

SPRINGWELL, INC.

Financial Statements and Auditors' Reports
Required for Audits in Accordance with
Government Auditing Standards and
OMB Circular A-133

June 30, 2012



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Springwell, Inc.

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Daniel Dennis & Company LLP

Certified Public Accountants

Independent Auditors' Report

To the Board of Directors
Springwell, Inc.

We have audited the accompanying statement of financial position of Springwell, Inc. (a nonprofit organization), as of June 30, 2012, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of Springwell, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Springwell, Inc.'s fiscal year 2011 financial statements and in our report dated October 27, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Springwell, Inc.'s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Springwell, Inc., as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2012, on our consideration of Springwell, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

David Brin + Co LLP

October 25, 2012

Springwell, Inc.
Statement of Financial Position
June 30, 2012 with
Comparative Totals for 2011

Assets

	2012	2011
Current Assets:		
Cash	\$ 1,413,372	\$ 966,456
Accounts receivable	3,246,779	3,296,653
Prepaid expenses	<u>164,507</u>	<u>90,509</u>
Total current assets	<u>4,824,658</u>	<u>4,353,618</u>
Fixed Assets:		
Fixed assets	779,574	461,266
Less: accumulated depreciation/amortization	<u>(370,417)</u>	<u>(327,273)</u>
Total fixed assets	<u>409,157</u>	<u>133,993</u>
Other Assets:		
Certificate of deposit	-	50,000
Security deposit	<u>50,694</u>	<u>4,160</u>
Deposits	<u>-</u>	<u>-</u>
Total other assets	<u>50,694</u>	<u>54,160</u>
Total other assets	<u>50,694</u>	<u>54,160</u>
Total assets	<u>\$ 5,284,509</u>	<u>\$ 4,541,771</u>

Liabilities and Net Assets

Current Liabilities:		
Accounts payable	\$ 1,632,627	\$ 1,242,631
Accrued expenses	638,065	390,754
Deferred revenue	-	2,500
Current portion of capital lease obligations	<u>9,775</u>	<u>13,950</u>
Total current liabilities	<u>2,280,467</u>	<u>1,649,835</u>
Long-Term Liabilities:		
Capital lease obligations	<u>-</u>	<u>9,775</u>
Total liabilities	<u>2,280,467</u>	<u>1,659,610</u>
Net Assets:		
Unrestricted Net Assets:		
Available for operations	2,432,031	2,454,072
Designated	-	141,121
Net investment in plant	<u>399,382</u>	<u>110,268</u>
Total unrestricted	2,831,413	2,705,461
Temporarily Restricted Net Assets	<u>172,629</u>	<u>176,700</u>
Total net assets	<u>3,004,042</u>	<u>2,882,161</u>
Total liabilities and net assets	<u>\$ 5,284,509</u>	<u>\$ 4,541,771</u>

See accompanying notes to financial statements.

Springwell, Inc.
Statement of Activities
For the Year Ended June 30, 2012 with
Summarized Comparative Totals for 2011

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>2012 Total</i>	<i>2011 Total</i>
<i>Revenue and Support</i>				
Contract revenue	\$ 21,938,536	\$ -	\$ 21,938,536	\$ 18,460,219
Client fees	433,993	-	433,993	372,354
Grants	26,810	-	26,810	10,067
Private programs	463,432	-	463,432	610,458
Contributions	228,050	157,120	385,170	407,570
Interest income	5,697	-	5,697	8,671
Inkind contributions	67,557	-	67,557	70,247
Net assets released from restrictions:	<u>161,191</u>	<u>(161,191)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>23,325,266</u>	<u>(4,071)</u>	<u>23,321,195</u>	<u>19,939,586</u>
<i>Expenses</i>				
<i>Program Services</i>				
Home care services to elders	18,985,630	-	18,985,630	15,847,961
Nursing home screening	348,022	-	348,022	310,622
Nutrition and community services	1,610,039	-	1,610,039	1,644,861
Protective services	<u>737,431</u>	<u>-</u>	<u>737,431</u>	<u>722,231</u>
Total program services	<u>21,681,122</u>	<u>-</u>	<u>21,681,122</u>	<u>18,525,675</u>
<i>Supporting Services</i>				
General and administrative	1,415,876	-	1,415,876	829,667
Fundraising	<u>96,643</u>	<u>-</u>	<u>96,643</u>	<u>80,926</u>
Total supporting services	<u>1,512,519</u>	<u>-</u>	<u>1,512,519</u>	<u>910,593</u>
Total expenses	<u>23,193,641</u>	<u>-</u>	<u>23,193,641</u>	<u>19,436,268</u>
Change in net assets	131,625	(4,071)	127,554	503,318
Other changes in net assets	<u>(5,673)</u>	<u>-</u>	<u>(5,673)</u>	<u>-</u>
Net assets at beginning of year	<u>2,705,461</u>	<u>176,700</u>	<u>2,882,161</u>	<u>2,378,843</u>
Net assets at end of year	<u>\$ 2,831,413</u>	<u>\$ 172,629</u>	<u>\$ 3,004,042</u>	<u>\$ 2,882,161</u>

