

**MISSION ROAD MINISTRIES
AND AFFILIATES**

**COMBINED FINANCIAL STATEMENTS WITH
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2019

**MISSION ROAD MINISTRIES
AND AFFILIATES**
**COMBINED FINANCIAL STATEMENTS WITH
SUPPLEMENTARY INFORMATION**

Year Ended June 30, 2019

Table of Contents

	<u>Page No.</u>
Independent auditor's report	1
Financial statements	
Combined statement of financial position	3
Combined statement of activities	4
Combined statement of functional expenses.....	5
Combined statement of cash flows	6
Notes to combined financial statements	7
Supplementary information	
Combining statement of financial position	22
Combining statement of activities	23

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, 2019 and 2018, and the related combined statements of activities and functional expenses for the year ended June 30, 2019 and cash flows for the years ended June 30, 2019 and 2018, 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 \$1,925,863 as of June 30, 2019, and total revenues of \$588,235 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, 2019 and 2018, the changes in their net assets for the year ended June 30, 2019, and their cash flows for the years ended June 30, 2019 and 2018 in accordance with accounting principles generally accepted in the United States of America.

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Report on Summarized Comparative Information

We have previously audited Mission Road Ministries and affiliates' 2018 combined financial statements, and our report dated November 6, 2018, 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, 2018, is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

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, Ravenberg & Schuh, P. C.

San Antonio, Texas
November 19, 2019

MISSION ROAD MINISTRIES AND AFFILIATES
COMBINED STATEMENT OF FINANCIAL POSITION

June 30, 2019 and 2018

ASSETS	<u>2019</u>	<u>2018</u>
Current assets:		
Cash and cash equivalents	\$ 2,700,426	\$ 3,154,671
Restricted cash - client trust funds	147,488	158,165
Accounts receivable:		
Program fees, tuition, and expense reimbursements, net	1,306,594	1,237,133
Other	2,279	7,726
Unconditional promises to give, net	14,245	300,820
Prepaid expenses and other assets	6,749	27,047
Total current assets	<u>4,177,781</u>	<u>4,885,562</u>
Investments:		
Investments, general	8,826,130	8,428,847
Investments, endowment	782,054	748,449
Total investments	<u>9,608,184</u>	<u>9,177,296</u>
Property and equipment, net	16,021,099	15,948,648
Other assets:		
Restricted cash - HUD apartments	<u>89,411</u>	<u>114,261</u>
Total assets	<u>\$ 29,896,475</u>	<u>\$ 30,125,767</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable - trade	\$ 430,218	\$ 596,857
Accrued retirement plan contribution	86,835	80,000
Accrued salary and related expenses	620,161	614,834
Client trust funds	147,488	158,165
Deferred revenue	93,604	31,000
Current portion of long-term debt	24,188	22,059
Other current liabilities	3,332	39,017
Total current liabilities	<u>1,405,826</u>	<u>1,541,932</u>
Long-term debt	<u>1,067,406</u>	<u>1,091,594</u>
Total liabilities	<u>2,473,232</u>	<u>2,633,526</u>
Net assets:		
Without donor restrictions:		
Operations	10,182,537	10,194,545
Property and equipment	14,223,625	14,042,753
Total net assets without donor restrictions	<u>24,406,162</u>	<u>24,237,298</u>
With donor restrictions	<u>3,017,081</u>	<u>3,254,943</u>
Total net assets	<u>27,423,243</u>	<u>27,492,241</u>
Total liabilities and net assets	<u>\$ 29,896,475</u>	<u>\$ 30,125,767</u>

