# MISSION ROAD DEVELOPMENTAL CENTER

## FINANCIAL STATEMENTS

## YEAR ENDED JUNE 30, 2022

**MISSION ROAD DEVELOPMENTAL CENTER**

**FINANCIAL STATEMENTS**

**Year Ended June 30, 2022**

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

## 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, 2022 and 2021, the related statements of activities and functional expenses for the year ended June 30, 2022, the related statements of cash flows for the years ended June 30, 2022 and 2021, 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, 2022 and 2021, the changes in net assets for the year ended June 30, 2022, and its cash flows for the years ended June 30, 2022 and 2021, 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 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 16, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Sagebiel, Ravenburg & Schulz, P.C.

San Antonio, Texas
December 1, 2022

**MISSION ROAD DEVELOPMENTAL CENTER**

**STATEMENT OF FINANCIAL POSITION**

**June 30, 2022 and 2021**

| **ASSETS** | 2022 | 2021 |
|---|---|---|
| **Current assets:** | | |
| Cash and cash equivalents | $ 1,296,667 | $ 2,693,046 |
| Restricted cash - client trust funds | 233,429 | 245,188 |
| Accounts receivable: | | |
| Program tuition and expense reimbursements, net | 1,978,360 | 1,164,268 |
| Affiliate | 10,339 | 49,985 |
| Other | 1,142 | 300 |
| Unconditional promises to give, net | 1,775 | 2,746,499 |
| Prepaid expenses and other assets | 45,948 | 6,749 |
| Total current assets | 3,567,660 | 6,906,035 |
| **Investments** | 9,467,298 | 8,888,168 |
| **Property and equipment, net** | 13,223,931 | 13,595,255 |
| Total assets | $ 26,258,889 | $ 29,389,458 |

| **LIABILITIES AND NET ASSETS** | | |
|---|---|---|
| **Current liabilities:** | | |
| Accounts payable: | | |
| Trade | $ 438,240 | $ 333,886 |
| Affiliate | 103,956 | - |
| Accrued retirement plan contribution | 77,865 | 77,489 |
| Accrued salary and related expenses | 354,203 | 446,169 |
| Deferred compensation | 32,278 | 32,796 |
| Client trust funds | 233,429 | 245,188 |
| Deferred revenue | - | 755 |
| Other current liabilities | 6,221 | 566 |
| Total current liabilities | 1,246,192 | 1,136,849 |
| **Net assets:** | | |
| Without donor restrictions - operations | 11,636,693 | 11,766,178 |
| Without donor restrictions - property and equipment | 13,223,931 | 13,595,255 |
| Total net assets without donor restrictions | 24,860,624 | 25,361,433 |
| With donor restrictions | 152,073 | 2,891,176 |
| Total net assets | 25,012,697 | 28,252,609 |
| Total liabilities and net assets | $ 26,258,889 | $ 29,389,458 |

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

**MISSION ROAD DEVELOPMENTAL CENTER**

**STATEMENT OF ACTIVITIES**

**Year Ended June 30, 2022**

(With Comparative Totals For Year Ended June 30, 2021)

