounts are included in grants revenue in the consolidated statements of activities.

Due to the complexity of the reporting requirements and the continued issuance of clarifying guidance, there is at least a reasonable possibility the amount of income recognized related to lost revenues may change by a material amount. Any difference between amounts previously estimated and amounts subsequently determined to be recoverable or payable will be included in income in the year that such amounts become known.

14. Discontinued Operations

During 2021, the Organization discontinued many of its residential programs. The total change in net assets without donor restrictions includes changes in net assets without donor restrictions - discontinued operations as follows:

| | <u>2021</u> | <u>2020</u> |
|-----------------------------------|----------------------------|----------------------------|
| Revenues | \$ 3,581,885 | \$ 5,444,297 |
| Expenses | <u>4,580,085</u> | <u>6,219,525</u> |
| Loss from discontinued operations | \$ <u>(998,200)</u> | \$ <u>(775,228)</u> |

SUPPLEMENTARY INFORMATION

**SPURWINK SERVICES, INC. AND
FOR DEVELOPMENTAL RESOURCES**

Consolidating Statement of Financial Position

June 30 2021

| ASSETS | Spurwink Services, Inc. | FOR Developmental Resources | Eliminations | Total |
|---|----------------------------|-----------------------------------|---------------------|----------------------|
| Current assets | | | | |
| Cash | \$ 13,558,675 | \$ 76,577 | \$ - | \$ 13,635,252 |
| Accounts receivable, net | 6,997,810 | - | - | 6,997,810 |
| Grants receivable | 1,333,434 | - | - | 1,333,434 |
| Assets whose use is limited, current portion | 740,352 | - | - | 740,352 |
| Annuity receivable, current portion | 87,750 | - | - | 87,750 |
| Program settlements receivable | 303,077 | - | - | 303,077 |
| Due from affiliate | 302,561 | - | (302,561) | - |
| Prepaid expenses | 1,336,567 | 1,719 | - | 1,338,286 |
| Total current assets - continuing operations | <u>24,660,226</u> | <u>78,296</u> | <u>(302,561)</u> | <u>24,435,961</u> |
| Property and equipment | | | | |
| Land and buildings | 26,326,101 | 757,488 | - | 27,083,589 |
| Equipment | 4,096,606 | 16,430 | - | 4,113,036 |
| Vehicles | 3,081,216 | - | - | 3,081,216 |
| Leasehold improvements | 2,087,859 | - | - | 2,087,859 |
| Projects in progress | 190,036 | - | - | 190,036 |
| | <u>35,781,818</u> | <u>773,918</u> | <u>-</u> | <u>36,555,736</u> |
| Less accumulated depreciation and amortization | 15,639,388 | 461,801 | - | 16,101,189 |
| Net property and equipment - continuing operations | <u>20,142,430</u> | <u>312,117</u> | <u>-</u> | <u>20,454,547</u> |
| Other assets | | | | |
| Investments | 751,581 | - | - | 751,581 |
| Annuity receivable, net of amount required to meet current obligations | 856,230 | - | - | 856,230 |
| Deferred compensation plan | 440,765 | - | - | 440,765 |
| Deposits | 126,368 | - | - | 126,368 |
| Assets whose use is limited, long-term portion | 753,047 | - | - | 753,047 |
| Total other assets - from continuing operations | <u>2,927,991</u> | <u>-</u> | <u>-</u> | <u>2,927,991</u> |
| Total assets - from continuing operations | 47,730,647 | 390,413 | (302,561) | 47,818,499 |
| Total assets - discontinued operations | 1,985,766 | - | - | 1,985,766 |
| Total assets | <u>\$ 49,716,413</u> | <u>\$ 390,413</u> | <u>\$ (302,561)</u> | <u>\$ 49,804,265</u> |
| LIABILITIES AND NET ASSETS | | | | |
| Current liabilities | | | | |
| Accounts payable and accrued liabilities | \$ 1,868,281 | \$ 530 | \$ - | \$ 1,868,811 |
| Accrued wages and related expenses | 4,957,715 | - | - | 4,957,715 |
| Current portion of long-term debt | 1,872,539 | 20,070 | - | 1,892,609 |
| Current portion of capital leases | 256,887 | - | - | 256,887 |
| Deferred revenue | 160,302 | - | - | 160,302 |
| Due to affiliate | - | 302,561 | (302,561) | - |
| Refundable advance - Paycheck Protection Program (PPP) loan | 8,318,275 | - | - | 8,318,275 |
| Other current liabilities | 118,978 | 1,922 | - | 120,900 |
| Total current liabilities - continuing operations | <u>17,552,977</u> | <u>325,083</u> | <u>(302,561)</u> | <u>17,575,499</u> |
| Long-term liabilities | | | | |
| Long-term debt, net of current portion and unamortized debt issuance costs | 8,712,262 | 54,690 | - | 8,766,952 |
| Deferred compensation payable, net of current portion | 1,296,995 | - | - | 1,296,995 |
| Post retirement benefits, net of current portion | 229,472 | - | - | 229,472 |
| Pension liabilities | 2,600,337 | - | - | 2,600,337 |
| Capital leases, net of current portion | 403,084 | - | - | 403,084 |
| Total long-term liabilities - continuing operations | <u>13,242,150</u> | <u>54,690</u> | <u>-</u> | <u>13,296,840</u> |
| Total liabilities - continuing operations | <u>30,795,127</u> | <u>379,773</u> | <u>(302,561)</u> | <u>30,872,339</u> |
| Net assets | | | | |
| Without donor restrictions | 18,837,599 | 10,640 | - | 18,848,239 |
| With donor restrictions | 83,687 | - | - | 83,687 |
| Total net assets | <u>18,921,286</u> | <u>10,640</u> | <u>-</u> | <u>18,931,926</u> |
| Total liabilities and net assets | <u>\$ 49,716,413</u> | <u>\$ 390,413</u> | <u>\$ (302,561)</u> | <u>\$ 49,804,265</u> |

