

**MISSION ROAD MINISTRIES
AND AFFILIATES**

**COMBINED FINANCIAL STATEMENTS WITH
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2023

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

Year Ended June 30, 2023

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

Schuh|Browne

CERTIFIED PUBLIC
ACCOUNTANTS

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, 2023 and 2022, the related combined statements of activities and functional expenses for the year ended June 30, 2023, the related combined statements of cash flows for the years ended June 30, 2023 and 2022, 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, 2023 and 2022, their changes in net assets for the year ended June 30, 2023, and their cash flows for the years ended June 30, 2023 and 2022, 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 \$1,654,981 and \$1,720,031 as of June 30, 2023 and 2022, respectively, and total revenues of \$611,245 and \$558,042, 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.

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

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.

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' 2022 combined financial statements, and we expressed an unmodified audit opinion on those audited combined 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 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.

Schul Browne, P. C.

San Antonio, Texas
November 27, 2023

MISSION ROAD MINISTRIES AND AFFILIATES
COMBINED STATEMENT OF FINANCIAL POSITION

June 30, 2023 and 2022

ASSETS	<u>2023</u>	<u>2022</u>
Current assets:		
Cash and cash equivalents	\$ 1,919,537	\$ 1,593,663
Restricted cash - client trust funds	289,336	246,353
Accounts receivable:		
Program fees, tuition, and expense reimbursements, net	1,367,168	1,980,839
Other	1,523	2,134
Unconditional promises to give, net	-	12,185
Prepaid expenses and other assets	88,506	47,448
Total current assets	<u>3,666,070</u>	<u>3,882,622</u>
Investments:		
Investments, general	14,239,714	13,106,688
Investments, endowment	929,871	849,307
Total investments	<u>15,169,585</u>	<u>13,955,995</u>
Property and equipment, net	13,946,748	14,806,823
Other assets:		
Restricted cash - HUD apartments	<u>138,859</u>	<u>101,200</u>
Total assets	<u>\$ 32,921,262</u>	<u>\$ 32,746,640</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable - trade	\$ 449,831	\$ 472,861
Accrued retirement plan contribution	88,500	88,876
Accrued salary and related expenses	505,596	433,149
Client trust funds	289,336	246,238
Deferred revenue	36,162	61,021
Current portion of long-term debt	34,959	31,890
Other current liabilities	45,489	47,138
Total current liabilities	<u>1,449,873</u>	<u>1,381,173</u>
Long-term debt, net of current portion	<u>944,950</u>	<u>979,909</u>
Total liabilities	<u>2,394,823</u>	<u>2,361,082</u>
Net assets:		
Without donor restrictions:		
Operations	14,866,962	14,382,998
Property and equipment	12,564,772	13,310,924
Total net assets without donor restrictions	<u>27,431,734</u>	<u>27,693,922</u>
With donor restrictions	<u>3,094,705</u>	<u>2,691,636</u>
Total net assets	<u>30,526,439</u>	<u>30,385,558</u>
Total liabilities and net assets	<u>\$ 32,921,262</u>	<u>\$ 32,746,640</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, 2023