| | Without Donor Restrictions | With Donor Restrictions | Total 2022 | Total 2021 |
|---|---|---|---|---|
| **Support and revenue:** | | | | |
| Special events: | | | | |
| Gross revenue | $ 215,992 | $ - | $ 215,992 | $ 192,148 |
| Less direct expenses | (27,896) | - | (27,896) | (10,560) |
| Net special events support | 188,096 | - | 188,096 | 181,588 |
| Contributions: | | | | |
| Individuals | 19,126 | 2,000 | 21,126 | 29,045 |
| Corporations | 151,744 | 74,182 | 225,926 | 3,052,935 |
| Foundations | 336,073 | 5,000 | 341,073 | 387,112 |
| Bequests | - | - | - | 658,096 |
| Affiliates | 743,788 | - | 743,788 | 571,219 |
| United Way allocation | 334,500 | - | 334,500 | 300,000 |
| Allocations from MRM Shindig | - | 218,480 | 218,480 | 140,590 |
| Governmental support: | | | | |
| Program service fees and tuition | 11,741,270 | - | 11,741,270 | 11,572,814 |
| Paycheck Protection Program grant | - | - | - | 1,919,438 |
| CARES Act grants | 287,186 | - | 287,186 | 293,103 |
| Private program services fees and tuition | 2,381,114 | - | 2,381,114 | 1,414,003 |
| Investment income, net of fees | 105,203 | - | 105,203 | 144,905 |
| Realized gains (losses) on investments, net | 284,351 | - | 284,351 | 928,554 |
| Gains (losses) on disposal of property and equipment | 59,783 | - | 59,783 | 84,484 |
| Miscellaneous | 32,393 | - | 32,393 | 24,984 |
| | 16,664,627 | 299,662 | 16,964,289 | 21,702,870 |
| Net assets released from restrictions | 3,038,765 | (3,038,765) | - | - |
| Total support and revenue | 19,703,392 | (2,739,103) | 16,964,289 | 21,702,870 |
| **Expenses:** | | | | |
| Program services: | | | | |
| Habilitation and care | 16,529,556 | - | 16,529,556 | 15,164,455 |
| Supporting services: | | | | |
| Administrative and general | 1,381,616 | - | 1,381,616 | 1,366,799 |
| Fundraising | 131,609 | - | 131,609 | 240,794 |
| Total expenses | 18,042,781 | - | 18,042,781 | 16,772,048 |
| Change in net assets before unrealized gains (losses) and transfers from affiliates | 1,660,611 | (2,739,103) | (1,078,492) | 4,930,822 |
| Unrealized gains (losses) on investments | (2,161,420) | - | (2,161,420) | 351,742 |
| Change in net assets | (500,809) | (2,739,103) | (3,239,912) | 5,282,564 |
| **Net assets at beginning of year** | 25,361,433 | 2,891,176 | 28,252,609 | 22,970,045 |
| **Net assets at end of year** | $ 24,860,624 | $ 152,073 | $ 25,012,697 | $ 28,252,609 |

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

**MISSION ROAD DEVELOPMENTAL CENTER**

**STATEMENT OF FUNCTIONAL EXPENSES**

**Year Ended June 30, 2022**

(With Comparative Totals For Year Ended June 30, 2021)

| | Program Services | Supporting Services | | Total | |
|---|---|---|---|---|---|
| | Habilitation and Care | Administrative and General | Fundraising | 2022 | 2021 |
| Salaries | $ 8,468,163 | $ 1,061,064 | $ 96,587 | $ 9,625,814 | $ 9,320,266 |
| Employee health and welfare | 437,297 | 26,911 | 5,396 | 469,604 | 615,701 |
| Employee retirement | 178,836 | 22,672 | 2,066 | 203,574 | 227,230 |
| Payroll taxes | 654,846 | 80,826 | 7,245 | 742,917 | 703,878 |
| Workers' compensation insurance | 92,177 | 2,400 | 218 | 94,795 | 94,900 |
| Total salary and related expenses | 9,831,319 | 1,193,872 | 111,513 | 11,136,704 | 10,961,975 |
| Employee screening | 46,611 | 5,468 | - | 52,079 | 56,875 |
| Professional fees - accounting, legal, and other | 58,905 | 44,390 | 39 | 103,334 | 102,537 |
| Professional fees - program | 2,498,578 | - | - | 2,498,578 | 1,864,850 |
| Professional fees - related agency | 15,895 | - | - | 15,895 | 7,036 |
| IT support services | 202,931 | 29,241 | 7,936 | 240,108 | 243,007 |
| Training - client | 270,821 | - | - | 270,821 | 124,355 |
| Supplies | 760,922 | 19,145 | 327 | 780,394 | 795,955 |
| Telephone | 105,383 | 6,808 | 870 | 113,061 | 106,431 |
| Postage and shipping | 5,458 | 7,367 | 1,642 | 14,467 | 12,797 |
| Printing and publications | 242 | 2,137 | 2,021 | 4,400 | 13,266 |
| Advertising - employee recruitment | 79,936 | 4,990 | - | 84,926 | 20,758 |
| Occupancy | 392,221 | 9,947 | 10 | 402,178 | 323,750 |
| Utilities | 352,606 | 9,774 | - | 362,380 | 347,431 |
| Equipment maintenance | 21,838 | 2,011 | - | 23,849 | 30,868 |
| Equipment rental | 5,329 | 436 | - | 5,765 | 6,055 |
| Corporate insurance | 269,856 | 18,120 | - | 287,976 | 266,689 |
| Transportation | 146,535 | (4,025) | 368 | 142,878 | 82,485 |
| Meetings and conferences | 405 | 2,578 | 1,608 | 4,591 | 2,989 |
| Specific assistance to individuals | 306,336 | - | - | 306,336 | 233,451 |
| Membership dues | 13,243 | 1,456 | 1,109 | 15,808 | 19,549 |
| Miscellaneous | 11,487 | 3,129 | 2,407 | 17,023 | 54,682 |
| Bad debt | 142,213 | - | - | 142,213 | 34,108 |
| Public relations and charitable contributions | (14) | 3,222 | 266 | 3,474 | 594 |
| Special events - indirect expenses | 6,740 | 19,572 | - | 26,312 | 26,379 |
| Bank and credit card fees | 617 | 1,978 | 1,493 | 4,088 | 2,644 |
| Total expenses before depreciation | 15,546,413 | 1,381,616 | 131,609 | 17,059,638 | 15,741,516 |
| Depreciation | 983,143 | - | - | 983,143 | 1,030,532 |
| Total expenses | $ 16,529,556 | $ 1,381,616 | $ 131,609 | $ 18,042,781 | $ 16,772,048 |

