MISSION ROAD MINISTRIES
AND AFFILIATES

COMBINED FINANCIAL STATEMENTS WITH
SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2018

MISSION ROAD MINISTRIES
AND AFFILIATES

COMBINED FINANCIAL STATEMENTS WITH
SUPPLEMENTARY INFORMATION

Year Ended June 30, 2018

Table of Contents

Independent Auditor's Report

To the Board of Directors
Mission Road Ministries and affiliates

We have audited the accompanying combined financial statements of Mission Road Ministries (a nonprofit organization) and affiliates, which comprise the combined statements of financial position as of June 30, 2018 and 2017, and the related combined statements of activities and functional expenses for the year ended June 30, 2018 and cash flows for the years ended June 30, 2018 and 2017, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements based on our audit. We did not audit the financial statements of 200 Oblate, Incorporated d/b/a Murray Manor; Independence Square, Inc.; or Meadow Brook Apartments, which statements together reflect total assets of $1,981,065 as of June 30, 2018, and total revenues of $617,988 for the year then ended. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for 200 Oblate, Incorporated d/b/a Murray Manor; Independence Square, Inc.; and Meadow Brook Apartments, is based solely on the reports of the other auditors. 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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, based on our audits and the reports of other auditors, the combined financial statements referred to above present fairly, in all material respects, the financial position of Mission Road Ministries and affiliates as of June 30, 2018 and 2017, the changes in their net assets for the year ended June 30, 2018, and their cash flows for the years ended June 30, 2018 and 2017 in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Mission Road Ministries and affiliates' 2017 combined financial statements, and our report dated November 7, 2017, expressed an unmodified opinion on those combined financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

Sagebiel Ravenburg & Schuh, P.C.
Certified Public Accountants
Lincoln Center
7800 I.H. 10 West, Suite 630
San Antonio, TX 78230-4750
210•979•7600
FAX 210•979•7679
Phil Sagebiel, CPA • Vicki T. Ravenburg, CPA • W. Martin Schuh, Jr., CPA

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining schedules of financial position and activities on pages 22 and 23 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information on pages 22 and 23, which insofar as it relates to 200 Oblate, Incorporated d/b/a Murray Manor; Independence Square, Inc.; and Meadow Brook Apartments is based on the reports of other auditors, is fairly stated in all material respects in relation to the combined financial statements as a whole.

Sagebiel, Ravenburg & Schuh, P.C.

San Antonio, Texas
November 6, 2018

MISSION ROAD MINISTRIES AND AFFILIATES

COMBINED STATEMENT OF FINANCIAL POSITION

June 30, 2018 and 2017

ASSETS	2018	2017
Current assets:		
Cash and cash equivalents	$ 3,154,671	$ 4,444,969
Restricted cash - client trust funds	158,165	157,295
Accounts receivable:		
Program fees, tuition, and expense reimbursements, net	1,237,133	1,133,400
Other	7,726	3,838
Unconditional promises to give, net	300,820	73,995
Prepaid expenses and other assets	27,047	28,664
Total current assets	4,885,562	5,842,161
Investments	9,177,296	8,800,134
Property and equipment, net	15,948,648	14,099,585
Other assets:		
Restricted cash - HUD apartments	114,261	131,575
Total assets	$ 30,125,767	$ 28,873,455

LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable - trade	$ 596,857	$ 486,699
Accrued retirement plan contribution	80,000	75,919
Accrued salary and related expenses	614,834	581,469
Client trust funds	158,165	157,295
Deferred revenue	31,000	23,456
Current portion of long-term debt	22,059	20,117
Other current liabilities	39,017	457,029
Total current liabilities	1,541,932	1,801,984
Long-term debt	1,091,594	1,113,656
Total liabilities	2,633,526	2,915,640
Net assets:		
Unrestricted - operations	10,194,545	7,620,553
Unrestricted - board-designated	-	3,287,271
Unrestricted - property and equipment	14,042,753	12,280,855
	24,237,298	23,188,679
Temporarily restricted	2,763,448	2,284,810
Permanently restricted	491,495	484,326
Total net assets	27,492,241	25,957,815
Total liabilities and net assets	$ 30,125,767	$ 28,873,455

The accompanying notes are an integral part
of the financial statements.

MISSION ROAD MINISTRIES AND AFFILIATES

COMBINED STATEMENT OF ACTIVITIES

Year Ended June 30, 2018
(With Comparative Totals For Year Ended June 30, 2017)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2018	Total 2017
Support and revenue:					
Special events:					
Gross revenue	$ 702,085	$ 181,025	$ -	$ 883,110	$ 879,896
Less direct expenses	(86,939)	-	-	(86,939)	(90,011)
Net special events support	615,146	181,025	-	796,171	789,885
Contributions:					
Individuals	66,117	2,026	-	68,143	98,126
Corporations	59,095	34,630	-	93,725	55,442
Foundations	530,789	676,015	-	1,206,804	1,319,808
United Way allocation	749,281	-	-	749,281	798,416
Governmental support:					
Nutrition program	31,998	-	-	31,998	31,433
Program service fees and tuition	11,061,367	-	-	11,061,367	10,872,633
Private program service fees and tuition	3,395,558	-	-	3,395,558	3,147,494
Rental revenue, net of vacancies of $2,572 for 2018 and $24,819 for 2017	558,392	-	-	558,392	538,029
Interest and dividends, net of fees	253,366	38,476	-	291,842	205,060
Realized gains (losses) on investments, net	297,649	58,623	-	356,272	(54,322)
Gain (loss) on disposal of property and equipment	449,341	-	-	449,341	(8,415)
In-kind contribution of property and equipment	-	-	-	-	172,039
Loss due to capture of residual receipts	(24,578)	-	-	(24,578)	-
Miscellaneous	54,321	-	-	54,321	53,320
	18,097,842	990,795	-	19,088,637	18,018,948
Net assets released from restrictions	472,300	(472,300)	-	-	-
Total support and revenue	18,570,142	518,495	-	19,088,637	18,018,948
Expenses:					
Program services:					
Habilitation and care	15,890,192	-	-	15,890,192	15,640,102
Supporting services:					
Administrative and general	1,152,903	-	-	1,152,903	1,154,403
Fundraising	313,319	-	-	313,319	321,522
Total expenses	17,356,414	-	-	17,356,414	17,116,027
Change in net assets before unrealized gains (losses) and reclassifications	1,213,728	518,495	-	1,732,223	902,921
Reclassifications	(7,169)	-	7,169	-	-
Unrealized gains (losses) on investments	(157,940)	(39,857)	-	(197,797)	720,419
Change in net assets	1,048,619	478,638	7,169	1,534,426	1,623,340
Net assets at beginning of year	23,188,679	2,284,810	484,326	25,957,815	24,334,475
Net assets at end of year	$ 24,237,298	$ 2,763,448	$ 491,495	$ 27,492,241	$ 25,957,815

The accompanying notes are an integral part of the financial statements.