**SPURWINK SERVICES, INC. AND
FOR DEVELOPMENTAL RESOURCES**

Consolidating Statement of Activities

Year Ended June 30, 2021

| | <u>Spurwink Services, Inc.</u> | <u>FOR Developmental Resources</u> | <u>Total</u> |
|--|------------------------------------|--|----------------------|
| Operating revenues - continuing operations | | | |
| Fees for services | | | |
| State of Maine agencies | \$ 54,827,395 | \$ - | \$ 54,827,395 |
| Maine school districts | 3,248,630 | - | 3,248,630 |
| Third-party insurance | 2,582,174 | - | 2,582,174 |
| Private pay | 869,328 | - | 869,328 |
| Social Security | 645,681 | - | 645,681 |
| Medicare | 411,837 | - | 411,837 |
| Grants | 8,298,864 | - | 8,298,864 |
| Contributions | 655,410 | - | 655,410 |
| Investment income | 197,136 | - | 197,136 |
| Gain on sale of property and equipment | 173,627 | - | 173,627 |
| Other revenue | 276,496 | 126,073 | 402,569 |
| Net assets released from restrictions | <u>2,088</u> | <u>-</u> | <u>2,088</u> |
| Total operating revenues - continuing operations | <u>72,188,666</u> | <u>126,073</u> | <u>72,314,739</u> |
| Operating expenses | | | |
| Program services | 61,470,336 | 109,174 | 61,579,510 |
| Management and general | 9,173,450 | - | 9,173,450 |
| Fundraising | <u>355,477</u> | <u>-</u> | <u>355,477</u> |
| Total operating expenses - continuing operations | <u>70,999,263</u> | <u>109,174</u> | <u>71,108,437</u> |
| Change in net assets without donor restrictions from operations | 1,189,403 | 16,899 | 1,206,302 |
| Non-operating gain | | | |
| Change in net assets to recognize funded status of pension plan | <u>3,558,186</u> | <u>-</u> | <u>3,558,186</u> |
| Total non-operating gain | <u>3,558,186</u> | <u>-</u> | <u>3,558,186</u> |
| Change in net assets without donor restrictions and change in total net assets - continuing operations | 4,747,589 | 16,899 | 4,764,488 |
| Loss from discontinued operations | <u>(998,200)</u> | <u>-</u> | <u>(998,200)</u> |
| Change in net assets without donor restrictions | 3,749,389 | 16,899 | 3,766,288 |
| Net assets with donor restrictions | | | |
| Contributions | 29,117 | - | 29,117 |
| Net assets released from restriction for operations | <u>(2,088)</u> | <u>-</u> | <u>(2,088)</u> |
| Change in net assets with donor restrictions | <u>27,029</u> | <u>-</u> | <u>27,029</u> |
| Change in net assets | 3,776,418 | 16,899 | 3,793,317 |
| Net assets (deficit), beginning of year | <u>15,144,868</u> | <u>(6,259)</u> | <u>15,138,609</u> |
| Net assets, end of year | <u>\$ 18,921,286</u> | <u>\$ 10,640</u> | <u>\$ 18,931,926</u> |