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

## MISSION ROAD DEVELOPMENTAL CENTER

## STATEMENT OF CASH FLOWS

### Years Ended June 30, 2022 and 2021

| | 2022 | 2021 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Change in net assets | $ (3,239,912) | $ 5,282,564 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation expense | 983,143 | 1,030,532 |
| Bad debt expense | 142,213 | 34,108 |
| Forgiveness of debt | - | (1,919,438) |
| (Gains) losses on disposal of property and equipment | (59,783) | (84,484) |
| Contributions restricted for purchase of property and equipment | (72,264) | (191,191) |
| Non-cash contributions | (2,755,871) | (336,322) |
| Realized and unrealized (gains) and losses, net | 1,877,069 | (1,280,296) |
| Change in: | | |
| Program tuition and expense reimbursements receivable | (956,305) | (63,754) |
| Affiliate receivables | 39,646 | (49,985) |
| Other receivables | (842) | (300) |
| Promises to give receivable | 2,744,724 | (2,668,899) |
| Prepaid expenses | (39,199) | - |
| Trade accounts payable | 104,354 | (31,407) |
| Affiliate accounts payable | 103,956 | (27,710) |
| Accrued retirement plan contribution | 376 | 1,886 |
| Accrued salary expenses | (91,966) | (76,921) |
| Deferred compensation | (518) | 22,796 |
| Client trust funds | (11,759) | 7,511 |
| Deferred revenues | (755) | (245) |
| Other current liabilities | 5,655 | 566 |
| Net cash used by operating activities | (1,228,038) | (350,989) |
| **Cash flows from investing activities:** | | |
| Purchases of property and equipment | (611,881) | (491,740) |
| Proceeds from sales of property and equipment | 59,845 | 4,500 |
| Insurance proceeds from damage to property and equipment | - | 247,488 |
| Proceeds from sales and maturities of investments | 6,803,426 | 7,451,449 |
| Purchases of investments | (6,503,754) | (8,181,469) |
| Net cash used by investing activities | (252,364) | (969,772) |
| **Cash flows from financing activities:** | | |
| Proceeds from contributions restricted for purchase of property and equipment | 72,264 | 191,191 |
| Net cash provided by financing activities | 72,264 | 191,191 |
| Net decrease in cash, cash equivalents, and restricted cash | (1,408,138) | (1,129,570) |
| **Cash, cash equivalents, and restricted cash at beginning of year** | 2,938,234 | 4,067,804 |
| **Cash, cash equivalents, and restricted cash at end of year** | $ 1,530,096 | $ 2,938,234 |
| **Schedule of supplemental cash flow information:** | | |
| Reconciliation of cash, cash equivalents, and restricted cash to statement of financial position: | | |
| Cash and cash equivalents | $ 1,296,667 | $ 2,693,046 |
| Restricted cash - client trust funds | 233,429 | 245,188 |
| Total cash, cash equivalents, and restricted cash | $ 1,530,096 | $ 2,938,234 |

