



FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

SPRINGWELL, INC.

Contents
June 30, 2024 and 2023

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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, 2024 and 2023, 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, 2024 and 2023, 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.

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.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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 23, 2024

SPRINGWELL, INC.Statements of Financial Position
June 30, 2024 and 2023

Assets	2024	2023
Current Assets:		
Cash and cash equivalents	\$ 17,336,614	\$ 15,385,344
Contracts receivable	23,240,718	18,772,165
Program service fees receivable	4,743,677	4,825,927
Prepaid expenses and other	539,062	525,431
Total current assets	<u>45,860,071</u>	<u>39,508,867</u>
Restricted Cash	<u>180,189</u>	<u>243,963</u>
Right-of-Use Asset - Operating Leases	<u>2,298,490</u>	<u>3,193,826</u>
Property and Equipment:		
Equipment	957,527	957,527
Furnishings	302,496	302,496
Leasehold improvements	204,836	204,836
	<u>1,464,859</u>	<u>1,464,859</u>
Less - accumulated depreciation	<u>1,303,509</u>	<u>1,124,853</u>
Net property and equipment	<u>161,350</u>	<u>340,006</u>
Total assets	<u>\$ 48,500,100</u>	<u>\$ 43,286,662</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable, accrued expenses and other	\$ 16,733,513	\$ 15,294,681
Current portion of operating lease liabilities	957,171	910,081
Conditional grant advance	85,891	299,153
Total current liabilities	<u>17,776,575</u>	<u>16,503,915</u>
Operating Lease Liabilities, net	<u>1,422,062</u>	<u>2,379,232</u>
Total liabilities	<u>19,198,637</u>	<u>18,883,147</u>
Net Assets:		
Without donor restrictions:		
Operating	28,790,072	23,734,100
Designated	180,189	243,963
Property and equipment	80,607	244,519
Total without donor restrictions	<u>29,050,868</u>	<u>24,222,582</u>
With donor restrictions	<u>250,595</u>	<u>180,933</u>
Total net assets	<u>29,301,463</u>	<u>24,403,515</u>
Total liabilities and net assets	<u>\$ 48,500,100</u>	<u>\$ 43,286,662</u>

SPRINGWELL, INC.

 Statements of Activities and Changes in Net Assets
 For the Years Ended June 30, 2024 and 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues:						
Contract revenue	\$ 82,022,312	\$ -	\$ 82,022,312	\$ 73,517,208	\$ -	\$ 73,517,208
Program service fees	26,060,185	-	26,060,185	23,694,626	-	23,694,626
Interest income and other	818,974	-	818,974	319,332	-	319,332
Contributions and grants	402,963	81,713	484,676	477,581	66,355	543,936
Net assets released from purpose restrictions	12,051	(12,051)	-	16,748	(16,748)	-
Total operating revenues	<u>109,316,485</u>	<u>69,662</u>	<u>109,386,147</u>	<u>98,025,495</u>	<u>49,607</u>	<u>98,075,102</u>
Operating Expenses:						
Program services:						
Home care services to elders	94,442,876	-	94,442,876	84,697,027	-	84,697,027
Nursing home screening	1,082,498	-	1,082,498	891,241	-	891,241
Nutrition and community services	4,064,484	-	4,064,484	4,247,448	-	4,247,448
Protective services	1,291,877	-	1,291,877	1,463,069	-	1,463,069
Total program services	<u>100,881,735</u>	<u>-</u>	<u>100,881,735</u>	<u>91,298,785</u>	<u>-</u>	<u>91,298,785</u>
Support services:						
General and administrative	3,468,440	-	3,468,440	3,208,334	-	3,208,334
Fundraising	138,024	-	138,024	97,888	-	97,888
Total support services	<u>3,606,464</u>	<u>-</u>	<u>3,606,464</u>	<u>3,306,222</u>	<u>-</u>	<u>3,306,222</u>
Total operating expenses	<u>104,488,199</u>	<u>-</u>	<u>104,488,199</u>	<u>94,605,007</u>	<u>-</u>	<u>94,605,007</u>
Changes in net assets from operations	4,828,286	69,662	4,897,948	3,420,488	49,607	3,470,095
Non-Operating Revenue:						
Contribution income - acquisition	-	-	-	3,783,979	-	3,783,979
Total changes in net assets	4,828,286	69,662	4,897,948	7,204,467	49,607	7,254,074
Net Assets:						
Beginning of year	<u>24,222,582</u>	<u>180,933</u>	<u>24,403,515</u>	<u>17,018,115</u>	<u>131,326</u>	<u>17,149,441</u>
End of year	<u>\$ 29,050,868</u>	<u>\$ 250,595</u>	<u>\$ 29,301,463</u>	<u>\$ 24,222,582</u>	<u>\$ 180,933</u>	<u>\$ 24,403,515</u>

