



FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

SPRINGWELL, INC.

Contents
June 30, 2022 and 2021

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Independent Auditor's Report

To the Board of Directors of
Springwell, Inc.:

Opinion

We have audited the financial statements of Springwell, Inc. (a Massachusetts corporation, not-for-profit) (the Agency), which comprise the statements of financial position as of June 30, 2022 and 2021, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Springwell, Inc. as of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 15 to the financial statements, effective July 1, 2022, Springwell, Inc. merged with BayPath Elder Services, Inc. (a Massachusetts corporation, not-for-profit) and Springwell, Inc. remained the surviving entity. The financial statements do not include any adjustments that might result from the outcome of this merger. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

AAFCPA, Inc.

Boston, Massachusetts
October 26, 2022

SPRINGWELL, INC.Statements of Financial Position
June 30, 2022 and 2021

Assets	2022	2021
Current Assets:		
Cash	\$ 14,925,082	\$ 10,038,496
Contracts receivable	8,538,707	10,001,207
Program service fees receivable	2,265,935	1,875,225
Prepaid expenses	216,497	127,343
Total current assets	25,946,221	22,042,271
Security Deposit	76,040	76,040
Restricted Cash	616,448	508,745
Property and Equipment:		
Equipment	862,326	944,131
Furnishings	302,496	302,496
Leasehold improvements	204,836	204,836
Less - accumulated depreciation	1,369,658	1,451,463
Net property and equipment	1,139,332	1,058,714
Net property and equipment	230,326	392,749
Total assets	\$ 26,869,035	\$ 23,019,805
Liabilities and Net Assets		
Current Liabilities:		
Capital lease obligation	\$ -	\$ 19,364
Accounts payable, accrued expenses and other	9,491,687	8,401,885
Conditional grant advance	212,846	-
Deferred rent	15,061	26,565
Total current liabilities	9,719,594	8,447,814
Net Assets:		
Without donor restrictions:		
Operating	16,171,341	13,627,881
Designated	616,448	508,745
Property and equipment	230,326	373,385
Total without donor restrictions	17,018,115	14,510,011
With donor restrictions	131,326	61,980
Total net assets	17,149,441	14,571,991
Total liabilities and net assets	\$ 26,869,035	\$ 23,019,805

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, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:						
Contract revenue	\$ 47,910,899	\$ -	\$ 47,910,899	\$ 40,297,560	\$ -	\$ 40,297,560
Program service fees	13,339,474	-	13,339,474	11,030,450	-	11,030,450
Contributions and grants	261,516	80,750	342,266	423,364	62,497	485,861
Interest income and other	12,442	-	12,442	20,448	-	20,448
Net assets released from purpose restrictions	11,404	(11,404)	-	13,278	(13,278)	-
Total revenues	<u>61,535,735</u>	<u>69,346</u>	<u>61,605,081</u>	<u>51,785,100</u>	<u>49,219</u>	<u>51,834,319</u>
Expenses:						
Program services:						
Home care services to elders	53,324,220	-	53,324,220	44,645,085	-	44,645,085
Nursing home screening	383,583	-	383,583	460,498	-	460,498
Nutrition and community services	2,108,285	-	2,108,285	1,620,290	-	1,620,290
Protective services	1,315,117	-	1,315,117	1,362,368	-	1,362,368
Total program services	<u>57,131,205</u>	<u>-</u>	<u>57,131,205</u>	<u>48,088,241</u>	<u>-</u>	<u>48,088,241</u>
Support services:						
General and administrative	1,774,044	-	1,774,044	1,693,556	-	1,693,556
Fundraising	122,382	-	122,382	131,181	-	131,181
Total support services	<u>1,896,426</u>	<u>-</u>	<u>1,896,426</u>	<u>1,824,737</u>	<u>-</u>	<u>1,824,737</u>
Total expenses	<u>59,027,631</u>	<u>-</u>	<u>59,027,631</u>	<u>49,912,978</u>	<u>-</u>	<u>49,912,978</u>
Changes in net assets	2,508,104	69,346	2,577,450	1,872,122	49,219	1,921,341
Net Assets:						
Beginning of year	<u>14,510,011</u>	<u>61,980</u>	<u>14,571,991</u>	<u>12,637,889</u>	<u>12,761</u>	<u>12,650,650</u>
End of year	<u>\$ 17,018,115</u>	<u>\$ 131,326</u>	<u>\$ 17,149,441</u>	<u>\$ 14,510,011</u>	<u>\$ 61,980</u>	<u>\$ 14,571,991</u>

The accompanying notes are an integral part of these statements.

