MISSION ROAD DEVELOPMENTAL CENTER

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

MISSION ROAD DEVELOPMENTAL CENTER

FINANCIAL STATEMENTS

Year Ended June 30, 2020

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Independent Auditor's Report

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

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, 2020 and 2019, and the related statements of activities and functional expenses for the year ended June 30, 2020, and cash flows for the years ended June 30, 2020 and 2019, 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, 2020 and 2019, the changes in its net assets and functional expenses for the year ended June 30, 2020, and its cash flows for the years ended June 30, 2020 and 2019, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Mission Road Developmental Center's 2019 financial statements, and our report dated November 19, 2019, 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, 2019, 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, 2020

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MISSION ROAD DEVELOPMENTAL CENTER

STATEMENT OF FINANCIAL POSITION

June 30, 2020 and 2019

ASSETS	2020	2019
Current assets:		
Cash and cash equivalents	$ 3,830,127	$ 2,452,277
Restricted cash - client trust funds	237,677	134,578
Accounts receivable:		
Program tuition and expense reimbursements, net	1,134,622	1,306,362
Other	-	2,279
Unconditional promises to give, net	77,600	-
Prepaid expenses and other assets	6,749	6,749
Total current assets	5,286,775	3,902,245
Investments	6,541,530	5,580,983
Property and equipment, net	14,301,551	14,212,410
Total assets	$ 26,129,856	$ 23,695,638

LIABILITIES AND NET ASSETS	2020	2019
Current liabilities:		
Accounts payable:		
Trade	$ 365,293	$ 379,853
Affiliate	27,710	74,033
Accrued retirement plan contribution	75,603	74,545
Accrued salary and related expenses	523,090	473,550
Deferred compensation	10,000	-
Client trust funds	237,677	134,578
Deferred revenue	1,000	2,800
Other current liabilities	-	508
Notes payable due within one year	270,995	-
Total current liabilities	1,511,368	1,139,867
Long-term liabilities:		
Notes payable	1,919,438	-
Less amount due within one year	(270,995)	-
Total long-term liabilities	1,648,443	-
Net assets:		
Without donor restrictions - operations	8,347,796	7,831,375
Without donor restrictions - property and equipment	14,301,551	14,212,410
Total net assets without donor restrictions	22,649,347	22,043,785
With donor restrictions	320,698	511,986
Total net assets	22,970,045	22,555,771
Total liabilities and net assets	$ 26,129,856	$ 23,695,638

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

MISSION ROAD DEVELOPMENTAL CENTER

STATEMENT OF ACTIVITIES

Year Ended June 30, 2020

(With Comparative Totals For Year Ended June 30, 2019)

	Without Donor Restrictions	With Donor Restrictions	Total 2020	Total 2019
Support and revenue:				
Special events:				
Gross revenue	$ 149,931	$ -	$ 149,931	$ 155,413
Less direct expenses	(1,533)	-	(1,533)	(14,005)
Net special events support	148,398	-	148,398	141,408
Contributions:				
Individuals	16,235	26,917	43,152	22,061
Corporations	21,260	48,000	69,260	92,218
Foundations	408,638	428,306	836,944	356,758
Bequests	1,000,000	-	1,000,000	-
Affiliates	573,054	100,000	673,054	561,657
United Way allocation	300,000	-	300,000	620,043
Allocations from MRM Shindig	-	166,125	166,125	216,268
Governmental support:				
Nutrition program	22,858	-	22,858	32,550
Program service fees and tuition	11,472,819	-	11,472,819	11,245,007
Private program services fees and tuition	2,689,269	-	2,689,269	3,377,594
Investment income, net of fees	214,016	-	214,016	89,187
Realized gains (losses) on investments, net	(158,003)	-	(158,003)	54,359
Gains (losses) on disposal of property and equipment	(14,215)	-	(14,215)	31,065
Miscellaneous	41,896	-	41,896	43,071
	16,736,225	769,348	17,505,573	16,883,246
Net assets released from restrictions	972,500	(972,500)	-	-
Total support and revenue	17,708,725	(203,152)	17,505,573	16,883,246
Expenses:				
Program services:				
Habilitation and care	15,650,745	-	15,650,745	15,943,861
Supporting services:				
Administrative and general	1,224,662	-	1,224,662	1,193,934
Fundraising	147,414	-	147,414	119,786
Total expenses	17,022,821	-	17,022,821	17,257,581
Change in net assets before unrealized losses and transfers from affiliates	685,904	(203,152)	482,752	(374,335)
Unrealized losses on investments	(80,342)	-	(80,342)	(4,554)
Transfer from affiliate	-	11,864	11,864	5,739,071
Change in net assets	605,562	(191,288)	414,274	5,360,182
Net assets at beginning of year	22,043,785	511,986	22,555,771	17,195,589
Net assets at end of year	$ 22,649,347	$ 320,698	$ 22,970,045	$ 22,555,771

