

MISSION ROAD DEVELOPMENTAL CENTER
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

MISSION ROAD DEVELOPMENTAL CENTER

FINANCIAL STATEMENTS

Year Ended June 30, 2021

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Independent Auditor's Report



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

Opinion

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, 2021 and 2020, the related statements of activities and functional expenses for the year ended June 30, 2021, the related statements of cash flows for the years ended June 30, 2021 and 2020, and the related notes to the financial statements.

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, 2021 and 2020, the changes in net assets for the year ended June 30, 2021, and its cash flows for the years ended June 30, 2021 and 2020, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Mission Road Developmental Center and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Mission Road Developmental Center's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

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Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- Obtain an understanding of internal control relevant to the audit 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 Mission Road Developmental Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Mission Road Developmental Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Mission Road Developmental Center's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 19, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Sagebiel, Ravenberg & Schuh, P. C.

San Antonio, Texas
November 16, 2021

MISSION ROAD DEVELOPMENTAL CENTER

STATEMENT OF FINANCIAL POSITION

June 30, 2021 and 2020

ASSETS	<u>2021</u>	<u>2020</u>
Current assets:		
Cash and cash equivalents	\$ 2,693,046	\$ 3,830,127
Restricted cash - client trust funds	245,188	237,677
Accounts receivable:		
Program tuition and expense reimbursements, net	1,164,268	1,134,622
Affiliate	49,985	-
Other	300	-
Unconditional promises to give, net	2,746,499	77,600
Prepaid expenses and other assets	<u>6,749</u>	<u>6,749</u>
Total current assets	6,906,035	5,286,775
 Investments	 8,888,168	 6,541,530
 Property and equipment, net	 <u>13,595,255</u>	 <u>14,301,551</u>
 Total assets	 <u><u>\$ 29,389,458</u></u>	 <u><u>\$ 26,129,856</u></u>
 LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable:		
Trade	\$ 333,886	\$ 365,293
Affiliate	-	27,710
Accrued retirement plan contribution	77,489	75,603
Accrued salary and related expenses	446,169	523,090
Deferred compensation	32,796	10,000
Client trust funds	245,188	237,677
Deferred revenue	755	1,000
Other current liabilities	566	-
Notes payable due within one year	-	270,995
Total current liabilities	<u>1,136,849</u>	<u>1,511,368</u>
 Long-term liabilities:		
Notes payable	-	1,919,438
Less amount due within one year	-	(270,995)
Total long-term liabilities	<u>-</u>	<u>1,648,443</u>
 Net assets:		
Without donor restrictions - operations	11,766,178	8,347,796
Without donor restrictions - property and equipment	<u>13,595,255</u>	<u>14,301,551</u>
Total net assets without donor restrictions	25,361,433	22,649,347
With donor restrictions	<u>2,891,176</u>	<u>320,698</u>
Total net assets	<u>28,252,609</u>	<u>22,970,045</u>
 Total liabilities and net assets	 <u><u>\$ 29,389,458</u></u>	 <u><u>\$ 26,129,856</u></u>