SPRINGWELL, INC.Statements of Cash Flows
For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ 2,577,450	\$ 1,921,341
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	162,423	194,454
Changes in operating assets and liabilities:		
Contracts receivable	1,462,500	(2,810,441)
Program service fees receivable	(390,710)	(331,998)
Prepaid expenses	(89,154)	(6,680)
Accounts payable, accrued expenses and other	1,089,802	531,943
Conditional grant advance	212,846	-
Deferred rent	(11,504)	(46,599)
	<u>5,013,653</u>	<u>(547,980)</u>
Net cash provided by (used in) operating activities		
	5,013,653	(547,980)
Cash Flows from Investing Activities:		
Acquisition of property and equipment	-	(375,632)
Cash Flows from Financing Activities:		
Payment of capital lease obligation	(19,364)	(22,192)
Net Change in Cash and Restricted Cash	4,994,289	(945,804)
Cash and Restricted Cash:		
Beginning of year	<u>10,547,241</u>	<u>11,493,045</u>
End of year	<u>\$ 15,541,530</u>	<u>\$ 10,547,241</u>
Reconciliation of Cash and Restricted Cash Reported Within the Statements of Financial Position:		
Cash	\$ 14,925,082	\$ 10,038,496
Restricted cash	<u>616,448</u>	<u>508,745</u>
Total cash and restricted cash	<u>\$ 15,541,530</u>	<u>\$ 10,547,241</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	<u>\$ 436</u>	<u>\$ 1,568</u>

SPRINGWELL, INC.

Statement of Functional Expenses
For the Year Ended June 30, 2022

(With Summarized Comparative Totals for the Year Ended June 30, 2021)

	2022								2021	
	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	\$ 47,677,652	\$ -	\$ -	\$ -	\$ 47,677,652	\$ -	\$ -	\$ -	\$ 47,677,652	\$ 39,091,443
Personnel and Related:										
Salaries and wages	3,996,595	294,425	1,243,766	969,363	6,504,149	1,012,932	80,745	1,093,677	7,597,826	7,430,611
Payroll taxes and fringe benefits	947,786	69,854	308,575	229,958	1,556,173	240,330	19,113	259,443	1,815,616	1,696,263
Total personnel and related costs	4,944,381	364,279	1,552,341	1,199,321	8,060,322	1,253,262	99,858	1,353,120	9,413,442	9,126,874
Occupancy:										
Rent	242,908	11,331	75,259	59,892	389,390	124,388	7,832	132,220	521,610	501,754
Repairs and maintenance	8,260	-	91,054	-	99,314	121,164	-	121,164	220,478	113,322
Depreciation	82,343	186	492	728	83,749	78,590	84	78,674	162,423	194,454
Utilities	9,262	432	2,748	2,284	14,726	4,886	299	5,185	19,911	15,494
Total occupancy	342,773	11,949	169,553	62,904	587,179	329,028	8,215	337,243	924,422	825,024
Other:										
Professional fees	87,804	672	146,683	11,529	246,688	73,826	96	73,922	320,610	309,265
Recruiting	83,332	1,585	68,539	11,512	164,968	8,811	-	8,811	173,779	107,407
Staff training and travel	39,314	1,052	87,507	16,294	144,167	658	40	698	144,865	46,596
Program support	80,062	2,497	25,673	7,668	115,900	-	-	-	115,900	125,611
Dues and subscriptions	9,110	-	11,650	-	20,760	48,134	10,804	58,938	79,698	29,778
Office supplies	38,245	1,114	23,652	4,429	67,440	5,997	397	6,394	73,834	144,751
Insurance	-	-	1,014	-	1,014	48,197	-	48,197	49,211	48,308
Printing and postage	16,817	435	20,893	1,460	39,605	1,415	775	2,190	41,795	49,264
Leased equipment	4,730	-	-	-	4,730	4,280	-	4,280	9,010	4,680
Miscellaneous	-	-	780	-	780	436	2,197	2,633	3,413	3,977
Total other operating expenses	359,414	7,355	386,391	52,892	806,052	191,754	14,309	206,063	1,012,115	869,637
Total operating expenses before allocation of general and administrative expenses	53,324,220	383,583	2,108,285	1,315,117	57,131,205	1,774,044	122,382	1,896,426	59,027,631	49,912,978
General and Administrative Allocation	1,074,922	79,195	337,483	260,735	1,752,335	(1,774,044)	21,709	(1,752,335)	-	-
Total operating expenses	\$ 54,399,142	\$ 462,778	\$ 2,445,768	\$ 1,575,852	\$ 58,883,540	\$ -	\$ 144,091	\$ 144,091	\$ 59,027,631	\$ 49,912,978

The accompanying notes are an integral part of these statements.

