

Magic Valley Rehabilitation Services, Inc.
Twin Falls, Idaho
Annual Financial Report
June 30, 2017 and 2016

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Mahlke Hunsaker & Company PLLC

Certified Public Accountants

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, 2017 and 2016, 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, 2017 and 2016, 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 23, 2017

Magic Valley Rehabilitation Services, Inc.
Statements of Financial Position
June 30, 2017 and 2016

Assets	6/30/17	6/30/16
Current Assets		
Cash and Cash Equivalents	\$ 42,923	\$ 63,610
Accounts Receivable	89,608	65,811
Investments	195,109	203,583
Prepaid Expenses	5,291	5,334
Total Current Assets	332,931	338,338
Long-Term Assets		
Fixed Assets (Net of Accumulated Depreciation)	162,730	187,861
Total Long-Term Assets	162,730	187,861
Total Assets	\$ 495,661	\$ 526,199
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	\$ 8,478	\$ 9,258
Accrued Expenses	41,346	40,321
Deferred Revenue	12,951	4,393
Total Current Liabilities	62,775	53,972
Total Liabilities	62,775	53,972
Net Assets		
Unrestricted	432,886	472,227
Temporarily Restricted	-	-
Total Net Assets	432,886	472,227
Total Liabilities and Net Assets	\$ 495,661	\$ 526,199

See accompanying notes and accountants' report.

Magic Valley Rehabilitation Services, Inc.
Statements of Activities
For the Years Ended
June 30, 2017 and 2016

	6/30/17	6/30/16
Unrestricted Net Assets		
Unrestricted revenues and gains		
Sales and Services	\$ 794,115	\$ 787,819
Gifts and Donations	25,697	28,713
Interest Income	2,023	1,931
Other Revenue	965	161
Market Value Gain on Investment	3,788	-
Total Unrestricted Revenues and Gains	826,588	818,624
Expenses and Gains/Losses		
Market Value Loss on Investment	-	3,359
Expenses	865,929	879,182
Total Expenses and Gains/Losses	865,929	882,541
Increase (Decrease) in Unrestricted Net Assets	(39,341)	(63,917)
Net Assets, Beginning of Period	472,227	536,144
Net Assets, End of Period	\$ 432,886	\$ 472,227

See accompanying notes and accountants' report.

Magic Valley Rehabilitation Services, Inc.
Statements of Functional Expenses
For the Year Ended
June 30, 2017

	General Operations	Idaho Division of Vocational Rehabilitation	U.S. Dept of Health and Human Services	Fund Raising	2017 Total
Staff Salaries	\$ 61,450	\$ 208,592	\$ 186,952	\$ 12,407	\$ 469,401
Employee Salaries	26,609	-	-	-	26,609
Training Stipend	54,286	-	-	-	54,286
Staff Fringe Benefit	13,021	48,691	30,347	3,176	95,235
Employee Fringe	2,270	-	-	-	2,270
Advertising	210	308	230	-	748
Consultant Fees	954	3,627	2,604	112	7,297
Contract Override	1,622	-	40	-	1,662
Personal Service	6,492	9,619	5,918	85	22,114
Professional Services	1,407	2,821	1,972	-	6,200
Office Supplies	598	2,271	1,332	8	4,209
Materials	6,089	4,775	1,417	39	12,320
Utilities	3,524	4,655	3,270	270	11,719
Telephone	2,032	3,930	2,751	126	8,839
Insurance	11,568	12,903	11,837	460	36,768
Rental Equipment	915	1,834	1,304	-	4,053
Travel	3,294	25,040	9,310	194	37,838
Staff Training	156	389	226	11	782
Depreciation	12,384	7,669	8,351	-	28,404
Postage and Printing	513	1,172	868	70	2,623
Janitorial	3,215	11,514	8,071	-	22,800
Miscellaneous	4,735	2,914	2,093	10	9,752
Totals	\$ 217,344	\$ 352,724	\$ 278,893	\$ 16,968	\$ 865,929

See accompanying notes and accountants' report.

Magic Valley Rehabilitation Services, Inc.
Statements of Functional Expenses
For the Year Ended
June 30, 2016

