



FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

SPRINGWELL, INC.

Contents
June 30, 2020 and 2019

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Independent Auditor's Report

To the Board of Directors of
Springwell, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Springwell, Inc. (a Massachusetts corporation, not for profit) (the Agency), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Springwell, Inc. as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter

As discussed in Note 2 to the financial statements, in fiscal year 2020, the Agency adopted Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* and ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. Our opinion is not modified with respect to this matter.

AAFCPA, Inc.

Boston, Massachusetts
October 22, 2020

SPRINGWELL, INC.Statements of Financial Position
June 30, 2020 and 2019

Assets	2020	2019
Current Assets:		
Cash	\$ 11,266,518	\$ 12,052,630
Contracts receivable	7,190,766	3,778,171
Program service fees receivable	1,543,227	2,023,771
Prepaid expenses	120,663	160,030
Total current assets	<u>20,121,174</u>	<u>18,014,602</u>
Security Deposits	<u>76,040</u>	<u>76,040</u>
Restricted Cash	<u>226,527</u>	<u>238,945</u>
Property and Equipment:		
Equipment	972,077	630,008
Furnishings	302,496	302,496
Leasehold improvements	204,836	177,466
	<u>1,479,409</u>	<u>1,109,970</u>
Less - accumulated depreciation	<u>900,906</u>	<u>841,845</u>
Net property and equipment	<u>578,503</u>	<u>268,125</u>
Total assets	<u>\$ 21,002,244</u>	<u>\$ 18,597,712</u>
Liabilities and Net Assets		
Current Liabilities:		
Current portion of capital lease obligation	\$ 22,192	\$ 21,051
Accounts payable, accrued expenses and other	8,236,874	7,581,485
Deferred rent	73,164	108,064
Total current liabilities	<u>8,332,230</u>	<u>7,710,600</u>
Capital Lease Obligation, net of current portion	<u>19,364</u>	<u>41,557</u>
Total liabilities	<u>8,351,594</u>	<u>7,752,157</u>
Net Assets:		
Without donor restrictions:		
Operating	11,874,415	10,298,695
Designated	226,527	238,945
Property and equipment	536,947	205,517
Total without donor restrictions	<u>12,637,889</u>	<u>10,743,157</u>
With donor restrictions	<u>12,761</u>	<u>102,398</u>
Total net assets	<u>12,650,650</u>	<u>10,845,555</u>
Total liabilities and net assets	<u>\$ 21,002,244</u>	<u>\$ 18,597,712</u>

The accompanying notes are an integral part of these statements.

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SPRINGWELL, INC.

 Statements of Activities and Changes in Net Assets
 For the Years Ended June 30, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:						
Contract revenue	\$ 38,235,416	\$ -	\$ 38,235,416	\$ 34,816,509	\$ -	\$ 34,816,509
Program service fees	10,841,910	-	10,841,910	11,121,410	-	11,121,410
Contributions and grants	350,919	12,618	363,537	270,559	87,253	357,812
Interest income and other	356,776	-	356,776	238,949	-	238,949
Net assets released from purpose restrictions	102,255	(102,255)	-	170,468	(170,468)	-
Total revenues	49,887,276	(89,637)	49,797,639	46,617,895	(83,215)	46,534,680
Expenses:						
Program services:						
Home care services to elders	42,757,622	-	42,757,622	40,441,028	-	40,441,028
Nursing home screening	475,020	-	475,020	503,935	-	503,935
Nutrition and community services	1,632,786	-	1,632,786	1,445,645	-	1,445,645
Protective services	1,330,338	-	1,330,338	1,157,876	-	1,157,876
Total program services	46,195,766	-	46,195,766	43,548,484	-	43,548,484
Support services:						
General and administrative	1,672,803	-	1,672,803	1,732,421	-	1,732,421
Fundraising	123,975	-	123,975	149,462	-	149,462
Total support services	1,796,778	-	1,796,778	1,881,883	-	1,881,883
Total expenses	47,992,544	-	47,992,544	45,430,367	-	45,430,367
Changes in net assets	1,894,732	(89,637)	1,805,095	1,187,528	(83,215)	1,104,313
Net Assets:						
Beginning of year	10,743,157	102,398	10,845,555	9,555,629	185,613	9,741,242
End of year	\$ 12,637,889	\$ 12,761	\$ 12,650,650	\$ 10,743,157	\$ 102,398	\$ 10,845,555

The accompanying notes are an integral part of these statements.