MISSION ROAD MINISTRIES AND AFFILIATES

COMBINED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2018
(With Comparative Totals For Year Ended June 30, 2017)

	Program Services	Supporting Services		Total	
	Habilitation and Care	Administrative and General	Fundraising	2018	2017
Salaries	$ 8,255,276	$ 867,283	$ 224,209	$ 9,346,768	$ 9,337,260
Employee health and welfare	543,074	52,435	18,784	614,293	619,466
Employee retirement	177,287	25,329	8,429	211,045	175,196
Payroll taxes	643,344	63,821	16,276	723,441	750,794
Workers' compensation insurance	78,920	1,497	419	80,836	91,487
Total salary and related expenses	9,697,901	1,010,365	268,117	10,976,383	10,974,203
Employee screening	24,467	4,203	132	28,802	37,910
Professional fees - accounting, legal, and other	113,265	55,555	-	168,820	153,557
Professional fees - program	2,049,972	-	-	2,049,972	1,835,086
IT support services	204,235	14,950	12,066	231,251	245,716
Training - client	409,700	-	-	409,700	423,739
Supplies	789,201	11,280	1,967	802,448	841,456
Telephone	121,394	4,034	1,592	127,020	114,427
Postage and shipping	6,364	5,081	1,830	13,275	13,443
Printing and publications	4,354	1,249	1,795	7,398	9,075
Advertising - employee recruitment	11,575	819	-	12,394	17,245
Occupancy	418,622	5,615	40	424,277	477,496
Utilities	424,226	11,234	-	435,460	395,998
Equipment maintenance	8,297	213	-	8,510	12,699
Equipment rental	6,958	-	-	6,958	5,833
Corporate insurance	181,354	13,585	89	195,028	172,312
Transportation	196,559	489	593	197,641	200,611
Meetings and conferences	9,411	4,169	1,061	14,641	13,098
Specific assistance to individuals	228,660	-	-	228,660	211,707
Membership dues	8,862	805	-	9,667	9,349
Miscellaneous	9,985	57	225	10,267	3,850
Bad debt	24,757	-	975	25,732	4,834
Public relations and charitable contributions	1,672	197	554	2,423	2,088
Special events - indirect expense	-	-	21,093	21,093	29,231
Interest expense	23,569	-	-	23,569	25,356
Bank and credit card fees	1,758	-	1,190	2,948	2,310
Total expenses before depreciation	14,977,118	1,143,900	313,319	16,434,337	16,232,629
Depreciation	913,074	9,003	-	922,077	883,398
Total expenses	$ 15,890,192	$ 1,152,903	$ 313,319	$ 17,356,414	$ 17,116,027

The accompanying notes are an integral part
of the financial statements.

MISSION ROAD MINISTRIES AND AFFILIATES

COMBINED STATEMENT OF CASH FLOWS

Years Ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	$ 1,534,426	$ 1,623,340
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	922,077	883,398
Bad debt expense	25,732	4,834
(Gains) losses on disposal of property and equipment	(449,341)	8,415
Contributions restricted for purchase of property and equipment	(635,305)	(636,012)
Realized and unrealized (gains) and losses, net	(158,475)	(666,097)
Change in:		
Accounts receivable	(133,353)	14,307
Promises to give receivable	(226,825)	13,932
Prepaid expenses and other assets	1,617	64,083
Accounts payable	110,158	256,957
Accrued retirement plan contribution	4,081	919
Accrued salary expenses	33,365	70,615
Client trust funds	870	34,650
Deferred revenues	7,544	(26,394)
Other current liabilities	(418,012)	456,856
Net cash provided by operating activities	618,559	2,103,803
Cash flows from investing activities:		
Change in restricted cash - HUD apartments	17,314	(21,355)
Insurance proceeds from damage to property and equipment	631,449	-
Purchases of property and equipment	(2,953,248)	(1,419,930)
Proceeds from sales and maturities of investments	5,879,273	920,137
Purchases of investments	(6,097,960)	(1,187,599)
Net cash used by investing activities	(2,523,172)	(1,708,747)
Cash flows from financing activities:		
Proceeds from contributions restricted for purchase of property and equipment	635,305	636,012
Principal payments on long-term debt	(20,120)	(18,345)
Net cash provided by financing activities	615,185	617,667
Net increase (decrease) in cash, cash equivalents, and restricted cash	(1,289,428)	1,012,723
Cash, cash equivalents, and restricted cash at beginning of year	4,602,264	3,589,541
Cash, cash equivalents, and restricted cash at end of year	$ 3,312,836	$ 4,602,264
Schedule of supplemental cash flow information:		
Interest paid	$ 23,569	$ 25,356

The accompanying notes are an integral part of the financial statements.

1 NATURE OF ORGANIZATION

In 2000, Mission Road Ministries (MRM), a 501(c)(3) nonprofit organization, was formed for governance and oversight of other 501(c)(3) nonprofit agencies. The combined financial statements include the accounts of MRM, all the affiliated agencies mentioned below, and the Bledsoe Foundation. The agencies currently overseen by MRM are Mission Road Developmental Center, Inc. (MRDC), Unicorn Centers, Inc. (Unicorn), and three U.S. Department of Housing and Urban Development (HUD)-subsidized apartments: 200 Oblate, Incorporated d/b/a Murray Manor (200 Oblate), Independence Square, Inc. (Independence Square), and Meadow Brook Apartments (Meadow Brook) (together, the Affiliates). These nonprofit agencies provide a continuum of care for persons with intellectual and other developmental disabilities. The combined group is referred to as the Organization. The Organization's mission is to provide quality care and training for this special population so that each individual may achieve their potential for independence, productivity, self-reliance, and integration into the community. This is accomplished by coordinating complementary services provided by the five (5) affiliate operating agencies (see Note 18). The Organization is also affiliated with the Clifford Craig Bledsoe Memorial Foundation (the Bledsoe Foundation), which was created in a trust indenture on July 3, 1967 for the sole purpose of providing financial support to MRDC.

