



**RUDD & COMPANY** PLLC  
*certified public accountants | business consultants*

## DWI

### Financial Statements with Independent Auditors' Report

June 30, 2023 and 2022

*giving direction to your future*

**DWI**  
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**June 30, 2023 and 2022**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
DWI  
Idaho Falls, Idaho

### **Opinion**

We have audited the accompanying financial statements of DWI (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of DWI as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of DWI and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about DWI's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

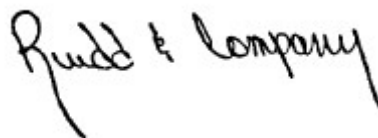
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 DWI's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about DWI's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Idaho Falls, Idaho  
November 14, 2023



**DWI**  
**Statements of Financial Position**  
**June 30,**

	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	\$ 1,457,366	\$ 1,481,687
Accounts receivable (net of allowance for uncollectible accounts of \$6,000 and \$7,000)	334,823	353,454
Related party receivable	18,744	37,057
Inventories	383,544	388,744
Prepaid expenses	37,146	38,978
Total Current Assets	<u>2,231,623</u>	<u>2,299,920</u>
Property, Plant and Equipment		
Land	1,036,187	1,036,187
Land improvements	75,102	75,102
Buildings	4,786,906	4,697,579
Machinery and equipment	2,696,259	2,701,769
Construction in progress	71,494	13,001
	8,665,948	8,523,638
Less accumulated depreciation	<u>(4,507,454)</u>	<u>(4,290,834)</u>
Net Property, Plant and Equipment	<u>4,158,494</u>	<u>4,232,804</u>
Other Assets		
Restricted cash - USDA Note Reserve Account	44,280	44,280
Membership in Transitional Living Center	25,655	25,655
Total Other Assets	<u>69,935</u>	<u>69,935</u>
	<u>\$ 6,460,052</u>	<u>\$ 6,602,659</u>

The Accompanying Notes are an Integral  
Part of the Financial Statements.

	<u>2023</u>	<u>2022</u>
<b>Liabilities and Net Assets</b>		
Current Liabilities		
Accounts payable	\$ 71,152	\$ 52,947
Accrued payroll	57,305	187,700
Accrued other liabilities	93,330	40,382
Deferred revenue	-	103,832
Current portion of finance lease liability	53,566	47,843
Current portion of long-term debt	38,624	37,078
Total Current Liabilities	<u>313,977</u>	<u>469,782</u>
Long-Term Liabilities		
Finance lease liability	90,058	123,004
Long-term debt	680,244	718,871
Accrued all purpose leave	193,471	211,335
Total Long-Term Liabilities	<u>963,773</u>	<u>1,053,210</u>
Total Liabilities	<u>1,277,750</u>	<u>1,522,992</u>
Net Assets		
Without donor restrictions	5,182,302	5,079,667
With donor restrictions	-	-
Total Net Assets	<u>5,182,302</u>	<u>5,079,667</u>
	<u>\$ 6,460,052</u>	<u>\$ 6,602,659</u>

The Accompanying Notes are an Integral  
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**DWI**  
**Statement of Activities**  
**Year Ended June 30, 2023**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Revenues, Support and Other Income			
Revenues:			
Medicaid services income	\$ 2,085,065	\$ -	\$ 2,085,065
Service contracts income	1,581,139	-	1,581,139
Products income	728,039	-	728,039
Health and welfare income	229,219	-	229,219
Vocational rehabilitation	26,643	-	26,643
Other income	27,668	-	27,668
<b>Total Revenues</b>	<b>4,677,773</b>	<b>-</b>	<b>4,677,773</b>
Support and Other Income:			
Donations	-	234,876	234,876
United Way	-	4,777	4,777
Grants		196,772	196,772
Other income	119,766	-	119,766
Earnings on investments	13,640	-	13,640
Gain on sale of fixed assets	7,010	-	7,010
<b>Total Support and Other Income</b>	<b>140,416</b>	<b>436,425</b>	<b>576,841</b>
Support Provided by Expiring Time and Purpose Restrictions	436,425	(436,425)	-
<b>Total Revenues, Support and Other Income</b>	<b>5,254,614</b>	<b>-</b>	<b>5,254,614</b>