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

	Without Donor Restrictions	With Donor Restrictions	Total	
			<u>2023</u>	<u>2022</u>
Support and revenue:				
Special events:				
Gross revenue	\$ 1,110,251	\$ 145,177	\$ 1,255,428	\$ 1,166,339
Less direct expenses	(135,662)	-	(135,662)	(119,768)
Net special events support	<u>974,589</u>	<u>145,177</u>	<u>1,119,766</u>	<u>1,046,571</u>
Contributions:				
Individuals	151,905	400	152,305	106,529
Corporations	35,230	130,413	165,643	250,974
Foundations	504,654	471,400	976,054	460,602
United Way allocation	334,500	-	334,500	334,500
Governmental support:				
Program service fees and tuition	12,555,144	-	12,555,144	11,741,270
CARES Act Provider Relief Fund	551,191	-	551,191	287,186
Private program service fees and tuition	2,847,783	-	2,847,783	2,361,614
Rental revenue, net of vacancies of \$42,359 for 2023 and \$41,769 for 2022	567,934	-	567,934	557,091
Interest and dividends, net of fees	242,030	26,044	268,074	182,901
Realized gains (losses) on investments, net Gains on disposal	(39,841)	(17,154)	(56,995)	369,169
of property and equipment	76,213	-	76,213	59,783
Miscellaneous	49,031	-	49,031	33,767
	<u>18,850,363</u>	<u>756,280</u>	<u>19,606,643</u>	<u>17,791,957</u>
Net assets released from restrictions	458,595	(458,595)	-	-
Total support and revenue	<u>19,308,958</u>	<u>297,685</u>	<u>19,606,643</u>	<u>17,791,957</u>
Expenses:				
Program services:				
Habilitation and care	18,911,870	-	18,911,870	17,074,551
Supporting services:				
Administrative and general	1,605,423	-	1,605,423	1,549,662
Fundraising	186,148	-	186,148	131,608
Total expenses	<u>20,703,441</u>	<u>-</u>	<u>20,703,441</u>	<u>18,755,821</u>
Change in net assets before unrealized gains (losses)	(1,394,483)	297,685	(1,096,798)	(963,864)
Unrealized gains (losses) on investments	1,132,295	105,384	1,237,679	(3,077,863)
Change in net assets	(262,188)	403,069	140,881	(4,041,727)
Net assets at beginning of year	<u>27,693,922</u>	<u>2,691,636</u>	<u>30,385,558</u>	<u>34,427,285</u>
Net assets at end of year	<u>\$ 27,431,734</u>	<u>\$ 3,094,705</u>	<u>\$ 30,526,439</u>	<u>\$ 30,385,558</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, 2023

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

	Program Services	Supporting Services		Total	
	<u>Habilitation and Care</u>	<u>Administrative and General</u>	<u>Fundraising</u>	<u>2023</u>	<u>2022</u>
Salaries	\$ 9,860,459	\$ 1,077,543	\$ 124,931	\$ 11,062,933	\$ 9,851,159
Employee health and welfare	613,461	77,485	9,626	700,572	494,472
Employee retirement	188,171	23,863	2,830	214,864	205,222
Payroll taxes	766,314	83,663	7,939	857,916	768,890
Workers' compensation insurance	104,152	1,239	192	105,583	98,381
Total salary and related expenses	<u>11,532,557</u>	<u>1,263,793</u>	<u>145,518</u>	<u>12,941,868</u>	<u>11,418,124</u>
Employee screening	21,201	9,778	-	30,979	52,443
Professional fees - accounting, legal, and other	61,610	112,615	843	175,068	171,225
Professional fees - program	2,797,708	-	-	2,797,708	2,498,578
IT support services	311,855	47,528	17,236	376,619	242,584
Training - client	300,896	-	-	300,896	270,821
Supplies	804,973	17,700	1,075	823,748	784,791
Telephone	102,416	3,271	875	106,562	113,572
Postage and shipping	7,820	5,574	1,225	14,619	15,067
Printing and publications	18,381	7,580	3,779	29,740	4,677
Advertising - employee recruitment	25,323	1,887	-	27,210	85,258
Occupancy	448,739	7,655	-	456,394	493,832
Utilities	449,662	10,262	-	459,924	435,741
Equipment maintenance	31,301	190	-	31,491	29,168
Equipment rental	7,428	409	-	7,837	5,794
Corporate insurance	289,982	50,046	-	340,028	312,850
Transportation	160,364	534	357	161,255	147,380
Meetings and conferences	1,260	6,525	860	8,645	7,201
Specific assistance to individuals	310,771	-	-	310,771	306,336
Membership dues	15,100	4,996	4,843	24,939	15,979
Miscellaneous	27,333	18	155	27,506	54,186
Bad debt	45,072	-	-	45,072	142,213
Public relations and charitable contributions	16,551	8,673	-	25,224	3,706
Special events - indirect expense	-	46,022	9,133	55,155	27,616
Interest expense	11,707	-	-	11,707	14,536
Bank and credit card fees	1,603	367	249	2,219	4,319
Total expenses before depreciation	<u>17,801,613</u>	<u>1,605,423</u>	<u>186,148</u>	<u>19,593,184</u>	<u>17,657,997</u>
Depreciation	<u>1,110,257</u>	<u>-</u>	<u>-</u>	<u>1,110,257</u>	<u>1,097,824</u>
Total expenses	<u>\$ 18,911,870</u>	<u>\$ 1,605,423</u>	<u>\$ 186,148</u>	<u>\$ 20,703,441</u>	<u>\$ 18,755,821</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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ 140,881	\$ (4,041,727)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	1,110,257	1,097,824
Bad debt expense	45,072	142,213
Gains 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	(1,180,684)	2,708,694
Change in:		
Accounts receivable	569,210	(958,167)
Promises to give receivable	12,185	2,739,115
Prepaid expenses and other assets	(41,058)	(38,059)
Accounts payable	(23,030)	117,423
Accrued retirement plan contribution	(376)	376
Accrued salary expenses	72,447	(136,440)
Client trust funds	43,098	(10,392)
Deferred revenues	(24,859)	58,492
Other current liabilities	(1,649)	9,940
Net cash provided (used) by operating activities	<u>467,393</u>	<u>(1,198,626)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(173,969)	(616,320)
Proceeds from sales of property and equipment	-	59,845
Proceeds from sales and maturities of investments	1,758,752	11,464,155
Purchases of investments	(1,791,658)	(11,112,234)
Net cash used by investing activities	<u>(206,875)</u>	<u>(204,554)</u>
Cash flows from financing activities:		
Proceeds from contributions restricted for purchase of property and equipment	177,888	72,264
Principal payments on long-term debt	(31,890)	(29,083)
Net cash provided by financing activities	<u>145,998</u>	<u>43,181</u>
Net increase (decrease) in cash, cash equivalents, and restricted cash	406,516	(1,359,999)
Cash, cash equivalents, and restricted cash at beginning of year	<u>1,941,216</u>	<u>3,301,215</u>
Cash, cash equivalents, and restricted cash at end of year	<u>\$ 2,347,732</u>	<u>\$ 1,941,216</u>
Schedule of supplemental cash flow information:		
Reconciliation of cash, cash equivalents, and restricted cash to statement of financial position:		
Cash and cash equivalents	\$ 1,919,537	\$ 1,593,663
Restricted cash - client trust funds	289,336	246,353
Restricted cash - HUD apartments	138,859	101,200
Total cash, cash equivalents, and restricted cash	<u>\$ 2,347,732</u>	<u>\$ 1,941,216</u>
Interest paid	<u>\$ 11,707</u>	<u>\$ 14,536</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 17). 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 eighteen (18) 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, 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, 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.

