

**MISSION ROAD MINISTRIES
AND AFFILIATES**

**COMBINED FINANCIAL STATEMENTS WITH
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2021

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

Year Ended June 30, 2021

Table of Contents

	<u>Page No.</u>
Independent auditor's report	1
Financial statements	
Combined statement of financial position	3
Combined statement of activities	4
Combined statement of functional expenses.....	5
Combined statement of cash flows	6
Notes to combined financial statements	7
Supplementary information	
Combining statement of financial position	23
Combining statement of activities	24

Independent Auditor's Report



To the Board of Directors
Mission Road Ministries and affiliates

Opinion

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

In our opinion, based on our audits and the reports of the 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, 2021 and 2020, their changes in net assets for the year ended June 30, 2021, and their cash flows for the years ended June 30, 2021 and 2020, in accordance with accounting principles generally accepted in the United States of America.

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 \$1,793,857 and \$1,889,373 as of June 30, 2021 and 2020, respectively, and total revenues of \$545,393 and \$567,995, respectively, for the years 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.; or Meadow Brook Apartments, is based solely on the reports of the other auditors.

Basis for Opinion

We conducted our audits 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 Ministries and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

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

Lincoln Center

7800 W Interstate 10, Ste. 630

San Antonio, TX 78230-4750

210•979•7600

FAX 210•979•7679

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

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 combined 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.
- 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 Ministries' 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 combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Mission Road Ministries' 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 Ministries and affiliates' 2020 combined financial statements, and we expressed an unmodified audit opinion on those audited combined 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 combined financial statements from which it has been derived.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining statements of financial position and activities shown on pages 23 and 24 are presented for the purpose of additional analysis of the combined financial statements and it is not a required part of the combined 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 combining statements of financial position and activities have 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 combining statements of financial position and activities, which insofar as they relate to 200 Oblate, Incorporated d/b/a Murray Manor; Independence Square, Inc.; or Meadow Brook Apartments, are based on the reports of other auditors, are 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 16, 2021

MISSION ROAD MINISTRIES AND AFFILIATES
COMBINED STATEMENT OF FINANCIAL POSITION

June 30, 2021 and 2020

ASSETS	<u>2021</u>	<u>2020</u>
Current assets:		
Cash and cash equivalents	\$ 2,968,434	\$ 4,084,131
Restricted cash - client trust funds	257,437	250,765
Accounts receivable:		
Program fees, tuition, and expense reimbursements, net	1,166,719	1,138,900
Other	300	-
Unconditional promises to give, net	2,751,300	36,070
Prepaid expenses and other assets	9,389	9,608
Total current assets	<u>7,153,579</u>	<u>5,519,474</u>
Investments:		
Investments, general	13,274,244	9,738,834
Investments, endowment	986,495	784,110
Total investments	<u>14,260,739</u>	<u>10,522,944</u>
Property and equipment, net	15,288,389	16,065,478
Other assets:		
Restricted cash - HUD apartments	<u>75,344</u>	<u>98,244</u>
Total assets	<u>\$ 36,778,051</u>	<u>\$ 32,206,140</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable - trade	\$ 355,438	\$ 389,108
Accrued retirement plan contribution	88,500	86,614
Accrued salary and related expenses	569,589	711,363
Client trust funds	256,630	250,765
Deferred revenue	2,529	32,543
Current portion of long-term debt	29,083	297,518
Other current liabilities	37,198	11,924
Total current liabilities	<u>1,338,967</u>	<u>1,779,835</u>
Long-term debt, net of current portion	<u>1,011,799</u>	<u>2,689,325</u>
Total liabilities	<u>2,350,766</u>	<u>4,469,160</u>
Net assets:		
Without donor restrictions:		
Operations	15,089,359	10,704,015
Property and equipment	13,682,249	14,303,794
Total net assets without donor restrictions	<u>28,771,608</u>	<u>25,007,809</u>
With donor restrictions	5,655,677	2,729,171
Total net assets	<u>34,427,285</u>	<u>27,736,980</u>
Total liabilities and net assets	<u>\$ 36,778,051</u>	<u>\$ 32,206,140</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, 2021