The Accompanying Notes are an Integral  
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Expenses			
Program Services:			
Rehabilitation	503,367	-	503,367
Production	835,727	-	835,727
Medicaid	1,733,530	-	1,733,530
Janitorial	1,275,121	-	1,275,121
	<u>4,347,745</u>	<u>-</u>	<u>4,347,745</u>
Total Program Services			
General and Administrative	804,234	-	804,234
	<u>804,234</u>	<u>-</u>	<u>804,234</u>
Total Expenses	<u>5,151,979</u>	<u>-</u>	<u>5,151,979</u>
Change in Net Assets	102,635	-	102,635
Net Assets at Beginning of Year	<u>5,079,667</u>	<u>-</u>	<u>5,079,667</u>
Net Assets at End of Year	<u>\$ 5,182,302</u>	<u>\$ -</u>	<u>\$ 5,182,302</u>

The Accompanying Notes are an Integral  
Part of the Financial Statements.



**DWI**  
**Statement of Activities**  
**Year Ended June 30, 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, Support and Other Income			
Revenues:			
Medicaid services income	\$ 2,103,277	\$ -	\$ 2,103,277
Service contracts income	1,640,537	-	1,640,537
Products income	678,308	-	678,308
Health and welfare income	263,573	-	263,573
Vocational rehabilitation	91,815	-	91,815
Other income	15,740	-	15,740
Prevocational - school districts	300	-	300
	<u>4,793,550</u>	<u>-</u>	<u>4,793,550</u>
Support and Other Income:			
Donations	-	422,945	422,945
Grants	-	153,616	153,616
United Way	-	8,062	8,062
Earnings on investments	3,013	-	3,013
Loss on investments	(1,337)	-	(1,337)
Gain on sale of fixed assets	3,413	-	3,413
Other income	123,721	-	123,721
	<u>128,810</u>	<u>584,623</u>	<u>713,433</u>
Support Provided by Expiring Time and Purpose Restrictions	<u>584,623</u>	<u>(584,623)</u>	<u>-</u>
Total Revenues, Support and Other Income	5,506,983	-	5,506,983

The Accompanying Notes are an Integral  
Part of the Financial Statements.

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Expenses			
Program Services:			
Janitorial	1,201,951	-	1,201,951
Medicaid	1,656,961	-	1,656,961
Production	972,570	-	972,570
Rehabilitation	573,849	-	573,849
	<u>4,405,331</u>	<u>-</u>	<u>4,405,331</u>
Total Program Services			
General and Administrative	755,482	-	755,482
	<u>755,482</u>	<u>-</u>	<u>755,482</u>
Total Expenses	<u>5,160,813</u>	<u>-</u>	<u>5,160,813</u>
Change in Net Assets	346,170	-	346,170
Net Assets at Beginning of Year	<u>4,733,497</u>	<u>-</u>	<u>4,733,497</u>
Net Assets at End of Year	<u>\$ 5,079,667</u>	<u>\$ -</u>	<u>\$ 5,079,667</u>

The Accompanying Notes are an Integral  
Part of the Financial Statements.

**DWI**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2023**

	<b>Program Services</b>		
	<b>Rehabilitation</b>	<b>Production</b>	<b>Medicaid</b>
Direct Materials			
Purchases	\$ -	\$ 275,829	\$ -
Total Direct Materials	<u>-</u>	<u>275,829</u>	<u>-</u>
Direct Labor			
Client labor	533	73,346	-
Production labor	-	118,303	2,799
Staff labor	345,159	77,239	1,065,044
Payroll taxes	25,656	20,666	79,026
Insurance -workers comp	7,075	6,074	21,938
Insurance - employee group	27,320	28,819	96,253
Retirement costs	2,506	1,831	10,262
Total Direct Labor	<u>408,249</u>	<u>326,278</u>	<u>1,275,322</u>
Other Expenses			
Advertising	-	-	-
Bad debts	-	-	-
Commissions	-	19,134	-
Data processing	15,836	11,454	39,418
Depreciation	27,779	64,735	112,182
Dues and subscriptions	-	139	308
Freight - out	-	10,859	1
Insurance - general	9,687	8,185	37,352
Interest	5,201	-	30,680
Office supplies/postage	868	95	2,036
Other expenses	4,672	10,394	51,202
Professional development	-	5,917	384
Professional services	-	2,000	-
Public relations	56	-	112
Rent	-	-	12,695
Repairs and maintenance	5,639	45,933	47,221
Samples	-	253	-
Service contract supplies	-	-	55
Shop and program supplies	1,159	3,070	7,743
Small tool and appliances	42	2,569	-
Sub-contracted services	-	20,224	44
Taxes and licenses	754	1,668	2,954
Telephone	4,232	-	794
Travel	-	-	4,688
Utilities	6,528	26,663	57,479
Vehicle operation/maintenance	12,665	328	50,860
Total Other Expenses	<u>95,118</u>	<u>233,620</u>	<u>458,208</u>
Total Expenses	<u>\$ 503,367</u>	<u>\$ 835,727</u>	<u>\$ 1,733,530</u>