SPRINGWELL, INC.Statements of Cash Flows
For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ 1,805,095	\$ 1,104,313
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	157,865	122,078
Changes in operating assets and liabilities:		
Contracts receivable	(3,412,595)	1,454,511
Program service fees receivable	480,544	(121,212)
Prepaid expenses	39,367	(34,204)
Accounts payable, accrued expenses and other	288,457	3,936,060
Deferred rent	<u>(34,900)</u>	<u>(23,202)</u>
Net cash provided by (used in) operating activities	(676,167)	6,438,344
Cash Flows from Investing Activities:		
Acquisition of property and equipment	<u>(101,311)</u>	<u>(84,886)</u>
Cash Flows from Financing Activities:		
Payment of capital lease obligation	<u>(21,052)</u>	<u>(20,653)</u>
Net Change in Cash and Restricted Cash	(798,530)	6,332,805
Cash and Restricted Cash:		
Beginning of year	<u>12,291,575</u>	<u>5,958,770</u>
End of year	<u>\$ 11,493,045</u>	<u>\$ 12,291,575</u>
Reconciliation of Cash and Restricted Cash Reported Within the Statements of Financial Position		
Cash	\$ 11,266,518	\$ 12,052,630
Restricted cash	<u>226,527</u>	<u>238,945</u>
Total cash and restricted cash	<u>\$ 11,493,045</u>	<u>\$ 12,291,575</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	<u>\$ 2,709</u>	<u>\$ 950</u>
Supplemental Disclosure of Non-Cash Activity:		
Property and equipment financed through accounts payable, accrued expenses and other	<u>\$ 366,932</u>	<u>\$ -</u>
Equipment financed under capital lease obligation	<u>\$ -</u>	<u>\$ 66,006</u>

SPRINGWELL, INC.

Statement of Functional Expenses

For the Year Ended June 30, 2020

(With Summarized Comparative Totals for the Year Ended June 30, 2019)

	2020					2019			
	Program Services				Total Program Services	Support Services		Total	
Home Care Service to Elders	Nursing Home Screening	Nutrition and Community Services	Protective Services	General and Adminis- trative		Fundraising	Total Support Services		
Contracted Services	\$ 37,375,014	\$ -	\$ -	\$ -	\$ 37,375,014	\$ -	\$ -	\$ 37,375,014	\$ 34,921,064
Personnel and Related:									
Salaries and wages	3,784,081	365,331	1,101,929	970,474	6,221,815	946,582	71,600	1,018,182	7,239,997
Payroll taxes and fringe benefits	897,003	86,595	272,254	230,114	1,485,966	221,935	16,952	238,887	1,724,853
Total personnel and related costs	4,681,084	451,926	1,374,183	1,200,588	7,707,781	1,168,517	88,552	1,257,069	8,924,682
Occupancy:									
Rent	251,750	11,217	64,440	62,965	390,372	137,666	10,729	148,395	538,767
Depreciation	76,711	818	3,305	1,680	82,514	75,216	135	75,351	157,865
Repairs and maintenance	-	-	5,248	-	5,248	95,094	-	95,094	100,342
Utilities	9,563	426	2,288	2,392	14,669	5,514	408	5,922	20,591
Total occupancy	338,024	12,461	75,281	67,037	492,803	313,490	11,272	324,762	817,565
Other:									
Professional fees	81,409	750	32,491	21,146	135,796	61,969	133	62,102	197,898
Recruiting	67,352	893	55,523	7,176	130,944	11,593	-	11,593	142,537
Program support	87,982	3,758	27,465	9,692	128,897	-	-	-	128,897
Staff training and travel	59,307	3,398	22,021	18,810	103,536	3,148	61	3,209	106,745
Office supplies	50,043	1,236	19,474	3,919	74,672	8,368	2,925	11,293	85,965
Dues and subscriptions	1,184	-	3,375	-	4,559	50,025	10,691	60,716	65,275
Insurance	-	-	1,434	-	1,434	45,315	-	45,315	46,749
Printing and postage	16,223	598	20,929	1,970	39,720	1,783	2,382	4,165	43,885
Miscellaneous	-	-	610	-	610	3,915	7,959	11,874	12,484
Leased equipment	-	-	-	-	-	4,680	-	4,680	4,680
Total other operating expenses	363,500	10,633	183,322	62,713	620,168	190,796	24,151	214,947	835,115
Total operating expenses before allocation of general and administrative expenses	42,757,622	475,020	1,632,786	1,330,338	46,195,766	1,672,803	123,975	1,796,778	47,992,544
General and Administrative Allocation	1,004,388	96,966	294,848	257,601	1,653,803	(1,672,803)	19,000	(1,653,803)	-
Total operating expenses	\$ 43,762,010	\$ 571,986	\$ 1,927,634	\$ 1,587,939	\$ 47,849,569	\$ -	\$ 142,975	\$ 142,975	\$ 47,992,544