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

	Without Donor Restrictions	With Donor Restrictions	<u>Total</u>	
			<u>2021</u>	<u>2020</u>
Support and revenue:				
Special events:				
Gross revenue	\$ 788,747	\$ 145,590	\$ 934,337	\$ 977,068
Less direct expenses	(10,989)	-	(10,989)	(81,175)
Net special events support	<u>777,758</u>	<u>145,590</u>	<u>923,348</u>	<u>895,893</u>
Contributions:				
Individuals	135,649	2,760	138,409	105,346
Corporations	295,315	2,768,187	3,063,502	87,632
Foundations	409,371	293,775	703,146	981,902
Bequests	658,096	-	658,096	1,000,000
United Way allocation	300,000	-	300,000	301,500
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 service fees and tuition	1,394,503	-	1,394,503	2,689,269
Rental revenue, net of vacancies of \$35,548 for 2021 and \$9,684 for 2020	543,989	-	543,989	565,452
Interest and dividends, net of fees	221,954	29,538	251,492	349,557
Realized gains (losses) on investments, net	1,459,410	169,683	1,629,093	(275,313)
Gains (losses) on disposal of property and equipment	84,484	-	84,484	(14,215)
Miscellaneous	26,388	-	26,388	44,439
	<u>20,092,272</u>	<u>3,409,533</u>	<u>23,501,805</u>	<u>18,227,139</u>
Net assets released from restrictions	<u>562,090</u>	<u>(562,090)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>20,654,362</u>	<u>2,847,443</u>	<u>23,501,805</u>	<u>18,227,139</u>
Expenses:				
Program services:				
Habilitation and care	15,721,460	-	15,721,460	16,162,296
Supporting services:				
Administrative and general	1,475,987	-	1,475,987	1,334,745
Fundraising	303,485	-	303,485	333,768
Total expenses	<u>17,500,932</u>	<u>-</u>	<u>17,500,932</u>	<u>17,830,809</u>
Change in net assets before unrealized gains (losses)	3,153,430	2,847,443	6,000,873	396,330
Unrealized gains (losses) on investments	<u>610,369</u>	<u>79,063</u>	<u>689,432</u>	<u>(82,593)</u>
Change in net assets	3,763,799	2,926,506	6,690,305	313,737
Net assets at beginning of year	<u>25,007,809</u>	<u>2,729,171</u>	<u>27,736,980</u>	<u>27,423,243</u>
Net assets at end of year	<u>\$ 28,771,608</u>	<u>\$ 5,655,677</u>	<u>\$ 34,427,285</u>	<u>\$ 27,736,980</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, 2021