The Accompanying Notes are an Integral  
Part of the Financial Statements.

<b>Program Services</b>				
<b>Janitorial</b>	<b>Distributions</b>	<b>Total Program Services</b>	<b>General and Administrative</b>	<b>Total Expenses</b>
\$ -	\$ -	\$ 275,829	\$ -	\$ 275,829
-	-	275,829	-	275,829
78	-	73,957	5,328	79,285
762,162	-	883,264	566	883,830
59,226	-	1,546,668	436,861	1,983,529
61,253	-	186,601	31,543	218,144
26,997	-	62,084	8,857	70,941
147,621	-	300,013	40,960	340,973
20,847	-	35,446	6,362	41,808
1,078,184	-	3,088,033	530,477	3,618,510
-	-	-	16,293	16,293
-	-	-	211	211
52,007	-	71,141	-	71,141
41,688	-	108,396	10,063	118,459
9,010	-	213,706	32,717	246,423
-	-	447	6,666	7,113
-	-	10,860	-	10,860
7,001	-	62,225	24,284	86,509
420	-	36,301	7,597	43,898
95	-	3,094	17,838	20,932
1,953	-	68,221	31,095	99,316
-	-	6,301	12,251	18,552
-	-	2,000	35,807	37,807
-	-	168	31,356	31,524
1,705	-	14,400	-	14,400
8,209	-	107,002	28,741	135,743
-	-	253	-	253
53,595	-	53,650	-	53,650
-	-	11,972	-	11,972
280	-	2,891	-	2,891
11,783	-	32,051	-	32,051
246	-	5,622	1,183	6,805
202	-	5,228	795	6,023
633	-	5,321	6,916	12,237
3,067	-	93,737	7,935	101,672
5,043	-	68,896	2,009	70,905
196,937	-	983,883	273,757	1,257,640
\$ 1,275,121	\$ -	\$ 4,347,745	\$ 804,234	\$ 5,151,979

The Accompanying Notes are an Integral  
Part of the Financial Statements.

**DWI**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2022**

	<b>Program Services</b>		
	<b>Rehabilitation</b>	<b>Production</b>	<b>Medicaid</b>
Direct Materials			
Purchases	\$ -	\$ 331,470	\$ -
Total Direct Materials	-	331,470	-
Direct Labor			
Client labor	1,729	64,739	-
Insurance - employee group	29,690	29,482	88,922
Insurance -workers comp	8,943	5,825	24,392
Payroll taxes	31,495	20,230	85,691
Production labor	-	89,095	3,143
Retirement costs	4,348	2,621	11,272
Staff labor	409,947	113,156	1,120,360
Total Direct Labor	486,152	325,148	1,333,780
Other Expenses			
Advertising	-	-	278
Bad debts	-	-	-
Bank charges and interest	3,119	22,128	11,472
Commissions	-	14,417	474
Data processing	12,006	9,806	30,596
Depreciation	20,471	105,345	71,302
Dues and subscriptions	54	120	534
Freight - out	-	11,036	-
Insurance - general	9,765	11,199	34,011
Office supplies/postage	499	172	3,334
Other expenses	5,521	22,682	31,942
Professional development	63	1,196	1,689
Professional services	-	-	396
Public relations	347	-	101
Rent	-	102	12,695
Repairs and maintenance	5,036	57,295	25,080
Samples	-	68	-
Service contract supplies	-	26	-
Shop and program supplies	105	3,838	1,688
Small tool and appliances	-	971	-
Sub-contracted services	160	3,560	874
Taxes and licenses	581	2,049	2,106
Telephone	6,829	-	2,786
Travel	428	289	2,716
Utilities	3,742	49,610	25,959
Vehicle operation/maintenance	18,971	43	63,148
Total Other Expenses	87,697	315,952	323,181
Total Expenses	\$ 573,849	\$ 972,570	\$ 1,656,961