See accompanying notes to financial statements.

Springwell, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2012 with
Summarized Comparative Totals for 2011

	Home Care Service to Elders	Nursing Home Screening	Nutrition/ Community Services	Protective Services	Total Program Services	General and Administrative	Fundraising	2012 Total Expenses	2011 Total Expenses
Salaries	\$ 2,383,639	\$257,533	\$ 624,185	\$547,021	\$ 3,812,378	\$ 818,210	\$ 49,846	\$ 4,680,434	\$ 4,310,847
Payroll taxes and other benefits	497,897	55,203	135,479	113,383	801,962	179,340	10,306	991,608	930,572
Program support	210,211	12,905	65,019	29,724	317,859	79,087	18,836	415,782	581,718
Occupancy	215,442	20,427	73,310	43,654	352,833	194,389	9,931	557,153	516,784
Professional fees	32,312	533	79,959	1,335	114,139	88,797	7,397	210,333	198,687
Inkind expense	-	-	67,557	-	67,557	-	-	67,557	70,247
<i>Contracted services</i>									
Transportation	77,018	-	61,806	-	138,824	-	-	138,824	106,659
Meals to elders	667,300	-	270,818	-	938,118	-	-	938,118	866,478
Homemaking and personal care	14,866,242	-	229,283	-	15,095,525	-	-	15,095,525	11,798,863
Depreciation and amortization	35,569	1,421	2,623	2,314	41,927	56,053	327	98,307	55,413
Total expenses	<u>\$ 18,985,630</u>	<u>\$348,022</u>	<u>\$ 1,610,039</u>	<u>\$737,431</u>	<u>\$ 21,681,122</u>	<u>\$ 1,415,876</u>	<u>\$ 96,643</u>	<u>\$ 23,193,641</u>	<u>\$ 19,436,268</u>

See accompanying notes to financial statements.

Springwell, Inc.
Statement of Cash Flows
For the Year Ended June 30, 2012 with
Comparative Totals for 2011

	2012	2011
Cash flows from operating activities		
Change in net assets	\$ 121,881	\$ 503,318
<i>Adjustments to reconcile change in net assets to change in net cash from operating activities</i>		
Depreciation and amortization	98,307	55,413
Loss on disposal of capital lease asset	5,555	-
Change in operating assets and liabilities:		
Accounts receivable	49,874	696,746
Prepaid expenses	(73,998)	48,242
Accounts payable	389,996	(869,824)
Accrued expenses	247,311	(97,893)
Deferred revenue	(2,500)	(63,694)
Total adjustments	<u>714,545</u>	<u>(231,010)</u>
Net cash provided by operating activities	<u>836,426</u>	<u>272,308</u>
 Cash flows from investing activities		
Deposit proceeds	3,466	-
Purchase of equipment	<u>(379,026)</u>	<u>(65,641)</u>
Net cash used in investing activities	<u>(375,560)</u>	<u>(65,641)</u>
 Cash flows from financing activities		
Payment of capital lease obligations	<u>(13,950)</u>	<u>(13,139)</u>
Net cash used in financing activities	<u>(13,950)</u>	<u>(13,139)</u>
Net change in cash	446,916	193,528
Cash - beginning of year	<u>966,456</u>	<u>772,928</u>
Cash - end of year	<u>\$ 1,413,372</u>	<u>\$ 966,456</u>
 <i>Supplemental disclosure of cash flow information</i>		
Cash paid during the year for interest	<u>\$ 1,044</u>	<u>\$ 1,854</u>

See accompanying notes to financial statements.