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

MISSION ROAD MINISTRIES AND AFFILIATES

COMBINED STATEMENT OF ACTIVITIES

Year Ended June 30, 2019

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

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>	
			<u>2019</u>	<u>2018</u>
Support and revenue:				
Special events:				
Gross revenue	\$ 692,733	\$ 216,268	\$ 909,001	\$ 883,110
Less direct expenses	(100,545)	-	(100,545)	(86,939)
Net special events support	<u>592,188</u>	<u>216,268</u>	<u>808,456</u>	<u>796,171</u>
Contributions:				
Individuals	265,165	30,056	295,221	68,143
Corporations	91,981	33,104	125,085	93,725
Foundations	410,432	88,176	498,608	1,206,804
United Way allocation	622,922	-	622,922	749,281
Governmental support:				
Nutrition program	32,550	-	32,550	31,998
Program service fees and tuition	11,245,007	-	11,245,007	11,061,367
Private program service fees and tuition	3,377,594	-	3,377,594	3,395,558
Rental revenue, net of vacancies of \$13,556 for 2019 and \$2,572 for 2018	560,446	-	560,446	558,392
Interest and dividends, net of fees	187,081	42,385	229,466	291,842
Realized gains (losses) on investments, net	(49,475)	15,443	(34,032)	356,272
Gains on disposal of property and equipment	31,065	-	31,065	449,341
Gain (loss) due to capture of residual receipts	24,578	-	24,578	(24,578)
Miscellaneous	46,282	-	46,282	54,321
	<u>17,437,816</u>	<u>425,432</u>	<u>17,863,248</u>	<u>19,088,637</u>
Net assets released from restrictions	632,471	(632,471)	-	-
Total support and revenue	<u>18,070,287</u>	<u>(207,039)</u>	<u>17,863,248</u>	<u>19,088,637</u>
Expenses:				
Program services:				
Habilitation and care	16,464,566	-	16,464,566	15,890,192
Supporting services:				
Administrative and general	1,214,356	-	1,214,356	1,152,903
Fundraising	306,140	-	306,140	313,319
Total expenses	<u>17,985,062</u>	<u>-</u>	<u>17,985,062</u>	<u>17,356,414</u>
Change in net assets before unrealized gains (losses)	85,225	(207,039)	(121,814)	1,732,223
Unrealized gains (losses) on investments	<u>83,639</u>	<u>(30,823)</u>	<u>52,816</u>	<u>(197,797)</u>
Change in net assets	168,864	(237,862)	(68,998)	1,534,426
Net assets at beginning of year	<u>24,237,298</u>	<u>3,254,943</u>	<u>27,492,241</u>	<u>25,957,815</u>
Net assets at end of year	<u>\$ 24,406,162</u>	<u>\$ 3,017,081</u>	<u>\$ 27,423,243</u>	<u>\$ 27,492,241</u>

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, 2019

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

	Program Services	Supporting Services		Total	
	<u>Habilitation and Care</u>	<u>Administrative and General</u>	<u>Fundraising</u>	<u>2019</u>	<u>2018</u>
Salaries	\$ 8,475,847	\$ 929,302	\$ 220,513	\$ 9,625,662	\$ 9,346,768
Employee health and welfare	598,400	23,063	17,644	639,107	614,293
Employee retirement	182,633	24,670	7,965	215,268	211,045
Payroll taxes	661,343	67,103	15,846	744,292	723,441
Workers' compensation insurance	69,767	1,625	356	71,748	80,836
Total salary and related expenses	<u>9,987,990</u>	<u>1,045,763</u>	<u>262,324</u>	<u>11,296,077</u>	<u>10,976,383</u>
Employee screening	31,803	7,177	-	38,980	28,802
Professional fees - accounting, legal, and other	81,111	70,585	262	151,958	168,820
Professional fees - program	2,081,201	-	-	2,081,201	2,049,972
IT support services	221,681	15,659	10,773	248,113	231,251
Training - client	397,340	-	-	397,340	409,700
Supplies	816,619	14,507	813	831,939	802,448
Telephone	124,739	3,803	1,353	129,895	127,020
Postage and shipping	5,174	3,282	1,876	10,332	13,275
Printing and publications	3,779	983	2,896	7,658	7,398
Advertising - employee recruitment	19,169	1,148	140	20,457	12,394
Occupancy	488,788	5,612	-	494,400	424,277
Utilities	384,910	10,279	-	395,189	435,460
Equipment maintenance	16,684	382	-	17,066	8,510
Equipment rental	4,881	62	-	4,943	6,958
Corporate insurance	194,439	19,901	-	214,340	195,028
Transportation	203,977	551	462	204,990	197,641
Meetings and conferences	10,054	4,049	1,488	15,591	14,641
Specific assistance to individuals	248,553	-	-	248,553	228,660
Membership dues	8,444	823	-	9,267	9,667
Miscellaneous	18,550	17	308	18,875	10,267
Bad debt	2,283	(3)	-	2,280	25,732
Public relations and charitable contributions	731	788	19	1,538	2,423
Special events - indirect expense	-	-	22,194	22,194	21,093
Interest expense	21,615	-	-	21,615	23,569
Bank and credit card fees	3,541	16	1,232	4,789	2,948
Total expenses before depreciation	<u>15,378,056</u>	<u>1,205,384</u>	<u>306,140</u>	<u>16,889,580</u>	<u>16,434,337</u>
Depreciation	<u>1,086,510</u>	<u>8,972</u>	<u>-</u>	<u>1,095,482</u>	<u>922,077</u>
Total expenses	<u>\$ 16,464,566</u>	<u>\$ 1,214,356</u>	<u>\$ 306,140</u>	<u>\$ 17,985,062</u>	<u>\$ 17,356,414</u>