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

MISSION ROAD DEVELOPMENTAL CENTER

STATEMENT OF ACTIVITIES

Year Ended June 30, 2021

(With Comparative Totals For Year Ended June 30, 2020)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	Total	
			<u>2021</u>	<u>2020</u>
Support and revenue:				
Special events:				
Gross revenue	\$ 192,148	\$ -	\$ 192,148	\$ 149,931
Less direct expenses	<u>(10,560)</u>	<u>-</u>	<u>(10,560)</u>	<u>(1,533)</u>
Net special events support	181,588	-	181,588	148,398
Contributions:				
Individuals	27,045	2,000	29,045	43,152
Corporations	284,748	2,768,187	3,052,935	69,260
Foundations	173,921	213,191	387,112	836,944
Bequests	658,096	-	658,096	1,000,000
Affiliates	590,719	-	590,719	673,054
United Way allocation	300,000	-	300,000	300,000
Allocations from MRM Shindig	-	140,590	140,590	166,125
Governmental support:				
Nutrition program	-	-	-	22,858
Program service fees and tuition	11,572,814	-	11,572,814	11,472,819
Paycheck Protection Program grant	1,919,438	-	1,919,438	-
CARES Act Provider Relief Fund	293,103	-	293,103	-
Private program services fees and tuition	1,394,503	-	1,394,503	2,689,269
Investment income, net of fees	144,905	-	144,905	214,016
Realized gains (losses) on investments, net	928,554	-	928,554	(158,003)
Gains (losses) on disposal of property and equipment	84,484	-	84,484	(14,215)
Miscellaneous	24,984	-	24,984	41,896
	<u>18,578,902</u>	<u>3,123,968</u>	<u>21,702,870</u>	<u>17,505,573</u>
Net assets released from restrictions	553,490	(553,490)	-	-
Total support and revenue	<u>19,132,392</u>	<u>2,570,478</u>	<u>21,702,870</u>	<u>17,505,573</u>
Expenses:				
Program services:				
Habilitation and care	15,164,455	-	15,164,455	15,650,745
Supporting services:				
Administrative and general	1,366,799	-	1,366,799	1,224,662
Fundraising	240,794	-	240,794	147,414
Total expenses	<u>16,772,048</u>	<u>-</u>	<u>16,772,048</u>	<u>17,022,821</u>
Change in net assets before unrealized gains (losses) and transfers from affiliates	2,360,344	2,570,478	4,930,822	482,752
Unrealized gains (losses) on investments	351,742	-	351,742	(80,342)
Transfer from affiliate	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,864</u>
Change in net assets	2,712,086	2,570,478	5,282,564	414,274
Net assets at beginning of year	<u>22,649,347</u>	<u>320,698</u>	<u>22,970,045</u>	<u>22,555,771</u>
Net assets at end of year	<u>\$ 25,361,433</u>	<u>\$ 2,891,176</u>	<u>\$ 28,252,609</u>	<u>\$ 22,970,045</u>

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

MISSION ROAD DEVELOPMENTAL CENTER

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2021

(With Comparative Totals For Year Ended June 30, 2020)

	Program Services			Supporting Services		Total	
	Habilitation and Care	Administrative and General	Fundraising	2021	2020		
Salaries	\$ 8,071,431	\$ 1,084,529	\$ 164,306	\$ 9,320,266	\$ 9,286,455		
Employee health and welfare	584,513	21,989	9,199	615,701	666,112		
Employee retirement	199,039	24,264	3,927	227,230	227,181		
Payroll taxes	612,424	79,244	12,210	703,878	707,430		
Workers' compensation insurance	92,410	2,107	383	94,900	69,356		
Total salary and related expenses	<u>9,559,817</u>	<u>1,212,133</u>	<u>190,025</u>	<u>10,961,975</u>	<u>10,956,534</u>		
Employee screening	50,329	6,504	42	56,875	24,726		
Professional fees - accounting, legal, and other	64,651	37,727	159	102,537	116,567		
Professional fees - program	1,864,850	-	-	1,864,850	2,065,677		
Professional fees - related agency	7,036	-	-	7,036	7,646		
IT support services	199,577	32,543	10,887	243,007	243,508		
Training - client	124,355	-	-	124,355	291,457		
Supplies	782,324	13,017	614	795,955	818,695		
Telephone	101,076	4,283	1,072	106,431	101,354		
Postage and shipping	4,409	6,280	2,108	12,797	12,497		
Printing and publications	6,135	4,011	3,120	13,266	7,373		
Advertising - employee recruitment	15,123	5,635	-	20,758	4,290		
Occupancy	316,707	7,043	-	323,750	326,362		
Utilities	340,754	6,677	-	347,431	341,305		
Equipment maintenance	30,827	41	-	30,868	8,038		
Equipment rental	5,837	218	-	6,055	6,259		
Corporate insurance	247,875	18,814	-	266,689	227,136		
Transportation	81,713	485	287	82,485	153,744		
Meetings and conferences	397	2,363	229	2,989	5,121		
Specific assistance to individuals	233,451	-	-	233,451	197,785		
Membership dues	10,116	4,820	4,613	19,549	8,306		
Miscellaneous	54,682	-	-	54,682	22,530		
Bad debt	28,491	2,840	2,777	34,108	32,719		
Public relations and charitable contributions	175	340	79	594	2,109		
Special events - indirect expenses	2,615	-	23,764	26,379	4,703		
Bank and credit card fees	601	1,025	1,018	2,644	2,039		
Total expenses before depreciation	<u>14,133,923</u>	<u>1,366,799</u>	<u>240,794</u>	<u>15,741,516</u>	<u>15,988,480</u>		
Depreciation	<u>1,030,532</u>	<u>-</u>	<u>-</u>	<u>1,030,532</u>	<u>1,034,341</u>		
Total expenses	<u>\$ 15,164,455</u>	<u>\$ 1,366,799</u>	<u>\$ 240,794</u>	<u>\$ 16,772,048</u>	<u>\$ 17,022,821</u>		