Springwell, Inc.
Notes to Financial Statements
June 30, 2012

1. Nature of Operations

Springwell, Inc. is a not-for-profit corporation organized under the provisions of Chapter 180 of the General Laws of the Commonwealth of Massachusetts. Its primary purpose is to plan, develop and coordinate programs and deliver services which will enhance a person's ability to live in their home and community.

The programs of Springwell, Inc. are substantially funded by contracts negotiated with various Federal and Commonwealth of Massachusetts agencies including the Executive Office of Elder Affairs (EOEA). Springwell, Inc. operates the following programs:

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

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

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

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

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

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements are maintained on the accrual basis of accounting. Under the accrual basis of accounting revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Under unit rate contracts, a fixed rate per client served becomes the basis for billing and recognizing revenue. Accordingly, excess (deficit) of revenue over expense can be recognized, subject to certain limitation on the use of those excess revenues; see Note 9 for more information. Revenue from co-payments is recognized when services are provided. Under cost reimbursement contracts revenue equals expense up to the allowable contract award.

Springwell, Inc.
Notes to Financial Statements
June 30, 2012

2. *Summary of Significant Accounting Policies - continued*

Classification and Reporting of Net Assets

The assets, liabilities, and net assets of Springwell, Inc. are classified into three categories. The classifications are related to the existence or absence of donor-imposed restrictions as follows:

Unrestricted net assets represent the portion of net assets of Springwell, Inc. that are neither permanently restricted nor temporarily restricted by donor-imposed restrictions. Springwell, Inc.'s unrestricted net assets are further classified for display purposes as follows:

- *Available for operations* includes net assets available for support of Springwell, Inc.'s charitable purpose.
- *Designated* includes EOEAs net assets that have been designated for use in the purchase service component of Home Care and Enhanced Programs.
- *Net investment in plant* includes net assets invested in plant including buildings and equipment.

Temporarily restricted net assets represent contributions and other inflows of assets whose use by Springwell, Inc. is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of Springwell, Inc. pursuant to those stipulations.

Permanently restricted net assets represent contributions and other inflows of assets whose use by Springwell, Inc. is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of Springwell, Inc. At June 30, 2012 and 2011 there were no permanently restricted net assets.

Summarized Comparative Totals

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Springwell, Inc.'s financial statements for the year ended June 30, 2011, from which the summarized information was derived. Comparative information may have been modified to conform to the current financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

Springwell, Inc.
Notes to Financial Statements
June 30, 2012

2. *Summary of Significant Accounting Policies – continued*

Cash and Cash Equivalents

For purposes of the statement of cash flows, Springwell, Inc. considers all highly liquid debt instruments purchased with an original maturity of ninety days or less to be cash equivalents. As of June 30, 2012 and 2011 Springwell, Inc. held no cash equivalents.

Fixed Assets, Depreciation and Amortization

Fixed assets are recorded at cost or estimated fair market value if received by donation, at the time such assets are received. Capital leases are recorded as fixed assets based on net present value of the lease and amortized over the shorter of the lease term or the assets useful life. Fixed assets purchased with a cost or value greater than \$1,000 are capitalized.

Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis as follows:

<i>Description</i>	<i>Years</i>
Furnishings and equipment	3-10

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Springwell has not received any conditional or unconditional promises to give as of June 30, 2012 and 2011.

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purchase restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted contributions received where related restrictions are met in the same reporting period are classified as unrestricted revenue.

Gifts of land, building and equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Absent explicit donor stipulations about how those long-lived assets must be maintained Springwell, Inc. has adopted the policy of implying a time restriction that expires over the useful life of the asset. Springwell has not received any gifts of land, building or equipment as of June 30, 2012 and 2011.

Springwell, Inc.
Notes to Financial Statements
June 30, 2012

2. *Summary of Significant Accounting Policies – continued*

Donated Services

Voluntary donation of services when those services create or enhance non-financial assets or required specialized skills provided by individuals possessing those skills and which would be typically purchased if not provided by donation are recorded in the financial statements. For the years ended June 30, 2012 and 2011 no such donated services were provided.

Volunteers

Unpaid volunteers have made contributions of their time and services in assisting Springwell, Inc. in the nutrition and other programs. The value of this contributed time is not reflected in these statements since it does not meet the criteria for accounting recognition. Springwell, Inc. estimates the fair value of these contributions to be \$171,556 and \$194,786 for the years ended June 30, 2012 and 2011, respectively.

