

**MISSION ROAD DEVELOPMENTAL CENTER**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2025**

**MISSION ROAD DEVELOPMENTAL CENTER**

**FINANCIAL STATEMENTS**

**Year Ended June 30, 2025**

**Table of Contents**

Page No.

<b>Independent auditor's report</b> .....	1
<b>Financial statements</b>	
Statement of financial position .....	3
Statement of activities .....	4
Statement of functional expenses.....	5
Statement of cash flows .....	6
Notes to financial statements .....	7

# 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, 2025 and 2024, the related statements of activities and functional expenses for the year ended June 30, 2025, the related statements of cash flows for the years ended June 30, 2025 and 2024, 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, 2025 and 2024, the changes in net assets for the year ended June 30, 2025, and its cash flows for the years ended June 30, 2025 and 2024, 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.

**Lincoln Center**  
**7800 West IH-10, Suite 630**  
**San Antonio, TX 78230**  
**210•979•7600**  
**Fax 210•979•7679**

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 5, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Schul Browne, P. C.*

San Antonio, Texas  
November 13, 2025

**MISSION ROAD DEVELOPMENTAL CENTER**

**STATEMENT OF FINANCIAL POSITION**

**June 30, 2025 and 2024**

<b>ASSETS</b>	<u>2025</u>	<u>2024</u>
<b>Current assets:</b>		
Cash and cash equivalents	\$ 1,318,894	\$ 1,630,760
Restricted cash - client trust funds	154,230	235,532
Accounts receivable:		
Program tuition and expense reimbursements, net of allowance for credit losses of \$111,953 and \$119,872, respectively	808,268	1,455,684
Affiliate	49,986	-
Other	21,969	21,978
Prepaid expenses and other assets	<u>92,047</u>	<u>111,912</u>
Total current assets	2,445,394	3,455,866
<b>Investments</b>	12,939,407	12,350,055
<b>Property and equipment, net</b>	<u>11,596,887</u>	<u>11,702,530</u>
<b>Total assets</b>	<u><u>\$ 26,981,688</u></u>	<u><u>\$ 27,508,451</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities:</b>		
Accounts payable:		
Trade	\$ 323,306	\$ 457,899
Affiliate	45,388	114,652
Accrued retirement plan contribution	79,208	77,489
Accrued salary and related expenses	478,041	451,434
Deferred compensation	72,239	42,871
Client trust funds	154,230	235,532
Deferred revenue	<u>48,358</u>	<u>96,450</u>
Total current liabilities	1,200,770	1,476,327
<b>Net assets:</b>		
Without donor restrictions - operations	13,765,843	14,230,335
Without donor restrictions - property and equipment	<u>11,508,493</u>	<u>11,614,136</u>
Total net assets without donor restrictions	25,274,336	25,844,471
With donor restrictions	<u>506,582</u>	<u>187,653</u>
Total net assets	25,780,918	26,032,124
<b>Total liabilities and net assets</b>	<u><u>\$ 26,981,688</u></u>	<u><u>\$ 27,508,451</u></u>