Founded in 1947 in San Antonio, Texas, MRDC provides a continuum of care for children and adults with intellectual and other developmental disabilities (IDD) in residential and nonresidential settings. Services are provided in the person’s residence (in-home services), at the MRDC Day Services facilities, in residential programs consisting of six (6) campus cottages located on its 20-acre campus, and in twenty (20) community group homes in various locations within San Antonio. MRDC provides quality care and training where persons are given the opportunity to achieve their individual potential for independence, productivity, and integration into the community.

Under a contribution agreement effective August 1, 2016, MRDC received certain assets of HandsOn, a 501(c)(3) organization that provided residential and nonresidential services for persons who are deaf-blind with multiple disabilities. This event is discussed in Note 16.

Unicorn provides a variety of services to persons with intellectual and other developmental disabilities. These services are all directed toward helping them develop job skills, life skills, and access to community services and activities. These services currently include job and life skills training, supported employment and job coaching and day activity services and are provided at its central location situated in northwest San Antonio, Texas, and through employers in the community.

200 Oblate, Independence Square, and Meadow Brook are three HUD-subsidized apartment projects designed to provide affordable supervised semi-independent living for persons with intellectual and other developmental disabilities. With minimal support provided, these individuals work and live as independently as possible.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Combination

The combined financial statements include MRM, MRDC, Unicorn, 200 Oblate, Independence Square, Meadow Brook, and the Bledsoe Foundation (the Organization). These entities share some common directors and management. All significant inter-organizational accounts and transactions have been eliminated in combination.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets, as follows:

- Unrestricted - Resources that are expendable at the discretion of the Board of Directors for conducting the operations of the Organization. Unrestricted net assets may be designated by the Board of Directors for a specific purpose.
- Temporarily Restricted - Resources that are limited by donor-imposed restrictions that either expire by the passage of time or can be fulfilled and otherwise removed by actions of the Organization pursuant to those restrictions.
- Permanently Restricted - Portion of the net assets resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed restrictions that neither expire by the passage of time, nor can be fulfilled or otherwise removed by actions of the Organization.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization’s financial statements for the year ended June 30, 2017, from which the summarized information was derived.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents, unless the investments are held for meeting restrictions for purchase of property and equipment, payment of long-term debt, or endowment.

Promises to Give

Promises receivable consist of promises to give from individuals, corporations, foundations, and other agencies. Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises then become unconditional.

All promises to give are due in less than one year; therefore, no discount has been applied and management believes they are presented at their net realizable value.

Accounts Receivable

Accounts receivable primarily consist of tuition reimbursements from various individuals, organizations, and governmental agencies for program services provided by the Organization. Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to an allowance for doubtful accounts based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a credit to accounts receivable. Changes in the allowance for doubtful accounts have not been material to the financial statements.

(Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments in marketable securities with readily determinable fair values are stated at fair value.

Property and Equipment

Effective July 1, 2017, the Organization capitalizes all expenditures for property and equipment that cost $5,000 or more. Prior to July 1, 2017, the Organization capitalized all expenditures for property and equipment that cost $1,000 or more. Purchased property and equipment are carried at cost. Donated property and equipment are carried at fair value at the date of donation. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method.

Depreciation is based on the following estimated useful lives:

	Years
Buildings and improvements	5 - 50
Equipment	3 - 25
Furniture	5 - 15
Vehicles	3 - 7
Website	3

Program Revenue and Revenue Recognition

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Program revenue is considered earned as services are provided to clients.

Income Tax Status

MRM and its affiliates are all exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, MRM and its affiliates qualify for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

During fiscal year 2013, MRM, MRDC, and Unicorn voluntarily elected to file with the IRS Form 5768, *Election/Revocation of Election by an Eligible Section 501(c)(3) Organization to Make Expenditures to Influence Legislation*. This Board-approved action was made to take advantage of IRS rules that set out spending limits for lobbying purposes with various levels of penalties, before loss of the 501(c)(3) status. Without the election, the only sanction for lobbying violations was loss of the 501(c)(3) status. The election begins for the fiscal year in which the election was made, and is in force until revoked by MRM, MRDC, and/or Unicorn. There are no immediate plans for lobbying activities, but if there are in the future, they must be approved by affirmative Board action. This election provides a level of protection to the 501(c)(3) status not otherwise available.

Functional Expenses

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Expenses (Continued)

Professional administrative and fundraising expenses are centralized under MRM to eliminate some redundancy at the affiliate level. MRM charges MRDC and Unicorn a management fee to perform these functions. The total annual management fee expenditure has been allocated to various MRDC and Unicorn expense accounts based on the actual administrative and fundraising expense account activities of MRM. Management fee revenues and expenses are eliminated in combination.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. On an ongoing basis, management evaluates the estimates and assumptions based on new information. Management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

Advertising Expenses

Advertising and similar expenses are expensed as incurred, and are not capitalized.

Accounting Pronouncements Issued but Not Yet Adopted

Revenue from Contracts with Customers (Topic 606)

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

FASB issued ASU 2015-14 that deferred the effective date until annual periods beginning after December 15, 2018. Earlier adoption is permitted subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. Management is currently evaluating the impact of this ASU on its financial statements. This may affect the Organization in fiscal year 2020.

Leases (Topic 842)

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements for lessees and lessors. The new standard applies a right-of-use (ROU) model that requires, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments to be recorded.

The ASU is effective for the Organization's fiscal years beginning after December 15, 2019 with early adoption permitted. Management is currently evaluating the impact of this ASU on its financial statements. This may affect the Organization in fiscal year 2021.

(Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Pronouncements Issued but Not Yet Adopted (Continued)

Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements for Not-for-Profit Entities*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include; (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements.

The ASU is effective for the Organization's financial statements for fiscal years beginning after December 15, 2017. Early adoption is permitted. The provisions of the ASU must be applied on a retrospective basis for all years presented although certain optional practical expedients are available for periods prior to adoption. Management is currently evaluating the impact of this ASU on their financial statements. This may affect the Organization in fiscal year 2019.