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

MISSION ROAD DEVELOPMENTAL CENTER

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2020

(With Comparative Totals For Year Ended June 30, 2019)

	Program Services	Supporting Services		Total	
	Habilitation and Care	Administrative and General	Fundraising	2020	2019
Salaries	$ 8,269,185	$ 907,998	$ 109,272	$ 9,286,455	$ 9,360,197
Employee health and welfare	572,224	90,651	3,237	666,112	624,265
Employee retirement	202,467	21,908	2,806	227,181	211,950
Payroll taxes	631,639	67,533	8,258	707,430	714,449
Workers' compensation insurance	67,688	1,482	186	69,356	67,568
Total salary and related expenses	9,743,203	1,089,572	123,759	10,956,534	10,978,429
Employee screening	21,742	2,984	-	24,726	38,566
Professional fees - accounting, legal, and other	66,602	49,422	543	116,567	90,313
Professional fees - program	2,065,677	-	-	2,065,677	2,081,201
Professional fees - related agency	7,646	-	-	7,646	14,628
IT support services	210,359	21,304	11,845	243,508	238,908
Training - client	291,457	-	-	291,457	397,340
Supplies	799,132	18,298	1,265	818,695	826,705
Telephone	97,207	3,420	727	101,354	115,813
Postage and shipping	7,504	4,294	699	12,497	9,696
Printing and publications	2,581	2,675	2,117	7,373	6,912
Advertising - employee recruitment	3,631	435	224	4,290	20,358
Occupancy	321,526	4,817	19	326,362	407,871
Utilities	332,737	8,568	-	341,305	330,584
Equipment maintenance	7,916	122	-	8,038	17,044
Equipment rental	6,505	(246)	-	6,259	4,939
Corporate insurance	212,425	14,711	-	227,136	192,944
Transportation	152,840	664	240	153,744	199,673
Meetings and conferences	3,742	1,169	210	5,121	8,365
Specific assistance to individuals	197,785	-	-	197,785	248,553
Membership dues	7,745	447	114	8,306	9,220
Miscellaneous	21,690	645	195	22,530	15,806
Bad debt	32,719	-	-	32,719	2,280
Public relations and charitable contributions	1,436	673	-	2,109	1,483
Special events - indirect expenses	-	-	4,703	4,703	7,226
Bank and credit card fees	597	688	754	2,039	4,495
Total expenses before depreciation	14,616,404	1,224,662	147,414	15,988,480	16,269,352
Depreciation	1,034,341	-	-	1,034,341	988,229
Total expenses	$ 15,650,745	$ 1,224,662	$ 147,414	$ 17,022,821	$ 17,257,581