Income Taxes

Springwell, Inc. is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is exempt from state income taxes under Chapter 180 of the Massachusetts General Laws. Accounting standards require the evaluation of tax positions taken or expected to be taken in Springwell, Inc.'s tax returns to determine whether the tax positions are *more-likely-than-not* of being sustained by the applicable tax authority. Tax positions not deemed to meet the *more-likely-than-not* threshold, along with accrued interest and penalties thereon, would be recorded as an expense in the current year financial statements. Management has evaluated the tax positions taken in its previously filed returns and those expected to be taken in its 2012 returns and believe they are *more-likely-than-not* of being sustained if examined by Federal or Commonwealth tax authorities. Consequently, the accompanying financial statements do not reflect any provision for income taxes.

Springwell, Inc.'s 2009 through 2011 tax years remain subject to examination by Federal and Commonwealth tax authorities.

Functional Expenses

Functional expenses are allocated to the various programs based on direct expenses which can be identified to the program and indirect expenses which are beneficial to more than one program. The indirect expenses are allocated based on a cost allocation plan using various methods. Administrative expenses are allocated to the programs based on salary and fringe within the non-administrative function. During fiscal year 2012 the agency changed its allocation of all the support staff to the administrative function, to the extent that they provide benefit to multiple programs.

Springwell, Inc.
Notes to Financial Statements
June 30, 2012

2. Summary of Significant Accounting Policies – continued

Agency or Intermediary Transfers

When Springwell, Inc. acts as an intermediary by distributing funding from grantors to another local organization and does not have variance power, it recognizes the assets received and the related amount as a liability to the specified beneficiary.

3. Accounts Receivable

Accounts receivable represents uncollected support from the EOEA on behalf of the Commonwealth of Massachusetts and Federally funded programs as well as cost sharing and respite fees billed to clients who use Springwell, Inc.'s services. Approximately 74% and 84% of the accounts receivable balance is from the EOEA for the years ended June 30, 2012 and 2011, respectively.

Accounts receivable are presented net of the allowance for doubtful accounts. Management's periodic evaluation of the adequacy of the allowance is based on its past experience and accounts receivable are charged off when deemed uncollectible. At June 30, 2012 and 2011, management has considered all accounts receivable to be fully collectible.

4. Fixed Assets

The following is a summary of fixed assets as of June 30, 2012 and 2011:

<i>Fixed Assets</i>	<i>2012</i>	<i>2011</i>
Equipment and furnishings	\$ 738,528	\$ 420,220
Equipment under capital lease	<u>41,046</u>	<u>41,046</u>
Total	<u>\$ 779,574</u>	<u>\$ 461,266</u>

Depreciation and amortization expense for the year ending June 30, 2012 and 2011 totaled \$92,752 and \$55,413, respectively.

5. Credit Lines

Stand-By Letter of Credit

At June 30, 2012 and 2011, Springwell, Inc. has a \$50,000 stand-by letter of credit with a financial institution. The letter of credit acts as collateral for Springwell, Inc.'s security deposit for its current space lease with the landlord. There was no outstanding balance on this letter of credit as of June 30, 2012 or 2011.

Springwell, Inc.
Notes to Financial Statements
June 30, 2012

5. *Credit Lines - continued*

Commercial Line of Credit

At June 30, 2012 and 2011 Springwell, Inc. has a \$200,000 line-of-credit agreement with a financial institution. The term of the line is due on demand, as noted in the agreement. At June 30, 2012 the outstanding balance on the line will incur interest at the prime rate as published in the *Wall Street Journal*; however, it will not be less than 4% at any time. The line is unsecured and is renewable annually by the financial institution. There was no outstanding balance on this line of credit as of June 30, 2012 or 2011.

6. *Capital Lease Obligations*

During 2010, Springwell, Inc. entered into a capital lease for similar equipment which expires in fiscal year 2013. The assets and liabilities under capital leases are recorded at the lower of present value of the minimum lease payments or the fair value of the asset. The assets are amortized over the lower of their related lease term or their estimated lives.

The following is a summary of the property held under the capital lease:

	<i>2012</i>	<i>2011</i>
Copy equipment	\$ 41,046	\$ 41,046
Less accumulated amortization	<u>(34,205)</u>	<u>(20,523)</u>
Total	<u>\$ 6,841</u>	<u>\$ 20,523</u>

The minimum future lease payments under the capital lease as of June 30, 2012 through the end of the lease are as follows:

Minimum principal lease payments are as follows:

Total minimum lease payments	<i>Amount</i>
for the year ended	
June 30, 2013	<u>9,996</u>
Subtotal	9,996
Less: amount representing interest	<u>221</u>
Present value of net minimum lease payments	<u>\$ 9,775</u>

Interest rates on the capitalized lease is 6.25% which is based on the lower of Springwell, Inc.'s incremental borrowing rate at the inception of the lease or the lessor's implicit rate of return.