SPRINGWELL, INC.

Statement of Functional Expenses
For the Year Ended June 30, 2019

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

The accompanying notes are an integral part of these statements.

SPRINGWELL, INC.

Notes to Financial Statements
June 30, 2020 and 2019

1. OPERATIONS AND NONPROFIT STATUS

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

Recently Adopted Accounting Pronouncements

In May 2014, FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). Topic 606 supersedes the revenue recognition requirements in Topic 605, *Revenue Recognition*, and requires the reporting entity to recognize revenues when control of promised goods or services is transferred to customers and at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

On July 1, 2019, the Agency adopted Topic 606 using the modified retrospective method applied to those contracts which were not completed as of July 1, 2019 (the practical expedient elected). Results for reporting periods beginning after July 1, 2019, are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with the Agency's historic accounting under Topic 605. There were no material changes in the timing of recognition of revenue and, therefore, there was no adjustment to the opening balance of net assets as a result of adopting Topic 606.

SPRINGWELL, INC.

Notes to Financial Statements
June 30, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted Accounting Pronouncements (Continued)

Also on July 1, 2019, the Agency adopted FASB's ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, using the modified prospective method. This ASU assists organizations in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities. Under the modified prospective method, this ASU only applies to agreements not completed or entered into (revenue or expense that has not yet been recognized) as of July 1, 2019. Based on the Agency's evaluation of its grants and contributions, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. Under this ASU, contract revenue, contributions and grants included in the statements of activities and changes in net assets have been classified and recorded in accordance with Topic 958.

In addition, on July 1, 2019, the Agency adopted FASB's ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. This ASU amends the presentation of restricted cash within the statements of cash flows. The new guidance requires that restricted cash and cash equivalents be added to cash and cash equivalents for purposes of the statements of cash flows. This ASU has been applied retrospectively to all periods presented. The adoption of ASU 2016-18 resulted in the following changes to Agency's cash flow classification for the year ended June 30, 2019:

<u>Statement of Cash Flows</u>	<u>2019 As Previously Reported</u>	<u>Effect of Adoption</u>	<u>2019 As Adjusted</u>
Operating activities	\$ 6,438,344	\$ -	\$ 6,438,344
Investing activities	(43,439)	(41,447)	(84,886)
Financing activities	<u>(20,653)</u>	<u>-</u>	<u>(20,653)</u>
Net change in cash and restricted cash	<u>\$ 6,374,252</u>	<u>\$ (41,447)</u>	<u>\$ 6,332,805</u>

Estimates

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

Property and Equipment and Depreciation

Property and equipment are recorded at cost when purchased, or at fair value at the date of donation. Renewals and betterments in excess of \$1,000 and a useful life of at least two years are capitalized as additions to the related asset accounts, while repairs and maintenance are expensed as they are incurred. Capital leases are recorded as property and equipment based on net present value of the lease and amortized over the lesser of the lease term or the assets' useful life.

Depreciation is computed using the straight-line method over the following estimated useful lives:

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

SPRINGWELL, INC.