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

	Program Services	Supporting Services		Total	
	<u>Habilitation and Care</u>	<u>Administrative and General</u>	<u>Fundraising</u>	<u>2021</u>	<u>2020</u>
Salaries	\$ 8,243,548	\$ 1,129,310	\$ 207,082	\$ 9,579,940	\$ 9,571,470
Employee health and welfare	603,924	15,502	11,594	631,020	686,630
Employee retirement	199,039	24,950	4,949	228,938	230,535
Payroll taxes	634,088	82,258	15,389	731,735	736,974
Workers' compensation insurance	96,840	2,113	483	99,436	73,350
Total salary and related expenses	<u>9,777,439</u>	<u>1,254,133</u>	<u>239,497</u>	<u>11,271,069</u>	<u>11,298,959</u>
Employee screening	50,329	7,961	53	58,343	25,208
Professional fees - accounting, legal, and other	64,652	109,201	200	174,053	190,154
Professional fees - program	1,864,850	-	-	1,864,850	2,065,677
IT support services	199,578	26,379	13,721	239,678	252,092
Training - client	124,355	-	-	124,355	291,457
Supplies	790,050	15,137	774	805,961	824,004
Telephone	101,076	3,927	1,351	106,354	115,953
Postage and shipping	4,410	5,081	2,657	12,148	13,145
Printing and publications	6,135	1,011	3,932	11,078	7,665
Advertising - employee recruitment	15,123	6,944	-	22,067	4,345
Occupancy	405,150	8,678	-	413,828	416,970
Utilities	407,927	8,227	-	416,154	403,693
Equipment maintenance	32,567	50	-	32,617	8,058
Equipment rental	5,837	269	-	6,106	6,219
Corporate insurance	268,723	23,183	-	291,906	253,699
Transportation	81,713	236	362	82,311	156,664
Meetings and conferences	396	2,773	289	3,458	8,210
Specific assistance to individuals	233,451	-	-	233,451	197,785
Membership dues	10,117	125	5,814	16,056	8,371
Miscellaneous	84,908	-	-	84,908	24,460
Bad debt	28,491	-	3,500	31,991	41,219
Public relations and charitable contributions	175	319	100	594	2,218
Special events - indirect expense	2,615	-	29,952	32,567	45,236
Interest expense	17,116	-	-	17,116	19,469
Bank and credit card fees	600	110	1,283	1,993	2,100
Total expenses before depreciation	<u>14,577,783</u>	<u>1,473,744</u>	<u>303,485</u>	<u>16,355,012</u>	<u>16,683,030</u>
Depreciation	<u>1,143,677</u>	<u>2,243</u>	<u>-</u>	<u>1,145,920</u>	<u>1,147,779</u>
Total expenses	<u>\$ 15,721,460</u>	<u>\$ 1,475,987</u>	<u>\$ 303,485</u>	<u>\$ 17,500,932</u>	<u>\$ 17,830,809</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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 6,690,305	\$ 313,737
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	1,145,920	1,147,779
Bad debt expense	31,991	41,219
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	(2,318,525)	357,906
Change in:		
Accounts receivable	(60,110)	128,754
Promises to give receivable	(2,715,230)	(21,825)
Prepaid expenses and other assets	219	(2,859)
Accounts payable	(33,670)	(41,110)
Accrued retirement plan contribution	1,886	(221)
Accrued salary expenses	(141,774)	91,202
Client trust funds	5,865	103,277
Deferred revenues	(30,014)	(61,061)
Other current liabilities	<u>25,274</u>	<u>8,592</u>
Net cash provided by operating activities	<u>70,702</u>	<u>1,661,182</u>
Cash flows from investing activities:		
Purchases of property and equipment	(536,335)	(1,223,373)
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	12,585,214	2,187,680
Purchases of investments	<u>(13,668,162)</u>	<u>(3,460,346)</u>
Net cash used by investing activities	<u>(1,367,295)</u>	<u>(2,479,039)</u>
Cash flows from financing activities:		
Proceeds from contributions restricted for purchase of property and equipment	191,191	418,423
Proceeds from issuance of long-term debt	-	1,919,438
Principal payments on long-term debt	<u>(26,523)</u>	<u>(24,189)</u>
Net cash provided by financing activities	<u>164,668</u>	<u>2,313,672</u>
Net increase (decrease) in cash, cash equivalents, and restricted cash	(1,131,925)	1,495,815
Cash, cash equivalents, and restricted cash at beginning of year	<u>4,433,140</u>	<u>2,937,325</u>
Cash, cash equivalents, and restricted cash at end of year	<u>\$ 3,301,215</u>	<u>\$ 4,433,140</u>
Schedule of supplemental cash flow information:		
Reconciliation of cash, cash equivalents, and restricted cash to statement of financial position:		
Cash and cash equivalents	\$ 2,968,434	\$ 4,084,131
Restricted cash - client trust funds	257,437	250,765
Restricted cash - HUD apartments	75,344	98,244
Total cash, cash equivalents, and restricted cash	<u>\$ 3,301,215</u>	<u>\$ 4,433,140</u>
Interest paid	<u>\$ 17,116</u>	<u>\$ 19,469</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). 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.

200 Oblate, Independence Square, and Meadow Brook (together, the Apartments) 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.

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.

(Continued)

MISSION ROAD MINISTRIES AND AFFILIATES

NOTES TO COMBINED 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 the Organization'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, 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.

