

**MISSION ROAD MINISTRIES
AND AFFILIATES**

**COMBINED FINANCIAL STATEMENTS WITH
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2020

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

Year Ended June 30, 2020

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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, 2020 and 2019, and the related combined 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 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 \$1,889,373 as of June 30, 2020, and total revenues of \$567,995 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, 2020 and 2019, the changes in their net assets for the year ended June 30, 2020, and their cash flows for the years ended June 30, 2020 and 2019 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' 2019 combined financial statements, and our report dated November 19, 2019, 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, 2019, 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 23 and 24 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 23 and 24, 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, 2020

MISSION ROAD MINISTRIES AND AFFILIATES
COMBINED STATEMENT OF FINANCIAL POSITION

June 30, 2020 and 2019

ASSETS	<u>2020</u>	<u>2019</u>
Current assets:		
Cash and cash equivalents	\$ 4,084,131	\$ 2,700,426
Restricted cash - client trust funds	250,765	147,488
Accounts receivable:		
Program fees, tuition, and expense reimbursements, net	1,138,900	1,306,594
Other	-	2,279
Unconditional promises to give, net	36,070	14,245
Prepaid expenses and other assets	9,608	6,749
Total current assets	<u>5,519,474</u>	<u>4,177,781</u>
Investments:		
Investments, general	9,738,834	8,826,130
Investments, endowment	784,110	782,054
Total investments	<u>10,522,944</u>	<u>9,608,184</u>
Property and equipment, net	16,065,478	16,021,099
Other assets:		
Restricted cash - HUD apartments	<u>98,244</u>	<u>89,411</u>
Total assets	<u>\$ 32,206,140</u>	<u>\$ 29,896,475</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable - trade	\$ 389,108	\$ 430,218
Accrued retirement plan contribution	86,614	86,835
Accrued salary and related expenses	711,363	620,161
Client trust funds	250,765	147,488
Deferred revenue	32,543	93,604
Current portion of long-term debt	297,518	24,188
Other current liabilities	11,924	3,332
Total current liabilities	<u>1,779,835</u>	<u>1,405,826</u>
Long-term debt, net of current portion	<u>2,689,325</u>	<u>1,067,406</u>
Total liabilities	<u>4,469,160</u>	<u>2,473,232</u>
Net assets:		
Without donor restrictions:		
Operations	10,704,015	10,182,537
Property and equipment	14,303,794	14,223,625
Total net assets without donor restrictions	<u>25,007,809</u>	<u>24,406,162</u>
With donor restrictions	<u>2,729,171</u>	<u>3,017,081</u>
Total net assets	<u>27,736,980</u>	<u>27,423,243</u>
Total liabilities and net assets	<u>\$ 32,206,140</u>	<u>\$ 29,896,475</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, 2020

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

	Without Donor Restrictions	With Donor Restrictions	<u>Total</u>	
			<u>2020</u>	<u>2019</u>
Support and revenue:				
Special events:				
Gross revenue	\$ 810,943	\$ 166,125	\$ 977,068	\$ 909,001
Less direct expenses	(81,175)	-	(81,175)	(100,545)
Net special events support	<u>729,768</u>	<u>166,125</u>	<u>895,893</u>	<u>808,456</u>
Contributions:				
Individuals	78,169	27,177	105,346	295,221
Corporations	39,632	48,000	87,632	125,085
Foundations	527,721	454,181	981,902	498,608
Bequests	1,000,000	-	1,000,000	-
United Way allocation	301,500	-	301,500	622,922
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 service fees and tuition	2,689,269	-	2,689,269	3,377,594
Rental revenue, net of vacancies of \$9,684 for 2020 and \$13,556 for 2019	565,452	-	565,452	560,446
Interest and dividends, net of fees	311,586	37,971	349,557	229,466
Realized losses on investments, net	(249,429)	(25,884)	(275,313)	(34,032)
Gains (losses) on disposal of property and equipment	(14,215)	-	(14,215)	31,065
Gain due to capture of residual receipts	-	-	-	24,578
Miscellaneous	44,439	-	44,439	46,282
	<u>17,519,569</u>	<u>707,570</u>	<u>18,227,139</u>	<u>17,863,248</u>
Net assets released from restrictions	<u>977,543</u>	<u>(977,543)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>18,497,112</u>	<u>(269,973)</u>	<u>18,227,139</u>	<u>17,863,248</u>
Expenses:				
Program services:				
Habilitation and care	16,162,296	-	16,162,296	16,464,566
Supporting services:				
Administrative and general	1,334,745	-	1,334,745	1,214,356
Fundraising	333,768	-	333,768	306,140
Total expenses	<u>17,830,809</u>	<u>-</u>	<u>17,830,809</u>	<u>17,985,062</u>
Change in net assets before unrealized gains (losses)	666,303	(269,973)	396,330	(121,814)
Unrealized gains (losses) on investments	<u>(64,656)</u>	<u>(17,937)</u>	<u>(82,593)</u>	<u>52,816</u>
Change in net assets	601,647	(287,910)	313,737	(68,998)
Net assets at beginning of year	<u>24,406,162</u>	<u>3,017,081</u>	<u>27,423,243</u>	<u>27,492,241</u>
Net assets at end of year	<u>\$ 25,007,809</u>	<u>\$ 2,729,171</u>	<u>\$ 27,736,980</u>	<u>\$ 27,423,243</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, 2020