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

MISSION ROAD DEVELOPMENTAL CENTER

STATEMENT OF CASH FLOWS

Years Ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	$ 414,274	$ 5,360,182
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	1,034,341	988,229
Bad debt expense	32,719	2,280
(Gains) losses on disposal of property and equipment	14,215	(31,065)
Contributions restricted for purchase of property and equipment	(418,423)	(125,500)
Realized and unrealized (gains) and losses, net	238,345	(49,805)
Investments transferred from affiliate	-	(1,157,007)
Change in:		
Program tuition and expense reimbursements receivable	139,021	(356,231)
Affiliate receivables	-	15,236
Other receivables	2,279	345
Promises to give receivable	(77,600)	252,500
Prepaid expenses and other assets	-	12,759
Trade accounts payable	(14,560)	(15,521)
Affiliate accounts payable	(46,323)	41,371
Accrued retirement plan contribution	1,058	16,105
Accrued salary expenses	49,540	98,076
Deferred compensation	10,000	-
Client trust funds	103,099	(10,829)
Deferred revenues	(1,800)	2,800
Other current liabilities	(508)	(12,507)
Net cash provided by operating activities	1,479,677	5,031,418
Cash flows from investing activities:		
Purchases of property and equipment	(1,154,697)	(4,632,443)
Proceeds from sales of property and equipment	17,000	-
Proceeds from sales and maturities of investments	1,307,253	1,852,523
Purchases of investments	(2,506,145)	(1,937,623)
Net cash used by investing activities	(2,336,589)	(4,717,543)
Cash flows from financing activities:		
Proceeds from issuance of note payable	1,919,438	-
Proceeds from contributions restricted for purchase of property and equipment	418,423	125,500
Net cash provided by financing activities	2,337,861	125,500
Net increase in cash, cash equivalents, and restricted cash	1,480,949	439,375
Cash, cash equivalents, and restricted cash at beginning of year	2,586,855	2,147,480
Cash, cash equivalents, and restricted cash at end of year	$ 4,067,804	$ 2,586,855
Schedule of supplemental cash flow information:		
Reconciliation of cash, cash equivalents, and restricted cash to statement of financial position:		
Cash and cash equivalents	$ 3,830,127	$ 2,452,277
Restricted cash - client trust funds	237,677	134,578
Total cash, cash equivalents, and restricted cash	$ 4,067,804	$ 2,586,855

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, 2019, 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

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, 2021 with early adoption permitted. Management is currently evaluating the impact of this ASU on its financial statements. This may affect MRDC in fiscal year 2023.

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 MRDC in fiscal year 2021.

(Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted Accounting Pronouncements

MRDC has adopted the effective portions of ASU 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, as management believes the standard improves the usefulness and understandability of MRDC's financial reporting. This had no impact on the net assets of MRDC for the years ended June 30, 2020 and 2019.

Revenue from Contracts with Customers (Topic 606)

MRDC has adopted 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. This had no impact on the net assets of MRDC for the years ended June 30, 2020 and 2019.

Subsequent Events

MRDC has evaluated subsequent events through November 19, 2020, 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, 2020, MRDC's cash and cash equivalents exceeded federally insured limits by $3,884,588.

4 INVESTMENTS

Investments consisted of the following at June 30, 2020 and 2019:

	2020	2019
Cash and money market funds	$ 1,374,755	$ 108,766
Corporate bonds	1,493,323	1,274,552
Mutual funds:		
Bond funds	2,271	367,077
International bond funds	272,464	282,851
Bond/equity blended funds	2,703	-
World allocation funds	1,284,465	1,415,433
Large equity blend funds	660,645	652,862
Foreign large equity blend funds	208,062	189,494
Foreign large equity value funds	184,011	170,959
Large equity growth funds	817	-
Mid-cap equity funds	424,327	339,333
Foreign small/mid-cap equity funds	170,520	162,285
Small equity blend funds	63,612	54,483
Long-short equity funds	232,450	409,685
Emerging market funds	167,105	153,203
	$ 6,541,530	$ 5,580,983

4 INVESTMENTS (Continued)

Investment return is summarized as follows:

	2020	2019
Interest and dividend income	$ 214,016	97,294
Investment management fees	-	(8,107)
Investment income, net of fees	214,016	89,187
Realized gains and losses	(158,003)	54,359
Unrealized gains and losses	(80,342)	(4,554)
Total investment return	$ (24,329)	$ 138,992

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, 2020 and 2019, 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:

	2020	2019
Government agency fees	$ 937,135	$ 832,581
Program fees and tuition	213,024	473,781
Program tuition and expense reimbursements receivable, gross	1,150,159	1,306,362
Allowance for doubtful accounts	(15,537)	-
Program tuition and expense reimbursements receivable, net	$ 1,134,622	$ 1,306,362

6 UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are as follows:

	2020	2019
Restricted for purchase of property and equipment	$ 2,600	$ -
Restricted for use in future periods	75,000	-
	$ 77,600	$ -

	2020	2019
Pledges due in one year or less	$ 77,600	$ -
Less: estimated allowance for uncollectible pledges	-	-
Unconditional promises to give, net	$ 77,600	$ -

7 PROPERTY AND EQUIPMENT

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

	2020	2019
Land	$ 544,651	$ 544,651
Buildings and improvements	19,638,292	19,005,050
Equipment	1,542,761	1,535,525
Furniture	63,172	83,061
Vehicles	1,383,905	1,281,164
Construction in progress	358,933	228,333
Property and equipment, gross	23,531,714	22,677,784
Accumulated depreciation	(9,230,163)	(8,465,374)
Property and equipment, net	$ 14,301,551	$ 14,212,410

8 CLIENT TRUST FUNDS

MRDC administers cash trust accounts for its clients. These funds totaled $237,677 and $134,578 at June 30, 2020 and 2019, respectively. In fiscal year 2020, cash held in trust for clients includes stimulus checks received by clients and not spent before the fiscal year end. These stimulus checks were in response by the Federal government to the financial impact of the COVID-19 pandemic. A corresponding liability is recorded in current liabilities in the statement of financial position.

9 NOTES PAYABLE

Long-term debt consists of the following:

	June 30,	
	2020	2019
Note payable to bank, payable $36,528 monthly including interest at 0.98% originally beginning November 2020 but amended by the PPP Flexibility Act, see note 9	1,919,438	-
	$ 1,919,438	$ -

Future principal maturities of the note is as follows:

2021	$ 270,995
2022	424,079
2023	428,253
2024	432,469
2025	363,642
	$ 1,919,438

Paycheck Protection Program Loan

On April 6, 2020, MRDC signed a note for a loan (the “Loan”) from JPMorgan Chase Bank, N.A. (the Lender”) in the amount of $1,919,438, pursuant to the Paycheck Protection Program (the “PPP”) under Division A, Title I of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), enacted March 27, 2020 and is administered by the U.S. Small Business Administration (SBA). The SBA approved the Loan on April 30, 2020 and MRDC received funding from the Lender, on May 5, 2020.

(Continued)

9 NOTES PAYABLE (Continued)

The note provides a six (6) month payment deferral period from date of the note. No payments are due during this deferral period. The first payment is due November 6, 2020 and monthly thereafter with the note maturing on April 6, 2022 and bears interest rate of 0.98% per annum. The Loan may be prepaid by MRDC at any time prior to maturity with no prepayment penalties. Funds from the Loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities and interest on other debt obligations incurred after February 15, 2020. MRDC intends to use the entire Loan amount for qualifying expenses and apply for forgiveness of the Loan under the terms of the Loan for these qualifying expenses paid. If the Loan is forgiven, the liability will be reduced and a gain will be recognized at that time.