Springwell, Inc.
Notes to Financial Statements
June 30, 2012

7. Retirement Plan

Springwell, Inc. provides a defined contribution retirement plan under Section 401(k) of the Internal Revenue Code to all eligible employees who have completed one and one quarter (1.25) or more years of service and have attained the age of twenty-one. The plan allows Springwell, Inc. to make profit sharing contributions based on a percentage of each participant's compensation. Effective July 1, 2010 Springwell, Inc. will make a discretionary matching contribution equal to a uniform percentage of the participant's salary deferrals. Each year Springwell, Inc. will determine the amount of discretionary percentage. For fiscal year 2012 and 2011, Springwell, Inc. matched 50% up to 3% of the salary deferral. The participants vest in Springwell, Inc.'s contribution at the rate of 25% per year over the first four years of enrollment in the plan. During the years ended June 30, 2012 and 2011 Springwell, Inc. contributed \$150,537 and \$126,341 to the plan, respectively.

8. Operating Leases

Springwell, Inc. leases office space under an operating lease agreement, which expires at the end of the tenth lease year on September 30, 2012. Springwell, Inc. has elected to terminate the lease agreement at September 30, 2012 and will relocate its office space in fiscal year 2013. The new lease agreement was signed in January 2012, with a 10 year term beginning on October 1, 2012 and ending on September 30, 2022, with a five year option to extend. The lease requires monthly base rent plus additional rent (tax and operating cost escalation) payments. Rent expense for the year ended June 30, 2012 and 2011 totaled \$461,944 and \$437,908, respectively. At June 30, 2012, Springwell provided a security deposit to its new landlord in the amount of \$50,693. Future minimum base lease payments on the remaining terms of the leases, excluding the additional rent, are as follows:

<i>Year Ended June 30,</i>	<i>Amount</i>
2013	\$ 427,681
2014	465,015
2015	476,714
2016	488,412
2017	493,811
Thereafter	<u>2,814,314</u>
Total future payments	<u>\$ 5,165,947</u>

9. Not-For-Profit Provider Surplus Revenue Retention

Surplus generated under the Commonwealth of Massachusetts' grants must comply with 808 CMR 1.19(3), *Surplus Revenue Retention Policy*. In accordance with these requirements, Springwell, Inc. is entitled to retain surplus up to five percent (5%) of the total revenue of all Commonwealth programs per year as unrestricted net assets, but not more than 20% on a cumulative basis. The surplus can be used to further Springwell, Inc.'s charitable purposes, but it may not use these funds for non-reimbursable expenses as defined in CMR 808 1.15.

Springwell, Inc.
Notes to Financial Statements
June 30, 2012

9. *Not-For-Profit Provider Surplus Revenue Retention - continued*

Additionally, any use of the surplus from certain EOEAs programs need to be used solely to further those programs (See Note 10 for further information). Springwell, Inc. did not exceed the 5% surplus revenue as of June 30, 2012 and 2011 and the total surplus revenue retention at June 30, 2012 and 2011 is less than 20% of the total Commonwealth revenue from fiscal year 2011 and 2010, respectively.

10. *Designated Unrestricted Net Assets*

Surplus Funds

Excess revenue generated from the Purchase Service and Enhanced Services Programs is calculated in accordance with the Commonwealth of Massachusetts, Executive Office of Elder Affairs (EOEA), PI 93-20 "Surplus Funds Policy". The policy requires the use of any surplus generated within these programs to be utilized within these programs, unless specific approval is obtained from EOEAs.