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

MISSION ROAD DEVELOPMENTAL CENTER

STATEMENT OF CASH FLOWS

Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 5,282,564	\$ 414,274
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	1,030,532	1,034,341
Bad debt expense	34,108	32,719
Forgiveness of debt	(1,919,438)	-
(Gains) losses on disposal of property and equipment	(84,484)	14,215
Contributions restricted for purchase of property and equipment	(191,191)	(418,423)
Non-cash contributions	(336,322)	-
Realized and unrealized (gains) and losses, net	(1,280,296)	238,345
Change in:		
Program tuition and expense reimbursements receivable	(63,754)	139,021
Affiliate receivables	(49,985)	-
Other receivables	(300)	2,279
Promises to give receivable	(2,668,899)	(77,600)
Trade accounts payable	(31,407)	(14,560)
Affiliate accounts payable	(27,710)	(46,323)
Accrued retirement plan contribution	1,886	1,058
Accrued salary expenses	(76,921)	49,540
Deferred compensation	22,796	10,000
Client trust funds	7,511	103,099
Deferred revenues	(245)	(1,800)
Other current liabilities	566	(508)
Net cash provided (used) by operating activities	<u>(350,989)</u>	<u>1,479,677</u>
Cash flows from investing activities:		
Purchases of property and equipment	(491,740)	(1,154,697)
Proceeds from sales of property and equipment	4,500	17,000
Insurance proceeds from damage to property and equipment	247,488	-
Proceeds from sales and maturities of investments	7,451,449	1,307,253
Purchases of investments	<u>(8,181,469)</u>	<u>(2,506,145)</u>
Net cash used by investing activities	<u>(969,772)</u>	<u>(2,336,589)</u>
Cash flows from financing activities:		
Proceeds from issuance of note payable	-	1,919,438
Proceeds from contributions restricted for purchase of property and equipment	<u>191,191</u>	<u>418,423</u>
Net cash provided by financing activities	<u>191,191</u>	<u>2,337,861</u>
Net increase (decrease) in cash, cash equivalents, and restricted cash	(1,129,570)	1,480,949
Cash, cash equivalents, and restricted cash at beginning of year	<u>4,067,804</u>	<u>2,586,855</u>
Cash, cash equivalents, and restricted cash at end of year	<u>\$ 2,938,234</u>	<u>\$ 4,067,804</u>
Schedule of supplemental cash flow information:		
Reconciliation of cash, cash equivalents, and restricted cash to statement of financial position:		
Cash and cash equivalents	\$ 2,693,046	\$ 3,830,127
Restricted cash - client trust funds	<u>245,188</u>	<u>237,677</u>
Total cash, cash equivalents, and restricted cash	<u>\$ 2,938,234</u>	<u>\$ 4,067,804</u>

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

MISSION ROAD DEVELOPMENTAL CENTER

NOTES TO 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)

MISSION ROAD DEVELOPMENTAL CENTER

NOTES TO FINANCIAL STATEMENTS

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, 2020, 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)

MISSION ROAD DEVELOPMENTAL CENTER

NOTES TO FINANCIAL STATEMENTS

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:

	<u>Years</u>
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)

MISSION ROAD DEVELOPMENTAL CENTER

NOTES TO FINANCIAL STATEMENTS

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.

