

SPRINGWELL, INC.

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

June 30, 2014

Springwell, Inc.

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Daniel Dennis & Company LLP

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Springwell, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Springwell, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the agency's 2013 financial statements, and our report dated October 24, 2013, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2014, on our consideration of Springwell, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Springwell, Inc.'s internal control over financial reporting and compliance.

Daniel Dennis & Company LLP

October 23, 2014

Springwell, Inc.
Statement of Financial Position
June 30, 2014 with
Comparative Totals for 2013

Assets

	<i>2014</i>	<i>2013</i>
<i>Current Assets:</i>		
Cash	\$ 1,678,459	\$ 1,431,186
Accounts receivable	4,919,526	3,884,399
Prepaid expenses	<u>97,219</u>	<u>93,793</u>
Total current assets	<u>6,695,204</u>	<u>5,409,378</u>
<i>Fixed Assets:</i>		
Fixed assets	899,915	779,294
Less: accumulated depreciation/amortization	<u>(462,410)</u>	<u>(322,004)</u>
Total fixed assets	<u>437,505</u>	<u>457,290</u>
<i>Other Assets:</i>		
Security deposit	<u>76,040</u>	<u>76,040</u>
Total other assets	<u>76,040</u>	<u>76,040</u>
Total assets	<u>\$ 7,208,749</u>	<u>\$ 5,942,708</u>

Liabilities and Net Assets

<i>Current Liabilities:</i>		
Accounts payable	\$ 2,019,343	\$ 1,743,391
Accrued expenses	530,072	461,634
Deferred revenue	4,270	4,438
Deferred rent	107,089	71,800
Current portion of capital lease obligations	<u>20,879</u>	<u>19,760</u>
Total current liabilities	<u>2,681,653</u>	<u>2,301,023</u>
<i>Long-Term Liabilities:</i>		
Capital lease obligations	<u>16,806</u>	<u>37,685</u>
Total liabilities	<u>2,698,459</u>	<u>2,338,708</u>
<i>Net Assets:</i>		
Unrestricted Net Assets:		
Available for operations	3,711,361	2,960,641
Designated	279,784	142,533
Net investment in plant	<u>399,820</u>	<u>399,845</u>
Total unrestricted	4,390,965	3,503,019
Temporarily Restricted Net Assets	<u>119,325</u>	<u>100,981</u>
Total net assets	<u>4,510,290</u>	<u>3,604,000</u>
Total liabilities and net assets	<u>\$ 7,208,749</u>	<u>\$ 5,942,708</u>

See accompanying notes to financial statements.

Springwell, Inc.
Statement of Activities
For the Year Ended June 30, 2014 with
Summarized Comparative Totals for 2013

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>2014 Total</i>	<i>2013 Total</i>
<i>Revenue and Support</i>				
Contract revenue	\$ 30,180,891	\$ -	\$ 30,180,891	\$ 26,258,940
Client fees	432,830	-	432,830	452,167
Contributions	335,352	41,274	376,626	356,256
Interest income	5,426	-	5,426	4,785
Inkind contributions	66,135	-	66,135	64,993
Net assets released from restrictions:	<u>22,930</u>	<u>(22,930)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>31,043,564</u>	<u>18,344</u>	<u>31,061,908</u>	<u>27,137,141</u>
<i>Expenses</i>				
<i>Program Services</i>				
Home care services to elders	25,846,846	-	25,846,846	22,376,870
Nursing home screening	506,534	-	506,534	377,706
Nutrition and community services	1,398,049	-	1,398,049	1,702,758
Protective services	<u>887,325</u>	<u>-</u>	<u>887,325</u>	<u>770,807</u>
Total program services	<u>28,638,754</u>	<u>-</u>	<u>28,638,754</u>	<u>25,228,141</u>
<i>Supporting Services</i>				
General and administrative	1,441,848	-	1,441,848	1,247,996
Fundraising	<u>75,016</u>	<u>-</u>	<u>75,016</u>	<u>61,046</u>
Total supporting services	<u>1,516,864</u>	<u>-</u>	<u>1,516,864</u>	<u>1,309,042</u>
Total expenses	<u>30,155,618</u>	<u>-</u>	<u>30,155,618</u>	<u>26,537,183</u>
Change in net assets	887,946	18,344	906,290	599,958
Net assets at beginning of year	<u>3,503,019</u>	<u>100,981</u>	<u>3,604,000</u>	<u>3,004,042</u>
Net assets at end of year	<u>\$ 4,390,965</u>	<u>\$ 119,325</u>	<u>\$ 4,510,290</u>	<u>\$ 3,604,000</u>

See accompanying notes to financial statements.