Subsequent Events

The Organization has evaluated subsequent events through November 6, 2018, the date which the financial statements were available for issue. Subsequent events relating to the Unicorn merger into MRDC effective July 1, 2018, are discussed in Note 22.

3 CONCENTRATION OF CREDIT RISK

The Organization maintains its cash and cash equivalent balances in three financial institutions. At June 30, 2018, the Organization's cash and cash equivalents exceeded federally insured limits by $2,717,128 in two financial institutions.

4 PROGRAM FEES, TUITION, AND EXPENSE REIMBURSEMENTS RECEIVABLE

Receivables result primarily from government agencies, individual families, and organizations other than affiliates who utilize services provided by the Organization. Program fees, tuition, and expense reimbursement receivables consisted of the following at June 30:

	2018	2017
Government agency fees	$ 851,221	$ 814,981
Program fees and tuition	136,266	121,126
Tuition and job coaching	198,008	165,855
Workshop contracts	65,175	40,623
Program fees, tuition and expense reimbursements receivable, gross	1,250,670	1,142,585
Allowance for doubtful accounts	(13,537)	(9,185)
Program fees, tuition and expense reimbursements receivable, net	$ 1,237,133	$ 1,133,400

5 UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are as follows:

	2018	2017
Restricted for purchase of property and equipment	$ 250,000	$ -
Restricted for use in future periods	50,820	73,995
	$ 300,820	$ 73,995

	2018	2017
Pledges due in one year or less	$ 300,820	$ 73,995
Less: estimated allowance for uncollectible pledges	-	-
Unconditional promises to give, net	$ 300,820	$ 73,995

6 INVESTMENTS

Investments consisted of the following at June 30, 2018 and 2017:

	2018	2017
Money market funds	$ 174,352	$ 214,698
Mutual funds:		
Bond funds	3,272,785	2,723,245
Foreign large blend funds	407,775	462,657
Large blend funds	639,127	682,480
Large value funds	750,797	784,923
Long-short equity funds	977,474	912,162
Multi-alternative funds	569,688	550,018
Small blend funds	236,509	249,703
World allocation funds	2,148,789	2,220,248
	$ 9,177,296	$ 8,800,134

Investment return is summarized as follows:

	2018	2017
Interest and dividend income	$ 323,314	$ 234,664
Investment management fees	(31,472)	(29,604)
Investment income, net of fees	291,842	205,060
Realized gains and losses	356,272	(54,322)
Unrealized gains and losses	(197,797)	720,419
Total investment return	$ 450,317	$ 871,157

Generally accepted accounting principles provide a framework for measuring fair value. That framework establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). At June 30, 2018 and 2017, the Organization’s investments were reported at fair value using a Level 1 measure.

7 PROPERTY AND EQUIPMENT

At June 30, the carrying values of property and equipment were as follows:

	2018	2017
Land and land improvements	$ 1,447,641	$ 726,252
Buildings and improvements	19,814,278	18,296,013
Equipment	1,462,646	1,279,452
Furniture and fixtures	131,703	130,622
Vehicles	1,283,122	1,107,721
Website	17,241	17,241
Construction in progress	921,366	1,047,614
Property and equipment, gross	25,077,997	22,604,915
Accumulated depreciation	(9,129,349)	(8,505,330)
Property and equipment, net	$ 15,948,648	$ 14,099,585

Hail Damage to Property and Equipment

Buildings owned by MRDC and the Apartments received hail damage from the April 2016 hail storm that hit San Antonio, Texas. An insurance claim was filed shortly thereafter. As of June 30, 2017, work had not yet begun and MRDC had received $317,152 of insurance proceeds, which is included in other current liabilities. On July 31, 2017, management approved finalization of the claim and received additional payments of $234,007. During the year ended June 30, 2018, an additional $63,383 for recoverable depreciation was received after completion of the roof replacements, making the total paid claim $614,542 for this event with $112,238 for the Apartments and $502,304 for MRDC ($500,427 plus $1,877 not applied to specific roof impairments). Roof replacements were completed at a total cost of $630,657 ($120,799 for the Apartments and $509,858 for MRDC).

Original asset costs were impaired for the roof portion of the properties, reducing the net book value by $177,828 ($38,660 for the Apartments and $139,168 for MRDC properties). This resulted in a gain on disposal of assets of $434,837 ($73,578 for the Apartments and $361,259 for MRDC). Not related to this event, MRDC and Unicorn had other net gains and losses on disposals of assets totaling $14,504, making the Organization’s total fiscal year 2018 net gains on disposal of assets $449,341.

8 RESTRICTED CASH – HUD APARTMENT PROJECTS

Under the terms of the HUD Regulatory Agreement, projects are required to set aside specified amounts for the replacement of property and other project expenditures as approved by HUD. Restricted funds totaling $84,586 and $101,902 at June 30, 2018 and 2017, respectively, were held in separate accounts and generally not available for operating purposes.

The projects are also required to fund a residual receipts account based upon HUD's calculation of surplus cash. Restricted funds totaling $29,675 and $29,673 at June 30, 2018 and 2017, respectively, were held in a separate account and generally not available for operating purposes unless approved by HUD. As of June 30, 2018, Meadow Brook Apartments held $24,528 in excess of the allowed balance. Management is currently seeking HUD approval to retain the residual receipts for authorized uses.

Restricted cash - HUD apartments is comprised of the restricted funds mentioned in the preceding two paragraphs, which totaled $114,261 and $131,575 at June 30, 2018 and 2017, respectively.

9 CLIENT TRUST FUNDS

MRDC and the Apartments administer cash trust accounts for their clients. These funds totaled $158,165 and $157,295 at June 30, 2018 and 2017, respectively. A corresponding liability is recorded in current liabilities in the statement of financial position.

10 LONG-TERM DEBT

Long-term debt as of June 30 consisted of the following:

	2018	2017
Independence Square mortgage note payable to HUD, secured by land and building, payable in monthly installments of $3,654 including interest at 9.25% through May 2026.	$ 245,453	$ 265,573
200 Oblate mortgage note payable to HUD, interest at 7.0% should the mortgagor default on the note. Interest will accrue from the funding date of the note until the entire note is paid off. If there is no default on the loan by September 4, 2036, the entire note and accrued interest will be forgiven. As it is management's intention to adhere to the requirements of the note, interest has not been accrued.	868,200	868,200
	1,113,653	1,133,773
Less current portion	(22,059)	(20,117)
	$ 1,091,594	$ 1,113,656

Future principal maturities of long-term debt are as follows:

Year Ending June 30,	Amount
2019	$ 22,059
2020	24,188
2021	26,523
2022	29,083
2023	31,890
Thereafter	979,910
	$ 1,113,653

Total interest expense on long-term debt during the years ended June 30, 2018 and 2017 was $23,569 and $25,356, respectively.

