



FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

SPRINGWELL, INC.

Contents
June 30, 2021 and 2020

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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, 2021 and 2020, 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, 2021 and 2020, 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.

AAFCPAs, Inc.

Boston, Massachusetts
October 28, 2021

SPRINGWELL, INC.Statements of Financial Position
June 30, 2021 and 2020

| Assets | 2021 | 2020 |
|--|----------------------|----------------------|
| Current Assets: | | |
| Cash | \$ 10,038,496 | \$ 11,266,518 |
| Contracts receivable | 10,001,207 | 7,190,766 |
| Program service fees receivable | 1,875,225 | 1,543,227 |
| Prepaid expenses | 127,343 | 120,663 |
| Total current assets | <u>22,042,271</u> | <u>20,121,174</u> |
| Security Deposits | <u>76,040</u> | <u>76,040</u> |
| Restricted Cash | <u>508,745</u> | <u>226,527</u> |
| Property and Equipment: | | |
| Equipment | 944,131 | 972,077 |
| Furnishings | 302,496 | 302,496 |
| Leasehold improvements | 204,836 | 204,836 |
| | <u>1,451,463</u> | <u>1,479,409</u> |
| Less - accumulated depreciation | 1,058,714 | 900,906 |
| Net property and equipment | <u>392,749</u> | <u>578,503</u> |
| Total assets | <u>\$ 23,019,805</u> | <u>\$ 21,002,244</u> |
| Liabilities and Net Assets | | |
| Current Liabilities: | | |
| Current portion of capital lease obligation | \$ 19,364 | \$ 22,192 |
| Accounts payable, accrued expenses and other | 8,401,885 | 8,236,874 |
| Deferred rent | 26,565 | 73,164 |
| Total current liabilities | <u>8,447,814</u> | <u>8,332,230</u> |
| Capital Lease Obligation, net of current portion | <u>-</u> | <u>19,364</u> |
| Total liabilities | <u>8,447,814</u> | <u>8,351,594</u> |
| Net Assets: | | |
| Without donor restrictions: | | |
| Operating | 13,627,881 | 11,874,415 |
| Designated | 508,745 | 226,527 |
| Property and equipment | 373,385 | 536,947 |
| Total without donor restrictions | <u>14,510,011</u> | <u>12,637,889</u> |
| With donor restrictions | <u>61,980</u> | <u>12,761</u> |
| Total net assets | <u>14,571,991</u> | <u>12,650,650</u> |
| Total liabilities and net assets | <u>\$ 23,019,805</u> | <u>\$ 21,002,244</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, 2021 and 2020

| | 2021 | | | 2020 | | |
|---|----------------------------|-------------------------|---------------|----------------------------|-------------------------|---------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Revenues: | | | | | | |
| Contract revenue | \$ 40,297,560 | \$ - | \$ 40,297,560 | \$ 38,235,416 | \$ - | \$ 38,235,416 |
| Program service fees | 11,030,450 | - | 11,030,450 | 11,100,205 | - | 11,100,205 |
| Contributions and grants | 423,364 | 62,497 | 485,861 | 350,919 | 12,618 | 363,537 |
| Interest income and other | 20,448 | - | 20,448 | 98,481 | - | 98,481 |
| Net assets released from purpose restrictions | 13,278 | (13,278) | - | 102,255 | (102,255) | - |
| Total revenues | 51,785,100 | 49,219 | 51,834,319 | 49,887,276 | (89,637) | 49,797,639 |
| Expenses: | | | | | | |
| Program services: | | | | | | |
| Home care services to elders | 44,645,085 | - | 44,645,085 | 42,757,622 | - | 42,757,622 |
| Nursing home screening | 460,498 | - | 460,498 | 475,020 | - | 475,020 |
| Nutrition and community services | 1,620,290 | - | 1,620,290 | 1,632,786 | - | 1,632,786 |
| Protective services | 1,362,368 | - | 1,362,368 | 1,330,338 | - | 1,330,338 |
| Total program services | 48,088,241 | - | 48,088,241 | 46,195,766 | - | 46,195,766 |
| Support services: | | | | | | |
| General and administrative | 1,693,556 | - | 1,693,556 | 1,672,803 | - | 1,672,803 |
| Fundraising | 131,181 | - | 131,181 | 123,975 | - | 123,975 |
| Total support services | 1,824,737 | - | 1,824,737 | 1,796,778 | - | 1,796,778 |
| Total expenses | 49,912,978 | - | 49,912,978 | 47,992,544 | - | 47,992,544 |
| Changes in net assets | 1,872,122 | 49,219 | 1,921,341 | 1,894,732 | (89,637) | 1,805,095 |
| Net Assets: | | | | | | |
| Beginning of year | 12,637,889 | 12,761 | 12,650,650 | 10,743,157 | 102,398 | 10,845,555 |
| End of year | \$ 14,510,011 | \$ 61,980 | \$ 14,571,991 | \$ 12,637,889 | \$ 12,761 | \$ 12,650,650 |