	General Operations	Idaho Division of Vocational Rehabilitation	U.S. Dept of Health and Human Services	Fund Raising	2016 Total
Staff Salaries	\$ 49,833	\$ 219,750	\$ 201,730	\$ 7,909	\$ 479,222
Employee Salaries	25,001	58	-	-	25,059
Training Stipend	67,565	-	-	-	67,565
Staff Fringe Benefit	9,399	42,859	31,286	1,650	85,194
Employee Fringe	2,097	13	-	-	2,110
Advertising	490	862	747	58	2,157
Consultant Fees	1,529	5,239	4,798	123	11,689
Contract Override	1,248	-	-	-	1,248
Personal Service	8,804	8,060	7,039	1,796	25,699
Professional Services	1,272	2,573	2,255	-	6,100
Office Supplies	971	1,963	1,721	-	4,655
Materials	7,850	3,806	2,036	44	13,736
Utilities	3,227	4,752	3,946	321	12,246
Telephone	1,773	3,516	2,444	142	7,875
Insurance	10,343	12,319	11,823	333	34,818
Rental Equipment	554	1,120	982	-	2,656
Travel	3,150	25,012	9,651	178	37,991
Staff Training	96	639	321	10	1,066
Depreciation	13,047	8,280	7,254	-	28,581
Postage	448	906	794	-	2,148
Janitorial	3,130	9,341	10,328	-	22,799
Miscellaneous	1,601	1,470	1,252	245	4,568
Totals	\$ 213,428	\$ 352,538	\$ 300,407	\$ 12,809	\$ 879,182

See accompanying notes and accountants' report.

Magic Valley Rehabilitation Services, Inc.
Statements of Cash Flows
For the Years Ended
June 30, 2017 and 2016

Cash Flows from Operating Activities	6/30/17	6/30/16
Change in Net Assets	\$ (39,341)	\$ (63,917)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	28,404	28,581
(Increase) Decrease in Accounts Receivable	(23,797)	23,754
(Increase) Decrease in Prepaid Expenses	43	3,722
Increase (Decrease) in Accounts Payable	(781)	(29,808)
Increase (Decrease) in Deferred Revenue	8,560	(358)
Increase (Decrease) in Accrued Expenses	1,025	(28,505)
	(25,887)	(66,531)
Net Cash Provided (Used) by Operating Activities	(25,887)	(66,531)
 Cash Flows from Investing Activities		
Net Change in Investments	8,474	1,440
Purchases of Fixed Assets	(3,274)	(17,682)
	5,200	(16,242)
Net Cash Provided (Used) by Investing Activities	5,200	(16,242)
 Net Decrease in Cash and Cash Equivalents	(20,687)	(82,773)
 Cash, Beginning of Period	63,610	146,383
 Cash, End of Period	\$ 42,923	\$ 63,610

See accompanying notes and accountants' report.

Magic Valley Rehabilitation Services, Inc.
Twin Falls, Idaho
Notes to Financial Statements
June 30, 2017 and 2016

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).

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, 2017 and 2016

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, 2017 and 2016.

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 net assets as of June 30, 2017 and 2016.

Accounts Receivable

Substantially all receivables are for current periods and the major portion was collected in July and August 2017. Accordingly, no reserve for bad debt is provided.

Liabilities--Operating Funds

Vested vacation pay earned by employees at June 30, 2017 and 2016, but not yet taken totaled \$36,172 and \$34,149 and is included in accrued expenses 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, 2017 and 2016, for current transactions. Such amounts were paid in July and August 2017 and 2016.

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
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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 contributions for the years ended June 30, 2017 and 2016 were \$7,673 and \$7,537, respectively.

NOTE 3 – CERTIFICATES OF DEPOSIT

A certificate of deposit with Idaho Central Credit Union totaling \$129,745 is included in investments in the accompanying financial statements for the year ended June 30, 2017. The CD has a maturity date of February 6, 2018 and the interest rate is 1.492%.

NOTE 4 – INVESTMENTS

MVRS has \$60,864 invested in equities, fixed income and other investments as of June 30, 2017 as well as two cemetery plots valued at \$4,500.

NOTE 5 - LAND, BUILDINGS, AND EQUIPMENT

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

	Balance 7/1/2016	Increases	Decreases	Balance 6/30/2017
Land	\$ 14,498	\$ -	\$ -	\$ 14,498
Building & Improvements	577,971	-	-	577,971
Equipment	95,836	-	-	95,836
Office Furniture & Equipment	8,376	-	-	8,376
Telephone System	12,140	-	-	12,140
Vehicles	103,887	3,273	-	107,160
Total	<u>812,708</u>	<u>3,273</u>	<u>-</u>	<u>815,981</u>
Less: Accumulated Depreciation	<u>(624,847)</u>	<u>(28,404)</u>	<u>-</u>	<u>(653,251)</u>
Net Fixed Assets	<u>\$ 187,861</u>	<u>\$ (25,131)</u>	<u>\$ -</u>	<u>\$ 162,730</u>

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, 2017 and 2016

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, 2017 and 2016, 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:

2018	<u>\$ 771</u>
Total	<u>\$ 771</u>

NOTE 10 - SUBSEQUENT EVENTS

MVRS has evaluated subsequent events through August 23, 2017, the date which the financial statements were available to be issued.