The accompanying notes are an integral part of these statements.

SPRINGWELL, INC.Statements of Cash Flows
For the Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ 4,897,948	\$ 7,254,074
Adjustments to reconcile changes in net assets to net cash and cash equivalents provided by (used in) operating activities:		
Depreciation	178,656	154,886
Non-cash lease expense	996,682	972,846
Contribution income - acquisition	-	(3,783,979)
Changes in operating assets and liabilities:		
Contracts receivable	(4,468,553)	(6,005,457)
Program service fees receivable	82,250	(1,252,593)
Prepaid expenses and other	(13,631)	(167,251)
Accounts payable, accrued expenses and other	1,438,832	1,964,275
Payments made on operating lease liabilities	(1,011,426)	(990,692)
Conditional grant advance	(213,262)	(71,699)
	<u>1,887,496</u>	<u>(1,925,590)</u>
Net cash and cash equivalents provided by (used in) operating activities		
	<u>1,887,496</u>	<u>(1,925,590)</u>
Cash Flows from Investing Activities:		
Cash received via acquisition	-	2,167,861
Acquisition of property and equipment	-	(154,494)
	<u>-</u>	<u>(154,494)</u>
Net cash and cash equivalents provided by investing activities		
	<u>-</u>	<u>2,013,367</u>
Net Change in Cash, Cash Equivalents, and Restricted Cash	<u>1,887,496</u>	<u>87,777</u>
Cash, Cash Equivalents, and Restricted Cash:		
Beginning of year	<u>15,629,307</u>	<u>15,541,530</u>
End of year	<u>\$ 17,516,803</u>	<u>\$ 15,629,307</u>
Reconciliation of Cash, Cash Equivalents, and Restricted Cash Reported Within the Statements of Financial Position:		
Cash and cash equivalents	\$ 17,336,614	\$ 15,385,344
Restricted cash	<u>180,189</u>	<u>243,963</u>
Total cash, cash equivalents, and restricted cash	<u>\$ 17,516,803</u>	<u>\$ 15,629,307</u>
Supplemental Disclosure of Non-Cash Flow Information:		
Operating lease assets obtained in exchange for lease liabilities	<u>\$ -</u>	<u>\$ 2,710,954</u>

SPRINGWELL, INC.

Statement of Functional Expenses

For the Year Ended June 30, 2024

(With Summarized Comparative Totals for the Year Ended June 30, 2023)