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

	Program Services	Supporting Services		Total	
	<u>Habilitation and Care</u>	<u>Administrative and General</u>	<u>Fundraising</u>	<u>2020</u>	<u>2019</u>
Salaries	\$ 8,414,732	\$ 914,359	\$ 242,379	\$ 9,571,470	\$ 9,625,662
Employee health and welfare	578,310	94,433	13,887	686,630	639,107
Employee retirement	202,468	20,453	7,614	230,535	215,268
Payroll taxes	650,819	68,332	17,823	736,974	744,292
Workers' compensation insurance	71,454	1,495	401	73,350	71,748
Total salary and related expenses	<u>9,917,783</u>	<u>1,099,072</u>	<u>282,104</u>	<u>11,298,959</u>	<u>11,296,077</u>
Employee screening	21,742	3,466	-	25,208	38,980
Professional fees - accounting, legal, and other	82,221	107,232	701	190,154	151,958
Professional fees - program	2,065,677	-	-	2,065,677	2,081,201
IT support services	216,285	17,459	18,348	252,092	248,113
Training - client	291,457	-	-	291,457	397,340
Supplies	801,569	20,679	1,756	824,004	831,939
Telephone	111,301	3,108	1,544	115,953	129,895
Postage and shipping	7,504	3,810	1,831	13,145	10,332
Printing and publications	2,581	1,219	3,865	7,665	7,658
Advertising - employee recruitment	3,631	405	309	4,345	20,457
Occupancy	411,357	5,594	19	416,970	494,400
Utilities	393,741	9,952	-	403,693	395,189
Equipment maintenance	7,916	142	-	8,058	17,066
Equipment rental	6,505	(286)	-	6,219	4,943
Corporate insurance	236,611	17,088	-	253,699	214,340
Transportation	155,668	477	519	156,664	204,990
Meetings and conferences	6,656	446	1,108	8,210	15,591
Specific assistance to individuals	197,785	-	-	197,785	248,553
Membership dues	7,746	511	114	8,371	9,267
Miscellaneous	23,531	548	381	24,460	18,875
Bad debt	32,721	8,498	-	41,219	2,280
Public relations and charitable contributions	1,436	782	-	2,218	1,538
Special events - indirect expense	-	25,565	19,671	45,236	22,194
Interest expense	19,469	-	-	19,469	21,615
Bank and credit card fees	596	6	1,498	2,100	4,789
Total expenses before depreciation	<u>15,023,489</u>	<u>1,325,773</u>	<u>333,768</u>	<u>16,683,030</u>	<u>16,889,580</u>
Depreciation	<u>1,138,807</u>	<u>8,972</u>	<u>-</u>	<u>1,147,779</u>	<u>1,095,482</u>
Total expenses	<u>\$ 16,162,296</u>	<u>\$ 1,334,745</u>	<u>\$ 333,768</u>	<u>\$ 17,830,809</u>	<u>\$ 17,985,062</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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 313,737	\$ (68,998)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	1,147,779	1,095,482
Bad debt expense	41,219	2,280
(Gains) losses on disposal of property and equipment	14,215	(31,065)
Contributions restricted for purchase of property and equipment	(418,423)	(5,500)
Realized and unrealized (gains) and losses, net	357,906	(18,784)
Change in:		
Accounts receivable	128,754	(66,294)
Promises to give receivable	(21,825)	286,575
Prepaid expenses and other assets	(2,859)	20,298
Accounts payable	(41,110)	(166,639)
Accrued retirement plan contribution	(221)	6,835
Accrued salary expenses	91,202	5,327
Client trust funds	103,277	(10,677)
Deferred revenues	(61,061)	62,604
Other current liabilities	8,592	(35,685)
Net cash provided by operating activities	<u>1,661,182</u>	<u>1,075,759</u>
Cash flows from investing activities:		
Purchases of property and equipment	(1,206,373)	(1,136,868)
Proceeds from sales and maturities of investments	2,187,680	6,524,516
Purchases of investments	<u>(3,460,346)</u>	<u>(6,936,620)</u>
Net cash used by investing activities	<u>(2,479,039)</u>	<u>(1,548,972)</u>
Cash flows from financing activities:		
Proceeds from contributions restricted for purchase of property and equipment	418,423	5,500
Proceeds from issuance of long-term debt	1,919,438	-
Principal payments on long-term debt	<u>(24,189)</u>	<u>(22,059)</u>
Net cash provided (used) by financing activities	<u>2,313,672</u>	<u>(16,559)</u>
 Net increase (decrease) in cash, cash equivalents, and restricted cash	1,495,815	(489,772)
 Cash, cash equivalents, and restricted cash at beginning of year	<u>2,937,325</u>	<u>3,427,097</u>
 Cash, cash equivalents, and restricted cash at end of year	<u>\$ 4,433,140</u>	<u>\$ 2,937,325</u>
 Schedule of supplemental cash flow information:		
Reconciliation of cash, cash equivalents, and restricted cash to statement of financial position:		
Cash and cash equivalents	\$ 4,084,131	\$ 2,700,426
Restricted cash - client trust funds	250,765	147,488
Restricted cash - HUD apartments	98,244	89,411
Total cash, cash equivalents, and restricted cash	<u>\$ 4,433,140</u>	<u>\$ 2,937,325</u>
 Interest paid	<u>\$ 19,469</u>	<u>\$ 21,615</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, 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, 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, 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 and MRDC 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 and/or 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.

