MISSION ROAD DEVELOPMENTAL CENTER

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

MISSION ROAD DEVELOPMENTAL CENTER

FINANCIAL STATEMENTS

Year Ended June 30, 2023

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Schuh|Browne
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, 2023 and 2022, the related statements of activities and functional expenses for the year ended June 30, 2023, the related statements of cash flows for the years ended June 30, 2023 and 2022, 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, 2023 and 2022, the changes in net assets for the year ended June 30, 2023, and its cash flows for the years ended June 30, 2023 and 2022, 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.

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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 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 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 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 1, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Schulz Browne, P.C.

San Antonio, Texas
November 27, 2023

MISSION ROAD DEVELOPMENTAL CENTER

STATEMENT OF FINANCIAL POSITION

June 30, 2023 and 2022

ASSETS	2023	2022
Current assets:		
Cash and cash equivalents	$ 1,462,732	$ 1,296,667
Restricted cash - client trust funds	276,422	233,429
Accounts receivable:		
Program tuition and expense reimbursements, net	1,365,555	1,978,360
Affiliate	4,905	10,339
Other	1,523	1,142
Unconditional promises to give, net	-	1,775
Prepaid expenses and other assets	62,731	45,948
Total current assets	3,173,868	3,567,660
Investments	10,254,891	9,467,298
Property and equipment, net	12,473,019	13,223,931
Total assets	$ 25,901,778	$ 26,258,889
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable:		
Trade	$ 412,817	$ 438,240
Affiliate	-	103,956
Accrued retirement plan contribution	77,489	77,865
Accrued salary and related expenses	428,623	354,203
Deferred compensation	36,611	32,278
Client trust funds	276,422	233,429
Deferred revenue	10,000	-
Other current liabilities	-	6,221
Total current liabilities	1,241,962	1,246,192
Net assets:		
Without donor restrictions - operations	11,825,273	11,636,693
Without donor restrictions - property and equipment	12,473,019	13,223,931
Total net assets without donor restrictions	24,298,292	24,860,624
With donor restrictions	361,524	152,073
Total net assets	24,659,816	25,012,697
Total liabilities and net assets	$ 25,901,778	$ 26,258,889

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

MISSION ROAD DEVELOPMENTAL CENTER

STATEMENT OF ACTIVITIES

Year Ended June 30, 2023

(With Comparative Totals For Year Ended June 30, 2022)

	Without Donor Restrictions	With Donor Restrictions	Total 2023	Total 2022
Support and revenue:				
Special events:				
Gross revenue	$ 215,286	$ -	$ 215,286	$ 215,992
Less direct expenses	(34,389)	-	(34,389)	(27,896)
Net special events support	180,897	-	180,897	188,096
Contributions:				
Individuals	63,537	1,650	65,187	21,126
Corporations	14,030	130,413	144,443	225,926
Foundations	490,350	382,750	873,100	341,073
Affiliates	752,305	-	752,305	743,788
United Way allocation	334,500	-	334,500	334,500
Allocations from MRM Shindig	-	145,177	145,177	218,480
Governmental support:				
Program service fees and tuition	12,555,144	-	12,555,144	11,741,270
CARES Act grants	551,191	-	551,191	287,186
Private program services fees and tuition	2,867,283	-	2,867,283	2,381,114
Investment income, net of fees	174,286	-	174,286	105,203
Realized gains (losses) on investments, net	(25,218)	-	(25,218)	284,351
Gains (losses) on disposal of property and equipment	76,213	-	76,213	59,783
Miscellaneous	21,301	-	21,301	32,393
	18,055,819	659,990	18,715,809	16,964,289
Net assets released from restrictions	450,539	(450,539)	-	-
Total support and revenue	18,506,358	209,451	18,715,809	16,964,289
Expenses:				
Program services:				
Habilitation and care	18,382,925	-	18,382,925	16,529,556
Supporting services:				
Administrative and general	1,370,704	-	1,370,704	1,381,616
Fundraising	186,148	-	186,148	131,609
Total expenses	19,939,777	-	19,939,777	18,042,781
Change in net assets before unrealized gains (losses) and transfers from affiliates	(1,433,419)	209,451	(1,223,968)	(1,078,492)
Unrealized gains (losses) on investments	871,087	-	871,087	(2,161,420)
Change in net assets	(562,332)	209,451	(352,881)	(3,239,912)
Net assets at beginning of year	24,860,624	152,073	25,012,697	28,252,609
Net assets at end of year	$ 24,298,292	$ 361,524	$ 24,659,816	$ 25,012,697