Investments

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

(Continued)

MISSION ROAD MINISTRIES AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Subsequent Events

The Organization has evaluated subsequent events through November 16, 2021, 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, 2021, the Organization's cash and cash equivalents exceeded federally insured limits by \$2,527,368 in one financial institution.

MISSION ROAD MINISTRIES AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

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>2021</u>	<u>2020</u>
Government agency fees	\$ 1,060,483	\$ 937,135
Program fees and tuition	137,046	217,302
Program fees, tuition, and expense reimbursements receivable, gross	<u>1,197,529</u>	<u>1,154,437</u>
Allowance for doubtful accounts	(30,810)	(15,537)
Program fees, tuition, and expense reimbursements receivable, net	<u><u>\$ 1,166,719</u></u>	<u><u>\$ 1,138,900</u></u>

5 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	2,751,300	33,470
	<u><u>\$ 2,751,300</u></u>	<u><u>\$ 36,070</u></u>

	<u>2021</u>	<u>2020</u>
Pledges due in one year or less	\$ 2,751,300	\$ 36,070
Less: estimated allowance for uncollectible pledges	-	-
Unconditional promises to give, net	<u><u>\$ 2,751,300</u></u>	<u><u>\$ 36,070</u></u>

MISSION ROAD MINISTRIES AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

6 INVESTMENTS

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

	<u>2021</u>	<u>2020</u>
Cash and money market funds	\$ 1,971,448	\$ 1,619,856
Corporate bonds	1,631,164	2,578,845
Mutual funds:		
Bond funds	2,705,565	3,500
International bond funds	153,060	528,408
Bond/equity blended funds	7,714	2,703
Large equity blend funds	2,061,244	1,127,586
Foreign large equity blend funds	448,985	355,192
Large equity value funds	410,068	-
Foreign large equity value funds	680,855	314,803
Large equity growth funds	771,705	817
Mid-cap equity funds	1,149,794	722,822
Foreign small/mid-cap equity funds	467,643	291,683
Small-cap equity value funds	328,778	-
Small-cap equity blend funds	-	107,372
World allocation funds	408,575	2,183,310
Emerging market funds	518,959	286,870
Long-short equity funds	204,699	399,177
Relative value arbitrage funds	203,970	-
Options trading funds	136,513	-
	<u>\$ 14,260,739</u>	<u>\$ 10,522,944</u>

Investment return is summarized as follows:

	<u>2021</u>	<u>2020</u>
Interest and dividend income	\$ 294,525	\$ 352,325
Investment management fees	<u>(43,033)</u>	<u>(2,768)</u>
Investment income, net of fees	251,492	349,557
Realized gains and losses	1,629,093	(275,313)
Unrealized gains and losses	<u>689,432</u>	<u>(82,593)</u>
Total investment return	<u>\$ 2,570,017</u>	<u>\$ (8,349)</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, the Organization's investments were reported at fair value using a Level 1 measure.

MISSION ROAD MINISTRIES AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

7 PROPERTY AND EQUIPMENT

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

	<u>2021</u>	<u>2020</u>
Land and land improvements	\$ 721,286	\$ 721,286
Buildings and improvements	22,587,208	22,481,497
Equipment	1,715,156	1,670,548
Furniture and fixtures	107,227	116,136
Vehicles	1,592,596	1,483,983
Construction in progress	108,674	358,933
Property and equipment, gross	<u>26,832,147</u>	<u>26,832,383</u>
Accumulated depreciation	<u>(11,543,758)</u>	<u>(10,766,905)</u>
Property and equipment, net	<u><u>\$ 15,288,389</u></u>	<u><u>\$ 16,065,478</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 the Organization was discovered, and an insurance claim was made. Related to this claim, the Organization 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.

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 \$45,411 and \$94,880 at June 30, 2021 and 2020, 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 \$29,328 and \$2,760 at June 30, 2021 and 2020, respectively, were held in a separate account and generally not available for operating purposes unless approved by HUD.

Restricted cash - HUD apartments, which is comprised of the restricted funds mentioned in the preceding two paragraphs plus escrow deposits, totaled \$75,344 and \$98,244 at June 30, 2021 and 2020, respectively.