(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 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. 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

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, 2021 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 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 the Organization in fiscal year 2021.

(Continued)

MISSION ROAD MINISTRIES AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted Accounting Pronouncements

The Organization 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 the Organization's financial reporting. This had no impact on the net assets of the Organization for the years ended June 30, 2020 and 2019.

Revenue from Contracts with Customers (Topic 606)

The Organization 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 the Organization for the years ended June 30, 2020 and 2019.

Subsequent Events

The Organization has evaluated subsequent events through November 19, 2020, 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, 2020, the Organization's cash and cash equivalents exceeded federally insured limits by \$3,884,588 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>2020</u>	<u>2019</u>
Government agency fees	\$ 937,135	\$ 832,581
Program fees and tuition	217,302	474,013
Program fees, tuition, and expense reimbursements receivable, gross	<u>1,154,437</u>	<u>1,306,594</u>
Allowance for doubtful accounts	(15,537)	-
Program fees, tuition, and expense reimbursements receivable, net	<u>\$ 1,138,900</u>	<u>\$ 1,306,594</u>

MISSION ROAD MINISTRIES AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS

5 UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are as follows:

	<u>2020</u>	<u>2019</u>
Restricted for purchase of property and equipment	\$ 2,600	\$ -
Restricted for use in future periods	33,470	14,245
	<u>\$ 36,070</u>	<u>\$ 14,245</u>
	<u>2020</u>	<u>2019</u>
Pledges due in one year or less	\$ 36,070	\$ 14,245
Less: estimated allowance for uncollectible pledges	-	-
Unconditional promises to give, net	<u>\$ 36,070</u>	<u>\$ 14,245</u>