SUPPLEMENTARY INFORMATION

**SPURWINK SERVICES, INC. AND
FOR DEVELOPMENTAL RESOURCES**

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2021

| <u>Federal Grantor/Program Title</u> | <u>Federal AL Number</u> | <u>Pass-Through Identifier/ Contract Number</u> | <u>Federal Expenditures</u> |
|--|------------------------------|---|---------------------------------|
| U.S. Department of Housing and Urban Development | | | |
| Direct | | | |
| Supportive Housing for the Elderly | 14.157 | | \$ 93,064 |
| Section 8 Housing Assistance Payments Program | 14.195 | | <u>126,064</u> |
| Total U.S. Department of Housing and Urban Development | | | <u>219,128</u> |
| U.S. Department of Justice | | | |
| Passed through National Children's Alliance | | | |
| Domestic Trafficking Victim Program | 16.834 | PORT-ME-SDTVF21 | 8,246 |
| Passed through Maine Coalition Against Sexual Assault | | | |
| Crime Victim Assistance | 16.575 | OVP-20-2210 | <u>108,563</u> |
| Total U.S. Department of Justice | | | <u>116,809</u> |
| U.S. Department of Education | | | |
| Direct | | | |
| Education Innovation and Research (formerly Investing in Innovation (i3) Fund) | 84.411 | | 4,226,905 |
| Passed through Maine Department of Education | | | |
| Special Education Grants to States | 84.027 | 20200402*2770 | 5,625 |
| Special Education Grants to States | 84.027 | 20170505*3445 | <u>1,875</u> |
| Total AL 84.027 | | | <u>7,500</u> |
| Total U.S. Department of Education | | | <u>4,234,405</u> |
| U.S. Department of Health and Human Services | | | |
| Direct | | | |
| Substance Abuse and Mental Health Services Projects of Regional and National Significance | 93.243 | | 389,472 |
| Children's Justice Grants to States | 93.643 | | 22,012 |
| Provider Relief Fund (COVID-19) | 93.498 | | 1,163,114 |
| Passed through Maine Department of Health and Human Services | | | |
| Block Grants for Community Mental Health Services | 93.958 | MH1-21-838 | 74,824 |

**SPURWINK SERVICES, INC. AND
FOR DEVELOPMENTAL RESOURCES**

Schedule of Expenditures of Federal Awards (Concluded)

