

**Magic Valley Rehabilitation Services, Inc.**  
**Twin Falls, Idaho**  
**Annual Financial Report**  
**June 30, 2013 and 2012**

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Mahlke Hunsaker & Company PLLC

Certified Public Accountants

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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 of the statements of financial position as of June 30, 2013 and 2012, 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 of material misstatement.

An audit includes 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, 2013 and 2012, 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  
Twin Falls, Idaho

August 13, 2013

**Magic Valley Rehabilitation Services, Inc.**  
**Statements of Financial Position**  
**June 30, 2013 and 2012**

<b>Assets</b>	<u>6/30/13</u>	<u>6/30/12</u>
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 282,282	\$ 270,983
Accounts Receivable	56,617	62,149
Investments	17,191	17,139
Prepaid Expenses	9,704	8,497
<b>Total Current Assets</b>	<u>365,794</u>	<u>358,768</u>
<b>Long-Term Assets</b>		
Fixed Assets (Net of Accumulated Depreciation)	212,673	242,409
<b>Total Long-Term Assets</b>	<u>212,673</u>	<u>242,409</u>
<b>Total Assets</b>	<u>\$ 578,467</u>	<u>\$ 601,177</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 9,275	\$ 11,616
Accrued Expenses	42,528	55,059
Deferred Revenue	5,466	4,500
<b>Total Current Liabilities</b>	<u>57,269</u>	<u>71,175</u>
<b>Total Liabilities</b>	57,269	71,175
<b>Net Assets</b>		
Unrestricted	521,198	530,002
Temporarily Restricted	-	-
<b>Total Net Assets</b>	<u>521,198</u>	<u>530,002</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 578,467</u>	<u>\$ 601,177</u>

See accompanying notes and accountants' report.

**Magic Valley Rehabilitation Services, Inc.**  
**Statements of Activities**  
**For the Years Ended**  
**June 30, 2013 and 2012**

	<u>6/30/13</u>	<u>6/30/12</u>
<b>Changes in Unrestricted Net Assets</b>		
Sales and Services	\$ 862,020	\$ 879,314
Grants	1,347	5,200
Gifts and Donations	24,543	25,944
Interest Income	402	753
Other Revenue	838	4,140
Net Assets Released from Restrictions	-	-
<b>Total Revenue and Transfers</b>	<u>889,150</u>	<u>915,351</u>
Expenses	897,954	955,947
<b>Total Expenses</b>	<u>897,954</u>	<u>955,947</u>
<b>Increase (Decrease) in Unrestricted Net Assets</b>	(8,804)	(40,596)
<b>Net Assets, Beginning of Period</b>	<u>530,002</u>	<u>570,598</u>
<b>Net Assets, End of Period</b>	<u>\$ 521,198</u>	<u>\$ 530,002</u>

See accompanying notes and accountants' report.

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

	<u>General Operations</u>	<u>Idaho Division of Vocational Rehabilitation</u>	<u>U.S. Dept of Health and Human Services</u>	<u>Fund Raising</u>	<u>2013 Total</u>
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>	<u>\$ 235,229</u>	<u>\$ 319,791</u>	<u>\$ 334,741</u>	<u>\$ 8,193</u>	<u>\$ 897,954</u>

See accompanying notes and accountants' report.

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

	<u>General Operations</u>	<u>Idaho Division of Vocational Rehabilitation</u>	<u>U.S. Dept of Health and Human Services</u>	<u>Fund Raising</u>	<u>2012 Total</u>
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
Equipment	-	-	-	-	-
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
<b>Totals</b>	<u>\$ 313,163</u>	<u>\$ 298,242</u>	<u>\$ 337,045</u>	<u>\$ 7,497</u>	<u>\$ 955,947</u>

See accompanying notes and accountants' report.

**Magic Valley Rehabilitation Services, Inc.**  
**Statements of Cash Flows**  
**For the Years Ended**  
**June 30, 2013 and 2012**

