

Magic Valley Rehabilitation Services, Inc.
Twin Falls, Idaho
Annual Financial Report
June 30, 2012 and 2011

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of Magic Valley Rehabilitation Services, Inc. (a nonprofit organization) as of June 30, 2012 and 2011, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of Magic Valley Rehabilitation Services, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2012 and 2011, 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 & Company, pllc

August 10, 2012

Magic Valley Rehabilitation Services, Inc.
Statements of Financial Position
June 30, 2012 and 2011

Assets	<u>6/30/12</u>	<u>6/30/11</u>
Current Assets		
Cash and Cash Equivalents	270,983	\$ 319,849
Accounts Receivable	62,149	54,691
Investments	17,139	17,072
Prepaid Expenses	8,497	8,557
Total Current Assets	<u>358,768</u>	<u>400,169</u>
Long-Term Assets		
Fixed Assets (Net of Accumulated Depreciation)	242,409	264,701
Total Long-Term Assets	<u>242,409</u>	<u>264,701</u>
Total Assets	<u>\$ 601,177</u>	<u>\$ 664,870</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	\$ 11,616	\$ 2,271
Accrued Expenses	55,059	80,672
Deferred Revenue	4,500	5,992
Current Portion of Note Payable	-	5,337
Total Current Liabilities	<u>71,175</u>	<u>94,272</u>
Long-Term Liabilities		
Note Payable, Net of Current Portion	-	-
Total Long-Term Liabilities	<u>-</u>	<u>-</u>
Total Liabilities	71,175	94,272
Net Assets		
Unrestricted	530,002	570,598
Temporarily Restricted	-	-
Total Net Assets	<u>530,002</u>	<u>570,598</u>
Total Liabilities and Net Assets	<u>\$ 601,177</u>	<u>\$ 664,870</u>

See accompanying notes and accountants' report.

Magic Valley Rehabilitation Services, Inc.
Statements of Activities
For the Years Ended
June 30, 2012 and 2011

	<u>6/30/12</u>	<u>6/30/11</u>
Changes in Unrestricted Net Assets		
Sales and Services	\$ 879,314	\$ 885,581
Grants	5,200	97,736
Gifts and Donations	25,944	265,638
Interest Income	753	208
Other Revenue	4,140	3,157
Net Assets Released from Restrictions	-	-
Total Revenue and Transfers	<u>915,351</u>	<u>1,252,320</u>
(Gain)/Loss on Sale of Fixed Assets	-	(1,500)
Expenses	<u>955,947</u>	<u>953,860</u>
Total Expenses and Gains/Losses	<u>955,947</u>	<u>952,360</u>
Increase (Decrease) in Unrestricted Net Assets	(40,596)	299,960
Net Assets, Beginning of Period	<u>570,598</u>	<u>270,638</u>
Net Assets, End of Period	<u>\$ 530,002</u>	<u>\$ 570,598</u>

See accompanying notes and accountants' report.

Magic Valley Rehabilitation Services, Inc.
Statements of Functional Expenses
For the Year Ended
June 30, 2012

	General Operations	Idaho Division of Vocational Rehabilitation	U.S. Dept of Health and Human Services	Fund Raising	2012 Total
Staff Salaries	\$ 107,578	\$ 189,531	\$ 227,186	\$ 4,339	\$ 528,634
Employee Salaries	37,933	961	-	-	38,894
Training Stipend	62,220	-	-	-	62,220
Staff Fringe Benefit	21,742	37,700	35,507	859	95,808
Employee Fringe	3,473	88	-	-	3,561
Advertising	452	415	325	234	1,426
Bad Debt Expense	-	-	-	-	-
Consultant Fees	116	1,783	1,702	-	3,601
Contract Override	1,021	-	-	-	1,021
Personal Service	11,968	3,807	3,846	962	20,583
Professional Services	183	2,823	2,694	-	5,700
Office Supplies	672	1,180	1,144	-	2,996
Materials	15,102	1,146	2,499	158	18,905
Interest Expense	66	-	-	-	66
Utilities	3,029	3,483	3,329	311	10,152
Telephone	1,953	3,496	3,382	13	8,844
Insurance	14,163	10,872	12,537	240	37,812
Rental Equipment	664	1,166	1,113	-	2,943
Travel	6,623	15,430	18,791	58	40,902
Staff Training	61	494	296	4	855
Depreciation	16,092	9,965	9,512	-	35,569
Postage	514	901	861	-	2,276
Printing	10	18	17	55	100
Janitorial	3,140	10,028	9,632	-	22,800
Miscellaneous	4,388	2,955	2,672	264	10,279
Totals	\$ 313,163	\$ 298,242	\$ 337,045	\$ 7,497	\$ 955,947

See accompanying notes and accountants' report.