Year Ended June 30, 2021

| <u>Federal Grantor/Program Title</u> | <u>Federal AL Number</u> | <u>Pass-Through Identifier/ Contract Number</u> | <u>Federal Expenditures</u> |
|--|------------------------------|---|---------------------------------|
| Promoting Safe and Stable Families Program | 93.556 | CBH-21-6212 | 15,548 |
| Adoption Incentive Payments | 93.603 | CFS-19-620F | 389,646 |
| Passed through Maine Department of Education | | | |
| ACL Assistive Technology | 93.464 | 20170505*3445 | 39,600 |
| ACL Assistive Technology | 93.464 | 20200402*2770 | <u>118,800</u> |
| Total AL 93.464 | | | <u>158,400</u> |
| Total U.S. Department of Health and Human Services | | | <u>2,213,016</u> |
| U.S Department of the Treasury | | | |
| Direct | | | |
| Coronavirus Relief Fund (COVID-19) | 21.019 | | <u>110,018</u> |
| Total U.S. Department of the Treasury | | | <u>110,018</u> |
| U.S Department of Homeland Security | | | |
| Direct | | | |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | | <u>135,025</u> |
| Total U.S. Department of Homeland Security | | | <u>135,025</u> |
| Total expenditures of federal awards | | | <u>\$ 7,028,401</u> |

**SPURWINK SERVICES, INC. AND
FOR DEVELOPMENTAL RESOURCES**

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2021

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Spurwink Services, Inc. and FOR Developmental Resources (the Organization). The information in this schedule is presented in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

2. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable, or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

The Organization has not elected to use the 10% de minimis indirect cost rate.

3. Loans Outstanding

The Supportive Housing for the Elderly program expenditures include an outstanding loan balance of \$74,760 as of June 30, 2021.

**SPURWINK SERVICES INC. AND
FOR DEVELOPMENTAL RESOURCES**

Schedule of Expenditures of Department Agreements

Year Ended June 30, 2021

| Department Office | Agreement Number | Agreement Amount | Agreement Period | Agreement Service | Agreement Status | Federal Expenses | State Expenses | Total Department Expenses |
|----------------------------|------------------|------------------|-----------------------|--|------------------|------------------|---------------------|---------------------------|
| DHHS Direct: | | | | | | | | |
| OAMHS | MH1-21-838 | \$ 238,314 | 07/01/2020-06/30/2021 | Assertive Community Treatment | Final | \$ 74,824 | \$ 94,298 | \$ 169,122 |
| OAMHS | MH1-21-4006 | \$ 24,593 | 07/01/2020-06/30/2021 | Medication Management | Final | - | 12,099 | 12,099 |
| OAMHS | MH1-21-4004 | \$ 85,000 | 01/01/2021-12/31/2021 | Medication Management Workforce Retainment | Interim | - | 33,224 | 33,224 |
| OAMHS | OMS-21-4024 | \$ 96,000 | 07/01/2020-06/30/2021 | Opioid Home Health | Final | - | 57,817 | 57,817 |
| OADS | * ADS-21-2581 | \$ 119,088 | 07/01/2020-06/30/2021 | Adult Rental Subsidy | Final | - | 102,690 | 102,690 |
| | * ADS-20-2581 | \$ 119,088 | 07/01/2019-06/30/2020 | Adult Rental Subsidy | Final | - | 111,348 | 111,348 |
| CFS | CFS-21-8025 | \$ 243,207 | 07/01/2020-06/30/2021 | Child Abuse Program | Final | - | 170,704 | 170,704 |
| CFS | 1072A | \$ 865,129 | 1998-No Termination | Group Foster Care | Interim | - | 865,129 | 865,129 |
| CFS | CBH-21-6212 | \$ 81,120 | 01/01/2021-12/31/2021 | Reimbursement for Fingerprint-based Criminal History Record Checks in Children's Homes | Interim | 15,548 | - | 15,548 |
| CFS | * CFS-21-8721 | \$ 1,334,970 | 07/01/2020-06/30/2022 | Resource Parent Care Team | Interim | - | 563,590 | 563,590 |
| Subtotal (Direct) | | | | | | 90,372 | 2,010,899 | 2,101,271 |
| DHHS Indirect: | | | | | | | | |
| N/A | | | | | | - | - | - |
| Subtotal (Indirect) | | | | | | - | - | - |
| Total | | | | | | <u>\$ 90,372</u> | <u>\$ 2,010,899</u> | <u>\$ 2,101,271</u> |