	2024								2023	
	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	\$ 84,656,476	\$ -	\$ -	\$ -	\$ 84,656,476	\$ -	\$ -	\$ -	\$ 84,656,476	\$ 75,670,831
Personnel and Related:										
Salaries and wages	7,019,665	768,791	2,507,914	901,974	11,198,344	1,875,642	92,390	1,968,032	13,166,376	12,386,811
Payroll taxes and fringe benefits	1,686,974	184,848	633,240	216,840	2,721,902	450,264	22,177	472,441	3,194,343	3,098,602
Total personnel and related costs	8,706,639	953,639	3,141,154	1,118,814	13,920,246	2,325,906	114,567	2,440,473	16,360,719	15,485,413
Occupancy:										
Rent	371,729	36,841	115,188	69,930	593,688	407,140	7,411	414,551	1,008,239	967,585
Repairs and maintenance	11,858	-	41,442	-	53,300	334,389	7,528	341,917	395,217	463,660
Depreciation	74,836	-	-	-	74,836	103,820	-	103,820	178,656	154,886
Utilities	15,030	1,501	3,824	2,699	23,054	17,276	284	17,560	40,614	35,269
Total occupancy	473,453	38,342	160,454	72,629	744,878	862,625	15,223	877,848	1,622,726	1,621,400
Other Expenses:										
Professional fees	168,062	41,569	176,983	46,855	433,469	100,119	97	100,216	533,685	405,855
Program support	99,416	10,088	350,940	7,088	467,532	-	-	-	467,532	588,672
Staff training and travel	97,101	10,292	88,462	24,497	220,352	1,930	32	1,962	222,314	198,742
Office supplies	113,462	7,750	37,716	7,757	166,685	15,081	537	15,618	182,303	191,065
Recruiting	60,653	16,541	58,295	9,989	145,478	9,921	-	9,921	155,399	98,779
Dues and subscriptions	18,180	-	10,608	-	28,788	55,797	218	56,015	84,803	107,977
Insurance	-	-	1,347	-	1,347	80,895	-	80,895	82,242	126,728
Printing and postage	33,243	2,029	30,636	2,064	67,972	3,595	909	4,504	72,476	64,569
Leased equipment	16,191	2,248	6,876	2,184	27,499	10,523	107	10,630	38,129	40,272
Miscellaneous	-	-	1,013	-	1,013	2,048	6,334	8,382	9,395	4,704
Total other expenses	606,308	90,517	762,876	100,434	1,560,135	279,909	8,234	288,143	1,848,278	1,827,363
Total operating expenses before allocation of general and administrative expenses	94,442,876	1,082,498	4,064,484	1,291,877	100,881,735	3,468,440	138,024	3,606,464	104,488,199	94,605,007
General and Administrative Allocation	2,151,682	235,674	776,277	276,494	3,440,127	(3,468,440)	28,313	(3,440,127)	-	-
Total operating expenses	\$ 96,594,558	\$ 1,318,172	\$ 4,840,761	\$ 1,568,371	\$ 104,321,862	\$ -	\$ 166,337	\$ 166,337	\$ 104,488,199	\$ 94,605,007

SPRINGWELL, INC.

Statement of Functional Expenses
For the Year Ended June 30, 2023

	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	\$ 75,670,831	\$ -	\$ -	\$ -	\$ 75,670,831	\$ -	\$ -	\$ -	\$ 75,670,831
Personnel and Related:									
Salaries and wages	6,445,517	662,180	2,394,401	1,080,502	10,582,600	1,731,291	72,920	1,804,211	12,386,811
Payroll taxes and fringe benefits	1,598,094	166,661	619,540	266,467	2,650,762	429,871	17,969	447,840	3,098,602
Total personnel and related costs	8,043,611	828,841	3,013,941	1,346,969	13,233,362	2,161,162	90,889	2,252,051	15,485,413
Occupancy:									
Rent	352,843	24,161	125,870	67,470	570,344	391,666	5,575	397,241	967,585
Repairs and maintenance	9,134	-	263,441	-	272,575	191,085	-	191,085	463,660
Depreciation	79,580	71	200	172	80,023	74,831	32	74,863	154,886
Utilities	13,214	896	4,042	2,607	20,759	14,294	216	14,510	35,269
Total occupancy	454,771	25,128	393,553	70,249	943,701	671,876	5,823	677,699	1,621,400
Other Expenses:									
Professional fees	165,877	21,053	109,256	2,052	298,238	107,553	64	107,617	405,855
Program support	84,696	3,322	495,947	4,707	588,672	-	-	-	588,672
Staff training and travel	91,770	4,687	74,520	25,887	196,864	1,858	20	1,878	198,742
Office supplies	98,261	2,483	71,629	4,832	177,205	13,470	390	13,860	191,065
Recruiting	36,019	4,963	37,408	7,021	85,411	13,368	-	13,368	98,779
Dues and subscriptions	22,372	-	17,132	-	39,504	68,179	294	68,473	107,977
Insurance	-	-	1,695	-	1,695	125,033	-	125,033	126,728
Printing and postage	28,819	764	30,917	1,352	61,852	2,309	408	2,717	64,569
Leased equipment	-	-	-	-	-	40,272	-	40,272	40,272
Miscellaneous	-	-	1,450	-	1,450	3,254	-	3,254	4,704
Total other expenses	527,814	37,272	839,954	45,851	1,450,891	375,296	1,176	376,472	1,827,363
Total operating expenses before allocation of general and administrative expenses	84,697,027	891,241	4,247,448	1,463,069	91,298,785	3,208,334	97,888	3,306,222	94,605,007
General and Administrative Allocation	1,936,814	199,576	725,723	324,336	3,186,449	(3,208,334)	21,885	(3,186,449)	-
Total operating expenses	\$ 86,633,841	\$ 1,090,817	\$ 4,973,171	\$ 1,787,405	\$ 94,485,234	\$ -	\$ 119,773	\$ 119,773	\$ 94,605,007