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

## 1 NATURE OF ORGANIZATION

Founded in 1947 in San Antonio, Texas, Mission Road Developmental Center (MRDC) provides a continuum of care for children and adults with intellectual and other developmental disabilities (IDD) in residential, nonresidential, and life skills/vocational settings. Services are provided in the person's residence (in-home services), at the MRDC Day Services facilities, in residential programs consisting of six (6) campus cottages located on its 20-acre campus, at the Unicorn Campus on Hamilton-Wolfe Road, and in nineteen (19) community group homes in various locations within San Antonio. MRDC provides quality care and training where persons are given the opportunity to achieve their individual potential for independence, productivity, and integration into the community.

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

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Accounting

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

### Basis of Presentation

MRDC reports information regarding its financial position and activities according to two classes of net assets, as follows:

- Without Donor Restrictions - Resources that are expendable at the discretion of the Board of Directors for conducting the operations of MRDC. Net assets without donor restrictions may be designated by the Board of Directors for a specific purpose.
- With Donor Restrictions - Resources that are limited by donor-imposed restrictions that either expire by the passage of time or can be fulfilled and otherwise removed by actions of MRDC pursuant to those restrictions or that neither expire by the passage of time, nor can be fulfilled or otherwise removed by actions of MRDC.

(Continued)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with MRDC's financial statements for the year ended June 30, 2021, 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.

### 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.

(Continued)

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Property and Equipment** (Continued)

Depreciation is based on the following estimated useful lives:

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

**Revenue and Revenue Recognition**

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively. Contributions are recognized when cash, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the restriction. Revenues from sponsorships, table sales, and ticket sales for special events are recognized when the event is held, as those contributions are conditioned on the performance of the event. Amounts received prior to the related special event are reported as deferred revenue in the Statement of Financial Position

**Revenue with and without Donor Restrictions**

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. Contributions of property and equipment are reported as net assets with donor restrictions if the donor restricted the use of the property or equipment to a particular program, as are contributions of cash restricted to the purchase of property and equipment. Otherwise, donor restrictions on contributions of property and equipment or assets restricted for purchase of property and equipment are considered to expire when the assets are placed in service. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets with donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

**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.

(Continued)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 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.

### 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 December 1, 2022, 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, 2022, MRDC’s cash and cash equivalents exceeded federally insured limits by $1,581,094.

## 4 INVESTMENTS

Investments consisted of the following at June 30, 2022 and 2021:

| | 2022 | 2021 |
|---|---|---|
| Cash and money market funds | 1,576,427 | $ 1,814,943 |
| Equities | 1,970,352 | - |
| Corporate bonds | - | 863,912 |
| Mutual funds: | | |
| Bond funds | 1,942,400 | 1,773,775 |
| International bond funds | 389,868 | 88,904 |
| Bond/equity blended funds | 7,980 | 7,714 |
| Large equity blend funds | 456,318 | 1,463,934 |
| Foreign large equity blend funds | 276,684 | 128,883 |
| Large equity value funds | 435,885 | 7,672 |
| Foreign large equity value funds | 207,531 | 380,992 |
| Large equity growth funds | 347,157 | 432,820 |
| Mid-cap equity funds | 512,409 | 630,109 |
| Foreign small/mid-cap equity funds | 278,233 | 261,795 |
| Small-cap equity value funds | - | 178,935 |
| Small-cap equity blend funds | 145,428 | - |
| World allocation funds | 190,306 | 248,645 |
| Emerging market funds | 250,019 | 274,715 |
| Long-short equity funds | 39,632 | 123,922 |
| Relative value arbitrage funds | 235,427 | 123,713 |
| Options trading funds | 169,022 | 82,785 |
| Real estate | 36,220 | - |
| | 9,467,298 | $ 8,888,168 |

Investment return is summarized as follows:

| | 2022 | 2021 |
|---|---|---|
| Interest and dividend income | 130,819 | $ 153,012 |
| Investment management fees | (25,616) | (8,107) |
| Investment income, net of fees | 105,203 | 144,905 |
| Realized gains and losses | 284,351 | 928,554 |
| Unrealized gains and losses | (2,161,420) | 351,742 |
| Total investment return | (1,771,866) | $ 1,425,201 |

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, 2022 and 2021, MRDC's investments were reported at fair value using a Level 1 measure.