* Department agreement tested

**SPURWINK SERVICES, INC. AND
FOR DEVELOPMENTAL RESOURCES**

Notes to Schedule of Expenditures of Department Agreements

Year Ended June 30, 2021

1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying schedule of expenditures of Department agreements (the Schedule) includes the Department agreement activity of Spurwink Services, Inc. and FOR Developmental Resources (the Organization) under programs of the Department for the year ended June 30, 2021. The information in the Schedule is presented in accordance with requirements of *Maine Uniform Accounting and Auditing Practices for Community Agencies* (MAAP). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to, and does not, present the financial position, changes in net assets or cash flows of the Organization.

Basis of Settlement

Grants which are cost settled include an estimated settlement of state funds based upon the available grant revenue and other revenue based upon allowable costs.

2. Summary of Significant Accounting Policies for State Department Agreement Expenditures

Expenditures reported on the Schedule consist of direct and indirect costs which are recognized as incurred using the accrual method of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and MAAP. Under those cost principles, certain types of expenditures are not allowable or are limited as to reimbursement.

3. Correction to Prior Year Report

The expenditures under contract ADS-20-2581 for the period July 1, 2019 through June 30, 2020 were improperly excluded as a major Department agreement in 2020. It was included with the expenditures under contract ADS-21-2581 and tested as a major Department agreement in 2021.

4. Other Disclosures

Is your Agency required to have a federal Uniform Guidance audit? X yes no

Percentage of major Department agreements tested in relation to total Department expenses: 39%



**INDEPENDENT AUDITOR'S 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**

The Boards of Directors
Spurwink Services, Inc. and FOR Developmental Resources

We have audited, in accordance with U.S generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Spurwink Services, Inc. and FOR Developmental Resources (the Organization), which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 1, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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 Organization's consolidated 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 financial statements. 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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Berry Dunn McNeil & Parker, LLC

Portland, Maine
November 1, 2021



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

The Boards of Directors
Spurwink Services, Inc. and FOR Developmental Resources

Report on Compliance for Each Major Federal Program

We have audited Spurwink Services, Inc. and FOR Developmental Resources' (the Organization) compliance with the types of compliance requirements described in the Office of Management and Budget *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs related to federal awards.

Management's Responsibility

Management is responsible for compliance with 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 each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; 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 Organization'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 each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, Spurwink Services, Inc. and FOR Developmental Resources complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of the Organization 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 Organization'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 Organization'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 a 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.

Berry Dunn McNeil & Parker, LLC

Portland, Maine
March 8, 2022

**SPURWINK SERVICES, INC. AND
FOR DEVELOPMENTAL RESOURCES**

Schedule of Findings and Questioned Costs Related to Federal Awards

Year Ended June 30, 2021

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

- | | | | | |
|---|--------------------------|-----|-------------------------------------|---------------|
| Material weakness(es) identified? | <input type="checkbox"/> | Yes | <input checked="" type="checkbox"/> | No |
| Significant deficiency(ies) identified that are not considered to be material weakness(es)? | <input type="checkbox"/> | Yes | <input checked="" type="checkbox"/> | None reported |
| Noncompliance material to financial statements noted? | <input type="checkbox"/> | Yes | <input checked="" type="checkbox"/> | No |

Federal Awards

Internal control over major programs:

- | | | | | |
|---|--------------------------|-----|-------------------------------------|---------------|
| Material weakness(es) identified: | <input type="checkbox"/> | Yes | <input checked="" type="checkbox"/> | No |
| Significant deficiency(ies) identified that are not considered to be material weakness(es)? | <input type="checkbox"/> | Yes | <input checked="" type="checkbox"/> | None reported |