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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ (68,998)	\$ 1,534,426
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	1,095,482	922,077
Bad debt expense	2,280	25,732
Gains on disposal of property and equipment	(31,065)	(449,341)
Contributions restricted for purchase of property and equipment	(5,500)	(635,305)
Realized and unrealized (gains) and losses, net	(18,784)	(158,475)
Change in:		
Accounts receivable	(66,294)	(133,353)
Promises to give receivable	286,575	(226,825)
Prepaid expenses and other assets	20,298	1,617
Accounts payable	(166,639)	110,158
Accrued retirement plan contribution	6,835	4,081
Accrued salary expenses	5,327	33,365
Client trust funds	(10,677)	870
Deferred revenues	62,604	7,544
Other current liabilities	(35,685)	(418,012)
Net cash provided by operating activities	<u>1,075,759</u>	<u>618,559</u>
Cash flows from investing activities:		
Insurance proceeds from damage to property and equipment	-	631,449
Purchases of property and equipment	(1,136,868)	(2,953,248)
Proceeds from sales and maturities of investments	6,524,516	5,879,273
Purchases of investments	(6,936,620)	(6,097,960)
Net cash used by investing activities	<u>(1,548,972)</u>	<u>(2,540,486)</u>
Cash flows from financing activities:		
Proceeds from contributions restricted for purchase of property and equipment	5,500	635,305
Principal payments on long-term debt	(22,059)	(20,120)
Net cash provided (used) by financing activities	<u>(16,559)</u>	<u>615,185</u>
Net decrease in cash, cash equivalents, and restricted cash	(489,772)	(1,306,742)
Cash, cash equivalents, and restricted cash at beginning of year	<u>3,427,097</u>	<u>4,733,839</u>
Cash, cash equivalents, and restricted cash at end of year	<u>\$ 2,937,325</u>	<u>\$ 3,427,097</u>
Schedule of supplemental cash flow information:		
Reconciliation of cash, cash equivalents, and restricted cash to statement of financial position:		
Cash and cash equivalents	\$ 2,700,426	\$ 3,154,671
Restricted cash - client trust funds	147,488	158,165
Restricted cash - HUD apartments	89,411	114,261
Total cash, cash equivalents, and restricted cash	<u>\$ 2,937,325</u>	<u>\$ 3,427,097</u>
Interest paid	<u>\$ 21,615</u>	<u>\$ 23,569</u>

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

MISSION ROAD MINISTRIES AND AFFILIATES

NOTES TO COMBINED 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) 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). Prior to July 1, 2018, MRM also oversaw Unicorn Centers, Inc. (Unicorn). 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 16). 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, nonresidential, and life skills/vocational 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, at the Unicorn Campus on Hamilton-Wolfe Road, 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.

MRDC and Unicorn Centers merged effective July 1, 2018, and all assets, obligations, and operations of Unicorn were transferred to MRDC. As both MRDC and Unicorn were included in the combined financial statements of the Organization prior to this merger, the merger had no significant impact on the combined financial statements.

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.

(Continued)

MISSION ROAD MINISTRIES AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

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

- Without Donor Restrictions - Resources that are expendable at the discretion of the Board of Directors for conducting the operations of the Organization. Net assets without donor restrictions may be designated by the Board of Directors for a specific purpose.
- With Donor Restrictions - 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 or 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, 2018, 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, Cash Equivalents, and Restricted Cash

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.

Amounts included in restricted cash represent funds held in trust accounts for clients of MRDC and the Apartments, and funds that the Apartments are required to set aside for the replacement of property and other project expenditures as approved by HUD.

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)

MISSION ROAD MINISTRIES AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS

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

The Organization capitalizes all expenditures for property and equipment that cost \$5,000 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:

	<u>Years</u>
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 net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions 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.

(Continued)

MISSION ROAD MINISTRIES AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS

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, 2020 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 2022.

(Continued)

MISSION ROAD MINISTRIES AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Pronouncements Issued but Not Yet Adopted (Continued)

Not-for-Profit Entities (Topic 958)

In June 2018, the FASB issued ASU 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The new standard modifies guidelines for evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions, and for determining whether a contribution is conditional.

Portions of the ASU that apply to transactions in which the organization serves as the recipient of resources are effective for fiscal years beginning after December 15, 2018, and portions of the ASU that apply to transactions in which the organization serves as the resource provider are effective for fiscal years beginning after December 15, 2019. This may affect the Organization in fiscal years 2020 and 2021.

Recently Adopted Accounting Pronouncements

In August 2016, the FASB issued Accounting Standards Update 2016-14, regarding the reporting and disclosure requirements for not-for-profit organizations, effective for periods beginning after December 15, 2017, with early adoption permitted. The pronouncement replaces the three classes of net assets with two new classes, requires the reporting of expenses by function and natural classification for all not-for-profit organizations, enhances disclosures on liquidity and availability of resources, and includes several other less significant reporting enhancements. The Organization adopted this new pronouncement effective July 1, 2018.