The accompanying notes are an integral part of these statements.

SPRINGWELL, INC.Statements of Cash Flows
For the Years Ended June 30, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|--|-----------------------------|-----------------------------|
| Cash Flows from Operating Activities: | | |
| Changes in net assets | \$ 1,921,341 | \$ 1,805,095 |
| Adjustments to reconcile changes in net assets to net cash used in operating activities: | | |
| Depreciation | 194,454 | 157,865 |
| Changes in operating assets and liabilities: | | |
| Contracts receivable | (2,810,441) | (3,412,595) |
| Program service fees receivable | (331,998) | 480,544 |
| Prepaid expenses | (6,680) | 39,367 |
| Accounts payable, accrued expenses and other | 531,943 | 288,457 |
| Deferred rent | <u>(46,599)</u> | <u>(34,900)</u> |
| Net cash used in operating activities | (547,980) | (676,167) |
| Cash Flows from Investing Activities: | | |
| Acquisition of property and equipment | (375,632) | (101,311) |
| Cash Flows from Financing Activities: | | |
| Payment of capital lease obligation | <u>(22,192)</u> | <u>(21,052)</u> |
| Net Change in Cash and Restricted Cash | (945,804) | (798,530) |
| Cash and Restricted Cash: | | |
| Beginning of year | <u>11,493,045</u> | <u>12,291,575</u> |
| End of year | <u><u>\$ 10,547,241</u></u> | <u><u>\$ 11,493,045</u></u> |
| Reconciliation of Cash and Restricted Cash Reported Within the Statements of Financial Position | | |
| Cash | \$ 10,038,496 | \$ 11,266,518 |
| Restricted cash | <u>508,745</u> | <u>226,527</u> |
| Total cash and restricted cash | <u><u>\$ 10,547,241</u></u> | <u><u>\$ 11,493,045</u></u> |
| Supplemental Disclosure of Cash Flow Information: | | |
| Cash paid for interest | <u>\$ 1,568</u> | <u>\$ 2,709</u> |
| Supplemental Disclosure of Non-Cash Activity: | | |
| Property and equipment financed through accounts payable, accrued expenses and other | <u>\$ -</u> | <u>\$ 366,932</u> |

SPRINGWELL, INC.

Statement of Functional Expenses

For the Year Ended June 30, 2021

(With Summarized Comparative Totals for the Year Ended June 30, 2020)

