

**Magic Valley Rehabilitation Services, Inc.**  
**Twin Falls, Idaho**  
**Annual Financial Report**  
**June 30, 2014 and 2013**

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Mahlke Hunsaker & Company PLLC  
C e r t i f i e d P u b l i c A c c o u n t a n t s

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Magic Valley Rehabilitation Services, Inc.  
Twin Falls, ID 83301

We have audited the accompanying financial statements of Magic Valley Rehabilitation Services, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Magic Valley Rehabilitation Services, Inc. as of June 30, 2014 and 2013, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Sincerely,

*Mahlke Hunsaker & Co.*

Mahlke Hunsaker & Company, pllc

August 22, 2014

**Magic Valley Rehabilitation Services, Inc.**  
**Statements of Financial Position**  
**June 30, 2014 and 2013**

<b>Assets</b>	<u>6/30/14</u>	<u>6/30/13</u>
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 315,545	\$ 282,282
Accounts Receivable	64,963	56,617
Investments	17,236	17,191
Prepaid Expenses	4,593	9,704
<b>Total Current Assets</b>	<u>402,337</u>	<u>365,794</u>
<b>Long-Term Assets</b>		
Fixed Assets (Net of Accumulated Depreciation)	<u>223,938</u>	<u>212,673</u>
<b>Total Long-Term Assets</b>	<u>223,938</u>	<u>212,673</u>
<b>Total Assets</b>	<u>\$ 626,275</u>	<u>\$ 578,467</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 12,570	\$ 9,275
Accrued Expenses	37,381	42,528
Deferred Revenue	<u>3,700</u>	<u>5,466</u>
<b>Total Current Liabilities</b>	53,651	57,269
<b>Total Liabilities</b>	53,651	57,269
<b>Net Assets</b>		
Unrestricted	572,624	521,198
Temporarily Restricted	<u>-</u>	<u>-</u>
<b>Total Net Assets</b>	<u>572,624</u>	<u>521,198</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 626,275</u>	<u>\$ 578,467</u>

See accompanying notes and accountants' report.

**Magic Valley Rehabilitation Services, Inc.**  
**Statements of Activities**  
**For the Years Ended**  
**June 30, 2014 and 2013**

	<b>6/30/14</b>	<b>6/30/13</b>
<b>Unrestricted Net Assets</b>		
<b>Unrestricted revenues and gains</b>		
Sales and Services	\$ 887,498	\$ 862,020
Grants	4,316	1,347
Gifts and Donations	34,476	24,543
Interest Income	299	402
Other Revenue	11,837	838
Net Assets Released from Restrictions	-	-
<b>Total Unrestricted Revenues and Gains</b>	<b>938,426</b>	<b>889,150</b>
Expenses	887,000	897,954
<b>Total Expenses and Gains/Losses</b>	<b>887,000</b>	<b>897,954</b>
<b>Increase (Decrease) in Unrestricted Net Assets</b>	51,426	(8,804)
<b>Net Assets, Beginning of Period</b>	<b>521,198</b>	<b>530,002</b>
<b>Net Assets, End of Period</b>	<b>\$ 572,624</b>	<b>\$ 521,198</b>

See accompanying notes and accountants' report.

**Magic Valley Rehabilitation Services, Inc.**  
**Statements of Functional Expenses**  
**For the Year Ended**  
**June 30, 2014**

	General Operations	Idaho Division of Vocational Rehabilitation	U.S. Dept of Health and Human Services	Fund Raising	2014 Total
Staff Salaries	\$ 57,114	\$ 205,264	\$ 217,735	\$ 4,836	\$ 484,949
Employee Salaries	37,662	787	-	-	38,449
Training Stipend	65,891	-	-	-	65,891
Staff Fringe Benefit	11,157	33,843	28,827	922	74,749
Employee Fringe	2,919	65	-	-	2,984
Advertising	490	487	562	-	1,539
Consultant Fees	125	2,240	1,906	-	4,271
Contract Override	1,497	-	-	-	1,497
Personal Service	7,582	6,042	4,798	51	18,473
Professional Services	172	3,095	2,633	-	5,900
Office Supplies	662	1,296	1,067	-	3,025
Materials	19,129	825	1,123	6	21,083
Utilities	3,445	4,819	3,948	328	12,540
Telephone	1,995	4,283	3,112	14	9,404
Insurance	9,964	10,378	10,600	197	31,139
Rental Equipment	752	1,473	1,206	-	3,431
Travel	5,980	21,550	12,703	89	40,322
Staff Training	199	290	392	8	889
Depreciation	13,920	8,800	7,202	-	29,922
Postage	434	850	696	-	1,980
Janitorial	3,193	9,393	10,332	-	22,918
Miscellaneous	4,190	3,921	3,530	4	11,645
<b>Totals</b>	<b>\$ 248,472</b>	<b>\$ 319,701</b>	<b>\$ 312,372</b>	<b>\$ 6,455</b>	<b>\$ 887,000</b>

See accompanying notes and accountants' report.