11 SUPPORT AND REVENUE CONCENTRATIONS

The Organization received $11,093,365, and $10,904,066 of revenue from governmental agencies for the years ended June 30, 2018 and 2017, respectively. This equates to 58.1% and 60.5%, respectively, of total support and revenue for those years.

12 RESTRICTED NET ASSETS

Temporarily Restricted

Temporarily restricted net assets consisted of the following at June 30:

	2018	2017
Endowment earnings	$ 345,348	$ 301,997
Unicorn expansion project	-	87,665
Other property and equipment additions and improvements	514,642	16,116
Future program expenses	149,264	192,667
Meadow Brook HUD capital advance	1,399,000	1,399,000
Bledsoe Foundation assets for benefit of MRDC	355,194	287,365
Temporarily restricted net assets	$ 2,763,448	$ 2,284,810

Permanently Restricted

Permanently restricted net assets consisted of the following at June 30:

	2018	2017
Endowment to provide operating income	$ 403,101	$ 395,932
Mockingbird Property (included in fixed assets)	88,394	88,394
Permanently restricted net assets	$ 491,495	$ 484,326

13 NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from temporary donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

	2018	2017
Purpose restriction accomplished:		
Camps and SOAR	$ 204,157	$ 195,673
Unicorn Center expansion project	87,665	334,480
Property and equipment purchases	136,779	567,849
Other program services	43,699	211,930
Net assets released from restriction	$ 472,300	$ 1,309,932

14 ENDOWMENT

General Information

MRM maintains an endowment fund established for a variety of purposes. These endowments include both donor-restricted endowment contributions and funds designated by the Board to function as endowments. The donor-restricted endowment funds fall under the provisions of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA), which was adopted by the state of Texas with an effective date of September 1, 2007. This policy defines MRM's interpretation of the provisions of this law as they relate to the prudent management of its endowment fund.

14 ENDOWMENT (Continued)

Background

In July, 2006, the Uniform Law Commission (ULC) approved UPMIFA as a modernized version of the Uniform Management of Institutional Funds Act of 1972 (UMIFA), which governed the investment and management of donor-restricted endowment funds by not-for-profit organizations. The major change of the new law is that UPMIFA prescribes new guidelines for expenditure of a donor-restricted endowment fund when there are no explicit donor stipulations. These guidelines require MRM to determine what constitutes prudent spending based upon consideration of the donor's intent that the endowment fund continues permanently, the purpose of the fund, and relevant economic factors. UPMIFA emphasizes the perpetuation of the purchasing power of the fund, not just the original dollars contributed to the fund. Although UPMIFA does not require that a specified amount be set aside as principal, it does assume that an organization will preserve "principal" by maintaining the purchasing power of amounts contributed, and will spend "income" by making distributions using a reasonable spending rate.

Endowment "Principal" Interpretation

MRM has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, MRM classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment (the "Principal"). The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by MRM in a manner consistent with the standard of prudence prescribed by UPMIFA.

Endowment Investment Objectives

Endowment investments are managed by professional money managers under the direction of the Investment and Endowment Committee of the Board of MRM. Funds are invested in a manner that seeks to produce results that meet or exceed the performance of generally recognized market indices, while assuming a moderate level of investment risk. To satisfy this performance objective, MRM relies on an absolute return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). MRM targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Endowment "Income" Appropriation (Spending Policy)

It was unanimously approved by the Board at the May 16, 2018 regularly scheduled meeting, to replace the spending policy that was approved by the Board on December 9, 2004. The 2004 spending policy authorized to spend up to 80% of the annual income from the endowment, excluding capital gains, not to exceed 4% of assets of the endowment in any one calendar year.

The new policy utilizes a rolling 3-year average asset value as of December 31 of each year. The 3-year average is intended to smooth out any fluctuations due to market volatility. The average is calculated using all accounts except the MRM Endowment Account and the Bledsoe Investment Account. The spending rate allows for not more than 5% applied to the rolling 3-year average and applies to the next fiscal year beginning July 1.

(Continued)

14 ENDOWMENT (Continued)

All earnings are reinvested until appropriated for expenditure. In accordance with UPMIFA, in all its endowment spending activity, MRM considers the following factors in making a determination to appropriate (spend) or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purpose of MRM and the donor-restricted endowment fund
3. General economic and investment market conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of MRM, and
7. The investment policies of MRM

Endowment net asset composition by type of fund as of June 30, 2018 and 2017 is as follows:

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 345,348	$ 403,101	$ 748,449
Board-designated endowment funds	-	-	-	-
	$ -	$ 345,348	$ 403,101	$ 748,449

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 301,997	$ 395,932	$ 697,929
Board-designated endowment funds	3,287,271	-	-	3,287,271
	$ 3,287,271	$ 301,997	$ 395,932	$ 3,985,200

Changes in endowment net assets for the years ended June 30, 2018 and 2017 were as follows:

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 3,287,271	$ 301,997	$ 395,932	$ 3,985,200
Interest and dividends	-	30,220	-	30,220
Investment management fees	-	(3,152)	-	(3,152)
Investment income, net	-	27,068	-	27,068
Realized gains (losses)	-	58,255	-	58,255
Unrealized gains (losses)	-	(41,972)	-	(41,972)
Reclassifications	(3,287,271)	-	7,169	(3,280,102)
Contributions	-	-	-	-
Endowment net assets, end of year	$ -	$ 345,348	$ 403,101	$ 748,449

(Continued)

14 ENDOWMENT (Continued)

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 2,961,571	$ 232,847	$ 395,932	$ 3,590,350
Interest and dividends	87,684	18,616	-	106,300
Investment management fees	(11,126)	(2,362)	-	(13,488)
Investment income, net	76,558	16,254	-	92,812
Realized gains (losses)	(23,250)	(4,936)	-	(28,186)
Unrealized gains (losses)	272,392	57,832	-	330,224
Contributions	-	-	-	-
Endowment net assets, end of year	$ 3,287,271	$ 301,997	$ 395,932	$ 3,985,200

15 SPECIAL EVENTS

MRM holds one special event, Shindig, each year to support programs of MRDC and Unicorn. Net proceeds after deducting direct and indirect event costs are distributed to MRDC and Unicorn as approved by the MRM board of directors. Unicorn holds a special event, Supported Employment Luncheon, to recognize clients and their community employers. The net proceeds from the luncheon were used to fund job coaches.