| | 2021 | | | | | | | | 2020 | |
|---|------------------------------|------------------------|----------------------------------|---------------------|------------------------|----------------------------|-------------|------------------------|---------------|---------------|
| | Program Services | | | | Support Services | | | | Total | |
| | Home Care Services to Elders | Nursing Home Screening | Nutrition and Community Services | Protective Services | Total Program Services | General and Administrative | Fundraising | Total Support Services | | |
| Contracted Services | \$ 39,091,443 | \$ - | \$ - | \$ - | \$ 39,091,443 | \$ - | \$ - | \$ - | \$ 39,091,443 | \$ 37,375,014 |
| Personnel and Related: | | | | | | | | | | |
| Salaries and wages | 3,939,248 | 360,221 | 1,015,572 | 1,018,435 | 6,333,476 | 1,009,483 | 87,652 | 1,097,135 | 7,430,611 | 7,239,997 |
| Payroll taxes and fringe benefits | 868,794 | 81,907 | 264,341 | 231,798 | 1,446,840 | 229,558 | 19,865 | 249,423 | 1,696,263 | 1,724,853 |
| Total personnel and related costs | 4,808,042 | 442,128 | 1,279,913 | 1,250,233 | 7,780,316 | 1,239,041 | 107,517 | 1,346,558 | 9,126,874 | 8,964,850 |
| Occupancy: | | | | | | | | | | |
| Rent | 243,525 | 11,102 | 56,120 | 58,106 | 368,853 | 124,855 | 8,046 | 132,901 | 501,754 | 538,767 |
| Depreciation | 109,957 | 491 | 1,767 | 1,111 | 113,326 | 81,024 | 104 | 81,128 | 194,454 | 157,865 |
| Repairs and maintenance | 8,301 | - | 11,946 | - | 20,247 | 93,075 | - | 93,075 | 113,322 | 100,342 |
| Utilities | 7,408 | 338 | 1,708 | 1,768 | 11,222 | 4,027 | 245 | 4,272 | 15,494 | 20,591 |
| Total occupancy | 369,191 | 11,931 | 71,541 | 60,985 | 513,648 | 302,981 | 8,395 | 311,376 | 825,024 | 817,565 |
| Other: | | | | | | | | | | |
| Professional fees | 126,132 | 634 | 93,701 | 23,010 | 243,477 | 65,694 | 94 | 65,788 | 309,265 | 197,898 |
| Office supplies | 68,753 | 1,087 | 57,374 | 4,513 | 131,727 | 12,702 | 322 | 13,024 | 144,751 | 85,965 |
| Program support | 89,704 | 3,374 | 22,880 | 9,653 | 125,611 | - | - | - | 125,611 | 128,897 |
| Recruiting | 46,213 | 238 | 50,552 | 7,565 | 104,568 | 2,839 | - | 2,839 | 107,407 | 142,537 |
| Printing and postage | 24,871 | 758 | 17,406 | 2,552 | 45,587 | 1,928 | 1,749 | 3,677 | 49,264 | 43,885 |
| Insurance | - | - | 1,305 | - | 1,305 | 47,003 | - | 47,003 | 48,308 | 46,749 |
| Staff training and travel | 19,880 | 348 | 21,700 | 3,857 | 45,785 | 763 | 48 | 811 | 46,596 | 106,745 |
| Dues and subscriptions | 856 | - | 3,288 | - | 4,144 | 14,357 | 11,277 | 25,634 | 29,778 | 65,275 |
| Leased equipment | - | - | - | - | - | 4,680 | - | 4,680 | 4,680 | 4,680 |
| Miscellaneous | - | - | 630 | - | 630 | 1,568 | 1,779 | 3,347 | 3,977 | 12,484 |
| Total other operating expenses | 376,409 | 6,439 | 268,836 | 51,150 | 702,834 | 151,534 | 15,269 | 166,803 | 869,637 | 835,115 |
| Total operating expenses before allocation of general and administrative expenses | 44,645,085 | 460,498 | 1,620,290 | 1,362,368 | 48,088,241 | 1,693,556 | 131,181 | 1,824,737 | 49,912,978 | 47,992,544 |
| General and Administrative Allocation | 1,011,428 | 94,927 | 295,687 | 268,430 | 1,670,472 | (1,693,556) | 23,084 | (1,670,472) | - | - |
| Total operating expenses | \$ 45,656,513 | \$ 555,425 | \$ 1,915,977 | \$ 1,630,798 | \$ 49,758,713 | \$ - | \$ 154,265 | \$ 154,265 | \$ 49,912,978 | \$ 47,992,544 |

The accompanying notes are an integral part of these statements.

SPRINGWELL, INC.