**Magic Valley Rehabilitation Services, Inc.**  
**Statements of Functional Expenses**  
**For the Year Ended**  
**June 30, 2013**

	<b>General Operations</b>	<b>Idaho Division of Vocational Rehabilitation</b>	<b>U.S. Dept of Health and Human Services</b>	<b>Fund Raising</b>	<b>2013 Total</b>
Staff Salaries	\$ 59,136	\$ 210,138	\$ 227,157	\$ 4,484	\$ 500,915
Employee Salaries	37,358	831	-	-	38,189
Training Stipend	55,247	-	-	-	55,247
Staff Fringe Benefit	14,575	40,620	35,394	965	91,554
Employee Fringe	3,061	75	-	-	3,136
Advertising	404	240	273	234	1,151
Consultant Fees	132	1,980	3,264	-	5,376
Contract Override	1,013	-	-	-	1,013
Personal Service	4,020	3,452	4,088	1,399	12,959
Professional Services	178	2,670	2,952	-	5,800
Office Supplies	759	1,034	1,190	-	2,983
Materials	15,279	667	1,146	264	17,356
Utilities	3,226	3,767	4,153	331	11,477
Telephone	2,341	3,194	3,681	14	9,230
Insurance	10,055	8,372	9,752	200	28,379
Rental Equipment	740	886	1,153	-	2,779
Travel	5,583	21,314	15,484	66	42,447
Staff Training	173	787	720	12	1,692
Depreciation	14,909	7,060	10,295	-	32,264
Postage	525	628	818	-	1,971
Janitorial	3,135	9,459	10,206	-	22,800
Miscellaneous	3,380	2,617	3,015	224	9,236
<b>Totals</b>	<b>\$ 235,229</b>	<b>\$ 319,791</b>	<b>\$ 334,741</b>	<b>\$ 8,193</b>	<b>\$ 897,954</b>

See accompanying notes and accountants' report.



**Magic Valley Rehabilitation Services, Inc.**  
**Statements of Cash Flows**  
**For the Years Ended**  
**June 30, 2014 and 2013**

<b>Cash Flows from Operating Activities</b>	<u>6/30/14</u>	<u>6/30/13</u>
Change in Net Assets	\$ 51,426	\$ (8,804)
Adjustments to Reconcile Change in Net Assets to Net		
Cash Provided by Operating Activities:		
Depreciation	29,922	32,264
(Increase) Decrease in Accounts Receivable	(8,349)	5,531
(Increase) Decrease in Prepaid Expenses & Investments	5,066	(1,259)
Increase (Decrease) in Accounts Payable	3,298	(2,341)
Increase (Decrease) in Deferred Revenue	(1,766)	966
Increase (Decrease) in Accrued Expenses	<u>(5,147)</u>	<u>(12,531)</u>
<b>Net Cash Provided by Operating Activities</b>	<b>74,450</b>	<b>13,826</b>
 <b>Cash Flows from Investing Activities</b>		
Purchases of Fixed Assets	<u>(41,187)</u>	<u>(2,527)</u>
<b>Net Cash Used by Investing Activities</b>	<b>(41,187)</b>	<b>(2,527)</b>
 <b>Net Increase in Cash and Cash Equivalents</b>	<b>33,263</b>	<b>11,299</b>
 <b>Cash, Beginning of Period</b>	<u>282,282</u>	<u>270,983</u>
 <b>Cash, End of Period</b>	<u><u>\$ 315,545</u></u>	<u><u>\$ 282,282</u></u>

See accompanying notes and accountants' report.

**Magic Valley Rehabilitation Services, Inc.**  
**Twin Falls, Idaho**  
**Notes to Financial Statements**  
**June 30, 2014 and 2013**

**NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of Magic Valley Rehabilitation Services, Inc. (MVRS) is presented to assist the reader in understanding the Corporation's financial statements. The financial statements and notes are representations of the Corporation's management, who is responsible for their integrity and objectivity.

***Business Activity and History***

Magic Valley Rehabilitation Services, Inc. was incorporated in March 1973 as a nonprofit corporation primarily to provide rehabilitation services to persons with disabilities. All functions and activities that MVRS has oversight responsibility for are included in the financial statements.

***Basis of Accounting***

The financial statements of MVRS have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

***Basis of Presentation***

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

***Expense Allocation***

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

***Income Tax Status***

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending June 30, 2014, 2013 and 2012 are subject to examination by the IRS, generally for three years after they were filed.

***Cash and Cash Equivalents***

For the purposes of the Statements of Cash Flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

***Property and Equipment***

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method.

**Magic Valley Rehabilitation Services, Inc.**  
**Twin Falls, Idaho**  
**Notes to Financial Statements**  
**June 30, 2014 and 2013**

**NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- CONTINUED**

*Deferred Revenue*

Income from grants is deferred and recognized over the periods to which the dues and fees relate.

*Restricted and Unrestricted Revenue and Support*

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

*Unrestricted net assets*

Unrestricted net assets consist of both designated and undesignated assets. Designated assets are assets subject to Organization imposed stipulations that may or may not be met, either by actions of the Organization or the passage of time. Undesignated net assets are net assets that are not subject to any stipulations. The Board of Directors reserves the right to use the funds from the designated funds for other legitimate Organization purposes.