Springwell, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2014 with
Summarized Comparative Totals for 2013

	<i>Home Care Service to Elders</i>	<i>Nursing Home Screening</i>	<i>Nutrition/ Community Services</i>	<i>Protective Services</i>	<i>Total Program Services</i>	<i>General and Administrative</i>	<i>Fundraising</i>	<i>2014 Total Expenses</i>	<i>2013 Total Expenses</i>
Salaries	\$ 2,733,385	\$378,174	\$ 560,442	\$651,823	\$ 4,323,824	\$ 857,921	\$ 44,368	\$ 5,226,113	\$ 5,028,394
Payroll taxes and other benefits	585,934	82,827	125,553	138,190	932,504	181,838	9,410	1,123,752	1,096,616
Program support	39,884	14,577	68,771	40,516	163,748	89,776	12,774	266,298	405,859
Occupancy	317,685	26,634	66,636	50,009	460,964	119,678	6,371	587,013	570,112
Professional fees	236,273	849	72,711	1,263	311,096	118,059	1,314	430,469	275,743
Inkind expense	-	-	66,135	-	66,135	-	-	66,135	64,993
<i>Contracted services</i>									
Transportation	242,175	-	35,164	-	277,339	-	-	277,339	199,105
Meals to elders	869,336	-	173,494	-	1,042,830	-	-	1,042,830	976,383
Homemaking and personal care	20,767,302	-	221,720	-	20,989,022	-	-	20,989,022	17,790,099
Depreciation and amortization	<u>54,872</u>	<u>3,473</u>	<u>7,423</u>	<u>5,524</u>	<u>71,292</u>	<u>74,576</u>	<u>779</u>	<u>146,647</u>	<u>129,879</u>
 Total expenses	 <u>\$ 25,846,846</u>	 <u>\$506,534</u>	 <u>\$ 1,398,049</u>	 <u>\$887,325</u>	 <u>\$ 28,638,754</u>	 <u>\$ 1,441,848</u>	 <u>\$ 75,016</u>	 <u>\$ 30,155,618</u>	 <u>\$ 26,537,183</u>

See accompanying notes to financial statements.

Springwell, Inc.
Statement of Cash Flows
For the Year Ended June 30, 2014 with
Comparative Totals for 2013

	2014	2013
Cash flows from operating activities		
Change in net assets	\$ 906,290	\$ 599,958
<i>Adjustments to reconcile change in net assets to cash provided by operating activities</i>		
Depreciation and amortization	146,647	129,879
Loss on disposal of capital asset	772	7,778
Change in operating assets and liabilities:		
Accounts receivable	(1,035,127)	(637,620)
Prepaid expenses	(3,426)	70,714
Accounts payable	275,952	110,764
Accrued expenses	68,438	(176,431)
Deferred revenue	(168)	4,438
Deferred rent	35,289	71,800
Total adjustments	<u>(511,623)</u>	<u>(418,678)</u>
Net cash provided by operating activities	<u>394,667</u>	<u>181,280</u>
 Cash flows from investing activities		
Deposit (payment) proceeds	-	(25,346)
Purchase of equipment	<u>(127,634)</u>	<u>(124,014)</u>
Net cash used in investing activities	<u>(127,634)</u>	<u>(149,360)</u>
 Cash flows from financing activities		
Payment of capital lease obligations	<u>(19,760)</u>	<u>(14,106)</u>
Net cash used in financing activities	<u>(19,760)</u>	<u>(14,106)</u>
Net change in cash	247,273	17,814
Cash - beginning of year	<u>1,431,186</u>	<u>1,413,372</u>
Cash - end of year	<u>\$ 1,678,459</u>	<u>\$ 1,431,186</u>
 <i>Supplemental disclosure of cash flow information</i>		
Cash paid during the year for interest	<u>\$ 2,626</u>	<u>\$ 1,089</u>
<i>Supplemental disclosure noncash investing and financing activities</i>		

See accompanying notes to financial statements.