SPRINGWELL, INC.

Statement of Functional Expenses
For the Year Ended June 30, 2021

	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	\$ 39,091,443	\$ -	\$ -	\$ -	\$ 39,091,443	\$ -	\$ -	\$ -	\$ 39,091,443
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
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
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
Occupancy:									
Rent	243,525	11,102	56,120	58,106	368,853	124,855	8,046	132,901	501,754
Repairs and maintenance	8,301	-	11,946	-	20,247	93,075	-	93,075	113,322
Depreciation	109,957	491	1,767	1,111	113,326	81,024	104	81,128	194,454
Utilities	7,408	338	1,708	1,768	11,222	4,027	245	4,272	15,494
Total occupancy	369,191	11,931	71,541	60,985	513,648	302,981	8,395	311,376	825,024
Other:									
Professional fees	126,132	634	93,701	23,010	243,477	65,694	94	65,788	309,265
Recruiting	46,213	238	50,552	7,565	104,568	2,839	-	2,839	107,407
Staff training and travel	19,880	348	21,700	3,857	45,785	763	48	811	46,596
Program support	89,704	3,374	22,880	9,653	125,611	-	-	-	125,611
Dues and subscriptions	856	-	3,288	-	4,144	14,357	11,277	25,634	29,778
Office supplies	68,753	1,087	57,374	4,513	131,727	12,702	322	13,024	144,751
Insurance	-	-	1,305	-	1,305	47,003	-	47,003	48,308
Printing and postage	24,871	758	17,406	2,552	45,587	1,928	1,749	3,677	49,264
Leased equipment	-	-	-	-	-	4,680	-	4,680	4,680
Miscellaneous	-	-	630	-	630	1,568	1,779	3,347	3,977
Total other operating expenses	376,409	6,439	268,836	51,150	702,834	151,534	15,269	166,803	869,637
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
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

The accompanying notes are an integral part of these statements.

SPRINGWELL, INC.

Notes to Financial Statements
June 30, 2022 and 2021

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).

Contracts Receivable

Contracts receivable at June 30, 2022 and 2021, 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, 2022 and 2021.

Program Service Fees Receivable

Program service fees receivable are stated at the amount of consideration the Agency expects to be entitled in exchange 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. The balance of program service fees receivable was \$1,875,225 as of July 1, 2020.

SPRINGWELL, INC.

Notes to Financial Statements
June 30, 2022 and 2021

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

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 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 \$131,326 and \$61,980 as of June 30, 2022 and 2021, respectively.

Revenue Recognition

Contributions and Grants

In accordance with ASC Subtopic 958-605, *Revenue Recognition* (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

The Agency follows ASC Topic, *Revenue from Contracts with Customers* (Topic 606), whereby program service fees are reported at the estimated transaction price or amount that reflects the consideration to which the Agency expects to be entitled for the transfer of goods or services to a client, then recognizes this revenue when or as the Agency satisfies its performance obligations under a contract, except in transactions where U.S. GAAP provides other applicable guidance. The Agency evaluates its revenue contracts with customers based on the five-step model under Topic 606: (1) Identify the contract with the customer; (2) Identify the performance obligations in the contract; (3) Determine the transaction price; (4) Allocate the transaction price to separate performance obligations; and (5) Recognize revenue when (or as) each performance obligation is satisfied.

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 health care 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.

SPRINGWELL, INC.

Notes to Financial Statements
June 30, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**Revenue Recognition (Continued)***Revenue from Contracts with Customers (Continued)*

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.

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>2022</u>	<u>2021</u>
SCO	\$ 12,262,885	\$ 9,930,206
Other health and home care services	814,453	783,966
Private client fees	<u>262,136</u>	<u>316,278</u>
Total	<u>\$ 13,339,474</u>	<u>\$ 11,030,450</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>2022</u>	<u>2021</u>
Fee for service	\$ 11,452,827	\$ 9,214,244
SCO CM	<u>1,886,647</u>	<u>1,816,206</u>
Total	<u>\$ 13,339,474</u>	<u>\$ 11,030,450</u>

Interest Income and Other

Interest income and other revenue are recognized when earned.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2022 and 2021, the estimated value of these donated services was approximately \$632,000 and \$573,000, 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.