6 INVESTMENTS

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

	<u>2020</u>	<u>2019</u>
Cash and money market funds	\$ 1,619,856	\$ 194,395
Corporate bonds	2,578,845	2,419,430
Mutual funds:		
Bond funds	3,500	693,651
International bond funds	528,408	529,874
Bond/equity blended funds	2,703	-
World allocation funds	2,183,310	2,300,234
Large equity blend funds	1,127,586	1,062,333
Foreign large equity blend funds	355,192	309,148
Foreign large equity value funds	314,803	276,927
Large equity growth funds	817	-
Mid-cap equity funds	722,822	557,921
Foreign small/mid-cap equity funds	291,683	262,943
Small equity blend funds	107,372	87,533
Long-short equity funds	399,177	665,694
Emerging market funds	286,870	248,101
	<u>\$ 10,522,944</u>	<u>\$ 9,608,184</u>

Investment return is summarized as follows:

	<u>2020</u>	<u>2019</u>
Interest and dividend income	\$ 352,325	\$ 251,594
Investment management fees	(2,768)	(22,128)
Investment income, net of fees	349,557	229,466
Realized gains and losses	(275,313)	(34,032)
Unrealized gains and losses	(82,593)	52,816
Total investment return	<u>\$ (8,349)</u>	<u>\$ 248,250</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, 2020 and 2019, 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>2020</u>	<u>2019</u>
Land and land improvements	\$ 721,286	\$ 721,286
Buildings and improvements	22,481,497	21,833,152
Equipment	1,670,548	1,618,226
Furniture and fixtures	116,136	135,051
Vehicles	1,483,983	1,381,242
Construction in progress	358,933	228,333
Property and equipment, gross	<u>26,832,383</u>	<u>25,917,290</u>
Accumulated depreciation	<u>(10,766,905)</u>	<u>(9,896,191)</u>
Property and equipment, net	<u>\$ 16,065,478</u>	<u>\$ 16,021,099</u>

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 \$94,880 and \$86,597 at June 30, 2020 and 2019, 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 \$2,760 and \$2,814 at June 30, 2020 and 2019, respectively, were held in a separate account and generally not available for operating purposes unless approved by HUD.

Restricted cash - HUD apartments is comprised of the restricted funds mentioned in the preceding two paragraphs, which totaled \$98,244 and \$89,411 at June 30, 2020 and 2019, respectively.

9 CLIENT TRUST FUNDS

MRDC and the Apartments administer cash trust accounts for their clients. These funds totaled \$250,765 and \$147,488 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 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.

MISSION ROAD MINISTRIES AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS

10 LONG-TERM DEBT

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

	<u>2020</u>	<u>2019</u>
MRDC 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 10	\$ 1,919,438	\$ -
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.	199,205	223,394
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>
	2,986,843	1,091,594
Less current portion	<u>(297,518)</u>	<u>(24,188)</u>
	<u><u>\$ 2,689,325</u></u>	<u><u>\$ 1,067,406</u></u>

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 297,518
2022	453,162
2023	460,143
2024	467,428
2025	401,975
Thereafter	<u>906,617</u>
	<u><u>\$ 2,986,843</u></u>

Total interest expense on long-term debt during the years ended June 30, 2020 and 2019 was \$19,469 and \$21,615, respectively.

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.

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.

(Continued)

MISSION ROAD MINISTRIES AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS

10 LONG-TERM DEBT (Continued)

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.

11 NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2020</u>	<u>2019</u>
Subject to expenditures for specified purpose or time periods:		
Endowment earnings	\$ 365,749	\$ 363,953
Other property and equipment additions and improvements	97,243	285,229
Future program expenses	135,161	150,327
Meadow Brook HUD capital advance	1,399,000	1,399,000
Bledsoe Foundation net assets for benefit of MRDC	<u>225,263</u>	<u>312,077</u>
Total net assets subject to expenditures for specified purpose or time periods	2,222,416	2,510,586
Subject to restrictions that are perpetual in nature:		
Endowment to provide operating income	418,361	418,101
Mockingbird Property (included in fixed assets)	<u>88,394</u>	<u>88,394</u>
Total net assets with donor restrictions	<u>\$ 2,729,171</u>	<u>\$ 3,017,081</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>2020</u>	<u>2019</u>
Satisfaction of purpose or time restrictions:		
Camps and SOAR	\$ 224,859	\$ 239,680
Property and equipment purchases	598,335	366,878
Other program services	<u>154,349</u>	<u>25,913</u>
Net assets released from restriction	<u>\$ 977,543</u>	<u>\$ 632,471</u>

12 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.