Revenues and expenses related to these two events for the years ended June 30, 2018 and 2017 are summarized as follows:

	2018		
	MRM Shindig	Unicorn Luncheon	Total
Special events gross revenue, unrestricted	$ 543,307	$ 158,778	$ 702,085
Special events gross revenue, temporarily restricted	181,025	-	181,025
Special events revenue, gross	724,332	158,778	883,110
Special events direct expenses	(72,250)	(14,689)	(86,939)
Special events indirect expenses (included in fundraising expense)	(15,836)	(5,257)	(21,093)
Special events revenue and expenses, net	$ 636,246	$ 138,832	$ 775,078

	2017		
	MRM Shindig	Unicorn Luncheon	Total
Special events gross revenue, unrestricted	$ 501,134	$ 158,137	$ 659,271
Special events gross revenue, temporarily restricted	220,625	-	220,625
Special events revenue, gross	721,759	158,137	879,896
Special events direct expenses	(72,178)	(17,833)	(90,011)
Special events indirect expenses (included in fundraising expense)	(23,687)	(5,544)	(29,231)
Special events revenue and expenses, net	$ 625,894	$ 134,760	$ 760,654

16 IN-KIND CONTRIBUTIONS

Under a contribution agreement effective August 1, 2016, MRDC received certain assets of HandsOn, a 501(c)(3) organization that provided residential and nonresidential services for persons who are deaf-blind with multiple disabilities (DBMD). Contribution revenue of $172,039 has been recognized in the year ended June 30, 2017 for the value of the assets received from HandsOn. The assets received included the community residential home and furnishings at 6706 Country Breeze, which was recognized at estimated fair value based on a review of comparable property listings at August 1, 2016. MRDC also received three passenger vans providing transportation for DBMD clients; those vans were recognized at estimated fair value based on estimates provided by a local dealership. MRDC did not assume any liabilities from HandsOn, other than those related to the three property leases for the group homes operated by HandsOn. MRDC also agreed to hire certain eligible employees of HandsOn. MRDC had eleven months of HandsOn program activity during the year ended June 30, 2017, and twelve months of activity during the year ended June 30, 2018.

17 LEASES

The Organization has several noncancelable operating leases for office equipment, storage space, and three rental homes for client residential care, which expire at various dates through June 2021. Rental expenses under these leases consisted of $51,856 and $53,006, for the years ended June 30, 2018 and 2017, respectively.

Future minimum lease payments under these leases are:

Year Ending June 30,	Amount
2019	$ 17,478
2020	1,417
2021	1,417
	$ 20,312

18 AFFILIATE ORGANIZATIONS AND RELATED PARTY INFORMATION

MRM provides centralized administrative support and ongoing coordinated oversight of the other affiliates. As part of the support MRM and affiliates share pooled corporate insurance policies. The annual premium for these insurance policies are paid proportionately by MRM and its affiliates creating cost benefits as a result of common management. MRM charges its affiliates a management fee for the support and oversight that it provides. MRM charged management fees of $1,264,371 and $1,259,491 to its affiliates in 2018 and 2017, respectively. MRM also contributes to its affiliates in support of their missions. MRM contributed $636,245 and $625,895 to affiliates to support program activities in 2018 and 2017, respectively. MRM also contributed $120,000 and $-0- to MRDC for the capital expansion project in 2018 and 2017, respectively. MRM contributions to affiliates totaled $756,245 and $625,895 for 2018 and 2017, respectively. These management fees and contributions and all related receivables and payables are eliminated upon combination.

Intercompany Transfers

In 2018, the boards of MRM and its affiliates reevaluated the boards' current and past intent of the allocation and possession of the organizations' investments and MRM's endowment investments. The board elected to transfer $2,000,000 from MRM investments to MRDC investments based on the original donor intent. Secondly, the MRM board elected to segregate the MRM endowment funds from other MRM investments. In doing this, MRM endowment principal and associated restricted earnings are now in their own brokerage account and a new account was opened for other MRM investments. To accomplish these changes, in the last week in June 2018, MRM sold securities and transferred funds to the appropriate MRM and MRDC accounts. These funds were then reinvested before June 30, 2018.

Due to these sales of securities and reinvestment, MRM and MRDC had a one-time event affecting investments, realized and unrealized gains as well as proceeds from sales of investments and purchases of investments.

19 EMPLOYEE BENEFIT PLAN

The Organization has a defined contribution employee benefit plan. This plan covers all MRM, MRDC and Unicorn full-time and non-excluded class employees who are active employees on December 31, have attained age 21, and have completed three months of service. Retirement plan contributions for the years ended June 30, 2018 and 2017 were $168,519 and $153,373, respectively.

20 HUD APARTMENTS MANAGED BY THIRD-PARTY MANAGEMENT COMPANY

200 Oblate has contracted with Suzanne Smith Management Company (the Management Company) to provide management services. The charges for these services are based on a management agreement. The charges are 7.8% of collected rental income not to exceed $35.33 per unit, per month. For the years ended June 30, 2018 and 2017, management fees charged amounted to $9,216 each year. All payroll and related activities (payroll taxes, workers' compensation insurance, employee benefits, and other) of 200 Oblate are transacted through the Management Company, and totaled $78,721 and $95,027 for the years ended 2018 and 2017, respectively.

Independence Square has contracted with the Management Company to provide management services. The charges for these services are based upon a management agreement. The charges are 7.5% of collected rental income. For the years ended June 30, 2018 and 2017, management fees charged amounted to $14,383 and $13,380, respectively. All payroll and related activities (payroll taxes, workers' compensation insurance, employee benefits, and other) of Independence Square are transacted through the Management Company, and totaled $46,192 and $61,477 for the years ended 2018 and 2017, respectively.

Meadow Brook has contracted with the Management Company to provide management services. The charges for these services are based upon a management agreement. The charges are $35.33 per unit, per month. For the years ended June 30, 2018 and 2017, management fees charged amounted to $7,437 each year. All payroll and related activities (payroll taxes, workers' compensation insurance, employee benefits, and other) of Meadow Brook are transacted through the Management Company, and totaled $62,769 and $71,806 for the years ended 2018 and 2017, respectively.

