MISSION ROAD DEVELOPMENTAL CENTER

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

MISSION ROAD DEVELOPMENTAL CENTER

FINANCIAL STATEMENTS

Year Ended June 30, 2019

Table of Contents

SAGEBIEL RAVENBURG & SCHUH, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Directors
Mission Road Developmental Center
San Antonio, Texas

We have audited the accompanying financial statements of Mission Road Developmental Center (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related 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 financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mission Road Developmental Center as of June 30, 2019 and 2018, the changes in its net assets and functional expenses for the year ended June 30, 2019, and its cash flows for the years ended June 30, 2019 and 2018, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 15 to the financial statements, as of July 1, 2018, Unicorn Centers. Inc. merged its operations into Mission Road Developmental Center. Our opinion is not modified with respect to that matter.

Report on Summarized Comparative Information

We have previously audited Mission Road Developmental Center's 2018 financial statements, and our report dated November 6, 2018, expressed an unmodified opinion on those 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 financial statements from which it has been derived.

Sagebiel, Ravenburg & Schuh, P.C.

San Antonio, Texas
November 19, 2019

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

MISSION ROAD DEVELOPMENTAL CENTER

STATEMENT OF FINANCIAL POSITION

June 30, 2019 and 2018

ASSETS	2019	2018
Current assets:		
Cash and cash equivalents	$ 2,452,277	$ 2,002,073
Restricted cash - client trust funds	134,578	145,407
Accounts receivable:		
Program tuition and expense reimbursements, net	1,306,362	952,411
Affiliate	-	15,236
Other	2,279	2,624
Unconditional promises to give, net	-	252,500
Prepaid expenses and other assets	6,749	19,508
Total current assets	3,902,245	3,389,759
Investments	5,580,983	4,289,071
Property and equipment, net	14,212,410	10,537,131
Total assets	$ 23,695,638	$ 18,215,961

LIABILITIES AND NET ASSETS	2019	2018
Current liabilities:		
Accounts payable:		
Trade	$ 379,853	$ 395,374
Affiliate	74,033	32,662
Accrued retirement plan contribution	74,545	58,440
Accrued salary and related expenses	473,550	375,474
Client trust funds	134,578	145,407
Deferred revenue	2,800	-
Other current liabilities	508	13,015
Total current liabilities	1,139,867	1,020,372
Net assets:		
Without donor restrictions - operations	7,831,375	6,003,913
Without donor restrictions - property and equipment	14,212,410	10,448,737
Total net assets without donor restrictions	22,043,785	16,452,650
With donor restrictions	511,986	742,939
Total net assets	22,555,771	17,195,589
Total liabilities and net assets	$ 23,695,638	$ 18,215,961

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

MISSION ROAD DEVELOPMENTAL CENTER

STATEMENT OF ACTIVITIES

Year Ended June 30, 2019

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

	Without Donor Restrictions	With Donor Restrictions	Total 2019	Total 2018
Support and revenue:				
Special events:				
Gross revenue	$ 155,413	$ -	$ 155,413	$ -
Less direct expenses	(14,005)	-	(14,005)	-
Net special events support	141,408	-	141,408	-
Contributions:				
Individuals	18,969	3,092	22,061	28,665
Corporations	59,114	33,104	92,218	59,976
Foundations	346,758	10,000	356,758	990,484
Affiliates	441,657	120,000	561,657	574,321
United Way allocation	620,043	-	620,043	695,189
Allocations from MRM Shindig	-	216,268	216,268	181,025
Governmental support:				
Nutrition program	32,550	-	32,550	31,998
Program service fees and tuition	11,245,007	-	11,245,007	10,881,876
Private program services fees and tuition	3,377,594	-	3,377,594	1,768,822
Investment income, net of fees	89,187	-	89,187	72,736
Realized gains (losses) on investments, net	54,359	-	54,359	(16)
Gains on disposal of property and equipment	31,065	-	31,065	376,127
Miscellaneous	43,071	-	43,071	37,784
Related agency revenue - affiliate	-	-	-	110,930
	16,500,782	382,464	16,883,246	15,809,917
Net assets released from restrictions	622,778	(622,778)	-	-
Total support and revenue	17,123,560	(240,314)	16,883,246	15,809,917
Expenses:				
Program services:				
Habilitation and care	15,943,861	-	15,943,861	13,794,215
Supporting services:				
Administrative and general	1,193,934	-	1,193,934	845,971
Fundraising	119,786	-	119,786	138,444
Total expenses	17,257,581	-	17,257,581	14,778,630
Change in net assets before unrealized gains (losses) and transfers from affiliates	(134,021)	(240,314)	(374,335)	1,031,287
Unrealized gains (losses) on investments	(4,554)	-	(4,554)	39,254
Transfer from affiliate	5,729,710	9,361	5,739,071	2,000,000
Change in net assets	5,591,135	(230,953)	5,360,182	3,070,541
Net assets at beginning of year	16,452,650	742,939	17,195,589	14,125,048
Net assets at end of year	$ 22,043,785	$ 511,986	$ 22,555,771	$ 17,195,589