Statement of Functional Expenses
For the Year Ended June 30, 2020

| | Program Services | | | | Support Services | | | | |
|---|------------------------------|------------------------|----------------------------------|---------------------|------------------------|----------------------------|-------------|------------------------|---------------|
| | Home Care Services to Elders | Nursing Home Screening | Nutrition and Community Services | Protective Services | Total Program Services | General and Administrative | Fundraising | Total Support Services | Total |
| Contracted Services | \$ 37,375,014 | \$ - | \$ - | \$ - | \$ 37,375,014 | \$ - | \$ - | \$ - | \$ 37,375,014 |
| 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 | 8,964,850 |
| 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 |
| Office supplies | 50,043 | 1,236 | 19,474 | 3,919 | 74,672 | 8,368 | 2,925 | 11,293 | 85,965 |
| Program support | 87,982 | 3,758 | 27,465 | 9,692 | 128,897 | - | - | - | 128,897 |
| Recruiting | 67,352 | 893 | 55,523 | 7,176 | 130,944 | 11,593 | - | 11,593 | 142,537 |
| Printing and postage | 16,223 | 598 | 20,929 | 1,970 | 39,720 | 1,783 | 2,382 | 4,165 | 43,885 |
| Insurance | - | - | 1,434 | - | 1,434 | 45,315 | - | 45,315 | 46,749 |
| Staff training and travel | 59,307 | 3,398 | 22,021 | 18,810 | 103,536 | 3,148 | 61 | 3,209 | 106,745 |
| Dues and subscriptions | 1,184 | - | 3,375 | - | 4,559 | 50,025 | 10,691 | 60,716 | 65,275 |
| Leased equipment | - | - | - | - | - | 4,680 | - | 4,680 | 4,680 |
| Miscellaneous | - | - | 610 | - | 610 | 3,915 | 7,959 | 11,874 | 12,484 |
| 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 |

The accompanying notes are an integral part of these statements.

SPRINGWELL, INC.

Notes to Financial Statements
June 30, 2021 and 2020

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).

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.

SPRINGWELL, INC.

Notes to Financial Statements
June 30, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 \$3,000 and a useful life of at least three 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 |

Contracts Receivable

Contracts receivable at June 30, 2021 and 2020, consist of government contracts receivable. Contracts receivable are recorded at their net realizable value, less allowances for doubtful accounts. There was no allowance for doubtful accounts as of June 30, 2021 and 2020.

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 EOEAs (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 EOEAs for use in the purchase service component of Home Care and Enhanced Community Options Program.

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 \$61,980 and \$12,761 as of June 30, 2021 and 2020, respectively.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements

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

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

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

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

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

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

Revenue Recognition

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Contributions and Grants (Continued)

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 reported as unrestricted contracts, contributions and grants and increase net assets without donor restrictions.

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 consist 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 consist 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 consist 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.

SPRINGWELL, INC.

Notes to Financial Statements
June 30, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Revenue from Contracts with Customers (Continued)

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.

Disaggregation of Program Service Fees

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

| | <u>2021</u> | <u>2020</u> |
|-------------------------------------|----------------------|----------------------|
| SCO | \$ 9,930,206 | \$ 9,915,434 |
| Other health and home care services | 783,966 | 760,197 |
| Private client fees | <u>316,278</u> | <u>424,574</u> |
| Total | <u>\$ 11,030,450</u> | <u>\$ 11,100,205</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>2021</u> | <u>2020</u> |
|-----------------|----------------------|----------------------|
| Fee for service | \$ 9,214,244 | \$ 9,409,376 |
| SCO CM | <u>1,816,206</u> | <u>1,690,829</u> |
| Total | <u>\$ 11,030,450</u> | <u>\$ 11,100,205</u> |

Interest Income and Other

Interest income and other revenue are recognized when earned.

In-kind Goods and Services

The Agency receives services from 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 2021 and 2020, the estimated value of these donated services was approximately \$573,000 and \$708,000, respectively.

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.

SPRINGWELL, INC.

Notes to Financial Statements
June 30, 2021 and 2020

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, 2021 and 2020. The Agency's information returns are subject to examination by the Federal and state jurisdictions.

Subsequent Events

Subsequent events have been evaluated through October 28, 2021, which is the date the financial statements were available to be issued. See Note 7 for an event that met the criteria for 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, 2021 and 2020, 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 2021 and 2020. All contracts receivable at June 30, 2021 and 2020, were due from EOEA.

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

| | 2021 | | 2020 | |
|---------------------|------------------------------------|---------------------------------------|------------------------------------|---------------------------------------|
| | Program Service Fees Revenue | Program Service Fees Receivable | Program Service Fees Revenue | Program Service Fees Receivable |
| United Healthcare | 60% | 57% | 60% | 56% |
| Tufts Health plan | 21% | 20% | 19% | 18% |
| Senior Whole Health | 10% | 10% | 8% | 12% |

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% at June 30, 2021 and 2020), 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, 2021 and 2020, 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, 2021 and 2020.

SPRINGWELL, INC.