On June 5, 2020, the Paycheck Protection Flexibility Act of 2020 (the “PPP Flexibility Act”) was enacted, amending the Paycheck Protection Program (PPP) to give borrowers more freedom in how and when loan funds are spent while retaining the possibility of full forgiveness. Key amendments to the PPP are to allow borrowers to have 24 weeks to spend loan proceeds, up from 8 weeks and reduces mandatory payroll spending requirements from 75% to 60%. Under the PPP Flexibility Act, the 60% payroll spending requirement of the total loan amount must be met; if not, it would result in no loan forgiveness instead of the possibility of a partial forgiveness under the PPP 75% payroll spending requirement. The payment deferral period is now extended from 6 months (November 6, 2020) to the date the borrower is notified of the amount of their loan forgiveness (the date of which is not yet known). Additionally, the original maturity period of the Loan, which was 2 years from the date of the note, is now extended to 5 years, changing the maturity date from April 6, 2022 to April 6, 2025.

10 SUPPORT AND REVENUE

Support and Revenue Concentrations

MRDC received $11,495,677, and $11,277,557 of revenue from governmental agencies for the years ended June 30, 2020 and 2019, respectively. This equates to 65.7% and 66.8%, respectively, of total support and revenue for those years.

Bequests

During the year ended June 30, 2020, MRDC learned that it was the beneficiary of a bequest of an unspecified amount, to be paid out in at least two installments. The first installment of $1,000,000 was made in May 2020, and it is included in unrestricted contribution revenue for the year ended June 30, 2020. The remainder of the bequest is expected to be paid sometime in 2021, but the amount has not been disclosed by the trustee. Though the amount is likely to be material, MRDC cannot reasonably estimate the amount at this time. As such, the remaining amount of the bequest has not been recorded in these financial statements.

11 NET ASSETS WITH DONOR RESTRICTIONS

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

	2020	2019
Subject to expenditures for specified purpose or time periods:		
Fixed asset additions and improvements	$ 97,143	$ 273,265
Future program expenses	135,161	150,327
Total net assets subject to expenditures for specified purpose or time periods	232,304	423,592
Subject to restrictions that are perpetual in nature:		
Mockingbird property	88,394	88,394
Total net assets with donor restrictions	$ 320,698	$ 511,986

(Continued)

11 NET ASSETS WITH DONOR RESTRICTIONS (Continued)

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:

	2020	2019
Satisfaction of purpose or time restrictions:		
Camps and SOAR	$ 224,859	$ 239,680
Property and equipment purchases	598,335	366,878
Other program services	149,306	16,220
Total net assets released from restriction	$ 972,500	$ 622,778

12 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. In fiscal year 2020, the event was scheduled to be held on April 28, 2020, but was changed to a virtual event due to the COVID-19 pandemic. Below is a summary for fiscal years 2020 and 2019:

	2020	2019
Special events gross revenue	$ 149,931	$ 155,413
Special events direct expenses	(1,533)	(14,005)
Special events indirect expenses (included in fundraising expenses)	(4,703)	(7,226)
Special events revenues and expenses, net	$ 143,695	$ 134,182

13 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 February 2024. Rental expenses under these leases consisted of $17,916 and $44,332 for the years ended June 30, 2020 and 2019, respectively.

Future minimum lease payments under these leases are:

	Amount
Year Ending June 30,	
2021	$ 13,633
2022	1,296
2023	1,296
2024	864
	$ 17,089

14 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 for these coordinated services.

MRM made contributions to MRDC of $706,961 and $655,420 in 2020 and 2019, respectively. The Bledsoe Foundation made contributions to MRDC of $100,000 and $122,505 in 2020 and 2019, respectively. As of June 30, 2020, pledges receivable included $50,000 in contributions due from the Bledsoe Foundation.

MRDC paid MRM $1,367,375 and $1,306,497 in management fees during 2020 and 2019, respectively. MRDC paid MRM $7,646 and $14,628 in 2020 and 2019, respectively, for cost to hire employees.

(Continued)

14 AFFILIATE ORGANIZATIONS AND RELATED PARTY INFORMATION (Continued)

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

	2020	2019
Affiliate accounts payable, net:		
MRM	$ 27,710	$ 74,033
	$ 27,710	$ 74,033

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

15 EMPLOYEE BENEFIT PLAN

Defined Contribution 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, 2020 and 2019 was $152,368 and $152,478, respectively.