Magic Valley Rehabilitation Services, Inc.
Statements of Functional Expenses
For the Year Ended
June 30, 2011

	General Operations	Idaho Division of Vocational Rehabilitation	U.S. Dept of Health and Human Services	Fund Raising	2011 Total
Staff Salaries	\$ 81,223	\$ 194,374	\$ 236,271	\$ 4,548	\$ 516,416
Employee Salaries	35,381	596	-	-	35,977
Training Stipend	86,851	-	-	-	86,851
Staff Fringe Benefit	21,676	37,049	37,874	774	97,373
Employee Fringe	3,141	51	-	-	3,192
Advertising	323	492	1,372	450	2,637
Bad Debt Expense	-	-	-	-	-
Consultant Fees	116	1,518	3,160	-	4,794
Contract Override	1,021	-	-	-	1,021
Personal Service	8,646	3,976	3,921	704	17,247
Professional Services	252	2,624	2,878	-	5,754
Office Supplies	741	1,130	1,227	-	3,098
Materials	7,020	686	1,123	11	8,840
Interest Expense	245	-	-	-	245
Utilities	3,428	3,099	3,395	316	10,238
Telephone	2,017	2,987	3,226	12	8,242
Insurance	13,226	10,587	13,580	235	37,628
Rental Equipment	681	1,098	1,204	-	2,983
Travel	7,806	14,846	17,765	74	40,491
Staff Training	133	540	778	4	1,455
Depreciation	13,219	8,074	11,863	-	33,156
Equipment	-	-	-	-	-
Postage	542	876	960	150	2,528
Printing	-	-	-	800	800
Janitorial	2,948	9,783	10,068	-	22,799
Miscellaneous	3,603	2,886	3,181	425	10,095
Totals	\$ 294,239	\$ 297,272	\$ 353,846	\$ 8,503	\$ 953,860

See accompanying notes and accountants' report.

Magic Valley Rehabilitation Services, Inc.
Statements of Cash Flows
For the Years Ended
June 30, 2012 and 2011

Cash Flows from Operating Activities	<u>6/30/12</u>	<u>6/30/11</u>
Change in Net Assets	\$ (40,596)	\$ 299,960
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
(Gain)/Loss on Sale of Fixed Assets	-	(1,500)
Depreciation	35,569	33,156
(Increase) Decrease in Accounts Receivable	(7,453)	27,766
(Increase) Decrease in Prepaid Expenses & Investments	(8)	715
Increase (Decrease) in Accounts Payable	9,342	805
Increase (Decrease) in Deferred Revenue	(1,492)	2,927
Increase (Decrease) in Accrued Expenses	<u>(25,613)</u>	<u>(15,055)</u>
Net Cash Provided (Used) by Operating Activities	(30,251)	348,774
 Cash Flows from Investing Activities		
Purchases of Fixed Assets	(13,278)	(61,436)
Dispositions of Fixed Assets	<u>-</u>	<u>1,500</u>
Net Cash Used by Investing Activities	(13,278)	(59,936)
 Cash Flows from Financing Activities		
Principal Payments on Note Payable	<u>(5,337)</u>	<u>(5,661)</u>
Net Cash Used by Financing Activities	(5,337)	(5,661)
 Net Increase (Decrease) in Cash and Cash Equivalents	(48,866)	283,177
 Cash, Beginning of Period	319,849	36,672
 Cash, End of Period	<u>\$ 270,983</u>	<u>\$ 319,849</u>
 Supplemental Disclosure: Interest Paid for 2012 and 2011	 66	 245

See accompanying notes and accountants' report.

Magic Valley Rehabilitation Services, Inc.
Twin Falls, Idaho
Notes to Financial Statements
June 30, 2012 and 2011

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 combined 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.

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.

Deferred Revenue

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

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.

Magic Valley Rehabilitation Services, Inc.
Twin Falls, Idaho
Notes to Financial Statements
June 30, 2012 and 2011

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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).

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.

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.

Accounts Receivable

Substantially all receivables are for current periods and the major portion was collected in July and August 2012. Accordingly, no reserve for bad debt is provided.

Liabilities--Operating Funds

Vested vacation pay earned by employees at June 30, 2012 and 2011, but not yet taken totaled \$45,153 and \$46,363 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, 2012 and 2011, for current transactions. Such amounts were paid in July and August 2012 and 2011.

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.

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. The plan has a five-year vesting schedule. The Company's contribution for the years ended June 30, 2012 and 2011 were \$9,102 and \$8,293, respectively.

Magic Valley Rehabilitation Services, Inc.
Twin Falls, Idaho
Notes to Financial Statements
June 30, 2012 and 2011

NOTE 3 – CERTIFICATES OF DEPOSIT

A certificate of deposit totaling \$12,639 is included in investments in the accompanying financial statements for the year ended June 30, 2012. The interest rate on the CD is .55% and the maturity date is July 9, 2012.

NOTE 4 – MONEY MARKET ACCOUNT

A money market account totaling \$211,496 is included in cash in the accompanying financial statements for the year ended June 30, 2012. The interest rate is .25%.

NOTE 5 - LAND, BUILDINGS, AND EQUIPMENT

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

	<u>7/1/2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>6/30/2012</u>
Land	\$ 14,498	\$ -	\$ -	\$ 14,498
Building & Improvements	551,892	4,818	-	556,710
Equipment	164,496	8,458	-	172,954
Office Furniture & Equipment	37,063	-	-	37,063
Telephone System	15,178	-	-	15,178
Vehicles	83,952	-	-	83,952
Total	<u>867,079</u>	<u>13,276</u>	<u>-</u>	<u>880,355</u>
Less: Accumulated Depreciation	<u>(602,377)</u>	<u>(35,569)</u>	<u>-</u>	<u>(637,946)</u>
Net Fixed Assets	<u>\$ 264,702</u>	<u>\$ (22,293)</u>	<u>\$ -</u>	<u>\$ 242,409</u>

NOTE 6 - SUBSEQUENT EVENTS

MVRS has evaluated subsequent events through August 10, 2012, the date which the financial statements were available to be issued.