Subsequent Events

The Organization has evaluated subsequent events through November 19, 2019, the date which the financial statements were available for issue.

3 CONCENTRATION OF CREDIT RISK

The Organization maintains its cash and cash equivalent balances in one financial institution. At June 30, 2019, the Organization's cash and cash equivalents exceeded federally insured limits by \$2,424,225 in one financial institution.

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:

	<u>2019</u>	<u>2018</u>
Government agency fees	\$ 832,581	\$ 851,221
Program fees and tuition	474,013	399,449
Program fees, tuition and expense reimbursements receivable, gross	1,306,594	1,250,670
Allowance for doubtful accounts	-	(13,537)
Program fees, tuition and expense reimbursements receivable, net	\$ 1,306,594	\$ 1,237,133

MISSION ROAD MINISTRIES AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS

5 UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are as follows:

	<u>2019</u>	<u>2018</u>
Restricted for purchase of property and equipment	\$ -	\$ 250,000
Restricted for use in future periods	14,245	50,820
	<u>\$ 14,245</u>	<u>\$ 300,820</u>
	<u>2019</u>	<u>2018</u>
Pledges due in one year or less	\$ 14,245	\$ 300,820
Less: estimated allowance for uncollectible pledges	-	-
Unconditional promises to give, net	<u>\$ 14,245</u>	<u>\$ 300,820</u>

6 INVESTMENTS

Investments, including endowment investments, consisted of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Cash and money market funds	\$ 194,395	\$ 174,352
Corporate bonds	2,419,430	-
Mutual funds:		
Bond funds	693,651	3,272,785
International bond funds	529,874	-
World allocation funds	2,300,234	2,148,789
Large blend funds	1,062,333	639,127
Foreign large blend funds	309,148	407,775
Large value funds	-	750,797
Foreign large value funds	276,927	-
Mid-cap funds	557,921	-
Foreign small/mid-cap funds	262,943	-
Small blend funds	87,533	236,509
Long-short equity funds	665,694	977,474
Emerging market funds	248,101	-
Multi-alternative funds	-	569,688
	<u>\$ 9,608,184</u>	<u>\$ 9,177,296</u>

Investment return is summarized as follows:

	<u>2019</u>	<u>2018</u>
Interest and dividend income	\$ 251,594	\$ 323,314
Investment management fees	(22,128)	(31,472)
Investment income, net of fees	229,466	291,842
Realized gains and losses	(34,032)	356,272
Unrealized gains and losses	52,816	(197,797)
Total investment return	<u>\$ 248,250</u>	<u>\$ 450,317</u>

(Continued)

MISSION ROAD MINISTRIES AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

6 INVESTMENTS (Continued)

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, 2019 and 2018, 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:

	<u>2019</u>	<u>2018</u>
Land and land improvements	\$ 721,286	\$ 1,447,641
Buildings and improvements	21,833,152	19,814,278
Equipment	1,618,226	1,462,646
Furniture and fixtures	135,051	131,703
Vehicles	1,381,242	1,283,122
Website	-	17,241
Construction in progress	<u>228,333</u>	<u>921,366</u>
Property and equipment, gross	<u>25,917,290</u>	<u>25,077,997</u>
Accumulated depreciation	<u>(9,896,191)</u>	<u>(9,129,349)</u>
Property and equipment, net	<u>\$ 16,021,099</u>	<u>\$ 15,948,648</u>

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. Through June 30, 2017, MRDC and its affiliates had received \$317,152 of insurance proceeds. During the year ended June 30, 2018, MRDC and its affiliates received \$297,390 in additional payments on its insurance claim, making the total cumulate 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 \$38,660 for the Apartments and \$139,168 for MRDC properties. This resulted in a gain on disposal of assets of \$73,578 for the Apartments and \$361,259 for MRDC in the year ended June 30, 2018. Not related to this event, MRDC had other gains of \$14,868 on the disposal of fully depreciated automobiles making the Organization's total gains on disposal of assets \$376,127 for the year ended June 30, 2018.

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 reserve for replacement funds totaling \$86,597 and \$84,586 at June 30, 2019 and 2018, 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 residual receipt funds totaling \$2,814 and \$29,675 at June 30, 2019 and 2018, respectively, were held in a separate account and generally not available for operating purposes unless approved by HUD.

(Continued)

MISSION ROAD MINISTRIES AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS

8 RESTRICTED CASH – HUD APARTMENT PROJECTS (Continued)

Restricted cash - HUD apartments is comprised of the restricted funds mentioned in the preceding two paragraphs, which totaled \$89,411 and \$114,261 at June 30, 2019 and 2018, respectively.