9 CLIENT TRUST FUNDS

MRDC and the Apartments administer cash trust accounts for their clients. These funds totaled \$257,437 and \$250,765 at June 30, 2021 and 2020, 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>2021</u>	<u>2020</u>
MRDC note payable to bank, payable \$36,528 monthly including interest at 0.98% beginning August 2021 after modifications; note was forgiven in full March 2021	\$ -	\$ 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.	172,682	199,205
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.	868,200	868,200
	<u>1,040,882</u>	<u>2,986,843</u>
Less current portion	<u>(29,083)</u>	<u>(297,518)</u>
	<u><u>\$ 1,011,799</u></u>	<u><u>\$ 2,689,325</u></u>

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 29,083
2023	31,890
2024	34,959
2025	38,333
2026	38,417
Thereafter	868,200
	<u><u>\$ 1,040,882</u></u>

Total interest expense on long-term debt during the years ended June 30, 2021 and 2020 was \$17,116 and \$19,469, respectively.

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.

MISSION ROAD MINISTRIES AND AFFILIATES

NOTES TO COMBINED 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:		
Endowment earnings	\$ 567,374	\$ 365,749
Other property and equipment additions and improvements	2,282	97,243
Future program expenses	54,001	135,161
Promises to give, without donor restrictions, but which are unavailable for expenditure until due	2,746,499	-
Meadow Brook HUD capital advance	1,399,000	1,399,000
Bledsoe Foundation net assets for benefit of MRDC	379,006	225,263
Total net assets subject to expenditures for specified purpose or time periods	5,148,162	2,222,416
Subject to restrictions that are perpetual in nature:		
Endowment to provide operating income	419,121	418,361
Mockingbird Property (included in fixed assets)	88,394	88,394
Total net assets with donor restrictions	\$ 5,655,677	\$ 2,729,171

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	84,040	154,349
Net assets released from restriction	\$ 562,090	\$ 977,543

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, 2021 and 2020 is as follows:

	2021		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 986,495	\$ 986,495

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

Changes in endowment net assets for the years ended June 30, 2021 and 2020 were as follows:

	2021		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 784,110	\$ 784,110
Interest and dividends	-	25,245	25,245
Investment management fees	-	(3,439)	(3,439)
Investment income, net	-	21,806	21,806
Realized gains (losses)	-	125,101	125,101
Unrealized gains (losses)	-	54,718	54,718
Contributions	-	760	760
Endowment net assets, end of year	\$ -	\$ 986,495	\$ 986,495

	2020		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</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

MISSION ROAD MINISTRIES AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

13 SUPPORT AND REVENUE

Support and Revenue Concentrations

The Organization 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 58.7% and 63.1%, 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.

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.

Revenues and expenses related to these two events for the years ended June 30, 2021 and 2020 are summarized as follows:

	2021		
	MRM Shindig	MRDC Unicorn Supported Emp. Luncheon	Total
Special events gross revenue, unrestricted	\$ 596,599	\$ 192,148	\$ 788,747
Special events gross revenue, temporarily restricted	145,590	-	145,590
Special events revenue, gross	742,189	192,148	934,337
Special events direct expenses	(429)	(10,560)	(10,989)
Special events indirect expenses (included in fundraising expense)	(29,952)	(2,615)	(32,567)
Special events revenue and expenses, net	\$ 711,808	\$ 178,973	\$ 890,781
	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	827,137	149,931	977,068
Special events direct expenses	(79,642)	(1,533)	(81,175)
Special events indirect expenses (included in fundraising expense)	(40,533)	(4,703)	(45,236)
Special events revenue and expenses, net	\$ 706,962	\$ 143,695	\$ 850,657

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 February 2024. Rental expenses under these leases consisted of \$19,984 and \$17,630, for the years ended June 30, 2021 and 2020, respectively.