SPRINGWELL, INC.

Notes to Financial Statements
June 30, 2024 and 2023

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 primarily in twenty-two 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 older adults 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 seventeen of its twenty-two core communities (the remaining five communities are served by another organization).

Effective July 1, 2022, BayPath Edler Services, Inc. (a Massachusetts corporation, not for profit) (BayPath) merged into the Agency, with the Agency being the "surviving entity" (see Note 14). BayPath provided many of the same services as the Agency.

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).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted Accounting Pronouncement

In June 2016, FASB issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. ASU 2016-13 replaces the “incurred loss” credit losses framework with a new accounting standard that requires management’s measurement of the allowance for credit losses to be based on a broader range of reasonable and supportable information for lifetime credit loss estimates. This amendment was adopted effective July 1, 2023, using the modified retrospective method.

Based on the composition of the Agency’s program service fees receivable and expected future losses, the adoption of ASC Topic 326 did not have a material impact on the Agency’s fiscal year 2024 financial statements and primarily resulted in new and enhanced disclosures. The FASB clarified that contracts receivable under ASC Subtopic 958-605, *Revenue Recognition*, are not within the scope of Topic 326.

Cash and Cash Equivalents

The Agency considers all highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents. Cash and cash equivalents for the purposes of the statement of cash flows also includes restricted cash.

Contracts Receivable

Contracts receivable at June 30, 2024 and 2023, 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, 2024 and 2023.

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. The Agency records any implicit price concessions (see page 11) based upon management’s experience and other circumstances, which may affect the ability of clients or third-party payors to meet their obligations. Receivables are considered impaired if full payment is not received in accordance with the contractual terms. The balance of program service fees receivable was \$2,265,935 as of July 1, 2022.

Allowance for Program Service Fees Receivable

The Agency performs individual credit risk assessments which evaluates the individual circumstances, abilities and intentions of each client prior to providing the services. If after providing the services, the Agency becomes aware of specific events, facts or circumstances indicating clients no longer have the ability or intention to pay the amount of consideration to which the Agency is expected to be entitled for providing the program services, then the related program service fees receivable balances are written off as credit loss expense. No material credit loss expense was recognized for the years ended June 30, 2024 and 2023.

Restricted Cash

Restricted cash represents cash balances restricted by EOEAs (see page 10 and Note 9).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Right-of-Use Asset – Operating Leases and Operating Lease Liabilities

The Agency determines if an arrangement is a lease or contains a lease at inception of a contract. A contract is determined to be a lease or contain a lease if the contract conveys the right to control the use of identified property, plant, or equipment (an identified asset) in exchange for consideration. The Agency determines such assets are leased because the Agency has the right to obtain substantially all of the economic benefits from and the right to direct the use of the identified asset. Assets in which the supplier or lessor has the practical ability and right to substitute alternative assets for the identified asset and would benefit economically from the exercise of its right to substitute the asset are not considered to be or contain a lease because the Agency determines it does not have the right to control and direct the use of the identified asset. The Agency's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

In evaluating its contracts, the Agency separately identifies lease and non-lease components, such as common area and other maintenance costs, in calculating the right-of-use (ROU) assets and lease liabilities for its office space. The Agency has elected the practical expedient to not separate lease and non-lease components and classifies the contract as a lease if consideration in the contract allocated to the lease component is greater than the consideration allocated to the non-lease component.