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

MISSION ROAD DEVELOPMENTAL CENTER

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2019

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

	Program Services	**Supporting Services**		**Total**	
	Habilitation and Care	Administrative and General	Fundraising	2019	2018
Salaries	$ 8,316,431	$ 956,360	$ 87,406	$ 9,360,197	$ 7,864,633
Employee health and welfare	589,088	28,183	6,994	624,265	515,508
Employee retirement	182,633	26,160	3,157	211,950	179,139
Payroll taxes	639,139	69,029	6,281	714,449	604,006
Workers' compensation insurance	65,766	1,661	141	67,568	66,763
Total salary and related expenses	9,793,057	1,081,393	103,979	10,978,429	9,230,049
Employee screening	31,803	6,763	-	38,566	25,085
Professional fees - accounting, legal, and other	65,698	24,511	104	90,313	84,286
Professional fees - program	2,081,201	-	-	2,081,201	2,049,972
Professional fees - related agency	14,628	-	-	14,628	237,426
IT support services	215,944	18,694	4,270	238,908	156,300
Training - client	397,340	-	-	397,340	177,724
Supplies	812,415	13,968	322	826,705	754,400
Telephone	111,199	4,078	536	115,813	93,849
Postage and shipping	5,173	3,779	744	9,696	8,235
Printing and publications	3,779	1,985	1,148	6,912	4,466
Advertising - employee recruitment	19,170	1,133	55	20,358	11,219
Occupancy	402,582	5,289	-	407,871	312,803
Utilities	320,897	9,687	-	330,584	304,479
Equipment maintenance	16,684	360	-	17,044	7,421
Equipment rental	4,881	58	-	4,939	5,638
Corporate insurance	177,857	15,087	-	192,944	148,372
Transportation	198,802	688	183	199,673	178,145
Meetings and conferences	3,416	4,359	590	8,365	7,481
Specific assistance to individuals	248,553	-	-	248,553	228,660
Membership dues	8,444	776	-	9,220	8,937
Miscellaneous	15,556	128	122	15,806	6,832
Bad debt	2,280	-	-	2,280	12,070
Public relations and charitable contributions	731	733	19	1,483	1,480
Special events - indirect expenses	-	-	7,226	7,226	-
Bank and credit card fees	3,542	465	488	4,495	2,090
Total expenses before depreciation	14,955,632	1,193,934	119,786	16,269,352	14,057,419
Depreciation	988,229	-	-	988,229	721,211
Total expenses	$ 15,943,861	$ 1,193,934	$ 119,786	$ 17,257,581	$ 14,778,630

