

Magic Valley Rehabilitation Services, Inc.
Twin Falls, Idaho
Annual Financial Report
June 30, 2018 and 2017

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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

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, 2018 and 2017, 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, 2018 and 2017, 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

September 6, 2018

Magic Valley Rehabilitation Services, Inc.
Statements of Financial Position
June 30, 2018 and 2017

Assets	<u>6/30/18</u>	<u>6/30/17</u>
Current Assets		
Cash and Cash Equivalents	\$ 16,292	\$ 42,923
Accounts Receivable	133,903	89,608
Investments	163,056	195,109
Prepaid Expenses	6,400	5,291
Total Current Assets	<u>319,651</u>	<u>332,931</u>
Long-Term Assets		
Fixed Assets (Net of Accumulated Depreciation)	140,475	162,730
Total Long-Term Assets	<u>140,475</u>	<u>162,730</u>
Total Assets	<u>\$ 460,126</u>	<u>\$ 495,661</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	\$ 31,641	\$ 8,478
Accrued Expenses	31,644	41,346
Deferred Revenue	23,195	12,951
Total Current Liabilities	<u>86,480</u>	<u>62,775</u>
Total Liabilities	86,480	62,775
Net Assets		
Unrestricted	373,646	432,886
Temporarily Restricted	-	-
Total Net Assets	<u>373,646</u>	<u>432,886</u>
Total Liabilities and Net Assets	<u>\$ 460,126</u>	<u>\$ 495,661</u>

See accompanying notes and accountants' report.

Magic Valley Rehabilitation Services, Inc.
Statements of Activities
For the Years Ended
June 30, 2018 and 2017

	<u>6/30/18</u>	<u>6/30/17</u>
Unrestricted Net Assets		
Unrestricted revenues and gains		
Sales and Services	\$ 795,209	\$ 794,115
Gifts and Donations	23,860	25,697
Interest Income	1,645	2,023
Other Revenue	13,342	965
Market Value Gain on Investment		3,788
Total Unrestricted Revenues and Gains	<u>834,056</u>	<u>826,588</u>
Expenses and Gains/Losses		
Market Value Loss on Investment	-	-
Expenses	893,296	865,929
Total Expenses and Gains/Losses	<u>893,296</u>	<u>865,929</u>
Increase (Decrease) in Unrestricted Net Assets	(59,240)	(39,341)
Net Assets, Beginning of Period	<u>432,886</u>	<u>472,227</u>
Net Assets, End of Period	<u>\$ 373,646</u>	<u>\$ 432,886</u>

See accompanying notes and accountants' report.

Magic Valley Rehabilitation Services, Inc.
Statements of Functional Expenses
For the Year Ended
June 30, 2018

	General Operations	Idaho Division of Vocational Rehabilitation	U.S. Dept of Health and Human Services	Fund Raising	2018 Total
Staff Salaries	\$ 72,721	\$ 250,207	\$ 146,765	\$ 12,139	\$ 481,832
Employee Salaries	27,153	-	-	-	27,153
Training Stipend	55,416	-	-	-	55,416
Staff Fringe Benefit	15,754	52,463	26,359	4,520	99,096
Employee Fringe	2,025	-	-	-	2,025
Advertising	159	330	199	68	756
Consultant Fees	1,355	3,414	2,337	88	7,194
Contract Override	1,210	-	108	-	1,318
Personal Service	9,047	11,214	7,336	1,317	28,914
Professional Services	1,438	2,976	1,786	-	6,200
Office Supplies	949	1,974	1,184	5	4,112
Materials	6,857	4,603	3,006	390	14,856
Utilities	3,546	4,954	2,984	258	11,742
Telephone	2,031	2,976	1,956	146	7,109
Insurance	12,292	13,997	10,488	471	37,248
Rental Equipment	911	1,881	1,142	-	3,934
Travel	3,694	31,436	9,403	178	44,711
Staff Training	75	223	191	-	489
Depreciation	10,634	6,711	6,286	-	23,631
Postage and Printing	721	1,776	1,070	138	3,705
Janitorial	3,215	11,514	8,071	-	22,800
Miscellaneous	2,425	3,989	2,545	96	9,055
Totals	\$ 233,628	\$ 406,638	\$ 233,216	\$ 19,814	\$ 893,296