The Accompanying Notes are an Integral  
Part of the Financial Statements.

<b>Program Services</b>				
<b>Janitorial</b>	<b>Distributions</b>	<b>Total Program Services</b>	<b>General and Administrative</b>	<b>Total Expenses</b>
\$ -	\$ -	\$ 331,470	\$ -	\$ 331,470
-	-	331,470	-	331,470
478	-	66,946	2,777	69,723
139,320	-	287,414	34,505	321,919
28,390	-	67,550	9,447	76,997
62,073	-	199,489	32,880	232,369
745,037	-	837,275	-	837,275
15,327	-	33,568	6,751	40,319
57,476	-	1,700,939	440,404	2,141,343
1,048,101	-	3,193,181	526,764	3,719,945
-	-	278	14,301	14,579
-	-	-	10,311	10,311
639	-	37,358	5,975	43,333
57,855	-	72,746	-	72,746
863	-	53,271	21,933	75,204
8,806	-	205,924	26,723	232,647
-	-	708	8,353	9,061
-	-	11,036	-	11,036
6,074	-	61,049	26,957	88,006
-	-	4,005	20,297	24,302
5,645	-	65,790	22,881	88,671
1,196	-	4,144	1,546	5,690
-	-	396	31,750	32,146
-	-	448	11,060	11,508
1,705	-	14,502	-	14,502
4,967	-	92,378	12,081	104,459
-	-	68	-	68
47,451	-	47,477	-	47,477
-	-	5,631	34	5,665
4,053	-	5,024	382	5,406
7,711	-	12,305	2,938	15,243
206	-	4,942	1,733	6,675
-	-	9,615	1,190	10,805
-	-	3,433	282	3,715
2,661	-	81,972	5,484	87,456
4,018	-	86,180	2,508	88,688
153,850	-	880,680	228,718	1,109,398
\$ 1,201,951	\$ -	\$ 4,405,331	\$ 755,482	\$ 5,160,813

The Accompanying Notes are an Integral  
Part of the Financial Statements.

**DWI**  
**Statements of Cash Flows**  
**Years Ended June 30,**

	<u>2023</u>	<u>2022</u>
<b>Cash Flows from Operating Activities</b>		
Change in Net Assets	\$ 102,635	\$ 346,170
Adjustments to reconcile net assets to net cash provided (used) by operating activities		
(Gain) loss on sale of assets	(7,010)	(3,413)
(Gain) loss on investments	-	1,337
Depreciation	246,423	232,647
Net change in		
Accounts receivable	31,600	48,691
Inventories	5,200	(11,225)
Prepaid expenses	1,832	(4,032)
Accounts payable	23,549	(2,159)
Deferred revenue	(103,832)	103,832
Accrued expenses	(77,447)	(3,341)
Accrued all purpose leave	(17,864)	(26,211)
	<u>205,086</u>	<u>682,296</u>
Net Cash Provided by Operating Activities		
<b>Cash Flows from Investing Activities</b>		
Proceeds from sale of property and equipment	7,010	10,801
Purchases of property and equipment	(147,508)	(308,036)
Proceeds from sale of investments	-	284,283
	<u>(140,498)</u>	<u>(12,952)</u>
Net Cash Used by Investing Activities		

The Accompanying Notes are an Integral  
Part of the Financial Statements.