Subsequent Events

MRDC has evaluated subsequent events through November 16, 2021, 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, 2021, MRDC's cash and cash equivalents exceeded federally insured limits by \$2,511,205.

MISSION ROAD DEVELOPMENTAL CENTER

NOTES TO FINANCIAL STATEMENTS

4 INVESTMENTS

Investments consisted of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Cash and money market funds	\$ 1,814,943	\$ 1,374,755
Corporate bonds	863,912	1,493,323
Mutual funds:		
Bond funds	1,773,775	2,271
International bond funds	88,904	272,464
Bond/equity blended funds	7,714	2,703
Large equity blend funds	1,463,934	660,645
Foreign large equity blend funds	128,883	208,062
Large equity value funds	7,672	-
Foreign large equity value funds	380,992	184,011
Large equity growth funds	432,820	817
Mid-cap equity funds	630,109	424,327
Foreign small/mid-cap equity funds	261,795	170,520
Small-cap equity value funds	178,935	-
Small-cap equity blend funds	-	63,612
World allocation funds	248,645	1,284,465
Emerging market funds	274,715	167,105
Long-short equity funds	123,922	232,450
Relative value arbitrage funds	123,713	-
Options trading funds	82,785	-
	<u>\$ 8,888,168</u>	<u>\$ 6,541,530</u>

Investment return is summarized as follows:

	<u>2021</u>	<u>2020</u>
Interest and dividend income	\$ 170,521	\$ 222,123
Investment management fees	<u>(25,616)</u>	<u>(8,107)</u>
Investment income, net of fees	144,905	214,016
Realized gains and losses	928,554	(158,003)
Unrealized gains and losses	<u>351,742</u>	<u>(80,342)</u>
Total investment return	<u>\$ 1,425,201</u>	<u>\$ (24,329)</u>

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, 2021 and 2020, MRDC's investments were reported at fair value using a Level 1 measure.

MISSION ROAD DEVELOPMENTAL CENTER

NOTES TO FINANCIAL STATEMENTS

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:

	<u>2021</u>	<u>2020</u>
Government agency fees	\$ 1,060,483	\$ 937,135
Program fees and tuition	<u>134,595</u>	<u>213,024</u>
Program tuition and expense reimbursements receivable, gross	1,195,078	1,150,159
Allowance for doubtful accounts	<u>(30,810)</u>	<u>(15,537)</u>
Program tuition and expense reimbursements receivable, net	<u><u>\$ 1,164,268</u></u>	<u><u>\$ 1,134,622</u></u>

6 UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are as follows:

	<u>2021</u>	<u>2020</u>
Restricted for purchase of property and equipment	\$ -	\$ 2,600
Restricted for use in future periods	<u>2,746,499</u>	<u>75,000</u>
	<u><u>\$ 2,746,499</u></u>	<u><u>\$ 77,600</u></u>

	<u>2021</u>	<u>2020</u>
Pledges due in one year or less	\$ 2,746,499	\$ 77,600
Less: estimated allowance for uncollectible pledges	<u>-</u>	<u>-</u>
Unconditional promises to give, net	<u><u>\$ 2,746,499</u></u>	<u><u>\$ 77,600</u></u>

7 PROPERTY AND EQUIPMENT

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

	<u>2021</u>	<u>2020</u>
Land	\$ 544,651	\$ 544,651
Buildings and improvements	19,720,243	19,638,292
Equipment	1,568,197	1,542,761
Furniture	52,600	63,172
Vehicles	1,492,518	1,383,905
Construction in progress	<u>108,674</u>	<u>358,933</u>
Property and equipment, gross	23,486,883	23,531,714
Accumulated depreciation	<u>(9,891,628)</u>	<u>(9,230,163)</u>
Property and equipment, net	<u><u>\$ 13,595,255</u></u>	<u><u>\$ 14,301,551</u></u>

Insurance Proceeds from Damage to Property and Equipment

In the year ended June 30, 2021, damage to a roof of a facility owned by MRDC was discovered, and an insurance claim was made. Related to this claim, MRDC received proceeds in the amount of \$247,488 and wrote off property and equipment assets with a net book value of \$107,307, resulting in a net gain from involuntary conversion of property and equipment in the amount of \$140,181.