Future minimum lease payments under these leases are:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 12,416
2023	1,296
2024	864
	<u>\$ 14,576</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 \$1,607,593 and \$1,367,375 to its affiliates in 2021 and 2020, respectively. MRM also contributes to its affiliates in support of their missions. MRM contributed \$731,309 and \$739,179 to affiliates to support program activities in 2021 and 2020, respectively. The Bledsoe Foundation made contributions to MRDC of \$-0- and \$100,000 in 2021 and 2020, 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, 2021 and 2020 were \$209,384 and \$220,535, 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. The Organization 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. The Organization's plan expenses were \$19,554 and \$10,000 for the years ended June 30, 2021 and 2020, respectively.

18 HUD APARTMENTS MANAGED BY THIRD-PARTY MANAGEMENT COMPANY

200 Oblate has contracted with Suzanne Smith Management Company (the Management Company) to provide management services. The charges for these services are based on a management agreement. The charges are 7.8% of collected rental income not to exceed \$35.33 per unit, per month. For the years ended June 30, 2021 and 2020, 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 \$90,638 and \$80,489 for the years ended 2021 and 2020, respectively.

(Continued)

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, 2021 and 2020, management fees charged amounted to \$13,867 and \$15,094, 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 \$55,134 and \$38,513 for the years ended 2021 and 2020, 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, 2021 and 2020, 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 \$71,850 and \$55,580 for the years ended 2021 and 2020, respectively.

19 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

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

Cash and cash equivalents	\$ 2,968,434
Restricted cash	332,781
Accounts receivable, net	1,167,019
Unconditional promises to give, net	2,751,300
Investments	14,260,739
Financial assets at year end	<u>21,480,273</u>
Less those unavailable for general expenditure within one year, due to:	
Cash restricted for specific uses	(332,781)
Investments with donor restrictions that are perpetual in nature	(419,121)
Donor-restricted to expenditure for specific purpose	<u>(5,148,162)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 15,580,209</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, 2021, the Organization had financial assets available to meet cash needs for general expenditure within one year that were equivalent to roughly 325 days of average operating expenses.

MISSION ROAD MINISTRIES AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

20 SUBSEQUENT EVENTS

Beginning on March 16, 2020, MRM and affiliates 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, MRM and MRDC have 234 vaccinated employees and 41 unvaccinated employees. Out of 275 employees, 85.09% are vaccinated.

The COVID-19 pandemic impacted primarily the programs and operations of an affiliate, Mission Road Developmental Center (MRDC), 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.

MRM and affiliates believe 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. MRM and affiliates are committed to adapting to the COVID virus and moving forward without being paralyzed by fear of the virus. MRM and affiliates intend to avoid allowing the virus to alter or dilute its mission and to become adept at dialing their controls and protective measures up and down depending on the current level of infection rate and spread rate.