	<u>2023</u>	<u>2022</u>
<b>Cash Flows from Financing Activities</b>		
Payments on long-term debt	(37,081)	(35,590)
Payments on finance leases	(51,828)	(39,221)
Net Cash Used by Financing Activities	<u>(88,909)</u>	<u>(74,811)</u>
Net Increase (Decrease) in Cash	(24,321)	594,533
Cash at Beginning of Year	<u>1,525,967</u>	<u>931,434</u>
Cash at End of Year	<u>\$ 1,501,646</u>	<u>\$ 1,525,967</u>
<b>Noncash Information</b>		
Capitalized equipment from leases	\$ 24,605	\$ 57,833
<b>Balances Per Statements of Financial Position</b>		
Cash and cash equivalents	\$ 1,457,366	\$ 1,481,687
Restricted Cash - USDA Note Reserve Account	<u>44,280</u>	<u>44,280</u>
	<u>\$ 1,501,646</u>	<u>\$ 1,525,967</u>

The Accompanying Notes are an Integral  
Part of the Financial Statements.



**DWI**  
**Notes to Financial Statements**  
**June 30, 2023 and 2022**

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**1. Summary of Significant Accounting Policies**

**Nature of Activities**

DWI (the Corporation) was incorporated in August 1973 and is governed by a Board of Directors who serve without compensation. The Corporation operates a community rehabilitation program to provide vocational services, training, and employment to persons with disabilities with the goal of making them self-supporting. The Corporation serves individuals primarily in a nine county area in eastern Idaho through facilities located in Idaho Falls, Rexburg, and Salmon.

The revenues of the Corporation are derived primarily from the following sources:

1. Contracts with various governmental agencies for services provided in training and employment of persons with a wide range and severity of disabilities.
2. Sale of products and services to federal and state governmental agencies.
3. Sale of products and services in the private sector.
4. Contributions by civic organizations, foundations, corporations, trusts and individuals.

Donated services are not recorded in the books unless the services are to be capitalized, in which case the services are recorded at their fair market value.

**Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

**Net Assets**

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

**Net Assets Without Donor Restrictions**

Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting from the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

**1. Summary of Significant Accounting Policies (continued)**

**Net Assets With Donor Restrictions**

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose of in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the organization must continue to use the resources in accordance with the donor's instructions.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

**Property and Equipment**

The Corporation capitalizes property and equipment over \$5,000. Property and equipment purchased are recorded in the books at cost. Equipment that is leased under capital leases is recorded at the present value of the lease payments to be made over the term of the lease. All depreciable assets are being depreciated using the straight-line method, over their estimated useful lives that range from three to forty years.

**Inventories**

Inventories are valued at the lower of cost (first in, first out) or net realizable value.

**Accounts Receivable**

Accounts receivable are reported at the outstanding balances due from customers for products and services provided. Receivables are billed monthly. An allowance for uncollectible accounts has been established as an estimate of those balances which may not be collected. The allowance is based on experience and other circumstances which may affect the ability of clients and customers to make their payments. Receivables are considered impaired if payments are not received in accordance with the contractual terms. It is the Corporation's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. As of June 30, 2023 and 2022 there was \$3,890 and \$3,900 of accounts receivable in excess of 90 days, respectively.

**1. Summary of Significant Accounting Policies (continued)**

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Corporation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

**Accounting For Contributions**

Contributions, including unconditional promises to give, are recognized when received. All contributions are recorded as increases in net assets without donor restrictions unless use of the contributed asset is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until the payment is due, unless the contribution is clearly intended to support activities of the current fiscal year. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

**Tax Exempt Status**

The Corporation has received a determination from the Internal Revenue Service that it qualifies as a nonprofit organization under section 501(c)(3) of the Internal Revenue Code. The Corporation also has received a determination from the State of Idaho that it qualifies as a corporation exempt from income taxes, including the minimum tax provisions, under section 63-3025C of the Idaho Code. Accordingly, there is no accounting for income taxes in the accompanying financial statements.

The 2020 through 2023 tax years remain open to examination by the Internal Revenue Service and the Idaho State Tax Commission. These taxing authorities have the authority to examine those years until the applicable statute of limitations expire.