(Continued)

MISSION ROAD MINISTRIES AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS

12 ENDOWMENT (Continued)

Background

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

Endowment "Principal" Interpretation

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

Endowment Investment Objectives

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

Endowment "Income" Appropriation (Spending Policy)

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

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

(Continued)

MISSION ROAD MINISTRIES AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

12 ENDOWMENT (Continued)

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

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

Endowment net asset composition by type of fund as of June 30, 2020 and 2019 is as follows:

	2020		
	<u>Without Donor Restrictions</u>	<u>With Donor Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 784,110	\$ 784,110
	2019		
	<u>Without Donor Restrictions</u>	<u>With Donor Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 782,054	\$ 782,054

Changes in endowment net assets for the years ended June 30, 2020 and 2019 were as follows:

	2020		
	<u>Without Donor Restrictions</u>	<u>With Donor Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 782,054	\$ 782,054
Interest and dividends	-	29,058	29,058
Investment management fees	-	(2,768)	(2,768)
Investment income, net	-	26,290	26,290
Realized gains (losses)	-	(12,536)	(12,536)
Unrealized gains (losses)	-	(11,958)	(11,958)
Contributions	-	260	260
Endowment net assets, end of year	\$ -	\$ 784,110	\$ 784,110
	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)
Contributions	-	15,000	15,000
Endowment net assets, end of year	\$ -	\$ 782,054	\$ 782,054

MISSION ROAD MINISTRIES AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS

13 SUPPORT AND REVENUE

Support and Revenue Concentrations

The Organization 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 63.1% and 63.1%, 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.

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 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. 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.

Revenues and expenses related to these two events for the years ended June 30, 2020 and 2019 are summarized as follows:

	2020		
	MRM Shindig	MRDC Unicorn Supported Emp. Luncheon	Total
Special events gross revenue, unrestricted	\$ 661,012	\$ 149,931	\$ 810,943
Special events gross revenue, temporarily restricted	166,125	-	166,125
Special events revenue, gross	<u>827,137</u>	<u>149,931</u>	<u>977,068</u>
Special events direct expenses	(79,642)	(1,533)	(81,175)
Special events indirect expenses (included in fundraising expense)	<u>(40,533)</u>	<u>(4,703)</u>	<u>(45,236)</u>
Special events revenue and expenses, net	<u>\$ 706,962</u>	<u>\$ 143,695</u>	<u>\$ 850,657</u>
	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)	<u>(14,968)</u>	<u>(7,226)</u>	<u>(22,194)</u>
Special events revenue and expenses, net	<u>\$ 652,080</u>	<u>\$ 134,182</u>	<u>\$ 786,262</u>

MISSION ROAD MINISTRIES AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS

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 \$17,630 and \$44,394, for the years ended June 30, 2020 and 2019, respectively.

Future minimum lease payments under these leases are:

<u>Year Ending June 30.</u>	<u>Amount</u>
2021	\$ 13,633
2022	1,296
2023	1,296
2024	864
	<u>\$ 17,089</u>

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 \$1,367,375 and \$1,306,497 to its affiliates in 2020 and 2019, respectively. MRM also contributes to its affiliates in support of their missions. MRM contributed \$739,179 and \$655,420 to affiliates to support program activities in 2020 and 2019, respectively. The Bledsoe Foundation made contributions to MRDC of \$100,000 and \$122,505 in 2020 and 2019, respectively. These management fees and contributions and all related receivables and payables are eliminated upon combination.