Leases result in the recognition of ROU assets and lease liabilities on the statements of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Agency determines lease classification as operating or finance at the lease commencement date.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Agency uses the implicit rate when readily determinable. As most leases do not provide an implicit rate, to determine the present value of lease payments, management uses the risk-free rate at lease commencement or date of adoption.

The lease terms may include options to extend or to terminate the lease that the Agency is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

The Agency has elected not to record leases with an initial term of twelve months or less on the statements of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

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. 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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment and Depreciation (Continued)

The Agency accounts for the carrying value of its property and equipment in accordance with the requirements of ASC Topic, *Impairment and Disposal of Long-Lived Assets*. As of June 30, 2024 and 2023, the Agency has not recognized any reduction in the carrying value of its property and equipment in consideration of the requirement.

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 A 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 and ROU assets - operating leases, net of related liabilities.

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.

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.

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 contributions and grants 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. Contributions and grants 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 contributions or grants as time restrictions lapse. Contributions and grants 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.

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 conditional grant advance 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 point of sale (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 clients. 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 client 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 POS revenue. Revenue is recognized as services are provided at a point in time.

SPRINGWELL, INC.

Notes to Financial Statements
June 30, 2024 and 2023

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>2024</u>	<u>2023</u>
SCO	\$ 25,166,949	\$ 22,872,372
Other health and home care services	466,320	448,116
Private client fees	<u>426,916</u>	<u>374,138</u>
Total	<u>\$ 26,060,185</u>	<u>\$ 23,694,626</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>2024</u>	<u>2023</u>
Fee for service	\$ 21,846,077	\$ 19,790,848
SCO CM	<u>4,214,108</u>	<u>3,903,778</u>
Total	<u>\$ 26,060,185</u>	<u>\$ 23,694,626</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 2024 and 2023, the estimated value of these donated services was approximately \$1,076,000 and \$1,844,000, 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.

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, 2024 and 2023. 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.

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.

SPRINGWELL, INC.

Notes to Financial Statements
June 30, 2024 and 2023

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Subsequent events have been evaluated through October 23, 2024, which is the date the financial statements were available to be issued. There were no events that met 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, 2024 and 2023, or on the changes in its net assets for the years then ended.

As of June 30, 2024 and 2023, 100% of contract revenues were earned from contracts with EOE. All contracts receivable at June 30, 2024 and 2023, were due from EOE.

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:

	2024		2023	
	<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	51%	49%	55%	46%
Tufts Health plan	28%	25%	25%	20%
Senior Whole Health	9%	9%	10%	10%

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 (8.50% and 8.25% at June 30, 2024 and 2023, 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, 2024 and 2023, 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, 2024 and 2023.

5. 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% and 6.0% for the years ended June 30, 2024 and 2023, respectively). Pension expense was \$802,948 and \$867,589 for the years ended June 30, 2024 and 2023, 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.

SPRINGWELL, INC.

Notes to Financial Statements
June 30, 2024 and 2023

6. OPERATING LEASES

The Agency leases office space under an operating lease which expires on September 30, 2027.

As part of the merger with BayPath, the Agency became the lessee of office space under an operating lease through September 2025. The Agency has an irrevocable standby letter of credit, as required by the terms of the lease agreement, which serves as a security deposit on the lease.

The Agency also leases office equipment under an operating lease agreement through September 2027.

The following summarizes the line items in the accompanying statement of functional expenses, which include the components of lease expense for the year ended June 30:

	<u>2024</u>	<u>2023</u>
Operating lease costs included in rent	\$ 962,602	\$ 938,767
Operating lease costs included in leased equipment	34,080	34,080
Variable lease costs included in rent	26,137	10,518
Short-term lease cost included in leased equipment	4,049	6,192
Short-term lease cost included in rent	<u>19,500</u>	<u>18,300</u>
Total operating lease expense	<u>\$ 1,046,368</u>	<u>\$ 1,007,857</u>

The maturities of lease liabilities over the remaining lease terms are as follows:

2025	\$ 1,026,482
2026	707,058
2027	617,096
2028	<u>155,005</u>
Total future undiscounted lease payments	2,505,641
Less - present value discount	<u>(126,408)</u>
Present value of lease liability	<u>\$ 2,379,233</u>

The weighted-average discount rate associated with operating leases as of June 30, 2024 and 2023, is 3.67% and 3.61%, respectively. The Agency's weighted-average lease term is 2.8 years and 3.6 years as of June 30, 2024 and 2023, respectively.