Investments

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

Property and Equipment

The Organization capitalizes all expenditures for property and equipment that cost \$5,000 or more. Purchased property and equipment are carried at cost. Donated property and equipment are carried at fair value at the date of donation. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method.

(Continued)

MISSION ROAD MINISTRIES AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment (Continued)

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

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

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.

(Continued)

MISSION ROAD MINISTRIES AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS

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 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.

Change in Accounting Principle

Adoption of FASB ASC 842 (Leases)

Effective July 1, 2022, the Organization adopted FASB ASC 842, *Leases*. The Organization determines if an arrangement contains a lease at inception based on whether the Organization has the right to control the asset during the contract period and other facts and circumstances. The Organization 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 the Organization's financial statements.

Subsequent Events

The Organization has evaluated subsequent events through November 27, 2023, 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, 2023, the Organization's cash and cash equivalents exceeded federally insured limits by \$1,810,276 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>2023</u>	<u>2022</u>
Government agency fees	\$ 1,301,202	\$ 1,832,618
Program fees and tuition	<u>239,861</u>	<u>346,367</u>
Program fees, tuition, and expense reimbursements receivable, gross	1,541,063	2,178,985
Allowance for doubtful accounts	<u>(173,895)</u>	<u>(198,146)</u>
Program fees, tuition, and expense reimbursements receivable, net	<u>\$ 1,367,168</u>	<u>\$ 1,980,839</u>

5 UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give, which totaled \$-0- and \$12,185 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.