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NOTES TO FINANCIAL STATEMENTS

8 CLIENT TRUST FUNDS

MRDC administers cash trust accounts for its clients. These funds totaled \$245,188 and \$237,677 at June 30, 2021 and 2020, respectively. In fiscal years 2021 and 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,	
	<u>2021</u>	<u>2020</u>
Note payable to bank, payable \$36,528 monthly including interest at 0.98% beginning August 2021 after modifications; note was forgiven in full in March 2021	-	<u>1,919,438</u>
	<u>\$ -</u>	<u>\$ 1,919,438</u>

Paycheck Protection Program Loan

On April 6, 2020, MRDC signed a note for a loan (the "Loan") pursuant to the Paycheck Protection Program (the "PPP"), in the amount of \$1,919,438. The SBA approved the loan on April 30, 2020 and the loan was funded on May 5, 2020. MRDC elected to account for the Loan as debt, and accordingly, it was included in liabilities at June 30, 2020. On March 30, 2021, the SBA forgave the full balance of the Loan. Accordingly, the liability for the Loan was written off at that time and \$1,919,438 was recognized as income in the year ended June 30, 2021.

10 SUPPORT AND REVENUE

Support and Revenue Concentrations

MRDC received \$13,785,355, and \$11,495,677 of revenue from governmental agencies for the years ended June 30, 2021 and 2020, respectively. This equates to 63.5% and 65.7%, respectively, of total support and revenue for those years.

During the year ended June 30, 2021, MRDC recorded contributions from one donor totaling \$2,987,512, which equated to 13.8% of total support and revenue for that year. Of that amount, \$2,746,499 is included in promises to give at June 30, 2021. Management expects to receive payment in full on that pledge during the upcoming fiscal year, and as such has not recorded any allowance for uncollectible pledges.

Non-cash Contributions

During the year ended June 30, 2021, MRDC received contributions of stock with a total value of \$336,322 at the time of donation.

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NOTES TO FINANCIAL STATEMENTS

11 NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2021</u>	<u>2020</u>
Subject to expenditures for specified purpose or time periods:		
Fixed asset additions and improvements	\$ 2,282	\$ 97,143
Future program expenses	54,001	135,161
Promises to give, without donor restrictions, but which are unavailable for expenditure until due	<u>2,746,499</u>	<u>-</u>
Total net assets subject to expenditures for specified purpose or time periods	2,802,782	232,304
Subject to restrictions that are perpetual in nature:		
Mockingbird property	<u>88,394</u>	<u>88,394</u>
Total net assets with donor restrictions	<u><u>\$ 2,891,176</u></u>	<u><u>\$ 320,698</u></u>

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

	<u>2021</u>	<u>2020</u>
Satisfaction of purpose or time restrictions:		
Camps and SOAR	\$ 191,998	\$ 224,859
Property and equipment purchases	286,052	598,335
Other program services	75,440	149,306
Total net assets released from restriction	<u><u>\$ 553,490</u></u>	<u><u>\$ 972,500</u></u>

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. Below is a summary for fiscal years 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Special events gross revenue	\$ 192,148	\$ 149,931
Special events direct expenses	(10,560)	(1,533)
Special events indirect expenses (included in fundraising expenses)	<u>(26,379)</u>	<u>(4,703)</u>
Special events revenues and expenses, net	<u><u>\$ 155,209</u></u>	<u><u>\$ 143,695</u></u>

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 \$19,715 and \$17,916 for the years ended June 30, 2021 and 2020, respectively.

Future minimum lease payments under these leases are:

	<u>Amount</u>
Year Ending June 30,	
2022	\$ 12,416
2023	1,296
2024	864
	<u><u>\$ 14,576</u></u>

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NOTES TO FINANCIAL STATEMENTS

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 \$711,809 and \$706,961 in 2021 and 2020, respectively, and made payments to MRDC for services rendered in the amounts of \$19,500 and \$32,218 in 2021 and 2020, respectively. The Bledsoe Foundation made contributions to MRDC of \$-0- and \$100,000 in 2021 and 2020, respectively.