Springwell, Inc.
Notes to Financial Statements
June 30, 2014

1. Nature of Operations

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

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

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

As a designated provider for MassHealth, Springwell operates the *Adult Foster Care Program*, the *Group Adult Foster Care Program* and the *Personal Care Attendant Program*, all of which are intended to provide services to keep adults with disabilities in the community instead of an institution. Effective July 1, 2013 Springwell has elected to no longer operate the *Group Adult Foster Care Program*.

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

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

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

2. Summary of Significant Accounting Policies

Basis of Accounting

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

Springwell, Inc.
Notes to Financial Statements
June 30, 2014

2. *Summary of Significant Accounting Policies - continued*

Classification and Reporting of Net Assets

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

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

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

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

Permanently restricted net assets represent contributions and other inflows of assets whose use by Springwell, Inc. is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of Springwell, Inc. At June 30, 2014 and 2013 there were no permanently restricted net assets.

Summarized Comparative Totals

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Springwell, Inc.'s financial statements for the year ended June 30, 2013, from which the summarized information was derived. Comparative information may have been modified to conform to the current financial statements.

Use of Estimates

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

Springwell, Inc.
Notes to Financial Statements
June 30, 2014

2. Summary of Significant Accounting Policies – continued

Cash and Cash Equivalents

For purposes of the statement of cash flows, Springwell, Inc. considers all highly liquid debt instruments purchased with an original maturity of ninety days or less to be cash equivalents. As of June 30, 2014 and 2013 Springwell, Inc. held no cash equivalents.

Fixed Assets, Depreciation and Amortization

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

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

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

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Springwell has not received any conditional or unconditional promises to give as of June 30, 2014 and 2013.

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

Gifts of land, building and equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Absent explicit donor stipulations about how those long-lived assets must be maintained Springwell, Inc. has adopted the policy of implying a time restriction that expires over the useful life of the asset. Springwell has not received any gifts of land, building or equipment as of June 30, 2014 and 2013.

Springwell, Inc.
Notes to Financial Statements
June 30, 2014

2. Summary of Significant Accounting Policies – continued

Donated Services

The value of donated services are recorded when those services create or enhance non-financial assets or require specialized skills provided by individuals possessing those skills and which would be typically purchased if not provided by donation. For the years ended June 30, 2014 and 2013 no such donated services were provided.

Volunteers

Unpaid volunteers have made contributions of their time and services in assisting Springwell, Inc. in the nutrition and other programs. The value of this contributed time is not reflected in these statements since it does not meet the criteria for accounting recognition. Springwell, Inc. estimates the fair value of these contributions to be \$180,703 and \$204,824 for the years ended June 30, 2014 and 2013, respectively.

Income Taxes

Springwell, Inc. is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is exempt from state income taxes under Chapter 180 of the Massachusetts General Laws. Accounting standards require the evaluation of tax positions taken or expected to be taken in Springwell, Inc.'s tax returns to determine whether the tax positions are *more-likely-than-not* of being sustained by the applicable tax authority. Tax positions not deemed to meet the *more-likely-than-not* threshold, along with accrued interest and penalties thereon, would be recorded as an expense in the current year financial statements. Management has evaluated the tax positions taken in its previously filed returns and those expected to be taken in its fiscal year 2014 returns and believes they are *more-likely-than-not* of being sustained if examined by Federal or Commonwealth tax authorities. Consequently, the accompanying financial statements do not reflect any provision for income taxes.

Springwell, Inc.'s fiscal year 2011 through 2013 tax years remain subject to examination by Federal and Commonwealth tax authorities.

Functional Expenses

Functional expenses are allocated to the various programs based on direct expenses which can be identified to the program and indirect expenses which are beneficial to more than one program. The indirect expenses are allocated based on a cost allocation plan using various methods. Administrative expenses are allocated to the programs based on salary and fringe within the non-administrative function.

Springwell, Inc.
Notes to Financial Statements
June 30, 2014

2. Summary of Significant Accounting Policies – continued

Agency or Intermediary Transfers

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

3. Accounts Receivable

Accounts receivable represents uncollected support from the EOEA on behalf of the Commonwealth of Massachusetts and Federally funded programs as well as cost sharing and respite fees billed to clients who use Springwell, Inc.'s services. Approximately 87% and 86% of the accounts receivable balance is from the EOEA for the years ended June 30, 2014 and 2013, respectively.