MISSION ROAD MINISTRIES AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

6 INVESTMENTS

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

	<u>2023</u>	<u>2022</u>
Cash and money market funds	\$ 1,705,867	\$ 1,823,483
Equities	2,395,938	1,970,352
Mutual funds:		
Bond funds	3,312,649	3,197,233
International bond funds	663,930	641,885
Bond/equity blended funds	7,795	7,980
Large equity blend funds	739,322	767,722
Foreign large equity blend funds	572,523	503,108
Large equity value funds	756,462	733,732
Foreign large equity value funds	581,051	442,226
Large equity growth funds	791,711	624,739
Foreign large equity growth funds	565,292	-
Mid-cap equity funds	1,044,915	924,489
Foreign small/mid-cap equity funds	-	506,057
Small-cap equity blend funds	319,643	263,842
World allocation funds	310,754	310,902
Emerging market funds	465,488	450,386
Long-short equity funds	105,365	65,010
Relative value arbitrage funds	398,399	386,139
Options trading funds	336,410	277,311
Macro trading funds	41,069	-
Real estate funds	55,002	59,399
	<u>\$ 15,169,585</u>	<u>\$ 13,955,995</u>

Investment return is summarized as follows:

	<u>2023</u>	<u>2022</u>
Interest and dividend income	\$ 320,646	\$ 236,661
Investment management fees	(52,572)	(53,760)
Investment income, net of fees	<u>268,074</u>	<u>182,901</u>
Realized gains and losses	(56,995)	369,169
Unrealized gains and losses	<u>1,237,679</u>	<u>(3,077,863)</u>
Total investment return	<u>\$ 1,448,758</u>	<u>\$ (2,525,793)</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, 2023 and 2022, the Organization's investments were reported at fair value using a Level 1 measure.

Investment Drawdown under Compelling Need Spending Policy

The Organization'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 \$463,139 were pulled from the Organization's investment accounts to fund operations during the year ended June 30, 2023 and 2022, respectively.

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>2023</u>	<u>2022</u>
Land and land improvements	\$ 721,286	\$ 721,286
Buildings and improvements	23,458,393	23,064,593
Equipment	1,788,846	1,788,846
Furniture and fixtures	107,227	107,227
Vehicles	1,525,702	1,525,701
Construction in progress	17,179	166,419
Property and equipment, gross	<u>27,618,633</u>	<u>27,374,072</u>
Accumulated depreciation	<u>(13,671,885)</u>	<u>(12,567,249)</u>
Property and equipment, net	<u>\$ 13,946,748</u>	<u>\$ 14,806,823</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, during the year ended June 30, 2021 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. During the year ended June 30, 2023, the Organization 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 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 \$135,838 and \$95,977 at June 30, 2023 and 2022, 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 \$3,021 and \$4,618 at June 30, 2023 and 2022, 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 \$138,859 and \$101,200 at June 30, 2023 and 2022, respectively.

9 CLIENT TRUST FUNDS

MRDC and the Apartments administer cash trust accounts for their clients. These funds totaled \$289,336 and \$246,353 at June 30, 2023 and 2022, respectively. 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 DEFERRED REVENUE

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

	<u>2023</u>	<u>2022</u>
Balance at beginning of year	\$ 61,021	\$ 2,529
Additions:		
Rent prepayments for upcoming year	537	2,221
Sponsorships, table sales, ticket sales for special event in upcoming year	35,625	58,800
Reductions:		
Rent revenue earned	(2,221)	(2,529)
Special event revenue earned	<u>(58,800)</u>	<u>-</u>
Balance at end of year	<u>\$ 36,162</u>	<u>\$ 61,021</u>

11 LONG-TERM DEBT

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

	<u>2023</u>	<u>2022</u>
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.	\$ 111,709	\$ 143,599
200 Oblate mortgage note payable to HUD, interest at 7.875% should the mortgagor default on the note. Interest will accrue from the funding date of the note until the entire note is paid off. If there is no default on the loan by August 1, 2036, the entire note and accrued interest will be forgiven. As it is management's intention to adhere to the requirements of the note, interest has not been accrued.	<u>868,200</u>	<u>868,200</u>
	979,909	1,011,799
Less current portion	<u>(34,959)</u>	<u>(31,890)</u>
	<u>\$ 944,950</u>	<u>\$ 979,909</u>

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	\$ 34,959
2025	38,333
2026	38,417
2027	-
2028	-
Thereafter	868,200
	<u>\$ 979,909</u>

Total interest expense on long-term debt during the years ended June 30, 2023 and 2022 was \$11,707 and \$14,536, respectively.