<b>Cash Flows from Operating Activities</b>	<u>6/30/13</u>	<u>6/30/12</u>
Change in Net Assets	\$ (8,804)	\$ (40,596)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	32,264	35,569
(Increase) Decrease in Accounts Receivable	5,531	(7,453)
(Increase) Decrease in Prepaid Expenses & Investments	(1,259)	(8)
Increase (Decrease) in Accounts Payable	(2,341)	9,342
Increase (Decrease) in Deferred Revenue	966	(1,492)
Increase (Decrease) in Accrued Expenses	<u>(12,531)</u>	<u>(25,613)</u>
 <b>Net Cash Provided (Used) by Operating Activities</b>	 13,826	 (30,251)
 <b>Cash Flows from Investing Activities</b>		
Purchases of Fixed Assets	<u>(2,527)</u>	<u>(13,278)</u>
 <b>Net Cash Used by Investing Activities</b>	 (2,527)	 (13,278)
 <b>Cash Flows from Financing Activities</b>		
Principal Payments on Note Payable	<u>-</u>	<u>(5,337)</u>
 <b>Net Cash Used by Financing Activities</b>	 <u>-</u>	 <u>(5,337)</u>
 <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	 11,299	 (48,866)
 <b>Cash, Beginning of Period</b>	 <u>270,983</u>	 <u>319,849</u>
 <b>Cash, End of Period</b>	 <u>\$ 282,282</u>	 <u>\$ 270,983</u>
 Supplemental Disclosure: Interest Paid for 2013 and 2012	 -	 66

See accompanying notes and accountants' report.



**Magic Valley Rehabilitation Services, Inc.**  
**Twin Falls, Idaho**  
**Notes to Financial Statements**  
**June 30, 2013 and 2012**

**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.

***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.

**Magic Valley Rehabilitation Services, Inc.**  
**Twin Falls, Idaho**  
**Notes to Financial Statements**  
**June 30, 2013 and 2012**

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

*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, 2013 and 2012.

*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, 2013 and 2012.

*Accounts Receivable*

Substantially all receivables are for current periods and the major portion was collected in July and August 2013. Accordingly, no reserve for bad debt is provided.

*Liabilities--Operating Funds*

Vested vacation pay earned by employees at June 30, 2013 and 2012, but not yet taken totaled \$40,460 and \$45,153 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, 2013 and 2012, for current transactions. Such amounts were paid in July and August 2013 and 2012.

*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 2% of each eligible employee. The plan has a five-year vesting schedule. The Company's contribution for the years ended June 30, 2013 and 2012 were \$9,047 and \$9,102, respectively.

**Magic Valley Rehabilitation Services, Inc.**  
**Twin Falls, Idaho**  
**Notes to Financial Statements**  
**June 30, 2013 and 2012**

**NOTE 3 – CERTIFICATES OF DEPOSIT**

A certificate of deposit totaling \$12,691 is included in investments in the accompanying financial statements for the year ended June 30, 2013. The interest rate on the CD is .55% and the maturity date is July 9, 2013.

**NOTE 4 – MONEY MARKET ACCOUNT**

A money market account totaling \$211,847 is included in cash in the accompanying financial statements for the year ended June 30, 2013. The interest rate is .25%.

**NOTE 5 – 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 6 – 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, 2013 and 2012, these deposits did not exceed the \$250,000 insurance provided by the Federal Deposit Insurance Corporation (FDIC) coverage.

**NOTE 7 – 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.

**Magic Valley Rehabilitation Services, Inc.**  
**Twin Falls, Idaho**  
**Notes to Financial Statements**  
**June 30, 2013 and 2012**

**NOTE 8 - LAND, BUILDINGS, AND EQUIPMENT**

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

	<b>Balance 7/1/2012</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 6/30/2013</b>
Land	\$ 14,498	\$ -	\$ -	\$ 14,498
Building & Improvements	556,710	1,976	-	558,687
Equipment	172,954	551	(101,283)	72,222
Office Furniture & Equipment	37,063	-	(28,687)	8,376
Telephone System	15,178	-	(3,038)	12,140
Vehicles	83,952	-	(802)	83,150
<b>Total</b>	<b>880,355</b>	<b>2,527</b>	<b>(133,810)</b>	<b>749,073</b>
Less: Accumulated Depreciation	<u>(637,946)</u>	<u>(32,264)</u>	<u>133,810</u>	<u>(536,400)</u>
<b>Net Fixed Assets</b>	<b>\$ 242,409</b>	<b>\$ (29,737)</b>	<b>\$ -</b>	<b>\$ 212,673</b>

	<b>Balance 7/1/2011</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 6/30/2012</b>
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
<b>Total</b>	<b>867,079</b>	<b>13,276</b>	<b>-</b>	<b>880,355</b>
Less: Accumulated Depreciation	<u>(602,377)</u>	<u>(35,569)</u>	<u>-</u>	<u>(637,946)</u>
<b>Net Fixed Assets</b>	<b>\$ 264,702</b>	<b>\$ (22,293)</b>	<b>\$ -</b>	<b>\$ 242,409</b>

**NOTE 9 - SUBSEQUENT EVENTS**

MVRS has evaluated subsequent events through August 13, 2013, the date which the financial statements were available to be issued.