Notes to Financial Statements
June 30, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contracts Receivable and Allowance for Uncollectible Accounts

Contracts receivable at June 30, 2020 and 2019, consist of government contracts receivable. Contracts receivable are recorded at their net present value, less allowances for doubtful accounts. There was no allowance for doubtful accounts as of June 30, 2020 and 2019.

Program Service Fees Receivable

Program service fees receivable are stated at unpaid balances less the amount of consideration to which the Agency expects to be entitled for providing home health care services. Receivables are considered impaired if full payment is not received in accordance with the contractual terms. It is the Agency's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

Restricted Cash

Restricted cash represents cash balances restricted by EOE (see below and Note 10).

Net Assets

Net Assets Without Donor Restrictions

Net assets without donor restrictions are those net resources that bear no external restrictions and are generally available for use by the Agency. The Agency has grouped its net assets without donor restrictions into the following categories:

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

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

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

Net Assets With Donor Restrictions

Net assets with donor restrictions include amounts received with donor restrictions which have not yet been expended for their designated purposes. Net assets with donor restrictions consist of purpose restricted grants totaling \$12,761 and \$102,398 as of June 30, 2020 and 2019, respectively.

Fair Value Measurements

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

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

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

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

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

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

Revenue Recognition

Contributions and Grants

In accordance with Topic 958, the Agency must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include a measurable performance-related barrier or other measurable barriers, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that the Agency should not consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as conditional grant advance liabilities until such conditions are met.

Contracts, contributions and grants from government agencies, foundations, individuals, and corporations are recorded as revenue and net assets without donor restrictions upon receipt or when unconditionally committed by the donor. Donor restricted grants and contributions that are donations with time or purpose restrictions are recognized as revenue and net assets with donor restrictions when received or when unconditionally committed by the donor. Grants and contributions with donor restrictions are transferred to revenue and net assets without donor restrictions as services are performed and costs are incurred, or pro-rata over the period covered by the grant or contributions as time restrictions lapse. Contributions received with donor-imposed conditions and restrictions that are satisfied in the same period are included in net assets without donor restrictions.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Contributions and Grants (Continued)

A portion of the Agency's revenue is derived from cost-reimbursable Federal and state contracts and grants, which are conditional upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Agency has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statements of financial position. These contracts and grants are considered nonreciprocal transactions because the Agency's clients and service area receive the benefit as a result of the assets transferred.

Revenue from Contracts with Customers

Program service fees consists primarily of revenue related to the Senior Care Options (SCO) program under the POS component. SCO POS revenue is reported at the amount that reflects the consideration to which the Agency expects to be entitled in exchange for providing home health care services. These amounts are due from third-party payors in partnerships with MassHealth (Medicaid) and Medicare. SCO POS revenue includes variable consideration for retroactive revenue adjustments. Generally, the Agency bills the third-party payors several days after the services are performed. Revenue is recognized as the performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Agency and its subcontractors and consists of home healthcare and social support services. These services are generally provided at a point in time (date of service) and revenue for performance obligations satisfied at a point in time is generally recognized when services are provided to patients. The Agency does not believe it is required to provide additional goods or services related to that date of service.

The Agency also receives a portion of its program service fees from the SCO program under the case management (CM) component. This component is reimbursed at a set per-member-per-month fee regardless of services provided. Revenue from SCO CM is recognized over the course of the month rather than at a point in time. SCO CM program service fees include variable consideration, which is the varying level of service and procedures that a patient may receive in a given month.

The Agency determines the transaction price based on standard charges for goods and services provided and negotiated with third-party payors.

Program service fees also consists of private client fees related to services provided. Performance obligations and transaction prices are determined consistent with those of SCO revenue. Revenue is recognized in a similar manner as described above, as services are provided at a point in time.

The Agency has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected primarily by differences among third party payors having different reimbursement payment and adjudication methodologies.