MISSION ROAD MINISTRIES AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS

12 NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2023</u>	<u>2022</u>
Subject to expenditures for specified purpose or time periods:		
Endowment earnings	\$ 509,750	\$ 429,186
Other property and equipment additions and improvements	1,980	1,980
Future program expenses	271,150	61,699
Meadow Brook HUD capital advance	1,399,000	1,399,000
Bledsoe Foundation net assets for benefit of MRDC	405,302	290,998
Total net assets subject to expenditures for specified purpose or time periods	<u>2,587,182</u>	<u>2,182,863</u>
Subject to restrictions that are perpetual in nature:		
Endowment to provide operating income	419,129	420,379
Mockingbird Property (included in fixed assets)	88,394	88,394
Total net assets with donor restrictions	<u>\$ 3,094,705</u>	<u>\$ 2,691,636</u>

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

	<u>2023</u>	<u>2022</u>
Satisfaction of purpose or time restrictions:		
Camps and SOAR	\$ 115,723	\$ 203,365
Property and equipment purchases	-	72,566
Other program services	342,872	119,835
Passage of time	-	2,746,499
Net assets released from restriction	<u>\$ 458,595</u>	<u>\$ 3,142,265</u>

13 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

13 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

13 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, 2023 and 2022 is as follows:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 928,879	\$ 928,879

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 849,565	\$ 849,565

Changes in endowment net assets for the years ended June 30, 2023 and 2022 were as follows:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 849,565	\$ 849,565
Interest and dividends	-	20,627	20,627
Investment management fees	-	(3,558)	(3,558)
Investment income, net	-	17,069	17,069
Realized gains (losses)	-	(13,454)	(13,454)
Unrealized gains (losses)	-	76,949	76,949
Transfers	-	(1,250)	(1,250)
Endowment net assets, end of year	\$ -	\$ 928,879	\$ 928,879

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 986,495	\$ 986,495
Interest and dividends	-	17,657	17,657
Investment management fees	-	(4,100)	(4,100)
Investment income, net	-	13,557	13,557
Realized gains (losses)	-	(10,727)	(10,727)
Unrealized gains (losses)	-	(141,018)	(141,018)
Contributions	-	1,258	1,258
Endowment net assets, end of year	\$ -	\$ 849,565	\$ 849,565

MISSION ROAD MINISTRIES AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

14 SUPPORT AND REVENUE

Support and Revenue Concentrations

The Organization 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 66.8% and 67.6%, 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.

15 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, 2023 and 2022 are summarized as follows:

	2023		
	MRM Shindig	MRDC Unicorn Supported Emp. Luncheon	Total
Special events gross revenue, unrestricted	\$ 894,965	\$ 215,286	\$ 1,110,251
Special events gross revenue, donor restricted	145,177	-	145,177
Special events revenue, gross	1,040,142	215,286	1,255,428
Special events direct expenses	(101,273)	(34,389)	(135,662)
Special events indirect expenses (included in fundraising expense)	(46,022)	(9,133)	(55,155)
Special events revenue and expenses, net	\$ 892,847	\$ 171,764	\$ 1,064,611
	2022		
	MRM Shindig	MRDC Unicorn Supported Emp. Luncheon	Total
Special events gross revenue, unrestricted	\$ 731,867	\$ 215,992	\$ 947,859
Special events gross revenue, donor restricted	218,480	-	218,480
Special events revenue, gross	950,347	215,992	1,166,339
Special events direct expenses	(91,872)	(27,896)	(119,768)
Special events indirect expenses (included in fundraising expense)	(19,572)	(8,044)	(27,616)
Special events revenue and expenses, net	\$ 838,903	\$ 180,052	\$ 1,018,955

MISSION ROAD MINISTRIES AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS

16 LEASES

The Organization 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 \$9,276 and \$21,020, for the years ended June 30, 2023 and 2022, respectively.

Future minimum lease payments under these leases are:

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	\$ 864

17 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 \$1,547,719 and \$1,412,443 to its affiliates in 2023 and 2022, respectively. MRM also contributes to its affiliates in support of their missions. MRM contributed \$912,347 and \$881,768 to affiliates to support program activities in 2023 and 2022, respectively. The Bledsoe Foundation made contributions to MRDC of \$4,635 and \$100,000 in 2023 and 2022, respectively. These management fees and contributions and all related receivables and payables are eliminated upon combination.