17 EMPLOYEE BENEFIT PLANS

Defined Contribution Plan

The Organization has a defined contribution employee benefit plan. This plan covers all MRM and 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. Retirement plan contributions for the years ended June 30, 2020 and 2019 were \$174,469 and \$179,851, 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.

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, 2020 and 2019, 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 \$80,489 and \$79,755 for the years ended 2020 and 2019, 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)

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, 2020 and 2019, management fees charged amounted to \$15,094 and \$14,139, 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 \$38,513 and \$53,671 for the years ended 2020 and 2019, respectively.

Meadow Brook has contracted with the Management Company to provide management services. The charges for these services are based upon a management agreement. The charges are \$35.33 per unit, per month. For the years ended June 30, 2020 and 2019, 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 \$55,580 and \$61,508 for the years ended 2020 and 2019, 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	\$ 4,084,131
Restricted cash	349,009
Accounts receivable, net	1,138,900
Unconditional promises to give, net	36,070
Investments	<u>10,522,944</u>
Financial assets at year end	<u>16,131,054</u>
Less those unavailable for general expenditure within one year, due to:	
Cash restricted for specific uses	(349,009)
Investments with donor restrictions that are perpetual in nature	(418,361)
Donor-restricted to expenditure for specific purpose	<u>(2,222,416)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 13,141,268</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, 2020, the Organization had financial assets available to meet cash needs for general expenditure within one year that were equivalent to roughly 269 days of average operating expenses.

MISSION ROAD MINISTRIES AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

20 SUBSEQUENT EVENTS

MRM and affiliates have 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 primarily the programs of an affiliate, Mission Road Developmental Center (MRDC). The 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.

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 MRM and affiliates’ finances, other than the fact that temporary declines in revenues and expenses may continue well into the new fiscal year.

MRM and affiliates have 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. MRM and affiliates have and will continue to follow the various government policies and advice, in parallel, MRM and affiliates will continue their operations in the best and safest way possible.