9 CLIENT TRUST FUNDS

MRDC and the Apartments administer cash trust accounts for their clients. These funds totaled \$147,488 and \$158,165 at June 30, 2019 and 2018, 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:

	<u>2019</u>	<u>2018</u>
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.	\$ 223,394	\$ 245,453
200 Oblate mortgage note payable to HUD, interest at 7.875% 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 August 1, 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.	<u>868,200</u>	<u>868,200</u>
Less current portion	<u>1,091,594</u> <u>(24,188)</u>	<u>1,113,653</u> <u>(22,059)</u>
	<u><u>\$ 1,067,406</u></u>	<u><u>\$ 1,091,594</u></u>

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 24,188
2021	26,523
2022	29,083
2023	31,890
2024	34,968
Thereafter	<u>944,942</u>
	<u><u>\$ 1,091,594</u></u>

Total interest expense on long-term debt during the years ended June 30, 2019 and 2018 was \$21,615 and \$23,569, respectively.

11 SUPPORT AND REVENUE CONCENTRATIONS

The Organization received \$11,277,557, and \$11,093,365 of revenue from governmental agencies for the years ended June 30, 2019 and 2018, respectively. This equates to 63.1% and 58.1%, respectively, of total support and revenue for those years.

MISSION ROAD MINISTRIES AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

12 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at June 30:

	<u>2019</u>	<u>2018</u>
Subject to expenditures for specified purpose or time periods:		
Endowment earnings	\$ 363,953	\$ 345,348
Other property and equipment additions and improvements	285,229	514,642
Future program expenses	150,327	149,264
Meadow Brook HUD capital advance	1,399,000	1,399,000
Bledsoe Foundation net assets for benefit of MRDC	<u>312,077</u>	<u>355,194</u>
Total net assets subject to expenditures for specified purpose or time periods	2,510,586	2,763,448
Subject to restrictions that are perpetual in nature:		
Endowment to provide operating income	418,101	403,101
Mockingbird Property (included in fixed assets)	<u>88,394</u>	<u>88,394</u>
Total net assets with donor restrictions	<u><u>\$ 3,017,081</u></u>	<u><u>\$ 3,254,943</u></u>

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:

	<u>2019</u>	<u>2018</u>
Satisfaction of purpose or time restrictions:		
Camps and SOAR	\$ 239,680	\$ 204,157
Unicorn Center expansion project	-	87,665
Property and equipment purchases	366,878	136,779
Other program services	<u>25,913</u>	<u>43,699</u>
Net assets released from restriction	<u><u>\$ 632,471</u></u>	<u><u>\$ 472,300</u></u>

13 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.

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.

(Continued)

MISSION ROAD MINISTRIES AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS

13 ENDOWMENT (Continued)

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.

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

(Continued)

MISSION ROAD MINISTRIES AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS

13 ENDOWMENT (Continued)

Endowment net asset composition by type of fund as of June 30, 2019 and 2018 is as follows:

	2019		
	<u>Without Donor Restrictions</u>	<u>With Donor Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 782,054	\$ 782,054

	2018		
	<u>Without Donor Restrictions</u>	<u>With Donor Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 748,449	\$ 748,449

Changes in endowment net assets for the years ended June 30, 2019 and 2018 were as follows:

	2019		
	<u>Without Donor Restrictions</u>	<u>With Donor Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 748,449	\$ 748,449
Interest and dividends	-	31,360	31,360
Investment management fees	-	(4,551)	(4,551)
Investment income, net	-	26,809	26,809
Realized gains (losses)	-	9,054	9,054
Unrealized gains (losses)	-	(17,258)	(17,258)
Reclassifications	-	-	-
Contributions	-	15,000	15,000
Endowment net assets, end of year	\$ -	\$ 782,054	\$ 782,054

	2018		
	<u>Without Donor Restrictions</u>	<u>With Donor Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 3,287,271	\$ 697,929	\$ 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	\$ -	\$ 748,449	\$ 748,449

MISSION ROAD MINISTRIES AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

14 SPECIAL EVENTS

MRM holds one special event, Shindig, each year to support programs of MRDC. Net proceeds after deducting direct and indirect event costs are distributed to MRDC as approved by the MRM board of directors. MRDC (and previously Unicorn, prior to July 1, 2018) 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, 2019 and 2018 are summarized as follows:

	2019		
	MRM Shindig	MRDC Unicorn Supported Emp. Luncheon	Total
Special events gross revenue, unrestricted	\$ 537,320	\$ 155,413	\$ 692,733
Special events gross revenue, temporarily restricted	216,268	-	216,268
Special events revenue, gross	<u>753,588</u>	<u>155,413</u>	<u>909,001</u>
Special events direct expenses	(86,540)	(14,005)	(100,545)
Special events indirect expenses (included in fundraising expense)	(14,968)	(7,226)	(22,194)
Special events revenue and expenses, net	<u>\$ 652,080</u>	<u>\$ 134,182</u>	<u>\$ 786,262</u>
	2018		
	MRM Shindig	Unicorn Centers Supported Emp. 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	<u>724,332</u>	<u>158,778</u>	<u>883,110</u>
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	<u>\$ 636,246</u>	<u>\$ 138,832</u>	<u>\$ 775,078</u>

15 LEASES

The Organization has several noncancelable operating leases for office equipment, storage space, and one rental home for client residential care, which expire at various dates through June 2021. Rental expenses under these leases consisted of \$44,394 and \$51,856, for the years ended June 30, 2019 and 2018, respectively.