Accounts receivable are presented net of the allowance for doubtful accounts. Management's periodic evaluation of the adequacy of the allowance is based on its past experience and accounts receivable are charged off when deemed uncollectible. At June 30, 2014 and 2013, management has considered all accounts receivable to be fully collectible.

4. Fixed Assets

The following is a summary of fixed assets as of June 30, 2014 and 2013:

<i>Fixed Assets</i>	<i>2014</i>	<i>2013</i>
Equipment and furnishings	\$ 838,139	\$ 717,518
Equipment under capital lease	<u>61,776</u>	<u>61,776</u>
Total	<u>\$ 899,915</u>	<u>\$ 779,294</u>

Depreciation and amortization expense for the year ending June 30, 2014 and 2013 totaled \$146,647 and \$129,879, respectively.

5. Credit Lines

Commercial Line of Credit

At June 30, 2014 and 2013 Springwell, Inc. has a \$200,000 line-of-credit agreement with a financial institution. The term of the line is due on demand, as noted in the agreement. At June 30, 2014 the outstanding balance on the line will incur interest at the prime rate as published in the *Wall Street Journal*; however, it will not be less than 4% at any time. The line is unsecured and is renewable annually by the financial institution. There was no outstanding balance on this line of credit as of June 30, 2014 or 2013.

Springwell, Inc.
Notes to Financial Statements
June 30, 2014

6. Capital Lease Obligations

Springwell, Inc. has two capital leases for equipment which expire in fiscal year 2016. The assets and liabilities under capital leases are recorded at the lower of present value of the minimum lease payments or the fair value of the asset. The assets are amortized over the lower of their related lease term or their estimated lives.

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

	<i>2014</i>	<i>2013</i>
Copiers	\$ 56,754	\$ 56,754
Scanner	5,022	5,022
Less accumulated amortization	<u>(30,888)</u>	<u>(10,296)</u>
Total	<u>\$ 30,888</u>	<u>\$ 46,458</u>

The minimum future lease payments under the capital lease as of June 30, 2014 are as follows:

	<i>Amount</i>
For the year ended	
June 30, 2015	\$ 22,386
June 30, 2016	<u>17,188</u>
Subtotal	39,574
Less: amount representing interest	<u>1,889</u>
Present value of net minimum lease payments	<u>\$ 37,685</u>

Interest rates on the capitalized lease is 4.8% which is based on the lower of Springwell, Inc.'s incremental borrowing rate at the inception of the lease or the lessor's implicit rate of return.

Springwell, Inc.
Notes to Financial Statements
June 30, 2014

7. Retirement Plan

Springwell, Inc. provides a defined contribution retirement plan under Section 401(k) of the Internal Revenue Code to all eligible employees who have completed one and one quarter (1.25) or more years of service and have attained the age of twenty-one. The plan allows Springwell, Inc. to make profit sharing contributions based on a percentage of each participant's compensation. Effective July 1, 2010 Springwell, Inc. will make a discretionary matching contribution equal to a uniform percentage of the participant's salary deferrals. Each year Springwell, Inc. will determine the amount of discretionary percentage. For fiscal year 2014, Springwell, Inc. matched 50% up to 4% of the salary deferral. For fiscal year 2013, Springwell, Inc. matched 50% up to 3% of the salary deferral. The participants vest in Springwell, Inc.'s contribution at the rate of 25% per year over the first four years of enrollment in the plan. During the years ended June 30, 2014 and 2013 Springwell, Inc. contributed \$171,967 and \$182,598 to the plan, respectively.