SPRINGWELL, INC.Notes to Financial Statements
June 30, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**Revenue Recognition (Continued)***Disaggregation of Program Service Fees*

The following table presents a disaggregation of program service fees, by type, for the years ended June 30:

	<u>2020</u>	<u>2019</u>
SCO	\$ 9,915,434	\$ 10,127,357
Other health and home care services	501,902	509,576
Private client fees	<u>424,574</u>	<u>484,477</u>
Total	<u>\$ 10,841,910</u>	<u>\$ 11,121,410</u>

The following table presents a disaggregation of program service fees between revenue recognized at a point in time (fee for service) and over time (SCO CM) for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Fee for service	\$ 9,151,081	\$ 9,498,672
SCO CM	<u>1,690,829</u>	<u>1,622,738</u>
Total	<u>\$ 10,841,910</u>	<u>\$ 11,121,410</u>

Interest Income and Other

Interest income and other revenue are recognized when earned.

Expense Allocation

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

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

In-kind Goods and Services

The Agency receives services of volunteers primarily for its Nutrition and Home Care programs. The value of these services is not reflected in the accompanying financial statements, since the services by the donating volunteers do not meet the recognition criteria outlined in U.S. GAAP. During fiscal years 2020 and 2019, the estimated value of these donated services was approximately \$708,000 and \$693,000, respectively.

SPRINGWELL, INC.

Notes to Financial Statements
June 30, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Agency accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. The Agency has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at June 30, 2020 and 2019. The Agency's information returns are subject to examination by the Federal and state jurisdictions.

Subsequent Events

Subsequent events have been evaluated through October 22, 2020, which is the date the financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the financial statements.

3. FUNDING

The Agency receives significant funding from various governmental sources for services rendered under cost-reimbursement and unit-rate contracts. These contracts are subject to possible audit by the appropriate governmental agencies. In the opinion of management, the results of such audits, if any, will not have a material effect on the financial position of the Agency as of June 30, 2020 and 2019, or on the changes in its net assets for the years then ended.

All contract revenues were earned from contracts with EOEA during fiscal years 2020 and 2019. All contracts receivable at June 30, 2020 and 2019, were due from EOEA.

The Agency had the following concentrations of payors within program service fees receivable and program service fees as of and for the years ended June 30:

	2020		2019	
	Program Service Fees Receivable	Program Service Fees Revenue	Program Service Fees Receivable	Program Service Fees Revenue
United Healthcare	56%	65%	60%	60%
Tufts Health plan	18%	13%	13%	19%
Senior Whole Health	12%	6%	9%	8%

4. LINE OF CREDIT

The Agency has available up to \$600,000 under a line of credit agreement with a bank. Borrowings are due on demand and interest is payable monthly at the *Wall Street Journal's* prime rate (3.25% and 5.50% at June 30, 2020 and 2019, respectively), but will not be less than 4% at any time. The line of credit is secured by all assets of the Agency and is renewable annually in November by the bank. As of June 30, 2020 and 2019, there was no outstanding balance under this agreement. Under this agreement, the Agency must meet certain financial covenants. The Agency was in compliance with these covenants as of June 30, 2020 and 2019.

5. CAPITAL LEASE OBLIGATION

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

SPRINGWELL, INC.Notes to Financial Statements
June 30, 2020 and 2019

5. CAPITAL LEASE OBLIGATION (Continued)

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

<u>Fiscal Years</u>	
2021	\$ 23,760
2022	<u>19,800</u>
Total future minimum payments	43,560
Less - amounts representing interest	<u>2,004</u>
Present value of future minimum payments	41,556
Less - current portion	<u>22,192</u>
	<u>\$ 19,364</u>

The total cost of assets under the capital lease obligation was \$66,006 as of June 30, 2020 and 2019. Accumulated depreciation on assets under the capital lease obligation was \$33,002 and \$11,001 as of June 30, 2020 and 2019, respectively.

6. RETIREMENT PLANS

The Agency has a defined contribution pension plan covering all eligible employees in accordance with IRC Section 401(k). Employees become eligible after completing one year of service and reaching the age of 21. The Agency matches 50% of participant contributions up to 4% of an employee's annual compensation. The Agency also contributes a discretionary amount determined annually (4.0% for each of the years ended June 30, 2020 and 2019). Pension expense was \$304,761 and \$286,430 for the years ended June 30, 2020 and 2019, respectively, and is included in payroll taxes and fringe benefits in the accompanying statements of functional expenses.