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

MISSION ROAD DEVELOPMENTAL CENTER

STATEMENT OF CASH FLOWS

Years Ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	$ 5,360,182	$ 3,070,541
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	988,229	721,211
Bad debt expense	2,280	12,070
(Gains) losses on disposal of property and equipment	(31,065)	(376,127)
Contributions restricted for purchase of property and equipment	(125,500)	(745,944)
Realized and unrealized (gains) and losses, net	(49,805)	(39,238)
Investments transferred from affiliate	(1,157,007)	-
Change in:		
Program tuition and expense reimbursements receivable	(356,231)	(57,385)
Affiliate receivables	15,236	1,066
Other receivables	345	(1,524)
Promises to give receivable	252,500	(251,000)
Prepaid expenses and other assets	12,759	703
Trade accounts payable	(15,521)	103,632
Affiliate accounts payable	41,371	(59,936)
Accrued retirement plan contribution	16,105	3,521
Accrued salary expenses	98,076	41,182
Client trust funds	(10,829)	74
Deferred revenues	2,800	-
Other current liabilities	(12,507)	(342,998)
Net cash provided by operating activities	5,031,418	2,079,848
Cash flows from investing activities:		
Insurance proceeds from damage to property and equipment	-	519,211
Purchases of property and equipment	(4,632,443)	(1,046,525)
Proceeds from sales and maturities of investments	1,852,523	1,179,904
Purchases of investments	(1,937,623)	(3,251,891)
Net cash used by investing activities	(4,717,543)	(2,599,301)
Cash flows from financing activities:		
Proceeds from contributions restricted for purchase of property and equipment	125,500	745,944
Net increase in cash, cash equivalents, and restricted cash	439,375	226,491
Cash, cash equivalents, and restricted cash at beginning of year	2,147,480	1,920,989
Cash, cash equivalents, and restricted cash at end of year	$ 2,586,855	$ 2,147,480
Schedule of supplemental cash flow information:		
Reconciliation of cash, cash equivalents, and restricted cash to statement of financial position:		
Cash and cash equivalents	$ 2,452,277	$ 2,002,073
Restricted cash - client trust funds	134,578	145,407
Total cash, cash equivalents, and restricted cash	$ 2,586,855	$ 2,147,480

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

1 NATURE OF ORGANIZATION

Founded in 1947 in San Antonio, Texas, Mission Road Developmental Center (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.

On July 1, 2000, MRDC became affiliated with a newly formed Texas corporation, Mission Road Ministries, Inc. (MRM), a nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code (the IRC) formed for governance and oversight of affiliated 501(c)(3) non-profit agencies which provide a continuum of care for persons with intellectual and other developmental disabilities. Through June 30, 2018, the affiliates of MRM who each play a role in providing the continuum of care were MRDC, Unicorn Centers, Inc. (Unicorn), and three supervised living apartments subsidized by the U.S Department of Housing and Urban Development and managed by a contracted apartment management company. These three apartments are Independence Square, Inc., 200 Oblate, Incorporated d/b/a Murray Manor, and Meadow Brook Apartments (collectively, the Apartments). MRM was incorporated in 2000 with an oversight Board of Directors from MRDC and Unicorn. MRDC and Unicorn Centers merged effective July 1, 2018, and all assets, obligations, and operations of Unicorn were transferred to MRDC.

In addition to the entity relationships discussed above, MRDC is affiliated with the Clifford Craig Bledsoe Memorial Foundation (the Bledsoe Foundation). The Bledsoe Foundation was created in a Trust Indenture on July 3, 1967, for the sole purpose of providing financial support to MRDC.

While the reporting for these financial statements is solely for MRDC, these financial statements have been included in the combined financial statements of MRM and its affiliates, as noted above.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Basis of Presentation

MRDC 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 MRDC. 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 MRDC pursuant to those restrictions or that neither expire by the passage of time, nor can be fulfilled or otherwise removed by actions of MRDC.

(Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 MRDC'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, MRDC 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.

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 MRDC. 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.

Investments

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

(Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

MRDC 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:

	Years
Buildings and improvements	5 - 40
Equipment	3 - 25
Furniture	5 - 15
Vehicles	3 - 7

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

MRDC is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, MRDC qualifies 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 MRDC. 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.

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

(Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 MRDC 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 MRDC'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 MRDC in fiscal year 2022.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Not-for-Profit Entities (Topic 958), continued

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 MRDC 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. MRDC adopted this new pronouncement effective July 1 , 2018.