*Investment Drawdown under Compelling Need Spending Policy*

MRDC's board-approved investment policy allows for the expenditure of up to 5% of investment assets, based on a rolling three-year average as of the end of the previous calendar year, when there is a "compelling necessity to allow MRM and its' affiliates to carry out its Mission without diluting the quality of care provided to its clients". In light of financial pressures brought on by the COVID-19 pandemic, this policy was implemented in fiscal year 2022 and funds totaling $405,522 were pulled from MRDC's investment accounts to fund operations during the year ended June 30, 2022.

## 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:

| | 2022 | 2021 |
|---|---|---|
| Government agency fees | $ 1,832,618 | $ 1,060,483 |
| Program fees and tuition | 343,888 | 134,595 |
| Program tuition and expense reimbursements receivable, gross | 2,176,506 | 1,195,078 |
| Allowance for doubtful accounts | (198,146) | (30,810) |
| Program tuition and expense reimbursements receivable, net | $ 1,978,360 | $ 1,164,268 |

## 6 UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are as follows:

| | 2022 | 2021 |
|---|---|---|
| Restricted for purchase of property and equipment | $ - | $ - |
| Restricted for use in future periods | 1,775 | 2,746,499 |
| | $ 1,775 | $ 2,746,499 |

| | 2022 | 2021 |
|---|---|---|
| Pledges due in one year or less | $ 1,775 | $ 2,746,499 |
| Less: estimated allowance for uncollectible pledges | - | - |
| Unconditional promises to give, net | $ 1,775 | $ 2,746,499 |

## 7 PROPERTY AND EQUIPMENT

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

| | 2022 | 2021 |
|---|---|---|
| Land | $ 544,651 | $ 544,651 |
| Buildings and improvements | 20,197,628 | 19,720,243 |
| Equipment | 1,637,448 | 1,568,197 |
| Furniture | 52,600 | 52,600 |
| Vehicles | 1,425,623 | 1,492,518 |
| Construction in progress | 166,419 | 108,674 |
| Property and equipment, gross | 24,024,369 | 23,486,883 |
| Accumulated depreciation | (10,800,438) | (9,891,628) |
| Property and equipment, net | $ 13,223,931 | $ 13,595,255 |

*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, during the year ended June 30, 2021, 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. Subsequent to the year ended June 30, 2022, MRDC received additional proceeds on this claim totaling $76,213, which will be recognized as a gain in the upcoming fiscal year. Roof replacement costs are capitalized and will be depreciated once the replacement project is complete.

## 8 CLIENT TRUST FUNDS

MRDC administers cash trust accounts for its clients. These funds totaled $233,429 and $245,188 at June 30, 2022 and 2021, 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

*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 $12,028,456, and $13,785,355 of revenue from governmental agencies for the years ended June 30, 2022 and 2021, respectively. This equates to 70.9% and 63.5%, 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. The pledge was paid in full during the year ended June 30, 2022.

*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. During the year ended June 30, 2022, in satisfaction of a pledge recorded in the prior year, MRDC received contributions of stock with a total value of approximately $2,744,724.

## 11 SPECIAL EVENTS

MRDC has a special event fundraiser each fiscal year to help support program activities. Net proceeds are used in the Supported Employment Program to assist individuals to seek and maintain employment in the community. Below is a summary for fiscal years 2022 and 2021:

| | 2022 | 2021 |
|---|---|---|
| Special events gross revenue | $ 215,992 | $ 192,148 |
| Special events direct expenses | (27,896) | (10,560) |
| Special events indirect expenses (included in fundraising expenses) | (8,044) | (26,379) |
| Special events revenues and expenses, net | $ 180,052 | $ 155,209 |

## 12 NET ASSETS WITH DONOR RESTRICTIONS

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

| | 2022 | 2021 |
|---|---|---|
| Subject to expenditures for specified purpose or time periods: | | |
| Fixed asset additions and improvements | $ 1,980 | $ 2,282 |
| Future program expenses | 61,699 | 54,001 |
| Promises to give, without donor restrictions, but which are unavailable for expenditure until due | - | 2,746,499 |
| Total net assets subject to expenditures for specified purpose or time periods | 63,679 | 2,802,782 |
| Subject to restrictions that are perpetual in nature: | | |
| Mockingbird property | 88,394 | 88,394 |
| Total net assets with donor restrictions | $ 152,073 | $ 2,891,176 |