Notes to Financial Statements
June 30, 2021 and 2020

5. CAPITAL LEASE OBLIGATION

The Agency leases certain equipment under a capital lease agreement that expires in April 2022. The interest rate under this agreement is 0.4%. The future minimum lease payments under this agreement for fiscal year 2022 total \$19,800, which consist of principal payments of \$19,364 and interest payments at a rate of 0.4% totaling \$436.

The total cost of assets under the capital lease obligation was \$66,006 as of June 30, 2021 and 2020. Accumulated depreciation on assets under the capital lease obligation was \$55,004 and \$33,002 as of June 30, 2021 and 2020, 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, 2021 and 2020). Pension expense was \$393,587 and \$304,761 for the years ended June 30, 2021 and 2020, 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 that had not been exercised as of June 30, 2021. Subsequent to year-end, the Agency exercised the option to extend the lease for an additional five years, ending on September 30, 2027. 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 \$501,754 and \$538,767 for the years ended June 30, 2021 and 2020, respectively, and is reflected as rent in the accompanying statements of functional expenses. Deferred rent under this lease totaled \$26,565 and \$73,164 as of June 30, 2021 and 2020, respectively.

Future minimum facility lease payments are as follows:

| | |
|------------|---------------------|
| 2022 | \$ 558,603 |
| 2023 | 570,302 |
| 2024 | 582,000 |
| 2025 | 593,699 |
| 2026 | 605,397 |
| Thereafter | <u>772,101</u> |
| Total | <u>\$ 3,682,102</u> |

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.

SPRINGWELL, INC.

Notes to Financial Statements
June 30, 2021 and 2020

8. CONTINGENCIES (Continued)

COVID-19

During fiscal year 2020, COVID-19 was recognized as a global pandemic and continued into fiscal year 2021. Federal, state, and local governments in the United States 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 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 2021 included a reduction in services provided, the closure of certain programs, including community dining sites, and increased costs surrounding personal protective equipment.

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, 2021 and 2020, for the Home Care POS and ECOP POS programs:

| | <u>2021</u> | <u>2020</u> |
|---------------------------------------|-------------------|-------------------|
| Restricted Balance, beginning of year | \$ 226,527 | \$ 238,945 |
| Activity | <u>282,218</u> | <u>(12,418)</u> |
| Restricted Balance, end of year | <u>\$ 508,745</u> | <u>\$ 226,527</u> |

During fiscal years 2021 and 2020, 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 2021 and 2020, the Agency transferred \$224,770 and \$235,077, respectively, under this provision.

11. COMMITMENTS

The Agency entered into sub-awards under the Title IIIB Support Services Program. These commitments expired as of September 30, 2021 and 2020, and totaled \$21,460 and \$21,204 as of June 30, 2021 and 2020, respectively.

SPRINGWELL, INC.Notes to Financial Statements
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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>2021</u> | <u>2020</u> |
|---|----------------------|----------------------|
| Cash | \$ 10,038,496 | \$ 11,266,518 |
| Contracts receivable | 10,001,207 | 7,190,766 |
| Program service fees receivable | <u>1,875,225</u> | <u>1,543,227</u> |
| Total financial assets | 21,914,928 | 20,000,511 |
| Less - donor restricted | <u>(61,980)</u> | <u>(12,761)</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 21,852,948</u> | <u>\$ 19,987,750</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 become due. In the event of an unanticipated liquidity need, the Agency could draw upon its \$600,000 line of credit (see Note 4).

13. CONDITIONAL GRANTS

During fiscal year 2021, the Agency was awarded government grants totaling \$2,717,568 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. PARTNERSHIP AGREEMENT

The Agency is a member of Massachusetts Administrative Service Unit, LLC (MASU), which is a Massachusetts limited liability company organized on January 14, 2021. MASU was created to contract with third-party payors to provide services, including, but not limited to, facilitating person-centered care for elders, individuals with disabilities and others who are in need of assistance with activities of daily living and those who would benefit from home and community-based, non-medical, in-home services and support. The Agency is a 4% member, along with twenty-four other Massachusetts elder care agencies, and has made a \$5,000 capital contribution to MASU during fiscal year 2021. As of June 30, 2021, MASU has not yet entered into any contractual agreements with any third-party payors.

15. RECLASSIFICATION

Certain amounts in the fiscal year 2020 financial statements have been reclassified to conform with the fiscal year 2021 presentation.