SUPPLEMENTARY INFORMATION

MISSION ROAD MINISTRIES AND AFFILIATES
COMBINING STATEMENT OF FINANCIAL POSITION
June 30, 2021

	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	\$ 264,709	\$ 2,693,046	\$ 3,659	\$ 6,197	\$ 823	\$ -	\$ -	\$ 2,968,434
Restricted cash - client trust funds	-	245,188	5,852	2,836	3,561	-	-	257,437
Accounts receivable:								
Program fees, tuition, and expense reimbursements, net	-	1,164,268	2,451	-	-	-	-	1,166,719
Affiliate	-	49,985	-	-	-	-	(49,985)	-
Other	-	300	-	-	-	-	-	300
Unconditional promises to give, net	4,801	2,746,499	-	-	-	-	-	2,751,300
Prepaid expenses and other assets	2,640	6,749	-	-	-	-	-	9,389
Total current assets	<u>272,150</u>	<u>6,906,035</u>	<u>11,962</u>	<u>9,033</u>	<u>4,384</u>	<u>-</u>	<u>(49,985)</u>	<u>7,153,579</u>
Investments:								
Investments, general	4,007,070	8,888,168	-	-	-	379,006	-	13,274,244
Investments, endowment	986,495	-	-	-	-	-	-	986,495
Total investments	<u>4,993,565</u>	<u>8,888,168</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>379,006</u>	<u>-</u>	<u>14,260,739</u>
Property and equipment, net	-	13,595,255	543,897	259,676	889,561	-	-	15,288,389
Other assets:								
Restricted cash - HUD apartments	-	-	31,915	29,616	13,813	-	-	75,344
Total assets	<u>\$ 5,265,715</u>	<u>\$ 29,389,458</u>	<u>\$ 587,774</u>	<u>\$ 298,325</u>	<u>\$ 907,758</u>	<u>\$ 379,006</u>	<u>\$ (49,985)</u>	<u>\$ 36,778,051</u>
LIABILITIES AND NET ASSETS								
Current liabilities:								
Accounts payable:								
Trade	\$ 8,405	\$ 333,886	\$ 7,199	\$ 1,560	\$ 4,388	\$ -	\$ -	\$ 355,438
Affiliate	49,985	-	-	-	-	-	(49,985)	-
Accrued retirement plan contribution	11,011	77,489	-	-	-	-	-	88,500
Accrued salary and related expenses	118,470	446,169	-	2,625	2,325	-	-	569,589
Client trust funds	-	245,188	5,046	2,836	3,560	-	-	256,630
Deferred revenue	-	755	1,399	-	375	-	-	2,529
Current portion of long-term debt	-	-	-	29,083	-	-	-	29,083
Other current liabilities	-	33,362	768	2,448	620	-	-	37,198
Total current liabilities	<u>187,871</u>	<u>1,136,849</u>	<u>14,412</u>	<u>38,552</u>	<u>11,268</u>	<u>-</u>	<u>(49,985)</u>	<u>1,338,967</u>
Long-term debt, net of current portion	-	-	868,200	143,599	-	-	-	1,011,799
Total liabilities	<u>187,871</u>	<u>1,136,849</u>	<u>882,612</u>	<u>182,151</u>	<u>11,268</u>	<u>-</u>	<u>(49,985)</u>	<u>2,350,766</u>
Net assets:								
Without donor restrictions:								
Operations	4,091,349	11,766,178	(294,838)	29,180	(502,510)	-	-	15,089,359
Property and equipment	-	13,595,255	-	86,994	-	-	-	13,682,249
Total net assets without donor restrictions	4,091,349	25,361,433	(294,838)	116,174	(502,510)	-	-	28,771,608
With donor restrictions	986,495	2,891,176	-	-	1,399,000	379,006	-	5,655,677
Total net assets	<u>5,077,844</u>	<u>28,252,609</u>	<u>(294,838)</u>	<u>116,174</u>	<u>896,490</u>	<u>379,006</u>	<u>-</u>	<u>34,427,285</u>
Total liabilities and net assets	<u>\$ 5,265,715</u>	<u>\$ 29,389,458</u>	<u>\$ 587,774</u>	<u>\$ 298,325</u>	<u>\$ 907,758</u>	<u>\$ 379,006</u>	<u>\$ (49,985)</u>	<u>\$ 36,778,051</u>