Deferred Compensation Plan

During the year ended June 30, 2020, MRM established a 457(b) deferred compensation plan. The plan covers eligible employees of MRM and MRDC. Eligible employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code if they wish. MRM may make contributions to the plan at its discretion, and contribution expenses are charged to MRM and/or MRDC when relevant. Plan expenses were $10,000 to MRDC for the year ended June 30, 2020.

16 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 years ended June 30, 2020 and 2019 include all revenues and expenses related to the programs now operated by MRDC that were previously operated by Unicorn.

17 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.

	2020
Cash and cash equivalents	$ 3,830,127
Restricted cash - client trust funds	237,677
Accounts receivable	1,134,622
Investments	6,541,530
Financial assets at year end	11,743,956
Less those unavailable for general expenditure within one year, due to:	
Cash with restrictions on use	(237,677)
Donor-restricted to expenditure for specific purpose or time period	(232,304)
Financial assets available to meet cash needs for general expenditure within one year	$ 11,273,975

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, 2020, MRDC had financial assets available to meet cash needs for general expenditure within one year that were equivalent to roughly 242 days of average operating expenses.

18 SUBSEQUENT EVENTS

MRDC has taken a number of measures to monitor and mitigate the effects of COVID-19 by following guidelines and mandates by the Centers for Disease Control and Prevention (CDC), the State of Texas, Bexar County and mandates from the Texas Health and Human Services Commission (HHSC), the Texas Department of Family and Protective Services (DFPS), and the United States Department of Housing and Urban Development (HUD). These include requiring masks be worn by all staff and by "essential" visitors, washing hands often, social distancing when possible, disinfecting surroundings, taking temperatures, asking health screening questions of staff and essential visitors, working from home when possible, Zoom meetings, etc.

The COVID-19 pandemic has impacted MRDC's programs and operations since mid-March 2020 when MRDC's day programs were closed affecting nearly 500 individuals and over 145 individuals in the residential program began sheltering-in-place as mandated by the Texas Health and Human Services Commission (HHSC) for community homes.

(Continued)

18 SUBSEQUENT EVENTS (Continued)

MRDC has not furloughed or terminated employees due to the COVID-19 pandemic. When the day programs were closed and residents in the community homes no longer attended day programs it required more staff in the homes during the day. MRDC offered displaced day programs staff to work in the community homes during the day providing trained staff to continue and create new activities and training for the residents and at the same time, supporting the community homes staff. It is expected when the day programs begin to reopen, day program staff will transition back to the day programs locations. MRDC has not had any residents in their care test positive for COVID-19.

In fiscal year 2020, MRDC received $1,919,438 by securing a forgivable loan under the Payroll Protection Program (PPP). On June 25, 2020, MRDC applied for and, in the new fiscal year on September 2, 2020, received a grant in the amount of $293,103 from the CARES Provider Relief Fund, Phase 2. On October 19, 2020, MRDC applied for a grant from the CARES Provider Relief Fund, Phase 3. It is uncertain what amount of funding, if any, may be if approved since funding depends upon the number of applications accepted and the available dollars in the CARES Provider Relief Fund, Phase 3 to be distributed.

The disruptions from COVID-19 have continued into the new fiscal year, and it is uncertain as to when MRDC will be able to open and resume the affected programs back to normal capacity. It is expected the programs affected by the COVID-19 pandemic will reopen under a “phased in” approach as social distancing and other safety measures can safely be implemented and maintained. As such, it is difficult to predict the impact the pandemic might have on MRDC’s finances, other than the fact that temporary declines in revenues and expenses may continue well into the new fiscal year.

MRDC has and will continue to seek ways for the duration of the pandemic to insure its financial needs are met. These include transforming fundraising events to virtual events and seeking special funding from donors and government grants. MRDC has and will continue to follow the various government policies and advice, in parallel, MRDC will continue its operations in the best and safest way possible.