Subsequent Events

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

3 CONCENTRATION OF CREDIT RISK

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

4 INVESTMENTS

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

	2019	2018
Cash and money market funds	$ 108,766	$ 73,333
Corporate bonds	1,274,552	-
Mutual funds:		
Bond funds	367,077	1,105,960
International bond funds	282,851	368,545
World allocation funds	1,415,433	1,053,946
Large blend funds	652,862	303,849
Foreign large blend funds	189,494	194,461
Large value funds	-	359,870
Foreign large value funds	170,959	-
Mid-cap funds	339,333	-
Foreign small/mid-cap funds	162,285	-
Small blend funds	54,483	109,672
Long-short equity funds	409,685	442,865
Emerging market funds	153,203	-
Multi-alternative funds	-	276,570
	$ 5,580,983	$ 4,289,071

4 INVESTMENTS (Continued)

Investment return is summarized as follows:

	2019	2018
Interest and dividend income	$ 89,187	80,843
Investment management fees	-	(8,107)
Investment income, net of fees	89,187	72,736
Realized gains and losses	54,359	(16)
Unrealized gains and losses	(4,554)	39,254
Total investment return	$ 138,992	$ 111,974

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, MRDC's investments were reported at fair value using a Level 1 measure.

5 TUITION AND EXPENSE REIMBURSEMENTS RECEIVABLE

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

	2019	2018
Government agency fees	$ 832,581	$ 829,682
Program fees and tuition	473,781	136,266
Program tuition and expense reimbursements receivable, gross	1,306,362	965,948
Allowance for doubtful accounts	-	(13,537)
Program tuition and expense reimbursements receivable, net	$ 1,306,362	$ 952,411

6 UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are as follows:

	2019	2018
Restricted for purchase of property and equipment	$ -	$ 250,000
Restricted for use in future periods	-	2,500
	$ -	$ 252,500

	2019	2018
Pledges due in one year or less	$ -	$ 252,500
Less: estimated allowance for uncollectible pledges	-	-
Unconditional promises to give, net	$ -	$ 252,500

7 PROPERTY AND EQUIPMENT

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

	2019	2018
Land	$ 544,651	$ 244,651
Buildings and improvements	19,005,050	13,909,051
Equipment	1,535,525	1,088,795
Furniture	83,061	54,024
Vehicles	1,281,164	1,101,746
Construction in progress	228,333	760,003
Property and equipment, gross	22,677,784	17,158,270
Accumulated depreciation	(8,465,374)	(6,621,139)
Property and equipment, net	$ 14,212,410	$ 10,537,131

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 MRDC’s total gains on disposal of assets $376,127 for the year ended June 30, 2018.

8 CLIENT TRUST FUNDS

MRDC administers cash trust accounts for its clients. These funds totaled $134,578 and $145,407 at June 30, 2019 and 2018, respectively. A corresponding liability is recorded in current liabilities in the statement of financial position.

9 SUPPORT AND REVENUE CONCENTRATIONS

MRDC received $11,277,557, and $10,913,874 of revenue from governmental agencies for the years ended June 30, 2019 and 2018, respectively. This equates to 66.8% and 69.0%, respectively, of total support and revenue for those years.

10 NET ASSETS WITH DONOR RESTRICTIONS

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

	2019	2018
Subject to expenditures for specified purpose or time periods:		
Fixed asset additions and improvements	$ 273,265	$ 505,281
Future program expenses	150,327	149,264
Total net assets subject to expenditures for specified purpose or time periods	423,592	654,545
Subject to restrictions that are perpetual in nature:		
Mockingbird property	88,394	88,394
Total net assets with donor restrictions	$ 511,986	$ 742,939

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:

	2019	2018
Satisfaction of purpose or time restrictions:		
Camps and SOAR	$ 239,680	$ 204,157
Property and equipment purchases	366,878	247,944
Other program services	16,220	31,071
Total net assets released from restriction	$ 622,778	$ 483,172

11 SPECIAL EVENTS

MRDC has a special event fundraiser each fiscal year to help support program activities. Net proceeds are used in the Supported Employment Program to assist individuals to seek and maintain employment in the community. Prior to fiscal year 2019, this fundraiser was held each year by Unicorn. Below is a summary for fiscal years 2019 and 2018:

	2019	2018
Special events gross revenue	$ 155,413	$ -
Special events direct expenses	(14,005)	-
Special events indirect expenses (included in fundraising expenses)	(7,226)	-
Special events revenues and expenses, net	$ 134,182	$ -

12 LEASES

MRDC has several noncancellable 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 $44,332 and $50,536 for the years ended June 30, 2019 and 2018, respectively.