The following is a summary of the designated unrestricted net assets as of June 30, 2012 and 2011:

<i>EOEA Program</i>	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
	<i>Activity</i>	<i>Activity</i>	<i>Total</i>	<i>Total</i>
Purchase service	\$ (141,121)	\$ (131,795)	\$ -	\$ 141,121
Enhanced services	-	(26,543)	-	-
Total designated	<u>\$ (141,121)</u>	<u>\$ (158,338)</u>	<u>\$ -</u>	<u>\$ 141,121</u>

During 2012 and 2011 EOEAs authorized Springwell, Inc. to transfer up to 3% of these programs current year revenues to cover program deficits in other EOEAs programs. During 2012 and 2011, Springwell, Inc. transferred \$93,166 and \$163,784, respectively. Additionally, for fiscal year 2012 EOEAs required Springwell, Inc. to transfer \$60,217 from Purchase Service's net assets to fund Springwell, Inc.'s Home Care Purchase Service Program for \$21,588, Caregiver Program for \$15,179, Protective Services Program for \$17,777 and \$5,673 to fund another agency; these transactions were recorded as an inter-program transfer and other change in net assets as of June 30, 2012.

11. *Commitments*

Grant Commitments

Springwell, Inc. has entered into sub-awards with other agencies under the Title IIIB Support Services Program. These commitments expire as of September 30, 2012 and 2011 and approximate \$67,344 and \$98,354 as of June 30, 2012 and 2011, respectively.

Springwell, Inc.
Notes to Financial Statements
June 30, 2012

12. Temporarily Restricted Net Assets

Temporarily restricted net assets are as follows as of June 30, 2012 and 2011:

<i>Program</i>	<i>2012</i>	<i>2011</i>
Care transition	\$ 7,000	\$ -
Health aging	-	4,168
Money management	-	19,776
Watertown wait list	-	3,307
Mental health program	122,941	73,181
Home delivered meals	42,688	76,268
Total	<u>\$ 172,629</u>	<u>\$ 176,700</u>

13. Concentration

Revenue

Springwell, Inc.'s main source of funding is from grants with the Commonwealth of Massachusetts, Executive Office of Elder Affairs, which permits it to subcontract with vendors that provide services to eligible clients. This funding represented approximately 88% and 86% of fiscal years 2012 and 2011 revenue, respectively.

Additionally, Springwell, Inc. receives direct and indirect funding from Medicaid through the Group Adult Foster Care, Adult Family Care and Senior Care Options Programs, respectively. This funding represented approximately 7% and 5% of fiscal years 2012 and 2011 revenue, respectively.

14. Contingencies

Contingency - Unemployment Benefits

Springwell, Inc. has elected to provide unemployment benefits on a self insured basis; these benefits can accrue for up to thirty weeks for eligible ex-employees. As of June 30, 2012 and 2011, there was one ex-employee collecting unemployment benefits and Springwell, Inc. is recording the expense as it is incurred, as the amount and duration of the benefits is not determinable. The monthly amount is approximately, \$2,000.

Grant Funding

Springwell Inc.'s various grants and contracts are subject to audit by appropriate governmental agencies. Acceptance of final costs incurred under these grants and contracts resides with these grantors. As of the date of these statements, the materiality of adjustments to final costs, if any, cannot be determined and management does not anticipate any. Therefore, no adjustment has been made to the financial statements.

Springwell, Inc.
Notes to Financial Statements
June 30, 2012

14. *Contingencies - continued*

Credit Risk - Cash and Cash Equivalents

Springwell, Inc. maintains its cash in bank deposit accounts which, at times, may exceed Federal insured limits. Springwell, Inc. has not experienced any losses in such accounts. Management believes it is not exposed to any significant credit risk on cash and cash equivalents.

15. *Subsequent Events*

Springwell, Inc. has evaluated subsequent events through October 25, 2012, which is the date the financial statements were available to be issued. There are no recognized subsequent events that provide additional evidence about conditions that existed at the statement of financial position date, or non-recognized subsequent events, or events that provide evidence about conditions that did not exist at the statement of financial position date, which are necessary to disclose to keep the financial statements from being misleading.

Supplemental Schedule

Springwell, Inc.
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2012

<i>Federal Grantor</i>	<i>CFDA Number</i>	<i>Federal Expenditures</i>
<i>Pass-through Grantor/Program Title/Pass-Through Identifying Number</i>		
U.S. Department of Health and Human Services		
<i>Commonwealth of Massachusetts Executive Office of Elder Affairs</i>		
<i>Special Programs for the Aging:</i>		
Title III, Part B – Grants for Supportive Services		
CT-ELD-FFY09SPRWLLTITL3NSIP	93.044	\$ 325,855
Title III, Part C – Nutrition Services		
CT-ELD-FFY09SPRWLLTITL3NSIP	93.045	622,725
Nutrition Services Incentive Program		
CT-ELD-FFY09SPRWLLTITL3NSIP	93.053	85,700
Ombudsman Program		
CT-ELD-FFY09SPRWLLTITL3NSIP	93.042	104,901
Title III, Part D – Frail Elders		
CT-ELD-FFY09SPRWLLTITL3NSIP	93.043	31,548
National Family Caregiver Support Program		
CT-ELD-FFY09SPRWLLTITL3NSIP	93.052	123,550
Alzheimer's Disease Demonstration Grants to States		
CT-ELD-ADR201200SPRINGWELL	93.051	5,576
Total Department of Health and Human Services		<u>\$ 1,299,855</u>

See accompanying notes to schedule.