SUPPLEMENTARY INFORMATION

MISSION ROAD MINISTRIES AND AFFILIATES
COMBINING STATEMENT OF FINANCIAL POSITION
June 30, 2020

	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	\$ 241,925	\$ 3,830,127	\$ 2,758	\$ 8,767	\$ 554	\$ -	\$ -	\$ 4,084,131
Restricted cash - client trust funds	-	237,677	5,557	3,153	4,378	-	-	250,765
Accounts receivable:								
Program fees, tuition, and expense reimbursements, net	-	1,134,622	-	948	3,330	-	-	1,138,900
Affiliate	27,710	-	-	-	-	-	(27,710)	-
Other	-	-	-	-	-	-	-	-
Unconditional promises to give, net	8,470	77,600	-	-	-	-	(50,000)	36,070
Prepaid expenses and other assets	2,859	6,749	-	-	-	-	-	9,608
Total current assets	<u>280,964</u>	<u>5,286,775</u>	<u>8,315</u>	<u>12,868</u>	<u>8,262</u>	<u>-</u>	<u>(77,710)</u>	<u>5,519,474</u>
Investments:								
Investments, general	2,922,041	6,541,530	-	-	-	275,263	-	9,738,834
Investments, endowment	784,110	-	-	-	-	-	-	784,110
Total investments	<u>3,706,151</u>	<u>6,541,530</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>275,263</u>	<u>-</u>	<u>10,522,944</u>
Property and equipment, net	2,243	14,301,551	566,600	278,676	916,408	-	-	16,065,478
Other assets:								
Restricted cash - HUD apartments	-	-	37,078	29,981	31,185	-	-	98,244
Total assets	<u>\$ 3,989,358</u>	<u>\$ 26,129,856</u>	<u>\$ 611,993</u>	<u>\$ 321,525</u>	<u>\$ 955,855</u>	<u>\$ 275,263</u>	<u>\$ (77,710)</u>	<u>\$ 32,206,140</u>
LIABILITIES AND NET ASSETS								
Current liabilities:								
Accounts payable:								
Trade	\$ 15,756	\$ 365,293	\$ 1,729	\$ 4,370	\$ 1,960	\$ -	\$ -	\$ 389,108
Affiliate	-	27,710	-	-	-	50,000	(77,710)	-
Accrued retirement plan contribution	11,011	75,603	-	-	-	-	-	86,614
Accrued salary and related expenses	185,806	523,090	-	2,467	-	-	-	711,363
Client trust funds	-	237,677	5,557	3,153	4,378	-	-	250,765
Deferred revenue	31,150	1,000	360	-	33	-	-	32,543
Current portion of long-term debt	-	270,995	-	26,523	-	-	-	297,518
Other current liabilities	-	10,000	459	1,231	234	-	-	11,924
Total current liabilities	<u>243,723</u>	<u>1,511,368</u>	<u>8,105</u>	<u>37,744</u>	<u>6,605</u>	<u>50,000</u>	<u>(77,710)</u>	<u>1,779,835</u>
Long-term debt, net of current portion	-	1,648,443	868,200	172,682	-	-	-	2,689,325
Total liabilities	<u>243,723</u>	<u>3,159,811</u>	<u>876,305</u>	<u>210,426</u>	<u>6,605</u>	<u>50,000</u>	<u>(77,710)</u>	<u>4,469,160</u>
Net assets:								
Without donor restrictions:								
Operations	2,959,182	8,347,796	(264,312)	111,099	(449,750)	-	-	10,704,015
Property and equipment	2,243	14,301,551	-	-	-	-	-	14,303,794
Total net assets without donor restrictions	<u>2,961,425</u>	<u>22,649,347</u>	<u>(264,312)</u>	<u>111,099</u>	<u>(449,750)</u>	<u>-</u>	<u>-</u>	<u>25,007,809</u>
With donor restrictions	784,210	320,698	-	-	1,399,000	225,263	-	2,729,171
Total net assets	<u>3,745,635</u>	<u>22,970,045</u>	<u>(264,312)</u>	<u>111,099</u>	<u>949,250</u>	<u>225,263</u>	<u>-</u>	<u>27,736,980</u>
Total liabilities and net assets	<u>\$ 3,989,358</u>	<u>\$ 26,129,856</u>	<u>\$ 611,993</u>	<u>\$ 321,525</u>	<u>\$ 955,855</u>	<u>\$ 275,263</u>	<u>\$ (77,710)</u>	<u>\$ 32,206,140</u>