Future minimum lease payments under these leases are:

Year Ending June 30,	Amount
2020	$ 12,057
2021	1,417
	$ 13,474

13 AFFILIATE ORGANIZATIONS AND RELATED PARTY INFORMATION

Founded in 2000, MRM provides centralized administrative support and ongoing coordinated oversight of MRDC and other affiliates, as well as creating cost benefits, as a result of common management. MRM charges a management fee to MRDC and Unicorn for these coordinated services. Unicorn and MRDC mutually agreed to coordinate services for persons with intellectual and other disabilities. Prior to July 1, 2018, Unicorn charged MRDC for program services provided to MRDC residents, and MRDC charged Unicorn for property maintenance, staff training and chaplain fees.

Total tuition and job coaching revenue billed to MRDC by Unicorn was $0 and $167,060 for the years ended June 30, 2019 and 2018, respectively.

MRM made contributions to MRDC of $655,420 and $631,245 in 2019 and 2018, respectively. In addition, MRM made a contribution to MRDC of $-0- and $120,000 for the capital expansion project in 2019 and 2018, respectively. The Bledsoe Foundation made contributions to MRDC of $122,505 and $4,101 in 2019 and 2018, respectively.

Unicorn paid MRDC $-0- and $110,930 in 2019 and 2018, respectively, for staff training, property maintenance and chaplain fees. MRDC paid Unicorn $-0- and $53,916 in 2019 and 2018, respectively, for employee services.

MRDC paid MRM $1,306,497 and $984,417 in management fees during 2019 and 2018, respectively. MRDC paid MRM $14,628 and $16,450 in 2019 and 2018, respectively, for cost to hire employees.

At June 30, the following amounts were owed to MRDC by its affiliates:

	2019	2018
Affiliate accounts receivable, net:		
MRM	$ -	$ -
Unicorn	-	15,236
	$ -	$ 15,236

At June 30, the following amounts were owed by MRDC to its affiliates:

	2019	2018
Affiliate accounts payable, net:		
200 Oblate	$ -	$ -
Independence Square	-	-
Meadow Brook	-	-
MRM	74,033	32,662
	$ 74,033	$ 32,662

MRDC and its affiliates share pooled corporate insurance policies. The annual premiums for these insurance policies are paid proportionately by MRDC and its affiliates.

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 boards elected to transfer $2,000,000 from MRM investments to MRDC investments based on the original donor intent. To accomplish this, in the last week in June 2018, MRM sold securities and transferred funds to the appropriate 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.

14 EMPLOYEE BENEFIT PLAN

MRDC subscribes to MRM's defined contribution retirement plan. This plan covers all MRDC 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. MRDC's portion of retirement plan contributions for the years ended June 30, 2019 and 2018 was $152,478 and $124,586, respectively.

15 REORGANIZATION AND ABSORPTION OF UNICORN CENTERS, INC.

Prior to fiscal year 2019, the boards of directors of MRM, MRDC, and Unicorn decided to transfer all assets and operations of Unicorn to MRDC and cease maintaining Unicorn Centers, Inc. as a separate legal entity. This transfer took place effective July 1, 2018. At that date, all assets and obligations of Unicorn were transferred to MRDC, all employees of Unicorn became employees of MRDC, and all programs operated by Unicorn were now operated by MRDC. MRDC recognized an increase in net assets equal to the total net assets of Unicorn as of that date. The statement of activities for the year ended June 30, 2019 includes revenues and expenses for the full year related to the programs now operated by MRDC that were previously operated by Unicorn. The financial statements as of and for the year ended June 30, 2018 predate this transfer and do not include any of the balances that were recorded by Unicorn at that point in time.

16 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects MRDC’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.

	2019
Cash and cash equivalents	$ 2,452,277
Restricted cash - client trust funds	134,578
Accounts receivable	1,308,641
Investments	5,580,983
Financial assets at year end	9,476,479
Less those unavailable for general expenditure within one year, due to:	
Cash with restrictions on use	(134,578)
Donor-restricted to expenditure for specific purpose or time period	(423,592)
Financial assets available to meet cash needs for general expenditure within one year	$ 8,918,309

MRDC 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 MRDC’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, MRDC had financial assets available to meet cash needs for general expenditure within one year that were equivalent to roughly 189 days of average operating expenses.