Springwell, Inc.
Notes to Schedule of Expenditures of Federal Awards
June 30, 2012

1. *Summary of Significant Accounting Policies*

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the Federal grant activity of Springwell, Inc. under programs of the federal government for the year ended June 30, 2012. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. Because the Schedule presents only a selected portion of the operations of Springwell, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of the Springwell, Inc.

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 OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

3. *Subrecipients*

Federal expenditures presented in the Schedule include funds awarded to subrecipients as follows:

Title IIIB - Support Services	93.044	<u>\$ 154,434</u>
Ombudsman Program	93.042	<u>\$ 104,901</u>
Title IIID – Frail Elders	93.043	<u>\$ 4,738</u>



Daniel Dennis & Company LLP

Certified Public Accountants

*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*

To the Board of Directors
Springwell, Inc.

We have audited the financial statements of Springwell, Inc. (a nonprofit organization), as of and for the year ended June 30, 2012, and have issued our report thereon dated October 25, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of Springwell, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Springwell, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Springwell, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, the board of directors, others within the entity, the Massachusetts Executive Office of Elder Affairs, and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Daniel Damin + Pyszog LLP

October 25, 2012



Daniel Dennis & Company LLP

Certified Public Accountants

*INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133*

To the Board of Directors
Springwell, Inc.

Compliance

We have audited Springwell, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Springwell, Inc.'s major federal programs for the year ended June 30, 2012. Springwell, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Springwell, Inc.'s management. Our responsibility is to express an opinion on Springwell, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Springwell, Inc.'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. Our audit does not provide a legal determination of Springwell, Inc.'s compliance with those requirements.

In our opinion, Springwell, Inc. complied, in all material respects, with the 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, 2012.

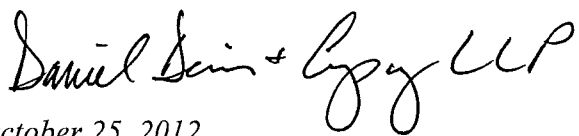
Internal Control Over Compliance

Management of Springwell, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Springwell, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Springwell, Inc.'s internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the board of directors, others within the entity, the Massachusetts Executive Office of Elder Affairs, and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



October 25, 2012

Springwell, Inc.
 Schedule of Findings and Questioned Costs
 June 30, 2012

I - SUMMARY OF AUDITORS' RESULTS:

Financial Statements

Type of auditor's report issued - Unqualified

Internal control over financial reporting:

- Material weaknesses identified? _____ yes X no
 - Significant deficiencies identified that are not considered to be material weaknesses? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? _____ yes X no
 - Significant deficiencies identified that are not considered to be material weaknesses? _____ yes X none reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? _____ yes X no

Identification of major programs: (Elder Cluster)

CFDA Number	Name of Program or Cluster
93.044	<i>Grants for Supportive Services Title III, Part B – Grants for Supportive Services and Senior Centers</i>
93.045	<i>Special Programs for the Aging Title III, Part C – Nutrition Services</i>
93.053	<i>Nutrition Services Incentive Program</i>

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? X yes _____ no

Springwell, Inc.
Schedule of Findings and Questioned Costs
June 30, 2012

**II. FINDINGS RELATING TO THE FINANCIAL STATEMENT AUDIT AS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY
ACCEPTED GOVERNMENT AUDITING STANDARDS**

A. Significant Deficiencies in Internal Control over Financial Reporting

None

B. Findings of Fraud and Illegal Acts

None

C. Material Violations of Contracts and Grants

None

D. Material Abuse

None

Springwell, Inc.
Schedule of Findings and Questioned Costs - *continued*
June 30, 2012

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

There were no findings or questioned costs relating to major programs.

IV. STATUS OF PRIOR AUDIT FINDINGS

No findings were noted for the year ended June 30, 2011.