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

**MISSION ROAD DEVELOPMENTAL CENTER**

**STATEMENT OF ACTIVITIES**

**Year Ended June 30, 2025**

(With Comparative Totals For Year Ended June 30, 2024)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<b>Total</b>	
			<u>2025</u>	<u>2024</u>
<b>Support and revenue:</b>				
Special events:				
Gross revenue	\$ 289,673	\$ -	\$ 289,673	\$ 248,360
Less direct expenses	<u>(45,119)</u>	<u>-</u>	<u>(45,119)</u>	<u>(27,949)</u>
Net special events support	244,554	-	244,554	220,411
Contributions	288,979	1,518,877	1,807,856	1,932,959
United Way allocation	347,845	-	347,845	347,845
Contributions from related agencies	220,757	100,000	320,757	4,342
Allocations from MRM Shindig	787,812	169,190	957,002	885,292
Governmental support:				
Program service fees and tuition	10,996,525	-	10,996,525	12,842,042
Private program services fees and tuition	3,024,541	-	3,024,541	2,962,202
Investment income, net of fees	392,606	-	392,606	272,830
Realized gains (losses) on investments, net	64,174	-	64,174	(125,017)
Gains on disposal of property and equipment	21,638	-	21,638	38,069
Miscellaneous	<u>30,316</u>	<u>-</u>	<u>30,316</u>	<u>33,553</u>
	<u>16,419,747</u>	<u>1,788,067</u>	<u>18,207,814</u>	<u>19,414,528</u>
Net assets released from restrictions	<u>1,469,138</u>	<u>(1,469,138)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>17,888,885</u>	<u>318,929</u>	<u>18,207,814</u>	<u>19,414,528</u>
<b>Expenses:</b>				
Program services:				
Habilitation and care	17,745,070	-	17,745,070	17,478,567
Supporting services:				
Administrative and general	1,241,033	-	1,241,033	1,331,665
Fundraising	<u>278,541</u>	<u>-</u>	<u>278,541</u>	<u>238,870</u>
Total expenses	<u>19,264,644</u>	<u>-</u>	<u>19,264,644</u>	<u>19,049,102</u>
Change in net assets before unrealized gains	(1,375,759)	318,929	(1,056,830)	365,426
Unrealized gains on investments	<u>805,624</u>	<u>-</u>	<u>805,624</u>	<u>1,006,882</u>
Change in net assets	(570,135)	318,929	(251,206)	1,372,308
<b>Net assets at beginning of year</b>	<u>25,844,471</u>	<u>187,653</u>	<u>26,032,124</u>	<u>24,659,816</u>
<b>Net assets at end of year</b>	<u>\$ 25,274,336</u>	<u>\$ 506,582</u>	<u>\$ 25,780,918</u>	<u>\$ 26,032,124</u>

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

**MISSION ROAD DEVELOPMENTAL CENTER**

**STATEMENT OF FUNCTIONAL EXPENSES**

**Year Ended June 30, 2025**

(With Comparative Totals For Year Ended June 30, 2024)

	<b>Program Services</b>	<b>Supporting Services</b>		<b>Total</b>	
	<u>Habilitation and Care</u>	<u>Administrative and General</u>	<u>Fundraising</u>	<u>2025</u>	<u>2024</u>
Salaries	\$ 9,310,515	\$ 877,347	\$ 153,190	\$ 10,341,052	\$ 9,975,670
Payroll taxes and employee benefits	1,525,407	169,041	22,572	1,717,020	1,731,700
Total salary and related expenses	<u>10,835,922</u>	<u>1,046,388</u>	<u>175,762</u>	<u>12,058,072</u>	<u>11,707,370</u>
Professional service fees	192,412	34,650	161	227,223	191,092
Program service fees	2,766,551	-	-	2,766,551	2,798,651
IT support services	260,260	44,670	13,849	318,779	317,819
Training - client	187,784	-	-	187,784	303,690
Supplies	724,056	14,346	2,459	740,861	864,226
Telephone	96,716	3,522	979	101,217	101,450
Occupancy	841,115	13,054	-	854,169	871,052
Corporate insurance	321,126	61,070	-	382,196	336,290
Transportation	166,882	794	857	168,533	184,978
Reimbursable program expenses	193,691	-	-	193,691	206,244
Specific assistance to individuals	40,153	-	-	40,153	53,947
Membership dues	125,152	2,842	7,811	135,805	36,363
Miscellaneous	79,535	19,697	5,362	104,594	100,847
Bad debt	39,908	-	-	39,908	4,775
Special events - indirect expenses	-	-	71,301	71,301	43,483
Total expenses before depreciation	<u>16,871,263</u>	<u>1,241,033</u>	<u>278,541</u>	<u>18,390,837</u>	<u>18,122,277</u>
Depreciation	<u>873,807</u>	<u>-</u>	<u>-</u>	<u>873,807</u>	<u>926,825</u>
Total expenses	<u>\$ 17,745,070</u>	<u>\$ 1,241,033</u>	<u>\$ 278,541</u>	<u>\$ 19,264,644</u>	<u>\$ 19,049,102</u>