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

Unmodified

- | | | | | |
|--|--------------------------|-----|-------------------------------------|----|
| Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)? | <input type="checkbox"/> | Yes | <input checked="" type="checkbox"/> | No |
|--|--------------------------|-----|-------------------------------------|----|

Identification of major programs:

AL Number Name of Federal Program or Cluster

84.411 Education Innovation and Research
93.498 Provider Relief Fund (COVID-19)

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

- | | | | | |
|--|-------------------------------------|-----|--------------------------|----|
| Auditee qualified as low-risk auditee? | <input checked="" type="checkbox"/> | Yes | <input type="checkbox"/> | No |
|--|-------------------------------------|-----|--------------------------|----|

Section II. Financial Statement Findings

None.

Section III. Federal Award Findings and Questioned Costs

None.

**SPURWINK SERVICES, INC. AND
FOR DEVELOPMENTAL RESOURCES**

Summary Schedule of Prior Year Audit Findings Related to Federal Awards

Year Ended June 30, 2021

Section I. Prior Year Findings Relating to the Financial Statements Which are Required to be Reported In Accordance with *Government Auditing Standards*

None.

Section II. Prior Year Audit Findings for the Major Federal Program

None.



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR DEPARTMENT AGREEMENT AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH MAINE UNIFORM ACCOUNTING
AND AUDITING PRACTICES FOR COMMUNITY AGENCIES**

The Boards of Directors
Spurwink Services, Inc. and FOR Developmental Resources

Report on Compliance for Each Major Department Agreement

We have audited Spurwink Services, Inc. and FOR Developmental Resources' (the Organization) compliance with the types of compliance requirements described in the *Maine Uniform Accounting and Auditing Practices for Community Agencies* (MAAP), and with the requirements identified in the Contract Compliance Rider(s) of the Organization's agreements with the Maine Department of Health and Human Services (the Department) that could have a direct and material effect on each of the Organization's major Department agreements for the year ended June 30, 2021. The Organization's major Department agreements are identified in the summary of auditor's results section in the accompanying schedule of findings and questioned costs related to Department agreements.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Department agreements.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major Department agreements based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and MAAP. Those standards 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 Department agreement occurred. An audit includes examining, on a test basis, evidence about the Organization'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 each major Department agreement. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Department Agreement

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Department agreements for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of the Organization 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 Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major Department agreement to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major Department agreement and to test and report on internal control over compliance in accordance with MAAP, 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 Organization'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 Department agreement 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 Department agreement 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 Department agreement 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 MAAP. Accordingly, this report is not suitable for any other purpose.

Berry Dunn McNeil & Parker, LLC

Portland, Maine
March 8, 2022

**SPURWINK SERVICES, INC. AND
FOR DEVELOPMENTAL RESOURCES**

Schedule of Findings and Questioned Costs Related to Department Agreements

Year Ended June 30, 2021

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

Yes No

Significant deficiency(ies) identified that are not considered to be material weakness(es)?

Yes None reported

Noncompliance material to financial statements noted?

Yes No

Department Agreements

Internal control over major Department agreements:

Material weakness(es) identified:

Yes No

Significant deficiency(ies) identified that are not considered to be material weakness(es)?

Yes None reported

Type of auditor's report issued on compliance for major Department agreements Unmodified

Any audit findings disclosed that are required to be reported in accordance with MAAP regulations?

Yes No

Identification of major Department agreements:

ADS-20/21-2581 Adult Rental Subsidy

CFS-21-8721 Resource Parent Care Team

Section II. Financial Statement Findings

None.

Section III. Department Agreement Findings and Questioned Costs

None.

**SPURWINK SERVICES, INC. AND
FOR DEVELOPMENTAL RESOURCES**

**Summary Schedule of Prior Year Findings and
Questioned Costs Related to Department Agreements**

Year Ended June 30, 2021

Section I. Prior Year Financial Statement Findings

None.

Section II. Prior Year Department Agreement Findings and Questioned Costs

None.