18 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, 2023 and 2022 were \$214,176 and \$204,873, 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 \$688 and \$349 for the years ended June 30, 2023 and 2022, respectively.

19 HUD APARTMENTS MANAGED BY THIRD-PARTY MANAGEMENT COMPANY

200 Oblate has contracted with RC Management, Inc. (the Management Company) to provide management services. The charges for these services are based on a management agreement. The charges are 6.77% of collected rental income plus \$11 per unit, per month. Until December 31, 2022, 200 Oblate contracted with Suzanne Smith Management Company (the Previous Management Company) to provide management services. Charges for those services were based on a management agreement and were 7.8% of collected rental income not to exceed \$35.33 per unit, per month. For the years ended June 30, 2023 and 2022, management fees charged amounted to \$12,187 and \$9,216, respectively. 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 \$61,902 and \$79,076 for the years ended 2023 and 2022, respectively.

(Continued)

MISSION ROAD MINISTRIES AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

19 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 3.75% of collected rental income plus \$11 per unit, per month. Until December 31, 2022, Independence Square contracted with the Previous Management Company to provide management services. Charges for those services were based on a management agreement and were 7.5% of collected rental income. For the years ended June 30, 2023 and 2022, management fees charged amounted to \$12,648 and \$14,958, 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 \$47,368 and \$53,408 for the years ended 2023 and 2022, 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 6.1% of collected rental income plus \$11 per unit, per month. Until December 31, 2022, Meadow Brook contracted with the Previous Management Company to provide management services. Charges for those services were based on a management agreement and were \$35.33 per unit, per month. For the years ended June 30, 2023 and 2022, management fees charged amounted to \$9,562 and \$7,437, respectively. 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 \$60,262 and \$66,742 for the years ended 2023 and 2022, respectively. During the year ended June 30, 2023, MRDC forgave a debt owed by Meadow Brook in the amount of \$15,581, resulting in an expense to MRDC and a gain to Meadow Brook of that amount. That transaction has been eliminated in combination.

20 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	\$ 1,919,537
Restricted cash	428,195
Accounts receivable, net	1,368,691
Investments	15,169,585
Financial assets at year end	<u>18,886,008</u>
Less those unavailable for general expenditure within one year, due to:	
Cash restricted for specific uses	(428,195)
Investments with donor restrictions that are perpetual in nature	(419,129)
Donor-restricted to expenditure for specific purpose	<u>(2,587,182)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 15,451,502</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, 2023, the Organization had financial assets available to meet cash needs for general expenditure within one year that were equivalent to roughly 272 days of average operating expenses.

MISSION ROAD MINISTRIES AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS

21 SUBSEQUENT EVENTS

Subsequent to year end, the Organization 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.