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

**MISSION ROAD DEVELOPMENTAL CENTER**

**STATEMENT OF CASH FLOWS**

**Years Ended June 30, 2025 and 2024**

	<u>2025</u>	<u>2024</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (251,206)	\$ 1,372,308
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	873,807	926,825
Bad debt expense	39,908	4,775
Gain on disposal of property and equipment	(21,638)	(38,069)
Contributions restricted for purchase of property and equipment	(560,000)	(65,100)
Realized and unrealized (gains) and losses, net	(869,798)	(881,865)
Change in:		
Program tuition and expense reimbursements receivable	607,508	(94,904)
Affiliate receivables	(49,986)	4,905
Other receivables	9	(20,455)
Prepaid expenses	19,865	(49,181)
Trade accounts payable	(134,593)	45,082
Affiliate accounts payable	(69,264)	114,652
Accrued retirement plan contribution	1,719	-
Accrued salary expenses	26,607	22,811
Deferred compensation	29,368	6,260
Client trust funds	(81,302)	(40,890)
Deferred revenues	(48,092)	86,450
Net cash provided (used) by operating activities	<u>(487,088)</u>	<u>1,393,604</u>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(768,526)	(299,590)
Proceeds from sales of property and equipment	22,000	181,323
Proceeds from sales and maturities of investments	5,664,467	4,454,987
Purchases of investments	(5,384,021)	(5,668,286)
Net cash used by investing activities	<u>(466,080)</u>	<u>(1,331,566)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from contributions restricted for purchase of property and equipment	560,000	65,100
Net cash provided by financing activities	<u>560,000</u>	<u>65,100</u>
Net increase (decrease) in cash, cash equivalents, and restricted cash	(393,168)	127,138
<b>Cash, cash equivalents, and restricted cash at beginning of year</b>	<u>1,866,292</u>	<u>1,739,154</u>
<b>Cash, cash equivalents, and restricted cash at end of year</b>	<u>\$ 1,473,124</u>	<u>\$ 1,866,292</u>
<b>Schedule of supplemental cash flow information:</b>		
Reconciliation of cash, cash equivalents, and restricted cash to statement of financial position:		
Cash and cash equivalents	\$ 1,318,894	\$ 1,630,760
Restricted cash - client trust funds	154,230	235,532
Total cash, cash equivalents, and restricted cash	<u>\$ 1,473,124</u>	<u>\$ 1,866,292</u>

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

## MISSION ROAD DEVELOPMENTAL CENTER

### NOTES TO FINANCIAL STATEMENTS

#### 1 NATURE OF ORGANIZATION

Founded in 1947 in San Antonio, Texas, Mission Road Developmental Center (MRDC) provides a continuum of care for children and adults with intellectual and other developmental disabilities (IDD) in residential, nonresidential, and life skills/vocational settings. Services are provided in the person's residence (in-home services), at the MRDC Adult Individual Skills and Socialization (ISS) facilities, at the Unicorn Campus on Hamilton-Wolfe Road, and in residential programs consisting of six (6) campus cottages located on its 20-acre campus and eighteen (18) community group homes throughout San Antonio. MRDC provides quality care and training where persons are given the opportunity to achieve their individual potential for independence, productivity, and integration into the community.

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

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

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

#### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Basis of Accounting

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

##### Basis of Presentation

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

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

(Continued)

## MISSION ROAD DEVELOPMENTAL CENTER

### NOTES TO FINANCIAL STATEMENTS

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

##### **Comparative Financial Information**

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with MRDC's financial statements for the year ended June 30, 2024, 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 and expense reimbursements from various individuals, organizations, and governmental agencies for program services provided by MRDC. Accounts receivable are presented net of an allowance for credit losses, which is an estimate of amounts that may not be collectible. MRDC separates accounts receivable into risk pools based on their aging and type. In determining the amount of the allowance as of the balance sheet date, MRDC develops a loss rate for each risk pool. This loss rate is based on management's historical collection experience, adjusted for management's expectations about current and future economic conditions. Uncollectible balances are charged to the allowance once MRDC has concluded efforts to collect the receivable.

##### **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)

**MISSION ROAD DEVELOPMENTAL CENTER**

**NOTES TO 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 - 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 grants and 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)

## MISSION ROAD DEVELOPMENTAL CENTER

### NOTES TO 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.

##### 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 326 (Financial Instruments – Credit Losses)*

Effective July 1, 2023, MRDC adopted FASB ASC 326, *Financial Instruments – Credit Losses*. This standard replaces the incurred loss method of measuring financial assets with an expected loss method, which is referred to as the current expected credit loss (CECL) model. CECL requires an estimate of credit losses over the life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts. For MRDC, the standard applies to the measurement of its accounts receivable for program tuition and expense reimbursements. Accounts receivable are now presented by using an allowance for credit losses to reduce the receivables balance to the net amount expected to be collected over the lives of the receivables. MRDC adopted the new standard using the modified retrospective approach for accounts receivable, in which the impact of applying the CECL method to prior periods is recorded as an adjustment to net assets in the current year. However, no transition measurement was recorded this year, as application of the CECL method did not result in a material change to the measurement of accounts receivable.