*Temporarily restricted net assets*

Temporarily restricted net assets consist of assets whose use by the Organization is subject to donor-imposed restrictions that either expire by the passage of time or can be fulfilled and removed by actions of the Organization. There are no temporarily restricted net assets in the Organization as of June 30, 2014 and 2013.

*Permanently restricted net assets*

Permanently restricted net assets consist of assets subject to donor imposed stipulations that are to be maintained permanently by the Organization. There are no permanently restricted assets as of June 30, 2014 and 2013.

*Accounts Receivable*

Substantially all receivables are for current periods and the major portion was collected in July and August 2014. Accordingly, no reserve for bad debt is provided.

*Liabilities--Operating Funds*

Vested vacation pay earned by employees at June 30, 2014 and 2013, but not yet taken totaled \$33,666 and \$40,460 and is included in accrued salaries and benefits under liabilities on the statements of financial position. Other liabilities (other than interfund loans) included in the operating funds represent amounts due at June 30, 2014 and 2013, for current transactions. Such amounts were paid in July and August 2014 and 2013.

*Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**Magic Valley Rehabilitation Services, Inc.**  
**Twin Falls, Idaho**  
**Notes to Financial Statements**  
**June 30, 2014 and 2013**

**NOTE 2 – RETIREMENT PLAN**

MVRS adopted a 401(K) retirement plan effective July 1, 2000. The plan covers all employees who work at least 1000 hours with one or more years of service. The Company’s contribution is based on 2% of each eligible employee’s salary. The plan has a five-year vesting schedule. The Company’s contribution for the years ended June 30, 2014 and 2013 were \$7,637 and \$9,102, respectively.

**NOTE 3 – CERTIFICATES OF DEPOSIT**

A certificate of deposit totaling \$12,736 is included in investments in the accompanying financial statements for the year ended June 30, 2014. The interest rate on the CD is .35% and the maturity date is July 9, 2014.

**NOTE 4 – MONEY MARKET ACCOUNT**

A money market account totaling \$212,101 is included in cash in the accompanying financial statements for the year ended June 30, 2014. The interest rate is .20%.

**NOTE 5 - LAND, BUILDINGS, AND EQUIPMENT**

Land, buildings, equipment, and related depreciation are summarized as follows:

	<b>Balance</b>			<b>Balance</b>
	<b>7/1/2013</b>	<b>Increases</b>	<b>Decreases</b>	<b>6/30/2014</b>
Land	\$ 14,498	\$ -	\$ -	\$ 14,498
Building & Improvements	558,686	2,988	-	561,674
Equipment	72,222	17,463	-	89,685
Office Furniture & Equipment	8,376	-	-	8,376
Telephone System	12,140	-	-	12,140
Vehicles	83,150	20,737	-	103,887
<b>Total</b>	<b>749,072</b>	<b>41,188</b>	<b>-</b>	<b>790,260</b>
Less: Accumulated Depreciation	<u>(536,399)</u>	<u>(29,923)</u>	<u>-</u>	<u>(566,322)</u>
<b>Net Fixed Assets</b>	<b>\$ 212,673</b>	<b>\$ 11,265</b>	<b>\$ -</b>	<b>\$ 223,938</b>

**NOTE 6 – CUSTODIAL CREDIT RISK**

For deposits and investments, custodial credit risk is the risk that, in the event of the failure of the counterpart, the Organization will not be able to recover the value of its deposits or investments that are in the possession of an outside party. The Organization does not have a policy for custodial credit risk outside of the deposit and investment agreements.

**Magic Valley Rehabilitation Services, Inc.**  
**Twin Falls, Idaho**  
**Notes to Financial Statements**  
**June 30, 2014 and 2013**

**NOTE 7 – CONCENTRATIONS OF CREDIT RISK**

Financial instruments that subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents and accounts receivable. The Organization does not require collateral to support financial instruments. The Organization maintains its cash balances in three financial institutions located in Twin Falls, Idaho. As of June 30, 2014 and 2013, these deposits did not exceed the \$250,000 insurance provided by the Federal Deposit Insurance Corporation (FDIC) coverage.

**NOTE 8 – FAIR VALUE OF FINANCIAL INSTRUMENTS**

The following disclosure of the estimated fair value of financial instruments is made in accordance with the requirements of ASC 825, Financial Instruments. The estimated fair value amounts have been determined by the Organization using available market information and appropriate valuation methodologies. However, considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Organization could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

*Cash, receivables, accounts payable and accrued liabilities*

The carrying amounts reported in the statement of financial position for cash, receivables, accounts payable and accrued liabilities are a reasonable estimate of their fair value.

**NOTE 9 – COMMITMENTS & CONTINGENCIES**

MVRS leases a copier through US Bank that expires in the year 2018. The agreement requires monthly payments of \$265. Required minimum operating lease payments for the year ending June 30 are as follows:

2015	\$ 3,177
2016	3,177
2017	3,177
2018	<u>1,324</u>
Total	<u>\$ 10,855</u>

**NOTE 10 - SUBSEQUENT EVENTS**

MVRS has evaluated subsequent events through August 22, 2014, the date which the financial statements were available to be issued.