MISSION ROAD MINISTRIES AND AFFILIATES

COMBINING STATEMENT OF ACTIVITIES

Year Ended June 30, 2021

	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	\$ 596,599	\$ 192,148	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 788,747
Less direct expenses	(429)	(10,560)	-	-	-	-	-	(10,989)
Net special events support	596,170	181,588	-	-	-	-	-	777,758
Contributions:								
Individuals	108,604	27,045	-	-	-	-	-	135,649
Corporations	10,567	284,748	-	-	-	-	-	295,315
Foundations	235,450	173,921	-	-	-	-	-	409,371
Bequests	-	658,096	-	-	-	-	-	658,096
Affiliates	-	590,719	-	-	-	-	(590,719)	-
United Way allocation	-	300,000	-	-	-	-	-	300,000
Allocations from MRM Shindig	-	-	-	-	-	-	-	-
Governmental support:								
Program service fees and tuition	-	11,572,814	-	-	-	-	-	11,572,814
Paycheck Protection Program grant	-	1,919,438	-	-	-	-	-	1,919,438
CARES Act Provider Relief Fund	-	293,103	-	-	-	-	-	293,103
Private program service fees and tuition	-	1,394,503	-	-	-	-	-	1,394,503
Rental revenue, net	-	-	188,614	201,400	153,975	-	-	543,989
Management fees	1,607,593	-	-	-	-	-	(1,607,593)	-
Interest and dividends, net of fees	77,049	144,905	-	-	-	-	-	221,954
Realized gains on investments, net	530,856	928,554	-	-	-	-	-	1,459,410
Gains on disposal of property and equipment	-	84,484	-	-	-	-	-	84,484
Miscellaneous	-	24,984	136	927	341	-	-	26,388
Related agency revenue - affiliate	7,036	-	-	-	-	-	(7,036)	-
	3,173,325	18,578,902	188,750	202,327	154,316	-	(2,205,348)	20,092,272
Net assets released from restrictions	145,690	553,490	-	-	-	3,500	(140,590)	562,090
Total support and revenue	3,319,015	19,132,392	188,750	202,327	154,316	3,500	(2,345,938)	20,654,362
Expenses:								
Program services:								
Habilitation and care	-	15,157,419	200,219	174,242	189,580	-	-	15,721,460
Affiliate expenses	731,309	7,036	-	-	-	-	(738,345)	-
Supporting services:								
Administrative and general	1,653,719	1,366,798	19,057	23,010	17,496	3,500	(1,607,593)	1,475,987
Fundraising	62,690	240,795	-	-	-	-	-	303,485
Total expenses	2,447,718	16,772,048	219,276	197,252	207,076	3,500	(2,345,938)	17,500,932
Change in net assets before unrealized gains	871,297	2,360,344	(30,526)	5,075	(52,760)	-	-	3,153,430
Unrealized gains on investments	258,627	351,742	-	-	-	-	-	610,369
Change in net assets	1,129,924	2,712,086	(30,526)	5,075	(52,760)	-	-	3,763,799
Net assets at beginning of year	2,961,425	22,649,347	(264,312)	111,099	(449,750)	-	-	25,007,809
Net assets at end of year	\$ 4,091,349	\$ 25,361,433	\$ (294,838)	\$ 116,174	\$ (502,510)	\$ -	\$ -	\$ 28,771,608

With Donor Restrictions

Mission Road Ministries	Mission Road Developmental Center, Inc.	Meadow Brook Apartments	Clifford Craig Bledsoe Memorial Foundation	Eliminations	Subtotal	Total
\$ 145,590	\$ -	\$ -	\$ -	\$ -	\$ 145,590	\$ 934,337
-	-	-	-	-	-	(10,989)
145,590	-	-	-	-	145,590	923,348
760	2,000	-	-	-	2,760	138,409
-	2,768,187	-	-	-	2,768,187	3,063,502
-	213,191	-	80,584	-	293,775	703,146
-	-	-	-	-	-	658,096
-	-	-	-	-	-	-
-	-	-	-	-	-	300,000
-	140,590	-	-	(140,590)	-	-
-	-	-	-	-	-	11,572,814
-	-	-	-	-	-	1,919,438
-	-	-	-	-	-	293,103
-	-	-	-	-	-	1,394,503
-	-	-	-	-	-	543,989
-	-	-	-	-	-	-
21,806	-	-	7,732	-	29,538	251,492
125,101	-	-	44,582	-	169,683	1,629,093
-	-	-	-	-	-	84,484
-	-	-	-	-	-	26,388
-	-	-	-	-	-	-
293,257	3,123,968	-	132,898	(140,590)	3,409,533	23,501,805
(145,690)	(553,490)	-	(3,500)	140,590	(562,090)	-
147,567	2,570,478	-	129,398	-	2,847,443	23,501,805
-	-	-	-	-	-	15,721,460
-	-	-	-	-	-	-
-	-	-	-	-	-	1,475,987
-	-	-	-	-	-	303,485
-	-	-	-	-	-	17,500,932
147,567	2,570,478	-	129,398	-	2,847,443	6,000,873
54,718	-	-	24,345	-	79,063	689,432
202,285	2,570,478	-	153,743	-	2,926,506	6,690,305
784,210	320,698	1,399,000	225,263	-	2,729,171	27,736,980
\$ 986,495	\$ 2,891,176	\$ 1,399,000	\$ 379,006	\$ -	\$ 5,655,677	\$ 34,427,285