SUPPLEMENTARY INFORMATION

MISSION ROAD MINISTRIES AND AFFILIATES
COMBINING STATEMENT OF FINANCIAL POSITION
June 30, 2023

	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	\$ 447,279	\$ 1,462,732	\$ 2,496	\$ 3,335	\$ 3,695	\$ -	\$ -	\$ 1,919,537
Restricted cash - client trust funds	-	276,422	4,779	2,913	5,222	-	-	289,336
Accounts receivable:								
Program fees, tuition, and expense reimbursements, net	-	1,365,555	258	1,311	44	-	-	1,367,168
Affiliate	-	4,905	-	-	-	-	(4,905)	-
Other	-	1,523	-	-	-	-	-	1,523
Unconditional promises to give, net	-	-	-	-	-	-	-	-
Prepaid expenses and other assets	7,435	62,731	6,000	12,340	-	-	-	88,506
Total current assets	<u>454,714</u>	<u>3,173,868</u>	<u>13,533</u>	<u>19,899</u>	<u>8,961</u>	<u>-</u>	<u>(4,905)</u>	<u>3,666,070</u>
Investments:								
Investments, general	3,579,521	10,254,891	-	-	-	405,302	-	14,239,714
Investments, endowment	929,871	-	-	-	-	-	-	929,871
Total investments	<u>4,509,392</u>	<u>10,254,891</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>405,302</u>	<u>-</u>	<u>15,169,585</u>
Property and equipment, net	-	12,473,019	468,434	203,462	801,833	-	-	13,946,748
Other assets:								
Restricted cash - HUD apartments	-	-	47,902	63,519	27,438	-	-	138,859
Total assets	<u>\$ 4,964,106</u>	<u>\$ 25,901,778</u>	<u>\$ 529,869</u>	<u>\$ 286,880</u>	<u>\$ 838,232</u>	<u>\$ 405,302</u>	<u>\$ (4,905)</u>	<u>\$ 32,921,262</u>
LIABILITIES AND NET ASSETS								
Current liabilities:								
Accounts payable:								
Trade	\$ 22,315	\$ 412,817	\$ 5,795	\$ 4,945	\$ 3,959	\$ -	\$ -	\$ 449,831
Affiliate	4,905	-	-	-	-	-	(4,905)	-
Accrued retirement plan contribution	11,011	77,489	-	-	-	-	-	88,500
Accrued salary and related expenses	73,715	428,623	1,426	988	844	-	-	505,596
Client trust funds	-	276,422	4,779	2,913	5,222	-	-	289,336
Deferred revenue	25,625	10,000	69	443	25	-	-	36,162
Current portion of long-term debt	-	-	-	34,959	-	-	-	34,959
Other current liabilities	-	36,611	1,268	1,766	5,844	-	-	45,489
Total current liabilities	<u>137,571</u>	<u>1,241,962</u>	<u>13,337</u>	<u>46,014</u>	<u>15,894</u>	<u>-</u>	<u>(4,905)</u>	<u>1,449,873</u>
Long-term debt, net of current portion	-	-	868,200	76,750	-	-	-	944,950
Total liabilities	<u>137,571</u>	<u>1,241,962</u>	<u>881,537</u>	<u>122,764</u>	<u>15,894</u>	<u>-</u>	<u>(4,905)</u>	<u>2,394,823</u>
Net assets:								
Without donor restrictions:								
Operations	3,897,656	11,825,273	(351,668)	72,363	(576,662)	-	-	14,866,962
Property and equipment	-	12,473,019	-	91,753	-	-	-	12,564,772
Total net assets without donor restrictions	<u>3,897,656</u>	<u>24,298,292</u>	<u>(351,668)</u>	<u>164,116</u>	<u>(576,662)</u>	<u>-</u>	<u>-</u>	<u>27,431,734</u>
With donor restrictions	928,879	361,524	-	-	1,399,000	405,302	-	3,094,705
Total net assets	<u>4,826,535</u>	<u>24,659,816</u>	<u>(351,668)</u>	<u>164,116</u>	<u>822,338</u>	<u>405,302</u>	<u>-</u>	<u>30,526,439</u>
Total liabilities and net assets	<u>\$ 4,964,106</u>	<u>\$ 25,901,778</u>	<u>\$ 529,869</u>	<u>\$ 286,880</u>	<u>\$ 838,232</u>	<u>\$ 405,302</u>	<u>\$ (4,905)</u>	<u>\$ 32,921,262</u>