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

MISSION ROAD DEVELOPMENTAL CENTER

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2023

(With Comparative Totals For Year Ended June 30, 2022)

	Program Services	Supporting Services		Total	
	Habilitation and Care	Administrative and General	Fundraising	2023	2022
Salaries	$ 9,728,176	$ 964,363	$ 124,931	$ 10,817,470	$ 9,625,814
Employee health and welfare	594,763	69,286	9,626	673,675	469,604
Employee retirement	188,171	21,351	2,830	212,352	203,574
Payroll taxes	751,528	75,041	7,939	834,508	742,917
Workers' compensation insurance	100,387	1,104	192	101,683	94,795
Total salary and related expenses	11,363,025	1,131,145	145,518	12,639,688	11,136,704
Employee screening	21,201	8,858	-	30,059	52,079
Professional fees - accounting, legal, and other	61,610	39,342	843	101,795	103,334
Professional fees - program	2,797,708	-	-	2,797,708	2,498,578
Professional fees - related agency	12,662	-	-	12,662	15,895
IT support services	311,855	41,432	17,236	370,523	240,108
Training - client	300,896	-	-	300,896	270,821
Supplies	796,446	15,933	1,075	813,454	780,394
Telephone	102,416	2,881	875	106,172	113,061
Postage and shipping	7,820	4,934	1,225	13,979	14,467
Printing and publications	18,381	6,511	3,779	28,671	4,400
Advertising - employee recruitment	25,323	1,709	-	27,032	84,926
Occupancy	329,678	6,934	-	336,612	402,178
Utilities	369,728	9,296	-	379,024	362,380
Equipment maintenance	31,301	172	-	31,473	23,849
Equipment rental	7,428	371	-	7,799	5,765
Corporate insurance	259,928	45,336	-	305,264	287,976
Transportation	160,364	450	357	161,171	142,878
Meetings and conferences	1,260	1,474	860	3,594	4,591
Specific assistance to individuals	310,771	-	-	310,771	306,336
Membership dues	15,100	4,070	4,843	24,013	15,808
Miscellaneous	3,326	-	155	3,481	17,023
Bad debt	59,922	-	-	59,922	142,213
Public relations and charitable contributions	16,551	7,857	-	24,408	3,474
Special events - indirect expenses	-	41,690	9,133	50,823	26,312
Bank and credit card fees	1,603	309	249	2,161	4,088
Total expenses before depreciation	17,386,303	1,370,704	186,148	18,943,155	17,059,638
Depreciation	996,622	-	-	996,622	983,143
Total expenses	$ 18,382,925	$ 1,370,704	$ 186,148	$ 19,939,777	$ 18,042,781

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

MISSION ROAD DEVELOPMENTAL CENTER

STATEMENT OF CASH FLOWS

Years Ended June 30, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	$ (352,881)	$ (3,239,912)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	996,622	983,143
Bad debt expense	59,922	142,213
(Gains) losses on disposal of property and equipment	(76,213)	(59,783)
Contributions restricted for purchase of property and equipment	(177,888)	(72,264)
Non-cash contributions	-	(2,755,871)
Realized and unrealized (gains) and losses, net	(845,869)	1,877,069
Change in:		
Program tuition and expense reimbursements receivable	552,883	(956,305)
Affiliate receivables	5,434	39,646
Other receivables	(381)	(842)
Promises to give receivable	1,775	2,744,724
Prepaid expenses	(16,783)	(39,199)
Trade accounts payable	(25,423)	104,354
Affiliate accounts payable	(103,956)	103,956
Accrued retirement plan contribution	(376)	376
Accrued salary expenses	74,420	(91,966)
Deferred compensation	4,333	(518)
Client trust funds	42,993	(11,759)
Deferred revenues	10,000	(755)
Other current liabilities	(6,221)	5,655
Net cash provided (used) by operating activities	142,391	(1,228,038)
Cash flows from investing activities:		
Purchases of property and equipment	(169,497)	(611,881)
Proceeds from sales of property and equipment	-	59,845
Proceeds from sales and maturities of investments	1,096,778	6,803,426
Purchases of investments	(1,038,502)	(6,503,754)
Net cash used by investing activities	(111,221)	(252,364)
Cash flows from financing activities:		
Proceeds from contributions restricted for purchase of property and equipment	177,888	72,264
Net cash provided by financing activities	177,888	72,264
Net increase (decrease) in cash, cash equivalents, and restricted cash	209,058	(1,408,138)
Cash, cash equivalents, and restricted cash at beginning of year	1,530,096	2,938,234
Cash, cash equivalents, and restricted cash at end of year	$ 1,739,154	$ 1,530,096
Schedule of supplemental cash flow information:		
Reconciliation of cash, cash equivalents, and restricted cash to statement of financial position:		
Cash and cash equivalents	$ 1,462,732	$ 1,296,667
Restricted cash - client trust funds	276,422	233,429
Total cash, cash equivalents, and restricted cash	$ 1,739,154	$ 1,530,096