21 CONTINGENCIES

MRDC was contacted in July 2017 by the Office of Inspector General, U.S. Department of Health & Human Services (OIG) to undergo a review of MRDC’s residential HCS program. In October 2017, the OIG began their review and in February 2018 provided their findings that MRDC had billed $4,031 for services without proper documentation. The OIG extrapolated its sample-based findings to the entirety of the program based on the program’s annual revenue, and initially assessed that they would recover $87,283 from MRDC. Management has since provided documentation to the OIG to support the contested billings. Furthermore, management has engaged legal counsel to challenge the OIG’s decision to extrapolate the amount to be recovered, as management believes such extrapolation would be inconsistent with the rules and regulations applicable to the HCS program. Management believes that a loss of up to $87,283 is possible, but that the probable final amount will be considerably less than that.

22 SUBSEQUENT EVENTS

Effective July 1, 2018 Unicorn Centers, Inc. merged its operations into MRDC. MRDC received Unicorn’s assets and liabilities based on values as of June 30, 2018. Employees of Unicorn became employees of MRDC, and MRDC obtained the necessary licenses for the Unicorn programs, such that Unicorn will be operated as a program under MRDC. Upon filing the final IRS 990 for Unicorn’s fiscal year ending June 30, 2018, Unicorn Centers, Inc. will be dissolved as a separate entity. As both Unicorn and MRDC are included in the combined financial statements of MRM and affiliates, this will have no net impact on the assets or net assets of MRM and affiliates.

SUPPLEMENTARY INFORMATION

MISSION ROAD MINISTRIES AND AFFILIATES

COMBINING STATEMENT OF FINANCIAL POSITION
June 30, 2018

	Mission Road Ministries	Mission Road Developmental Center, Inc.	Unicorn Centers, Inc.	200 Oblate, Inc.	Independence Square, Inc.	Meadow Brook Apartments	Clifford Craig Bledsoe Memorial Foundation	Eliminations	Total
ASSETS									
Current assets:									
Cash and cash equivalents	$ 137,068	$ 2,002,073	$ 981,893	$ 25,053	$ 6,303	$ 2,281	$ -	$ -	$ 3,154,671
Restricted cash - client trust funds	-	145,407	-	5,333	3,078	4,347	-	-	158,165
Accounts receivable:									
Program fees, tuition, and expense reimbursements, net	-	952,411	284,722	-	-	-	-	-	1,237,133
Affiliate	81,956	15,236	-	-	-	-	-	(97,192)	-
Other	-	2,624	2,194	2,678	218	12	-	-	7,726
Unconditional promises to give, net	45,850	252,500	2,470	-	-	-	-	-	300,820
Prepaid expenses and other assets	61	19,508	7,478	-	-	-	-	-	27,047
Total current assets	264,935	3,389,759	1,278,757	33,064	9,599	6,640	-	(97,192)	4,885,562
Investments	3,376,024	4,289,071	1,157,007	-	-	-	355,194	-	9,177,296
Property and equipment, net	20,187	10,537,131	3,573,829	593,246	261,392	962,863	-	-	15,948,648
Other assets:									
Restricted cash - HUD apartments	-	-	-	25,050	36,994	52,217	-	-	114,261
Total assets	$ 3,661,146	$ 18,215,961	$ 6,009,593	$ 651,360	$ 307,985	$ 1,021,720	$ 355,194	$ (97,192)	$ 30,125,767
LIABILITIES AND NET ASSETS									
Current liabilities:									
Accounts payable:									
Trade	$ 22,375	$ 395,374	$ 134,472	$ 20,704	$ 21,017	$ 2,915	$ -	$ -	$ 596,857
Affiliate	-	32,662	64,530	-	-	-	-	(97,192)	-
Accrued retirement plan contribution	12,060	58,440	9,500	-	-	-	-	-	80,000
Accrued salary and related expenses	177,340	375,474	62,020	-	-	-	-	-	614,834
Client trust funds	-	145,407	-	5,333	3,078	4,347	-	-	158,165
Deferred revenue	27,678	-	-	2,713	24	585	-	-	31,000
Current portion of long-term debt	-	-	-	-	22,059	-	-	-	22,059
Other current liabilities	-	13,015	-	-	1,889	24,113	-	-	39,017
Total current liabilities	239,453	1,020,372	270,522	28,750	48,067	31,960	-	(97,192)	1,541,932
Long-term debt	-	-	-	868,200	223,394	-	-	-	1,091,594
Total liabilities	239,453	1,020,372	270,522	896,950	271,461	31,960	-	(97,192)	2,633,526
Net assets:									
Unrestricted - operations	2,653,057	6,003,913	2,155,881	(245,590)	36,524	(409,240)	-	-	10,194,545
Unrestricted - board-designated	-	-	-	-	-	-	-	-	-
Unrestricted - property and equipment	20,187	10,448,737	3,573,829	-	-	-	-	-	14,042,753
	2,673,244	16,452,650	5,729,710	(245,590)	36,524	(409,240)	-	-	24,237,298
Temporarily restricted	345,348	654,545	9,361	-	-	1,399,000	355,194	-	2,763,448
Permanently restricted	403,101	88,394	-	-	-	-	-	-	491,495
Total net assets	3,421,693	17,195,589	5,739,071	(245,590)	36,524	989,760	355,194	-	27,492,241
Total liabilities and net assets	$ 3,661,146	$ 18,215,961	$ 6,009,593	$ 651,360	$ 307,985	$ 1,021,720	$ 355,194	$ (97,192)	$ 30,125,767