MISSION ROAD MINISTRIES AND AFFILIATES

COMBINING STATEMENT OF ACTIVITIES

Year Ended June 30, 2020

	Without Donor Restrictions							
	Mission Road Ministries	Mission Road Developmental Center, Inc.	200 Oblate, Inc.	Independence Square, Inc.	Meadow Brook Apartments	Clifford Craig Bledsoe Memorial Foundation	Eliminations	Subtotal
Support and revenue:								
Special events:								
Gross revenue	\$ 661,012	\$ 149,931	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 810,943
Less direct expenses	(79,642)	(1,533)	-	-	-	-	-	(81,175)
Net special events support	581,370	148,398	-	-	-	-	-	729,768
Contributions:								
Individuals	61,934	16,235	-	-	-	-	-	78,169
Corporations	18,372	21,260	-	-	-	-	-	39,632
Foundations	119,083	408,638	-	-	-	-	-	527,721
Bequests	-	1,000,000	-	-	-	-	-	1,000,000
Affiliates	-	573,054	-	-	-	-	(573,054)	-
United Way allocation	1,500	300,000	-	-	-	-	-	301,500
Allocations from MRM Shindig	-	-	-	-	-	-	-	-
Governmental support:								
Nutrition program	-	22,858	-	-	-	-	-	22,858
Program service fees and tuition	-	11,472,819	-	-	-	-	-	11,472,819
Private program service fees and tuition	-	2,689,269	-	-	-	-	-	2,689,269
Rental revenue, net	-	-	184,163	226,404	154,885	-	-	565,452
Gain due to retention of residual receipts	-	-	-	-	-	-	-	-
Management fees	1,367,375	-	-	-	-	-	(1,367,375)	-
Interest and dividends, net of fees	97,570	214,016	-	-	-	-	-	311,586
Realized gains and (losses) on investments, net	(91,426)	(158,003)	-	-	-	-	-	(249,429)
Losses on disposal of property and equipment	-	(14,215)	-	-	-	-	-	(14,215)
Miscellaneous	-	41,896	749	1,432	362	-	-	44,439
Related agency revenue - affiliate	7,646	-	-	-	-	-	(7,646)	-
	2,163,424	16,736,225	184,912	227,836	155,247	-	(1,948,075)	17,519,569
Net assets released from restrictions	166,125	972,500	-	-	-	105,043	(266,125)	977,543
Total support and revenue	2,329,549	17,708,725	184,912	227,836	155,247	105,043	(2,214,200)	18,497,112
Expenses:								
Program services:								
Habilitation and care	-	15,643,099	183,660	156,647	178,890	-	-	16,162,296
Affiliate expenses	739,179	7,646	-	-	-	100,000	(846,825)	-
Supporting services:								
Administrative and general	1,427,439	1,224,662	13,626	19,503	11,847	5,043	(1,367,375)	1,334,745
Fundraising	186,354	147,414	-	-	-	-	-	333,768
Total expenses	2,352,972	17,022,821	197,286	176,150	190,737	105,043	(2,214,200)	17,830,809
Change in net assets before intercompany transfers and unrealized gains (losses)	(23,423)	685,904	(12,374)	51,686	(35,490)	-	-	666,303
Intercompany transfers	-	-	-	-	-	-	-	-
Unrealized gains (losses) on investments	15,686	(80,342)	-	-	-	-	-	(64,656)
Change in net assets	(7,737)	605,562	(12,374)	51,686	(35,490)	-	-	601,647
Net assets at beginning of year	2,969,162	22,043,785	(251,938)	59,413	(414,260)	-	-	24,406,162
Net assets at end of year	\$ 2,961,425	\$ 22,649,347	\$ (264,312)	\$ 111,099	\$ (449,750)	\$ -	\$ -	\$ 25,007,809

With Donor Restrictions

Mission Road Ministries	Mission Road Developmental Center, Inc.	Meadow Brook Apartments	Clifford Craig Bledsoe Memorial Foundation	Eliminations	Subtotal	Total
\$ 166,125	\$ -	\$ -	\$ -	\$ -	\$ 166,125	\$ 977,068
-	-	-	-	-	-	(81,175)
166,125	-	-	-	-	166,125	895,893
260	26,917	-	-	-	27,177	105,346
-	48,000	-	-	-	48,000	87,632
-	428,306	-	25,875	-	454,181	981,902
-	-	-	-	-	-	1,000,000
-	100,000	-	-	(100,000)	-	-
-	-	-	-	-	-	301,500
-	166,125	-	-	(166,125)	-	-
-	-	-	-	-	-	22,858
-	-	-	-	-	-	11,472,819
-	-	-	-	-	-	2,689,269
-	-	-	-	-	-	565,452
-	-	-	-	-	-	-
-	-	-	-	-	-	-
26,290	-	-	11,681	-	37,971	349,557
(12,536)	-	-	(13,348)	-	(25,884)	(275,313)
-	-	-	-	-	-	(14,215)
-	-	-	-	-	-	44,439
-	-	-	-	-	-	-
180,139	769,348	-	24,208	(266,125)	707,570	18,227,139
(166,125)	(972,500)	-	(105,043)	266,125	(977,543)	-
14,014	(203,152)	-	(80,835)	-	(269,973)	18,227,139
-	-	-	-	-	-	16,162,296
-	-	-	-	-	-	-
-	-	-	-	-	-	1,334,745
-	-	-	-	-	-	333,768
-	-	-	-	-	-	17,830,809
14,014	(203,152)	-	(80,835)	-	(269,973)	396,330
(11,864)	11,864	-	-	-	-	-
(11,958)	-	-	(5,979)	-	(17,937)	(82,593)
(9,808)	(191,288)	-	(86,814)	-	(287,910)	313,737
794,018	511,986	1,399,000	312,077	-	3,017,081	27,423,243
<u>\$ 784,210</u>	<u>\$ 320,698</u>	<u>\$ 1,399,000</u>	<u>\$ 225,263</u>	<u>\$ -</u>	<u>\$ 2,729,171</u>	<u>\$ 27,736,980</u>