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, 2022, 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.

Change in Accounting Principle

Adoption of FASB ASC 842 (Leases)

Effective July 1, 2022, MRDC adopted FASB ASC 842, *Leases*. MRDC determines if an arrangement contains a lease at inception based on whether MRDC has the right to control the asset during the contract period and other facts and circumstances. MRDC elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed it to carry forward the historical lease classification.

The adoption of FASB ASC 842 did not have a material impact on MRDC’s financial statements.

Subsequent Events

MRDC has evaluated subsequent events through November 27, 2023, 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, 2023, MRDC’s cash and cash equivalents exceeded federally insured limits by $1,606,187.

4 INVESTMENTS

Investments consisted of the following at June 30, 2023 and 2022:

	2023	2022
Cash and money market funds	$ 1,361,907	$ 1,576,427
Equities	2,395,938	1,970,352
Mutual funds:		
Bond funds	1,988,954	1,942,400
International bond funds	399,733	389,868
Bond/equity blended funds	7,795	7,980
Large equity blend funds	427,484	456,318
Foreign large equity blend funds	324,468	276,684
Large equity value funds	430,177	435,885
Foreign large equity value funds	329,916	207,531
Large equity growth funds	457,534	347,157
Foreign large equity growth funds	316,688	-
Mid-cap equity funds	592,251	512,409
Foreign small/mid-cap equity funds	-	278,233
Small-cap equity blend funds	180,781	145,428
World allocation funds	194,962	190,306
Emerging market funds	259,542	250,019
Long-short equity funds	65,973	39,632
Relative value arbitrage funds	249,163	235,427
Options trading funds	212,425	169,022
Macro trading funds	25,685	-
Real estate funds	33,515	36,220
	10,254,891	$ 9,467,298

Investment return is summarized as follows:

	2023	2022
Interest and dividend income	199,902	$ 113,310
Investment management fees	(25,616)	(8,107)
Investment income, net of fees	174,286	105,203
Realized gains and losses	(25,218)	284,351
Unrealized gains and losses	871,087	(2,161,420)
Total investment return	1,020,155	$ (1,771,866)

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, 2023 and 2022, 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 $320,000 and $405,522 were pulled from MRDC's investment accounts to fund operations during the years ended June 30, 2023 and 2022, respectively.

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:

	2023	2022
Government agency fees	$ 1,301,202	$ 1,832,618
Program fees and tuition	238,248	343,888
Program tuition and expense reimbursements receivable, gross	1,539,450	2,176,506
Allowance for doubtful accounts	(173,895)	(198,146)
Program tuition and expense reimbursements receivable, net	$ 1,365,555	$ 1,978,360

6 UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give, which totaled $-0- and $1,775 as of June 30, 2023 and 2022, respectively, consist of pledges that are restricted for use in future periods and are due in one year or less. No allowance for uncollectible pledges has been recorded, as management believes they are fully collectible.

7 PROPERTY AND EQUIPMENT

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

	2023	2022
Land	$ 544,651	$ 544,651
Buildings and improvements	20,586,956	20,197,628
Equipment	1,637,448	1,637,448
Furniture	52,600	52,600
Vehicles	1,425,624	1,425,623
Construction in progress	17,179	166,419
Property and equipment, gross	24,264,458	24,024,369
Accumulated depreciation	(11,791,439)	(10,800,438)
Property and equipment, net	$ 12,473,019	$ 13,223,931

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. During the year ended June 30, 2023, MRDC received additional proceeds on this claim totaling $76,213, which have been recognized as a gain. 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 $276,422 and $233,429 at June 30, 2023 and 2022, respectively. A corresponding liability is recorded in current liabilities in the statement of financial position.