**Statement of Functional Expenses**

The costs of providing various program and supporting services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Estimates**

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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**1. Summary of Significant Accounting Policies (continued)**

**Advertising**

Advertising costs are accrued as a prepaid asset when incurred and expensed each month over the estimated benefit period. Advertising expense for the year ended June 30, 2023 was \$16,293 with \$0 included as a prepaid asset at year end. Advertising expense for the year ended June 30, 2022 was \$14,579 with \$0 included as a prepaid asset at year end.

**Subsequent Events**

The Corporation has evaluated subsequent events and transactions through November 14, 2023 the date the financial statements were available to be issued.

**2. Cash and Cash Equivalents**

The Corporation maintains several checking and savings accounts in local financial institutions. At times the total cash and cash equivalents held by these financial institutions exceed FDIC insurance coverage. At June 30, 2023 and 2022, the Corporation had \$134,583 and \$0 uninsured and uncollateralized, respectively.

**3. Restricted Cash – USDA Note Reserve Account**

Cash has been restricted under a debt service agreement with the USDA to reflect the required establishment of a reserve account to be used for future note payments or for repairs or improvements to the financed facility upon prior written approval.

**4. Related Party Transactions**

The DWI provides administrative services to the Development Workshop Foundation, a related entity, on a reimbursement basis. Charges for services and reimbursed expenses amounted to \$169,666 and \$69,215 for the years ended June 30, 2023 and 2022, respectively.

As of June 30, 2023 and 2022, the Corporation had related party receivables outstanding from the Foundation of \$24,088 and \$41,830, respectively.

As of June 30, 2023 and 2022, the Corporation had related party payables outstanding to the Foundation of \$5,344 and \$4,773, respectively.

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**4. Related Party Transactions (continued)**

The Corporation receives donations from the Foundation for grants, client scholarships, fixed asset purchases, and other expenses. For the years ended June 30, 2023 and 2022, the Corporation received \$214,970 and \$406,484, respectively, of contributions from the Foundation.

The Corporation leases vehicles from the Foundation under financing leases. For the year ended June 30, 2023 and 2022, the Corporation paid \$51,828 and \$45,287, respectively, to the Foundation to lease vehicles.

**5. Inventories**

Major classes of inventories at June 30, 2023 and 2022 are summarized as follows:

	<u>2023</u>	<u>2022</u>
Raw Materials	\$ 267,638	\$ 266,982
Finished Goods	<u>115,906</u>	<u>121,762</u>
	<u>\$ 383,544</u>	<u>\$ 388,744</u>

**6. Membership in Transitional Living Center**

During the fiscal year ended June 30, 1990, DWI purchased land for a client residential housing facility on behalf of Transitional Living Center, Inc. After the necessary financing for construction of the housing facility was in place, DWI transferred title of the land to Transitional Living Center, Inc. on August 31, 1992. Construction on the housing facility began in October 1992 and was completed in August 1994. Clients have been living in the facility since November 1993.

In 1994, DWI was reimbursed by HUD for a portion of the cost of the land for the Transitional Living Center. The remaining cost for the land, or \$25,655, represents the Corporation's membership in Transitional Living Center, Inc., a non-profit organization.

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**7. Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor restrictions limiting their use, within one year of June 30, 2023 are:

	<u>2023</u>	<u>2022</u>
Financial assets:		
Cash and cash equivalents	\$ 1,457,366	\$ 1,481,687
Accounts receivable, net	334,823	353,454
Related party receivable	<u>18,744</u>	<u>37,057</u>
 Total financial assets available for general expenditures within one year	 <u>\$ 1,810,933</u>	 <u>\$ 1,872,198</u>

**8. Employee Retirement Plan**

The Corporation has a tax sheltered deferred annuity plan, as described in Section 403(b) of the Internal Revenue Code, covering all staff employees who have met the service requirements. The contribution by the Corporation for staff employees is at a rate of zero to 2.0% of the employee's compensation depending upon the employee's length of service. Corporation contributions for Service Contract Act employees are determined by the federal contract they worked on and the contractual rate specified. Voluntary contributions to the plan are permitted to a maximum allowed by IRS regulations. Contributions to the retirement plan amounted to \$41,808 and \$40,319 for the years ended June 30, 2023 and 2022, respectively.