Future minimum lease payments under these leases are:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 12,057
2021	1,417
	<u>\$ 13,474</u>

MISSION ROAD MINISTRIES AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS

16 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 \$1,306,497 and \$1,264,371 to its affiliates in 2019 and 2018, respectively. MRM also contributes to its affiliates in support of their missions. MRM contributed \$655,420 and \$636,245 to affiliates to support program activities in 2019 and 2018, respectively. MRM also contributed \$-0- and \$120,000 to MRDC for the capital expansion project in 2019 and 2018, respectively. MRM contributions to affiliates totaled \$655,420 and \$756,245 for 2019 and 2018, respectively. The Bledsoe Foundation made contributions to MRDC of \$122,505 and \$4,101 in 2019 and 2018, 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.

17 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, 2019 and 2018 were \$179,851 and \$168,519, respectively.

18 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, 2019 and 2018, 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 \$79,755 and \$78,721 for the years ended 2019 and 2018, 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, 2019 and 2018, management fees charged amounted to \$14,139 and \$14,383, 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 \$53,671 and \$46,192 for the years ended 2019 and 2018, respectively.

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MISSION ROAD MINISTRIES AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS

18 HUD APARTMENTS MANAGED BY THIRD-PARTY MANAGEMENT COMPANY (Continued)

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, 2019 and 2018, 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 \$61,508 and \$62,769 for the years ended 2019 and 2018, respectively.

19 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. Donor-restricted amounts that are available for use within one year for general purposes include amounts restricted for expenditure in the upcoming fiscal year. Accounts receivable are subject to an implied time restriction but are expected to be collected within one year, except for promises to give that are due in future years.

Cash and cash equivalents	\$ 2,700,426
Restricted cash	236,899
Accounts receivable, net	1,308,873
Unconditional promises to give, net	14,245
Investments	9,608,184
Financial assets at year end	<u>13,868,627</u>
Less those unavailable for general expenditure within one year, due to:	
Cash restricted for specific uses	(236,899)
Investments with donor restrictions that are perpetual in nature	(418,101)
Donor-restricted to expenditure for specific purpose	<u>(2,510,586)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 10,703,041</u>

The Organization plans to keep cash and cash equivalents on hand that are adequate to cover three months of regular operating expenses, and invests any surplus in a variety of investments that include equities, bonds, and mutual funds. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. At June 30, 2019, the Organization had financial assets available to meet cash needs for general expenditure within one year that were equivalent to roughly 217 days of average operating expenses.