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

7. FACILITY LEASE

The Agency leases office space under an operating lease which expires on September 30, 2022, with a five-year option to extend, which has not been exercised as of June 30, 2020. Rental expense under the lease is calculated using the straight-line method over the term of the lease in accordance with ASC Topic, *Leases*. Total rent expense under the lease was \$538,767 and \$531,897 for the years ended June 30, 2020 and 2019, respectively, and is reflected as rent in the accompanying statements of functional expenses. Deferred rent under this lease totaled \$73,164 and \$108,064 as of June 30, 2020 and 2019, respectively.

Future minimum facility lease payments are as follows:

2021	\$ 546,905
2022	558,603
2023	<u>140,382</u>
Total	<u>\$ 1,245,890</u>

SPRINGWELL, INC.

Notes to Financial Statements
June 30, 2020 and 2019

8. CONTINGENCIES

Legal

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

COVID-19

During fiscal year 2020, COVID-19 was recognized as a global pandemic. Federal, state and local governments in the United States have imposed restrictions on travel and business operations. Temporary closures of certain businesses were also ordered in certain jurisdictions. Consequently, the COVID-19 outbreak severely restricted the level of economic activity. The adverse impact of COVID-19 on the Agency's business, operating results, cash flows and financial condition primarily will be driven by the severity and duration of the pandemic; the timing, scope and impact of stimulus legislation, and other Federal, state and local governmental responses to the pandemic.

The impact on fiscal year 2020 included a reduction in services provided, the closure of certain programs, including community dining sites, and increased costs surrounding personal protective equipment.

The adverse impact COVID-19 will have on the Agency's future business, operating results, cash flows and financial condition is uncertain, but the impact could be material.

9. CONCENTRATION OF CREDIT RISK

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

10. DESIGNATED NET ASSETS WITHOUT DONOR RESTRICTIONS

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

The following is a summary of the designated net assets without donor restrictions as of and for the years ended June 30, 2020 and 2019, for the Home Care POS and ECOP POS programs:

	<u>2020</u>	<u>2019</u>
Restricted Balance, beginning of year	\$ 238,945	\$ 280,392
Activity	<u>(12,418)</u>	<u>(41,447)</u>
Restricted Balance, end of year	<u>\$ 226,527</u>	<u>\$ 238,945</u>

During fiscal years 2020 and 2019, EOEI authorized the Agency to transfer up to 3% of both programs' current year revenues to cover program deficits in other EOEI programs. During fiscal years 2020 and 2019, the Agency transferred \$235,077 and \$232,705, respectively, under this provision.

SPRINGWELL, INC.Notes to Financial Statements
June 30, 2020 and 2019

11. COMMITMENTS

The Agency entered into sub-awards under the Title IIIB Support Services Program. These commitments expired as of September 30, 2020 and 2019, and totaled \$21,204 and \$17,324 as of June 30, 2020 and 2019, respectively.

12. LIQUIDITY

The Agency's financial assets available within one year from the statements of financial position date for general operating expenses are as follows at June 30:

	<u>2020</u>	<u>2019</u>
Cash	\$ 11,266,518	\$ 12,052,630
Contracts receivable	7,190,766	3,778,171
Program service fees receivable	<u>1,543,227</u>	<u>2,023,771</u>
Total financial assets	20,000,511	17,854,572
Less - donor restricted	<u>(12,761)</u>	<u>(102,398)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 19,987,750</u>	<u>\$ 17,752,174</u>

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

13. CONDITIONAL GRANT

During fiscal year 2020, the Agency was awarded government grants totaling \$2,967,808 that contained funder-imposed conditions that represent a barrier that must be overcome as well as a right of return of assets or release from obligations. The Agency recognizes related revenue from these government grants when funder-imposed conditions are substantially met (see Note 2). The funder-imposed condition for these grants is the requirement for the Agency to incur qualifying expenses in the Agency's service area.

14. RECLASSIFICATION

Certain amounts in the fiscal year 2019 financial statements have been reclassified to conform with the fiscal year 2020 presentation.