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	1,525	-	40	-	1,565
Personal Service	6,589	9,619	5,918	85	22,211
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	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 Cash Flows
For the Years Ended
June 30, 2018 and 2017

Cash Flows from Operating Activities	<u>6/30/18</u>	<u>6/30/17</u>
Change in Net Assets	\$ (59,240)	\$ (39,341)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	23,631	28,404
(Increase) Decrease in Accounts Receivable	(44,297)	(23,797)
(Increase) Decrease in Prepaid Expenses	(1,109)	43
Increase (Decrease) in Accounts Payable	23,164	(781)
Increase (Decrease) in Deferred Revenue	10,244	8,560
Increase (Decrease) in Accrued Expenses	<u>(9,702)</u>	<u>1,025</u>
Net Cash Provided (Used) by Operating Activities	(57,309)	(25,887)
 Cash Flows from Investing Activities		
Net Change in Investments	32,053	8,474
Purchases of Fixed Assets	<u>(1,375)</u>	<u>(3,274)</u>
Net Cash Provided (Used) by Investing Activities	30,678	5,200
 Net Decrease in Cash and Cash Equivalents	(26,631)	(20,687)
 Cash, Beginning of Period	<u>42,923</u>	<u>63,610</u>
 Cash, End of Period	<u><u>\$ 16,292</u></u>	<u><u>\$ 42,923</u></u>

See accompanying notes and accountants' report.

Magic Valley Rehabilitation Services, Inc.
Twin Falls, Idaho
Notes to Financial Statements
June 30, 2018 and 2017

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, 2018 and 2017

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, 2018 and 2017.

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, 2018 and 2017.

Accounts Receivable

Substantially all receivables are for current periods and the major portion was collected in July and August 2018. Accordingly, no reserve for bad debt is provided.

Liabilities--Operating Funds

Vested vacation pay earned by employees at June 30, 2018 and 2017, but not yet taken totaled \$24,661 and \$36,172 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, 2018 and 2017, for current transactions. Such amounts were paid in July and August 2018 and 2017.

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, 2018 and 2017

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, 2018 and 2017 were \$6,726 and \$7,673, respectively.

NOTE 3 – CERTIFICATES OF DEPOSIT

Two certificates of deposit with Idaho Central Credit Union totaling \$91,137 is included in investments in the accompanying financial statements for the year ended June 30, 2018. The CDs have maturity dates of February 16, 2019 and February 17, 2020, and the interest rates are 1.492% and 1.739% respectively.

NOTE 4 – INVESTMENTS

MVRS has \$67,394 invested in equities, fixed income and other investments as of June 30, 2018 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 7/1/2017	Increases	Decreases	Balance 6/30/2018
Land	\$ 14,498	\$ -	\$ -	\$ 14,498
Building & Improvements	577,971	-	-	577,971
Equipment	95,836	1,374	-	97,210
Office Furniture & Equipment	8,376	-	-	8,376
Telephone System	12,140	-	-	12,140
Vehicles	107,160	-	-	107,160
Total	<u>815,981</u>	<u>1,374</u>	<u>-</u>	<u>817,355</u>
Less: Accumulated Depreciation	<u>(653,251)</u>	<u>(23,630)</u>	<u>-</u>	<u>(676,881)</u>
Net Fixed Assets	<u>\$ 162,730</u>	<u>\$ (22,256)</u>	<u>\$ -</u>	<u>\$ 140,474</u>

Magic Valley Rehabilitation Services, Inc.
Twin Falls, Idaho
Notes to Financial Statements
June 30, 2018 and 2017

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.

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, 2018 and 2017, 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 \$295. Required minimum operating lease payments for the year ending June 30 are as follows:

2019	\$ 3,540
2020	<u>2,950</u>
Total	<u>\$ 6,490</u>

NOTE 10 - SUBSEQUENT EVENTS

MVRS has evaluated subsequent events through September 6, 2018, the date which the financial statements were available to be issued.