9 DEFERRED REVENUE

The change in MRDC's deferred revenue for the years ended June 30, 2023 and 2022 is comprised of the following:

	2023	2022
Deferred revenue at beginning of year	$ -	$ 755
Additions:		
Sponsorships, table sales, ticket sales for special event in upcoming year	10,000	-
Reductions:		
Special event revenue earned	-	(755)
Deferred revenue at end of year	$ 10,000	$ -

10 SUPPORT AND REVENUE

Support and Revenue Concentrations

MRDC received $13,106,335, and $12,028,456 of revenue from governmental agencies for the years ended June 30, 2023 and 2022, respectively. This equates to 70.0% and 70.9%, respectively, of total support and revenue for those years.

Non-cash Contributions

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 2023 and 2022:

	2023	2022
Special events gross revenue	$ 215,286	$ 215,992
Special events direct expenses	(34,389)	(27,896)
Special events indirect expenses (included in fundraising expenses)	(9,133)	(8,044)
Special events revenues and expenses, net	$ 171,764	$ 180,052

12 NET ASSETS WITH DONOR RESTRICTIONS

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

	2023	2022
Subject to expenditures for specified purpose or time periods:		
Fixed asset additions and improvements	$ 1,980	$ 1,980
Future program expenses	271,150	61,699
Total net assets subject to expenditures for specified purpose or time periods	273,130	63,679
Subject to restrictions that are perpetual in nature:		
Mockingbird property	88,394	88,394
Total net assets with donor restrictions	$ 361,524	$ 152,073

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:

	2023	2022
Satisfaction of purpose or time restrictions:		
Camps and SOAR	$ 115,723	$ 203,365
Property and equipment purchases	-	72,566
Other program services	334,816	16,335
Passage of time	-	2,746,499
Total net assets released from restriction	$ 450,539	$ 3,038,765

13 LEASES

MRDC has one noncancellable operating lease expiring in February 2024, and several month-to-month operating leases, for office equipment, storage space, and one rental home for client residential care. Rental expenses under these leases consisted of $8,867 and $20,584 for the years ended June 30, 2023 and 2022, respectively.

Future minimum lease payments under these leases are:

Year Ending June 30,	Amount
2024	$ 864

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 $892,847 and $862,268 in 2023 and 2022, respectively, and made payments to MRDC for services rendered in the amounts of $19,500 and $19,500 in 2023 and 2022, respectively. The Bledsoe Foundation made contributions to MRDC of $4,635 and $100,000 in 2023 and 2022, respectively.

MRDC paid MRM $1,547,719 and $1,412,443 in management fees during 2023 and 2022, respectively. MRDC paid MRM $12,662 and $15,895 in 2023 and 2022, respectively, for cost to hire employees.

At June 30, 2023 and 2022, MRDC's accounts receivable included $4,905 and $-0-, respectively, due from MRM, and $-0- and $10,339, respectively, due from the Apartments. During the year ended June 30, 2023, MRDC forgave a debt owed by Meadow Brook Apartments in the amount of $15,581, resulting in an expense to MRDC of that amount.

At June 30, 2023 and 2022, MRDC's accounts payable included $-0- and $103,956, 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, 2023 and 2022 was $187,483 and $180,135, 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 $688 and $349 for the years ended June 30, 2023 and 2022, 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.

	2023
Cash and cash equivalents	$ 1,462,732
Restricted cash - client trust funds	276,422
Accounts receivable	1,371,983
Investments	10,254,891
Financial assets at year end	13,366,028
Less those unavailable for general expenditure within one year, due to:	
Cash with restrictions on use	(276,422)
Donor-restricted to expenditure for specific purpose or time period	(273,130)
Financial assets available to meet cash needs for general expenditure within one year	$ 12,816,476

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, 2023, MRDC had financial assets available to meet cash needs for general expenditure within one year that were equivalent to roughly 235 days of average operating expenses.

17 SUBSEQUENT EVENTS

Subsequent to year end, MRDC sold a residential property for $182,000. The net book value of that property as of June 30, 2023, was approximately $123,000, and a gain of approximately $59,000 will be recognized during the year ended June 30, 2024.