SUPPLEMENTARY INFORMATION

MISSION ROAD MINISTRIES AND AFFILIATES
COMBINING STATEMENT OF FINANCIAL POSITION
June 30, 2019

	Mission Road Ministries	Mission Road Developmental Center, Inc.	200 Oblate, Inc.	Independence Square, Inc.	Meadow Brook Apartments	Clifford Craig Bledsoe Memorial Foundation	Eliminations	Total
ASSETS								
Current assets:								
Cash and cash equivalents	\$ 222,313	\$ 2,452,277	\$ 1,560	\$ 8,672	\$ 15,604	\$ -	\$ -	\$ 2,700,426
Restricted cash - client trust funds	-	134,578	5,174	3,152	4,584	-	-	147,488
Accounts receivable:								
Program fees, tuition, and expense reimbursements, net	-	1,306,362	229	-	3	-	-	1,306,594
Affiliate	77,925	-	-	-	-	-	(77,925)	-
Other	-	2,279	-	-	-	-	-	2,279
Unconditional promises to give, net	14,245	-	-	-	-	-	-	14,245
Prepaid expenses and other assets	-	6,749	-	-	-	-	-	6,749
Total current assets	<u>314,483</u>	<u>3,902,245</u>	<u>6,963</u>	<u>11,824</u>	<u>20,191</u>	<u>-</u>	<u>(77,925)</u>	<u>4,177,781</u>
Investments:								
Investments, general	2,929,178	5,580,983	-	-	-	315,969	-	8,826,130
Investments, endowment	782,054	-	-	-	-	-	-	782,054
Total investments	<u>3,711,232</u>	<u>5,580,983</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>315,969</u>	<u>-</u>	<u>9,608,184</u>
Property and equipment, net	11,215	14,212,410	583,534	258,257	955,683	-	-	16,021,099
Other assets:								
Restricted cash - HUD apartments	-	-	33,751	25,207	30,453	-	-	89,411
Total assets	<u>\$ 4,036,930</u>	<u>\$ 23,695,638</u>	<u>\$ 624,248</u>	<u>\$ 295,288</u>	<u>\$ 1,006,327</u>	<u>\$ 315,969</u>	<u>\$ (77,925)</u>	<u>\$ 29,896,475</u>
LIABILITIES AND NET ASSETS								
Current liabilities:								
Accounts payable:								
Trade	\$ 26,055	\$ 379,853	\$ 2,112	\$ 5,357	\$ 16,841	\$ -	\$ -	\$ 430,218
Affiliate	-	74,033	-	-	-	3,892	(77,925)	-
Accrued retirement plan contribution	12,290	74,545	-	-	-	-	-	86,835
Accrued salary and related expenses	144,842	473,550	-	1,769	-	-	-	620,161
Client trust funds	-	134,578	5,174	3,152	4,584	-	-	147,488
Deferred revenue	90,563	2,800	241	-	-	-	-	93,604
Current portion of long-term debt	-	-	-	24,188	-	-	-	24,188
Other current liabilities	-	508	459	2,203	162	-	-	3,332
Total current liabilities	<u>273,750</u>	<u>1,139,867</u>	<u>7,986</u>	<u>36,669</u>	<u>21,587</u>	<u>3,892</u>	<u>(77,925)</u>	<u>1,405,826</u>
Long-term debt	-	-	868,200	199,206	-	-	-	1,067,406
Total liabilities	<u>273,750</u>	<u>1,139,867</u>	<u>876,186</u>	<u>235,875</u>	<u>21,587</u>	<u>3,892</u>	<u>(77,925)</u>	<u>2,473,232</u>
Net assets:								
Without donor restrictions:								
Operations	2,957,947	7,831,375	(251,938)	59,413	(414,260)	-	-	10,182,537
Property and equipment	11,215	14,212,410	-	-	-	-	-	14,223,625
Total net assets without donor restrictions	<u>2,969,162</u>	<u>22,043,785</u>	<u>(251,938)</u>	<u>59,413</u>	<u>(414,260)</u>	<u>-</u>	<u>-</u>	<u>24,406,162</u>
With donor restrictions	794,018	511,986	-	-	1,399,000	312,077	-	3,017,081
Total net assets	<u>3,763,180</u>	<u>22,555,771</u>	<u>(251,938)</u>	<u>59,413</u>	<u>984,740</u>	<u>312,077</u>	<u>-</u>	<u>27,423,243</u>
Total liabilities and net assets	<u>\$ 4,036,930</u>	<u>\$ 23,695,638</u>	<u>\$ 624,248</u>	<u>\$ 295,288</u>	<u>\$ 1,006,327</u>	<u>\$ 315,969</u>	<u>\$ (77,925)</u>	<u>\$ 29,896,475</u>