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**9. Leasing Activities**

In prior years, the Corporation entered into agreements with Development Workshop Foundation to lease vehicles under financing leases. The financing leases have remaining lease terms of 1 year to 4 years.

The following summarizes the line items in the balance sheets which include amounts for operating and finance leases as of June 30:

	<u>2023</u>	<u>2022</u>
<b>Finance Leases</b>		
Property and equipment	\$ 268,626	\$ 244,021
Accumulated depreciation	<u>(134,689)</u>	<u>(81,374)</u>
Property and equipment, net	<u>\$ 133,937</u>	<u>\$ 162,647</u>
Current portion of finance lease liability	\$ 53,566	\$ 47,843
Finance lease liability	<u>90,058</u>	<u>123,004</u>
Total finance lease liabilities	<u>\$ 143,624</u>	<u>\$ 170,847</u>

The following summarizes the weighted average remaining lease term and discount rate as of June 30:

	<u>2023</u>	<u>2022</u>
<b>Weighted Average Remaining Lease Term</b>		
Finance leases	2.9 years	3.6 years
<b>Weighted Average Discount Rate</b>		
Finance leases	4.1%	4.1%

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**9. Leasing Activities (continued)**

The maturities of lease liabilities as of June 30, 2023 were as follows:

2024	.....	\$	59,348
2025	.....		50,394
2026	.....		30,011
2027	.....		14,348
2028	.....		456
			<hr/>
Total minimum lease payments			154,557
Less amount representing interest			<hr/> (10,933)
Present value of lease liabilities		\$	<hr/> 143,624

The following summarizes the line items in the income statements which include the components of lease expense for the year ended June 30:

	<u>2023</u>	<u>2022</u>
<b>Finance Lease Cost</b>		
Amortization of lease assets included in depreciation	\$ 53,315	\$ 41,201
Interest on lease liabilities included in interest expense	<hr/> 6,928	<hr/> 6,196
Total finance lease costs	<hr/> \$ 60,243	<hr/> \$ 47,397



**DWI**  
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**9. Leasing Activities (continued)**

The following summarizes cash flow information related to leases for the year ended June 30:

	<u>2023</u>	<u>2022</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from finance leases	\$ 6,928	\$ 6,196
Financing cash flows from finance leases	51,828	39,090
Lease assets obtained in exchange for lease obligations:		
Finance leases	\$ 24,605	\$ 57,833

**10. Long-term Debt**

Long-term debt as of June 30, is as follows:

	<u>2023</u>	<u>2022</u>
4.25% note payable to USDA, due in monthly installments of \$3,690, including interest. Original principal amount of \$750,000.	\$ 429,088	\$ 454,542
3.75% note payable to USDA, due in monthly installments of \$1,894, including interest. Original principal amount of \$408,000, secured by deed of trust. Final installment due December 2040.	<u>289,780</u>	<u>301,407</u>
	718,868	755,949
Less current portion of long-term debt	<u>(38,624)</u>	<u>(37,078)</u>
	<u>\$ 680,244</u>	<u>\$ 718,871</u>

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**10. Long-term Debt (continued)**

Future installments of long-term debt as of June 30, 2023 are as follows:

2024	.....	\$	38,624
2025	.....		40,236
2026	.....		41,914
2027	.....		43,665
2028	.....		45,486
Thereafter	.....		<u>508,943</u>
		\$	<u>718,868</u>

**11. Statement of Cash Flows Additional Information**

Interest paid by the Corporation for the years ended June 30, 2023 and 2022 amounted to \$43,898 and \$37,853, respectively.

Since the Corporation is a non-profit organization, there are no payments for income taxes.

**12. Adoption of New Accounting Standard for Leases**

DWI has adopted the new accounting standard for leases, ASC 842 - *Leases* as of July 1, 2022. DWI used the modified retrospective approach which applies the new standard to the current year ending June 30, 2023 with no changes made to the previously reported amounts for the year ended June 30, 2022.

DWI has elected to apply the practical expedient allowed under ASC 842 – *Leases* which allows DWI to classify all existing operating leases as of the date of adoption of the standard to continue to be classified as operating leases and to classify all existing capital leases to be classified as finance leases without reassessing whether existing contracts are or contain leases.