MISSION ROAD MINISTRIES AND AFFILIATES

COMBINING STATEMENT OF ACTIVITIES

Year Ended June 30, 2018

	Unrestricted								
	Mission Road Ministries	Mission Road Developmental Center, Inc.	Unicorn Centers, Inc.	200 Oblate, Inc.	Independence Square, Inc.	Meadow Brook Apartments	Clifford Craig Bledsoe Memorial Foundation	Eliminations	**Subtotal**
Support and revenue:									
Special events:									
Gross revenue	$ 543,307	$ -	$ 158,778	$ -	$ -	$ -	$ -	$ -	$ 702,085
Less direct expenses	(72,250)	-	(14,689)	-	-	-	-	-	(86,939)
Net special events support	471,057	-	144,089	-	-	-	-	-	615,146
Contributions:									
Individuals	36,226	26,639	3,252	-	-	-	-	-	66,117
Corporations	20,226	25,346	13,523	-	-	-	-	-	59,095
Foundations	49,081	389,970	91,738	-	-	-	-	-	530,789
Affiliates	-	454,321	5,000	-	-	-	-	(459,321)	-
United Way allocation	2,030	695,189	52,062	-	-	-	-	-	749,281
Allocations from MRM Shindig	-	-	-	-	-	-	-	-	-
Governmental support:									
Nutrition program	-	31,998	-	-	-	-	-	-	31,998
Program service fees and tuition	-	10,881,876	179,491	-	-	-	-	-	11,061,367
Private program service fees and tuition	-	1,768,822	1,626,736	-	-	-	-	-	3,395,558
Rental revenue, net	-	-	-	188,484	216,102	153,806	-	-	558,392
Loss due to capture of residual receipts	-	-	-	-	-	(24,578)	-	-	(24,578)
Management fees	1,264,371	-	-	-	-	-	-	(1,264,371)	-
Interest and dividends, net of fees	138,309	72,736	42,321	-	-	-	-	-	253,366
Realized gains and (losses) on investments, net	297,665	(16)	-	-	-	-	-	-	297,649
Gain (loss) on disposal of property and equipment	-	376,127	(364)	25,661	29,900	18,017	-	-	449,341
Miscellaneous	-	37,784	5,941	1,066	8,715	815	-	-	54,321
Related agency revenue - affiliate	16,450	110,930	220,976	-	-	-	-	(348,356)	-
	2,295,415	14,871,722	2,384,765	215,211	254,717	148,060	-	(2,072,048)	18,097,842
Net assets released from restrictions	181,025	483,172	96,926	-	-	-	12,202	(301,025)	472,300
Total support and revenue	2,476,440	15,354,894	2,481,691	215,211	254,717	148,060	12,202	(2,373,073)	18,570,142
Expenses:									
Program services:									
Habilitation and care	-	13,556,787	1,819,068	174,809	159,793	171,634	8,101	-	15,890,192
Affiliate expenses	756,245	237,426	110,930	-	-	-	4,101	(1,108,702)	-
Supporting services:									
Administrative and general	1,289,126	845,973	241,905	12,287	17,465	10,518	-	(1,264,371)	1,152,903
Fundraising	131,569	138,444	43,306	-	-	-	-	-	313,319
Total expenses	2,176,940	14,778,630	2,215,209	187,096	177,258	182,152	12,202	(2,373,073)	17,356,414
Change in net assets before intercompany transfers, reclassifications, and unrealized gains (losses)	299,500	576,264	266,482	28,115	77,459	(34,092)	-	-	1,213,728
Intercompany transfers	(2,000,000)	2,000,000	-	-	-	-	-	-	-
Reclassifications	(7,169)	-	-	-	-	-	-	-	(7,169)
Unrealized gains (losses) on investments	(214,466)	39,254	17,272	-	-	-	-	-	(157,940)
Change in net assets	(1,922,135)	2,615,518	283,754	28,115	77,459	(34,092)	-	-	1,048,619
Net assets at beginning of year	4,595,379	13,837,132	5,445,956	(273,705)	(40,935)	(375,148)	-	-	23,188,679
Net assets at end of year	$ 2,673,244	$ 16,452,650	$ 5,729,710	$ (245,590)	$ 36,524	$ (409,240)	$ -	$ -	$ 24,237,298

Temporarily Restricted							Permanently Restricted			
Mission Road Ministries	Mission Road Developmental Center, Inc.	Unicorn Centers, Inc.	Meadow Brook Apartments	Clifford Craig Bledsoe Memorial Foundation	Eliminations	**Subtotal**	Mission Road Ministries	Mission Road Developmental Center, Inc.	**Subtotal**	**Total**
$ 181,025	$ -	$ -	$ -	$ -	$ -	$ 181,025	$ -	$ -	$ -	$ 883,110
-	-	-	-	-	-	-	-	-	-	(86,939)
181,025	-	-	-	-	-	181,025	-	-	-	796,171
-	2,026	-	-	-	-	2,026	-	-	-	68,143
-	34,630	-	-	-	-	34,630	-	-	-	93,725
-	600,514	9,361	-	66,140	-	676,015	-	-	-	1,206,804
-	120,000	-	-	-	(120,000)	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	749,281
-	181,025	-	-	-	(181,025)	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	31,998
-	-	-	-	-	-	-	-	-	-	11,061,367
-	-	-	-	-	-	-	-	-	-	3,395,558
-	-	-	-	-	-	-	-	-	-	558,392
-	-	-	-	-	-	-	-	-	-	(24,578)
-	-	-	-	-	-	-	-	-	-	-
27,068	-	-	-	11,408	-	38,476	-	-	-	291,842
58,255	-	-	-	368	-	58,623	-	-	-	356,272
-	-	-	-	-	-	-	-	-	-	449,341
-	-	-	-	-	-	-	-	-	-	54,321
-	-	-	-	-	-	-	-	-	-	-
266,348	938,195	9,361	-	77,916	(301,025)	990,795	-	-	-	19,088,637
(181,025)	(483,172)	(96,926)	-	(12,202)	301,025	(472,300)	-	-	-	-
85,323	455,023	(87,565)	-	65,714	-	518,495	-	-	-	19,088,637
-	-	-	-	-	-	-	-	-	-	15,890,192
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	1,152,903
-	-	-	-	-	-	-	-	-	-	313,319
-	-	-	-	-	-	-	-	-	-	17,356,414
85,323	455,023	(87,565)	-	65,714	-	518,495	-	-	-	1,732,223
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	7,169	-	7,169	-
(41,972)	-	-	-	2,115	-	(39,857)	-	-	-	(197,797)
43,351	455,023	(87,565)	-	67,829	-	478,638	7,169	-	7,169	1,534,426
301,997	199,522	96,926	1,399,000	287,365	-	2,284,810	395,932	88,394	484,326	25,957,815
$ 345,348	$ 654,545	$ 9,361	$ 1,399,000	$ 355,194	$ -	$ 2,763,448	$ 403,101	$ 88,394	$ 491,495	$ 27,492,241