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:

| | 2022 | 2021 |
|---|---|---|
| Satisfaction of purpose or time restrictions: | | |
| Camps and SOAR | $ 203,365 | $ 191,998 |
| Property and equipment purchases | 72,566 | 286,052 |
| Other program services | 16,335 | 75,440 |
| Passage of time | 2,746,499 | - |
| Total net assets released from restriction | $ 3,038,765 | $ 553,490 |

## 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 $20,584 and $19,715 for the years ended June 30, 2022 and 2021, respectively.

Future minimum lease payments under these leases are:

| | Amount |
|---|---|
| Year Ending June 30, | |
| 2023 | $ 1,296 |
| 2024 | 864 |
| | $ 2,160 |

## 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 $862,268 and $711,809 in 2022 and 2021, respectively, and made payments to MRDC for services rendered in the amounts of $19,500 and $19,500 in 2022 and 2021, respectively. The Bledsoe Foundation made contributions to MRDC of $100,000 and $-0- in 2022 and 2021, respectively.

MRDC paid MRM $1,412,443 and $1,607,593 in management fees during 2022 and 2021, respectively. MRDC paid MRM $15,895 and $7,036 in 2022 and 2021, respectively, for cost to hire employees.

At June 30, 2022 and 2021, MRDC's accounts receivable included $-0- and $49,985, respectively, due from MRM, and $10,339 and $-0-, respectively, due from the Apartments.

At June 30, 2022 and 2021, MRDC's accounts payable included $103,956 and $-0-, 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, 2022 and 2021 was $180,135 and $179,485, 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 $349 and $19,554 for the years ended June 30, 2022 and 2021, respectively.

## 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.

| | 2022 |
|---|---|
| Cash and cash equivalents | $ 1,296,667 |
| Restricted cash - client trust funds | 233,429 |
| Accounts receivable | 1,989,841 |
| Investments | 9,467,298 |
| Financial assets at year end | 12,987,235 |
| Less those unavailable for general expenditure within one year, due to: | |
| Cash with restrictions on use | (233,429) |
| Donor-restricted to expenditure for specific purpose or time period | (63,679) |
| Financial assets available to meet cash needs for general expenditure within one year | $ 12,690,127 |

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, 2022, MRDC had financial assets available to meet cash needs for general expenditure within one year that were equivalent to roughly 257 days of average operating expenses.

## 17 SUBSEQUENT EVENTS

MRDC opened the three (3) day programs on May 5, 2021 and anticipated rebuilding toward Pre-COVID enrollment levels during the course of FY 2022. Anticipated day program levels were:

| | Pre-COVID | Planned 6/30/2022 | Actual 6/30/2022 |
|---|---|---|---|
| Campus Day Program | 177 | 110 | 132 |
| Job & Life Skills | 193 | 110 | 71 |
| Site-based Habilitation | 116 | 60 | 42 |

Due to the continuing Public Health Emergency, the HCS In-Home Day Programming continued through the entirety of FY 2022 and continues to be extended until at least January 12, 2023. That continuation plus the continuing COVID concerns of many families contributed to an extremely slow re-opening pace. The Campus Day Program served 12,949 less days than anticipated with lost revenue of $361,579. The Job & Life Skills Program served 13,998 less days than anticipated with lost revenue of $378,385. The Site Based Habilitation Program served 10,157 less days than anticipated with lost revenue of $316,785. A portion of this shortfall in days was caused by a significant outbreak of COVID in January and February resulting in closing the Day Programs for four (4) weeks causing the loss of $100,693 in program revenue and the expenditure of $75,798 in COVID Hazard Pay.

(Continued)

## 17 SUBSEQUENT EVENTS (Continued)

The residential programs also encountered difficulty filling open beds and experienced $788,853 less revenue than planned.

The slow pace of reopening some lines of service may cause continued financial pressures into the new fiscal year. Though no drastic reductions from current service volumes are expected, any potential worsening of the pandemic brought on by seasonal changes in spread or new variants could potentially negatively impact the organization’s operations and finances in the upcoming fiscal year.