8. Operating Leases

Springwell, Inc. leases office space under an operating lease agreement, which began on October 1, 2012 and will end on September 30, 2022, with a five year option to extend. The lease requires monthly base rent plus additional rent (tax and operating cost escalation) payments. The base rent expense is recognized under the straight-line method over the term of the lease. Rent expense for the years ended June 30, 2014 and 2013 was \$505,836 and \$489,119, respectively and deferred rent as of June 30, 2014 and 2013 was \$107,089 and \$71,800, respectively. Future minimum base lease payments on the remaining terms of the leases, excluding the additional rent, are as follows:

<i>Year Ended June 30,</i>	<i>Amount</i>
2015	\$ 476,714
2016	488,412
2017	500,111
2018	511,809
2019	523,508
Thereafter	<u>1,781,097</u>
Total future payments	<u>\$ 4,281,652</u>

9. Not-For-Profit Provider Surplus Revenue Retention

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

Springwell, Inc.
Notes to Financial Statements
June 30, 2014

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

Additionally, any use of the surplus from certain EOEAs programs needs to be used solely to further those programs (See Note 10 for further information). Springwell, Inc. did not exceed the 5% surplus revenue as of June 30, 2014 and 2013 and the total surplus revenue retention at June 30, 2014 and 2013 is less than 20% of the total Commonwealth revenue from fiscal year 2013 and 2012, respectively.

10. Designated Unrestricted Net Assets

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

The following is a summary of the designated unrestricted net assets as of June 30, 2014 and 2013:

<i>EOEA Program</i>	<i>2014 Activity</i>	<i>2014 Total</i>	<i>2013 Total</i>
Purchase service	\$ 70,059	\$ 155,257	\$ 85,198
Enhanced services	<u>67,192</u>	<u>124,527</u>	<u>57,335</u>
Total designated	<u>\$ 137,251</u>	<u>\$ 279,784</u>	<u>\$ 142,533</u>

During 2014 and 2013 EOEAs authorized Springwell, Inc. to transfer up to 3% of these programs current year revenues to cover program deficits in other EOEAs programs. During 2014 and 2013, Springwell, Inc. transferred \$166,680 and \$154,572, respectively under this provision. Also during fiscal year 2013 EOEAs authorized Springwell to transfer \$100,000 from Purchase Service to its Mental Health program. There were no transfers in fiscal year 2014 authorized by EOEAs.

11. Commitments

Grant Commitments

Springwell, Inc. has entered into sub-awards with other agencies under the Title IIIB Support Services Program. These commitments expire as of September 30, 2014 and 2013 and approximate \$63,879 and \$66,974 as of June 30, 2014 and 2013, respectively.

Springwell, Inc.
Notes to Financial Statements
June 30, 2014

12. Temporarily Restricted Net Assets

Temporarily restricted net assets are as follows as of June 30, 2014 and 2013:

<i>Program</i>	<i>2014</i>	<i>2013</i>
Health aging	\$ 4,270	\$ 2,930
Mental health program	98,051	98,051
Home delivered meals	17,004	-
Total	<u>\$ 119,325</u>	<u>\$ 100,981</u>

13. Concentration

Revenue

Springwell, Inc.'s main source of funding is from grants with the Commonwealth of Massachusetts, Executive Office of Elder Affairs, which permits it to subcontract with vendors that provide services to eligible clients. This funding represented approximately 85% and 83% of fiscal years 2014 and 2013 revenue, respectively.

Additionally, Springwell, Inc. receives direct and indirect funding from Medicaid through the Money Follows the Person, Adult Family Care and Senior Care Options Programs, respectively. This funding represented approximately 4% and 8% of fiscal years 2014 and 2013 revenue, respectively.

14. Contingencies

Contingency - Unemployment Benefits

Springwell, Inc. has elected to provide unemployment benefits on a self insured basis; these benefits can accrue for up to thirty weeks for eligible ex-employees. As of June 30, 2014 there are five individuals collecting unemployment benefits and Springwell, Inc. is recording the expense as it is incurred, as the amount and duration of the benefits is not determinable. The monthly amount is approximately, \$4,700 as of June 30, 2014.

Grant Funding

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

Credit Risk - Cash and Cash Equivalents

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

Springwell, Inc.
Notes to Financial Statements
June 30, 2014

15. *Subsequent Events*

Springwell, Inc. has evaluated subsequent events through October 23, 2014, which is the date the financial statements were available to be issued. There are no recognized subsequent events that provide additional evidence about conditions that existed at the statement of financial position date, or non-recognized subsequent events, or events that provide evidence about conditions that did not exist at the statement of financial position date, which are necessary to disclose to keep the financial statements from being misleading.