MRDC paid MRM \$1,607,593 and \$1,367,375 in management fees during 2021 and 2020, respectively. MRDC paid MRM \$7,036 and \$7,646 in 2021 and 2020, respectively, for cost to hire employees.

At June 30, 2021 and 2020, MRDC's accounts receivable included \$49,985 and \$-0-, respectively, due from MRM.

At June 30, 2021 and 2020, MRDC's accounts payable included \$-0- and \$27,710, respectively, due to MRM.

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 PLANS

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, 2021 and 2020 was \$179,485 and \$192,468, respectively.

Deferred Compensation Plan

During the year ended June 30, 2019, 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. MRDC serves as custodian of the plan assets, which remain under the control of MRDC until qualified disbursements are made to participating employees. MRDC's plan expenses were \$19,554 and \$10,000 for the years ended June 30, 2021 and 2020, respectively.

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NOTES TO FINANCIAL STATEMENTS

16 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

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

	<u>2021</u>
Cash and cash equivalents	\$ 2,693,046
Restricted cash - client trust funds	245,188
Accounts receivable	1,214,553
Investments	<u>8,888,168</u>
Financial assets at year end	13,040,955
Less those unavailable for general expenditure within one year, due to:	
Cash with restrictions on use	(245,188)
Donor-restricted to expenditure for specific purpose or time period	<u>(2,802,782)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 9,992,985</u>

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, 2021, MRDC had financial assets available to meet cash needs for general expenditure within one year that were equivalent to roughly 217 days of average operating expenses.

17 SUBSEQUENT EVENTS

Beginning on March 16, 2020, MRDC initiated 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 included 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. On January 7, 2021, January 28, 2021, and February 18, 2021, the Pfizer COVID vaccine was offered to clients age 16 or older and staff. On August 26, 2021 and October 15, 2021, the Pfizer COVID booster was offered to clients and staff. Beginning on September 22, 2021, staff that had not received the vaccine were required to submit to weekly COVID testing as a condition to continuing to work. As of October 1, 2021, MRDC and MRM have 234 vaccinated employees and 41 unvaccinated employees. Out of 275 employees, 85.09% are vaccinated.

(Continued)

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NOTES TO FINANCIAL STATEMENTS

17 SUBSEQUENT EVENTS (Continued)

The COVID-19 pandemic 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. On May 3, 2021, MRDC began a phased reopening of the three (3) Day Programs. As of October 1, 2021, the Campus is serving 96 individuals, Unicorn Day Habilitation is serving 18 individuals, and Unicorn Job & Life Skills is serving 47 individuals. By June 30, 2022, it is anticipated that those program should be serving 153, 75, and 130, respectively. The reopening pace is constrained by the difficult labor environment and the requirement that Unicorn participants receive career counseling from the Texas Workforce Commission that is still working remotely and offering the counseling only through Zoom. Once fully reopened, the day programs will be operating at approximately 75% of previous program capacity in order to operate with all of the necessary infection controls. The short-term risk is that the program expenses of reopening will probably occur on a more accelerated basis than the revenue from those programs. This "lagging" revenue effect will pressure program margins during the first 6 to 9 months of fiscal year 2022.

In fiscal year 2021, MRDC 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 that was not awarded; however, on September 10, 2021, HRSA invited resubmission of Phase 3 and submission of a new Phase 4 that was submitted on October 19, 2021. It is uncertain what amount of funding, if any, may be approved since funding depends upon the number of applications accepted and the available dollars in the CARES Provider Relief Fund Phase 3 and 4 to be distributed.

MRDC believes that the Delta Variant probably confirms that the COVID virus is most likely endemic and that they must learn to adapt to it as it ebbs and flows. MRDC is committed to adapting to the COVID virus and moving forward without being paralyzed by fear of the virus. MRDC intends to avoid allowing the virus to alter or dilute its mission and to become adept at dialing its controls and protective measures up and down depending on the current level of infection rate and spread rate.