As of June 30, 2024, there were no material leases that have been executed but not yet commenced.

7. CONTINGENCY

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, 2024 and 2023

8. 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 (FDIC). During fiscal year 2023, the Agency opened an IntraFi Cash Service account with a Massachusetts bank. This account helps protect all balances in excess of FDIC coverage by spreading the excess funds across member banks in increments less than or equal to the FDIC limit.

The Agency has not experienced any losses in such accounts. The Agency believes it is not exposed to any significant credit risk on cash.

9. 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 EOEA 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 EOEA.

The following is a summary of the designated net assets without donor restrictions as of and for the years ended June 30, 2024 and 2023, for the Home Care POS and ECOP POS programs:

	<u>2024</u>	<u>2023</u>
Restricted Balance, beginning of year	\$ 243,963	\$ 616,448
Activity	<u>(63,774)</u>	<u>(372,485)</u>
Restricted Balance, end of year	<u>\$ 180,189</u>	<u>\$ 243,963</u>

During fiscal years 2024 and 2023, EOEA authorized the Agency to transfer up to 3% of both programs' current year revenues to cover program deficits in other EOEA programs. During fiscal years 2024 and 2023, the Agency transferred \$491,820 and \$411,024, respectively, under this provision. The activity above is the program surplus net of this transfer and other required and allowed EOEA transfers.

10. COMMITMENTS

The Agency entered into sub-awards under the Title IIIB Support Services Program. These commitments expired as of September 30, 2024 and 2023, and totaled \$87,957 and \$152,188 as of June 30, 2024 and 2023, respectively.

SPRINGWELL, INC.

Notes to Financial Statements
June 30, 2024 and 2023

11. 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>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 17,336,614	\$ 15,385,344
Contracts receivable	23,240,718	18,772,165
Program service fees receivable	<u>4,743,677</u>	<u>4,825,927</u>
Total financial assets	45,321,009	38,983,436
Less - donor restricted	<u>(250,595)</u>	<u>(180,933)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 45,070,414</u>	<u>\$ 38,802,503</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 expenditures 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).

12. CONDITIONAL GRANTS

During fiscal years 2024 and 2023, the Agency was awarded government grants totaling \$3,830,985 and \$4,618,202, respectively, 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. The funder-imposed condition for these grants is the requirement for the Agency to incur qualifying expenses in the Agency's service area.

13. 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-three 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 years 2024 and 2023. As of June 30, 2024, MASU has not yet entered into any contractual agreements with any third-party payors.

SPRINGWELL, INC.

Notes to Financial Statements
June 30, 2024 and 2023

14. MERGER CONTRIBUTION

The Agency assumed assets totaling \$7,878,976 and liabilities of \$4,904,997. The difference of \$3,783,979 is reflected as contribution income - acquisition in the accompanying fiscal year 2023 statement of activities and changes in net assets in accordance with ASC 958-805, *Acquisition by a Not-for-Profit Entity*.

A detail of the fair value of BayPath's assets and liabilities at the time of the acquisition was as follows:

Assets:	
Cash	\$ 2,167,861
Contracts receivable	4,228,001
Program service fees receivable	1,307,399
Prepaid expenses	65,643
Property and equipment	<u>110,072</u>
Total assets	<u>\$ 7,878,976</u>
Liabilities:	
Accounts payable, accrued expenses and other	\$ 3,838,719
Conditional grant advance	158,006
Deferred rent	<u>98,272</u>
Total liabilities	<u>\$ 4,094,997</u>

15. RECLASSIFICATION

Certain amounts in the fiscal year 2023 financial statements have been reclassified to conform with the fiscal year 2024 presentation.