MISSION ROAD MINISTRIES AND AFFILIATES

COMBINING STATEMENT OF ACTIVITIES

Year Ended June 30, 2023

	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	\$ 894,965	\$ 215,286	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,110,251
Less direct expenses	(101,273)	(34,389)	-	-	-	-	-	(135,662)
Net special events support	793,692	180,897	-	-	-	-	-	974,589
Contributions:								
Individuals	88,368	63,537	-	-	-	-	-	151,905
Corporations	21,200	14,030	-	-	-	-	-	35,230
Foundations	14,304	490,350	-	-	-	-	-	504,654
Affiliates	-	752,305	-	-	-	-	(752,305)	-
United Way allocation	-	334,500	-	-	-	-	-	334,500
Allocations from MRM Shindig	-	-	-	-	-	-	-	-
Governmental support:								
Program service fees and tuition	-	12,555,144	-	-	-	-	-	12,555,144
CARES Act grants	-	551,191	-	-	-	-	-	551,191
Private program service fees and tuition	-	2,867,283	-	-	-	-	(19,500)	2,847,783
Rental revenue, net	-	-	187,040	226,633	154,261	-	-	567,934
Management fees	1,547,719	-	-	-	-	-	(1,547,719)	-
Interest and dividends, net of fees	67,744	174,286	-	-	-	-	-	242,030
Realized gains on investments, net	(14,623)	(25,218)	-	-	-	-	-	(39,841)
Gains on disposal of property and equipment	-	76,213	-	-	-	-	-	76,213
Miscellaneous	-	21,301	1,961	7,779	33,571	-	(15,581)	49,031
Related agency revenue - affiliate	12,662	-	-	-	-	-	(12,662)	-
	2,531,066	18,055,819	189,001	234,412	187,832	-	(2,347,767)	18,850,363
Net assets released from restrictions	145,177	450,539	-	-	-	8,056	(145,177)	458,595
Total support and revenue	2,676,243	18,506,358	189,001	234,412	187,832	8,056	(2,492,944)	19,308,958
Expenses:								
Program services:								
Habilitation and care	-	18,370,263	195,197	177,338	184,653	-	(15,581)	18,911,870
Affiliate expenses	912,347	12,662	-	-	-	4,635	(929,644)	-
Supporting services:								
Administrative and general	1,708,531	1,370,704	24,252	24,334	21,900	3,421	(1,547,719)	1,605,423
Fundraising	-	186,148	-	-	-	-	-	186,148
Total expenses	2,620,878	19,939,777	219,449	201,672	206,553	8,056	(2,492,944)	20,703,441
Change in net assets before unrealized losses	55,365	(1,433,419)	(30,448)	32,740	(18,721)	-	-	(1,394,483)
Unrealized losses on investments	261,208	871,087	-	-	-	-	-	1,132,295
Change in net assets	316,573	(562,332)	(30,448)	32,740	(18,721)	-	-	(262,188)
Net assets at beginning of year	3,581,083	24,860,624	(321,220)	131,376	(557,941)	-	-	27,693,922
Net assets at end of year	\$ 3,897,656	\$ 24,298,292	\$ (351,668)	\$ 164,116	\$ (576,662)	\$ -	\$ -	\$ 27,431,734

With Donor Restrictions

Mission Road Ministries	Mission Road Developmental Center, Inc.	Meadow Brook Apartments	Clifford Craig Bledsoe Memorial Foundation	Eliminations	Subtotal	Total
\$ 145,177	\$ -	\$ -	\$ -	\$ -	\$ 145,177	\$ 1,255,428
-	-	-	-	-	-	(135,662)
145,177	-	-	-	-	145,177	1,119,766
(1,250)	1,650	-	-	-	400	152,305
-	130,413	-	-	-	130,413	165,643
-	382,750	-	88,650	-	471,400	976,054
-	-	-	-	-	-	-
-	-	-	-	-	-	334,500
-	145,177	-	-	(145,177)	-	-
-	-	-	-	-	-	12,555,144
-	-	-	-	-	-	551,191
-	-	-	-	-	-	2,847,783
-	-	-	-	-	-	567,934
-	-	-	-	-	-	-
17,069	-	-	8,975	-	26,044	268,074
(13,454)	-	-	(3,700)	-	(17,154)	(56,995)
-	-	-	-	-	-	76,213
-	-	-	-	-	-	49,031
-	-	-	-	-	-	-
147,542	659,990	-	93,925	(145,177)	756,280	19,606,643
(145,177)	(450,539)	-	(8,056)	145,177	(458,595)	-
2,365	209,451	-	85,869	-	297,685	19,606,643
-	-	-	-	-	-	18,911,870
-	-	-	-	-	-	-
-	-	-	-	-	-	1,605,423
-	-	-	-	-	-	186,148
-	-	-	-	-	-	20,703,441
2,365	209,451	-	85,869	-	297,685	(1,096,798)
76,949	-	-	28,435	-	105,384	1,237,679
79,314	209,451	-	114,304	-	403,069	140,881
849,565	152,073	1,399,000	290,998	-	2,691,636	30,385,558
<u>\$ 928,879</u>	<u>\$ 361,524</u>	<u>\$ 1,399,000</u>	<u>\$ 405,302</u>	<u>\$ -</u>	<u>\$ 3,094,705</u>	<u>\$ 30,526,439</u>