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, 2022 and 2021. The Agency's information returns are subject to examination by the Federal and state jurisdictions.

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.

SPRINGWELL, INC.

Notes to Financial Statements
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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

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.

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.

Subsequent Events

Subsequent events have been evaluated through October 26, 2022, which is the date the financial statements were available to be issued. See Note 15 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, 2022 and 2021, or on the changes in its net assets for the years then ended.

All contract revenues were earned from contracts with EOEAs during fiscal years 2022 and 2021. All contracts receivable at June 30, 2022 and 2021, were due from EOEAs.

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:

	2022		2021	
	<u>Program Service Fees Revenue</u>	<u>Program Service Fees Receivable</u>	<u>Program Service Fees Revenue</u>	<u>Program Service Fees Receivable</u>
United Healthcare	57%	58%	58%	57%
Tufts Health plan	24%	22%	20%	20%
Senior Whole Health	8%	12%	9%	9%

SPRINGWELL, INC.

Notes to Financial Statements
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4. LINE OF CREDIT

The Agency has available up to \$750,000 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 (4.75% and 3.25% at June 30, 2022 and 2021, 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, 2022 and 2021, 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, 2022 and 2021.

5. CAPITAL LEASE OBLIGATION

The Agency leased certain equipment under a capital lease agreement that expired in April 2022. The interest rate under this agreement was 0.4%. The lease agreement expired, and the asset was disposed of.

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 (5.0% for each of the years ended June 30, 2022 and 2021). Pension expense was \$434,520 and \$393,587 for the years ended June 30, 2022 and 2021, 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 was set to expire on September 30, 2022, with a five-year option to extend. During fiscal year 2022, 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 \$521,610 and \$501,754 for the years ended June 30, 2022 and 2021, respectively, and is reflected as rent in the accompanying statements of functional expenses. Deferred rent under this lease totaled \$15,061 and \$26,565 as of June 30, 2022 and 2021, respectively.

Future minimum facility lease payments are as follows:

2023	\$ 570,302
2024	582,000
2025	593,699
2026	605,397
2027	617,096
Thereafter	<u>155,005</u>
Total	<u>\$ 3,123,499</u>

SPRINGWELL, INC.

Notes to Financial Statements
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8. CONTINGENCY

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.

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, 2022 and 2021, for the Home Care POS and ECOP POS programs:

	<u>2022</u>	<u>2021</u>
Restricted Balance, beginning of year	\$ 508,745	\$ 226,527
Activity	<u>107,703</u>	<u>282,218</u>
Restricted Balance, end of year	<u>\$ 616,448</u>	<u>\$ 508,745</u>

During fiscal years 2022 and 2021, 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 2022 and 2021, the Agency transferred \$236,457 and \$224,770, respectively, under this provision. The activity above is the program surplus net of this transfer and other required and allowed EOEI transfers.

11. COMMITMENTS

The Agency entered into sub-awards under the Title IIIB Support Services Program. These commitments expired as of September 30, 2022 and 2021, and totaled \$23,264 and \$21,460 as of June 30, 2022 and 2021, 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>2022</u>	<u>2021</u>
Cash	\$ 14,925,082	\$ 10,038,496
Contracts receivable	8,538,707	10,001,207
Program service fees receivable	<u>2,265,935</u>	<u>1,875,225</u>
Total financial assets	25,729,724	21,914,928
Less - donor restricted	<u>(131,326)</u>	<u>(61,980)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 25,598,398</u>	<u>\$ 21,852,948</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 \$750,000 line of credit (see Note 4).

13. CONDITIONAL GRANTS

During fiscal year 2022, the Agency was awarded government grants totaling \$1,919,292 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 made a \$5,000 capital contribution to MASU during fiscal year 2021. No additional amounts were contributed during fiscal year 2022. As of June 30, 2022, MASU has not yet entered into any contractual agreements with any third-party payors.

15. SUBSEQUENT EVENT

During fiscal year 2022, the Agency entered into an agreement with BayPath Elder Services, Inc. (a Massachusetts nonprofit corporation) (Baypath) to merge effective July 1, 2022. The Agency will remain as the surviving entity on July 1, 2022. Baypath offers home care and related services, allowing people to live independently and comfortably in their homes while promoting their well-being and dignity. As a result of the agreement, approximately \$7,956,000 of assets, \$3,877,000 of liabilities, and \$4,079,000 of net assets were combined with the Agency's statements of financial position as of July 1, 2022. These figures are based on unaudited internal financial statements.