Supplemental Schedule

Springwell, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

<i>Federal Grantor</i>	<i>CFDA</i>	<i>Federal</i>
<i>Pass-through Grantor/Program Title/Pass-Through Identifying Number</i>	<i><u>Number</u></i>	<i><u>Expenditures</u></i>
<i>U.S. Department of Health and Human Services</i>		
<i>Commonwealth of Massachusetts Executive Office of Elder Affairs</i>		
<i>Special Programs for the Aging:</i>		
Title III, Part B – Grants for Supportive Services		
CT-ELD-FFY09SPRWLLTITL3NSIP	93.044	\$ 320,652
Title III, Part C – Nutrition Services		
CT-ELD-FFY09SPRWLLTITL3NSIP	93.045	503,357
Nutrition Services Incentive Program		
CT-ELD-FFY09SPRWLLTITL3NSIP	93.053	103,079
Ombudsman Program		
CT-ELD-FFY09SPRWLLTITL3NSIP	93.042	95,791
Title III, Part D – Frail Elders		
CT-ELD-FFY09SPRWLLTITL3NSIP	93.043	14,532
National Family Caregiver Support Program		
CT-ELD-FFY09SPRWLLTITL3NSIP	93.052	128,211
<i>Money Follows the Person Demonstration Grant</i>		
CT ELD MFPSRINGWELL201300	93.791	<u>83,940</u>
Total Department of Health and Human Services		<u>1,249,562</u>
<i>U.S. Department of Agriculture</i>		
<i>Commonwealth of Massachusetts Executive Office of Energy and</i>		
<i>Enviromental Affairs</i>		
<i>Senior Farmers Market Nutrition Program</i>		
CTELDHOMEBOUNDNUTRITSPRWL	10.576	<u>2,218</u>
Total Federal Expenditures		<u>\$ 1,251,780</u>

See accompanying notes to schedule.

Springwell, Inc.
Notes to Schedule of Expenditures of Federal Awards
June 30, 2014

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the Federal grant activity of Springwell, Inc. under programs of the federal government for the year ended June 30, 2014. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. Because the Schedule presents only a selected portion of the operations of Springwell, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of the Springwell, Inc.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

3. Subrecipients

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

Title IIIB - Support Services	93.044	<u>\$ 141,911</u>
Ombudsman Program	93.042	<u>\$ 95,791</u>
Title IIID – Frail Elders	93.043	<u>\$ 14,532</u>



Daniel Dennis & Company LLP

Certified Public Accountants

*INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Springwell, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Springwell, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 23, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Springwell, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Springwell, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Springwell, Inc.'s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Daniel Dennis & Company LLP

October 23, 2014



Daniel Dennis & Company LLP

Certified Public Accountants

*INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR
A-133*

To the Board of Directors
Springwell, Inc.

Report on Compliance for Each Major Federal Program

We have audited Springwell, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on Springwell, Inc.'s major federal program for the year ended June 30, 2014. Springwell, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Springwell, Inc.'s major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Springwell, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Springwell, Inc.'s compliance.

Opinion on Major Federal Program

In our opinion, Springwell, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of Springwell, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Springwell, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Springwell, Inc.'s internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Daniel Dennis & Company LLP

October 23, 2014

Springwell, Inc.
Schedule of Findings and Questioned Costs
June 30, 2014

I - SUMMARY OF AUDITORS' RESULTS:

Financial Statements

Type of auditor's report issued - Unmodified

Internal control over financial reporting:

- Material weaknesses identified? _____ yes X no

- Significant deficiencies identified that are not considered to be material weaknesses? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? _____ yes X no

- Significant deficiencies identified that are not considered to be material weaknesses? _____ yes X none reported

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

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

Identification of major programs: (Elder Cluster)

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

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

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

Springwell, Inc.
Schedule of Findings and Questioned Costs
June 30, 2014

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

A. *Significant Deficiencies in Internal Control over Financial Reporting*

None

B. *Findings of Fraud and Illegal Acts*

None

C. *Material Violations of Contracts and Grants*

None

D. *Material Abuse*

None

Springwell, Inc.
Schedule of Findings and Questioned Costs - *continued*
June 30, 2014

III. FINDINGS AND QUESTIONED COSTS FOR MAJOR FEDERAL AWARDS

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

IV. STATUS OF PRIOR AUDIT FINDINGS

No findings were noted for the year ended June 30, 2013.