MISSION ROAD MINISTRIES AND AFFILIATES

COMBINING STATEMENT OF ACTIVITIES

Year Ended June 30, 2019

	Without Donor Restrictions								
	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	\$ 537,320	\$ 155,413	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 692,733
Less direct expenses	(86,540)	(14,005)	-	-	-	-	-	-	(100,545)
Net special events support	450,780	141,408	-	-	-	-	-	-	592,188
Contributions:									
Individuals	246,196	18,969	-	-	-	-	-	-	265,165
Corporations	32,867	59,114	-	-	-	-	-	-	91,981
Foundations	63,674	346,758	-	-	-	-	-	-	410,432
Affiliates	-	441,657	-	-	-	-	-	(441,657)	-
United Way allocation	2,879	620,043	-	-	-	-	-	-	622,922
Allocations from MRM Shindig	-	-	-	-	-	-	-	-	-
Governmental support:									
Nutrition program	-	32,550	-	-	-	-	-	-	32,550
Program service fees and tuition	-	11,245,007	-	-	-	-	-	-	11,245,007
Private program service fees and tuition	-	3,377,594	-	-	-	-	-	-	3,377,594
Rental revenue, net	-	-	-	192,451	212,919	155,076	-	-	560,446
Gain due to retention of residual receipts	-	-	-	-	-	24,578	-	-	24,578
Management fees	1,306,497	-	-	-	-	-	-	(1,306,497)	-
Interest and dividends, net of fees	97,894	89,187	-	-	-	-	-	-	187,081
Realized gains and (losses) on investments, net	(103,834)	54,359	-	-	-	-	-	-	(49,475)
Gains on disposal of property and equipment	-	31,065	-	-	-	-	-	-	31,065
Miscellaneous	-	43,071	-	1,490	991	730	-	-	46,282
Related agency revenue - affiliate	14,628	-	-	-	-	-	-	(14,628)	-
	<u>2,111,581</u>	<u>16,500,782</u>	<u>-</u>	<u>193,941</u>	<u>213,910</u>	<u>180,384</u>	<u>-</u>	<u>(1,762,782)</u>	<u>17,437,816</u>
Net assets released from restrictions	216,268	622,778	-	-	-	-	129,693	(336,268)	632,471
Total support and revenue	<u>2,327,849</u>	<u>17,123,560</u>	<u>-</u>	<u>193,941</u>	<u>213,910</u>	<u>180,384</u>	<u>129,693</u>	<u>(2,099,050)</u>	<u>18,070,287</u>
Expenses:									
Program services:									
Habilitation and care	-	15,929,233	-	187,599	173,241	174,493	-	-	16,464,566
Affiliate expenses	655,420	14,628	-	-	-	-	122,505	(792,553)	-
Supporting services:									
Administrative and general	1,278,350	1,193,934	-	12,690	17,780	10,911	7,188	(1,306,497)	1,214,356
Fundraising	186,354	119,786	-	-	-	-	-	-	306,140
Total expenses	<u>2,120,124</u>	<u>17,257,581</u>	<u>-</u>	<u>200,289</u>	<u>191,021</u>	<u>185,404</u>	<u>129,693</u>	<u>(2,099,050)</u>	<u>17,985,062</u>
Change in net assets before intercompany transfers and unrealized gains (losses)	207,725	(134,021)	-	(6,348)	22,889	(5,020)	-	-	85,225
Intercompany transfers	-	5,729,710	(5,729,710)	-	-	-	-	-	-
Unrealized gains (losses) on investments	88,193	(4,554)	-	-	-	-	-	-	83,639
Change in net assets	295,918	5,591,135	(5,729,710)	(6,348)	22,889	(5,020)	-	-	168,864
Net assets at beginning of year	<u>2,673,244</u>	<u>16,452,650</u>	<u>5,729,710</u>	<u>(245,590)</u>	<u>36,524</u>	<u>(409,240)</u>	<u>-</u>	<u>-</u>	<u>24,237,298</u>
Net assets at end of year	<u>\$ 2,969,162</u>	<u>\$ 22,043,785</u>	<u>\$ -</u>	<u>\$ (251,938)</u>	<u>\$ 59,413</u>	<u>\$ (414,260)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,406,162</u>

With Donor Restrictions

Mission Road Ministries	Mission Road Developmental Center, Inc.	Unicorn Centers, Inc.	Meadow Brook Apartments	Clifford Craig Bledsoe Memorial Foundation	Eliminations	Subtotal	Total
\$ 216,268	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 216,268	\$ 909,001
-	-	-	-	-	-	-	(100,545)
216,268	-	-	-	-	-	216,268	808,456
26,964	3,092	-	-	-	-	30,056	295,221
-	33,104	-	-	-	-	33,104	125,085
-	10,000	-	-	78,176	-	88,176	498,608
-	120,000	-	-	-	(120,000)	-	-
-	-	-	-	-	-	-	622,922
-	216,268	-	-	-	(216,268)	-	-
-	-	-	-	-	-	-	32,550
-	-	-	-	-	-	-	11,245,007
-	-	-	-	-	-	-	3,377,594
-	-	-	-	-	-	-	560,446
-	-	-	-	-	-	-	24,578
-	-	-	-	-	-	-	-
26,809	-	-	-	15,576	-	42,385	229,466
9,054	-	-	-	6,389	-	15,443	(34,032)
-	-	-	-	-	-	-	31,065
-	-	-	-	-	-	-	46,282
-	-	-	-	-	-	-	-
279,095	382,464	-	-	100,141	(336,268)	425,432	17,863,248
(216,268)	(622,778)	-	-	(129,693)	336,268	(632,471)	-
62,827	(240,314)	-	-	(29,552)	-	(207,039)	17,863,248
-	-	-	-	-	-	-	16,464,566
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	1,214,356
-	-	-	-	-	-	-	306,140
-	-	-	-	-	-	-	17,985,062
62,827	(240,314)	-	-	(29,552)	-	(207,039)	(121,814)
-	9,361	(9,361)	-	-	-	-	-
(17,258)	-	-	-	(13,565)	-	(30,823)	52,816
45,569	(230,953)	(9,361)	-	(43,117)	-	(237,862)	(68,998)
748,449	742,939	9,361	1,399,000	355,194	-	3,254,943	27,492,241
\$ 794,018	\$ 511,986	\$ -	\$ 1,399,000	\$ 312,077	\$ -	\$ 3,017,081	\$ 27,423,243