##### Subsequent Events

MRDC has evaluated subsequent events through November 13, 2025, 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, 2025, MRDC's cash and cash equivalents exceeded federally insured limits by \$1,429,418.

**MISSION ROAD DEVELOPMENTAL CENTER**

**NOTES TO FINANCIAL STATEMENTS**

**4 INVESTMENTS**

Investments consisted of the following at June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Cash and money market funds	\$ 1,246,147	\$ 1,395,489
Equities	3,001,992	2,715,375
Mutual funds:		
Bond funds	3,101,195	2,314,028
International bond funds	681,744	507,787
Bond/equity blended funds	17,479	10,213
Large equity blend funds	611,370	745,253
Foreign large equity blend funds	344,212	384,230
Large equity value funds	597,433	719,791
Foreign large equity value funds	338,444	382,435
Large equity growth funds	616,391	748,520
Foreign large equity growth funds	337,450	381,014
Mid-cap equity funds	474,610	643,562
Small-cap equity blend funds	117,651	198,797
World allocation funds	298,185	218,450
Emerging market funds	337,923	336,085
Long-short equity funds	340,517	89,098
Relative value arbitrage funds	272,691	259,726
Options trading funds	69,627	213,743
Macro trading funds	126,754	46,658
Real estate funds	7,592	39,801
	<u>12,939,407</u>	<u>\$ 12,350,055</u>

Investment return is summarized as follows:

	<u>2025</u>	<u>2024</u>
Interest and dividend income	442,796	\$ 313,743
Investment management fees	(50,190)	(40,913)
Investment income, net of fees	<u>392,606</u>	<u>272,830</u>
Realized gains and losses	64,174	(125,017)
Unrealized gains and losses	805,624	1,006,882
Total investment return	<u>1,262,404</u>	<u>\$ 1,154,695</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, 2025 and 2024, 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 This policy was adopted on May 16, 2018. In light of financial pressures brought on by the closure of the Residential Child Care program, this policy was utilized for the third time since its inception and funds totaling \$503,024 were pulled from MRDC's investment accounts to fund operations during the year ended June 30, 2025.

**MISSION ROAD DEVELOPMENTAL CENTER**

**NOTES TO FINANCIAL STATEMENTS**

**5 TUITION AND EXPENSE REIMBURSEMENTS RECEIVABLE**

Receivables result primarily from government agencies, individual families, and organizations other than affiliates who utilize services provided by MRDC. Tuition and expense reimbursement receivables consisted of the following at June 30:

	<u>2025</u>	<u>2024</u>
Program tuition and expense reimbursements:		
Due from government agencies	\$ 700,158	\$ 1,276,054
Due from private payors	220,063	299,502
Program tuition and expense reimbursements receivable, gross	920,221	1,575,556
Less allowance for credit losses	(111,953)	(119,872)
Program tuition and expense reimbursements receivable, net	\$ 808,268	\$ 1,455,684

Changes in the allowance for credit losses for the years ended June 30, 2025 and 2024 were as follows:

	<u>2025</u>	<u>2024</u>
Balance, beginning of year	\$ 119,872	\$ 173,895
Provisions for credit losses	39,908	4,775
Write-offs of uncollectible accounts, net of recoveries	(47,827)	(58,798)
Balance, end of year	\$ 111,953	\$ 119,872

**6 PROPERTY AND EQUIPMENT**

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

	<u>2025</u>	<u>2024</u>
Land	\$ 544,651	\$ 544,651
Buildings and improvements	20,877,351	20,532,683
Equipment	1,825,346	1,668,812
Furniture	65,788	51,837
Vehicles	1,508,151	1,425,624
Construction in progress	33,308	151,797
Property and equipment, gross	24,854,595	24,375,404
Accumulated depreciation	(13,257,708)	(12,672,874)
Property and equipment, net	\$ 11,596,887	\$ 11,702,530

**7 CLIENT TRUST FUNDS**

MRDC administers cash trust accounts for its clients. These funds totaled \$154,230 and \$235,532 at June 30, 2025 and 2024, respectively. A corresponding liability is recorded in current liabilities in the statement of financial position.

**MISSION ROAD DEVELOPMENTAL CENTER**

**NOTES TO FINANCIAL STATEMENTS**

**8 CONDITIONAL GRANTS**

During the year ended June 30, 2024, MRDC received a conditional grant with a total grant award of \$1,585,111 to be paid out over three years. Since this grant is a promise to give that is conditioned on future uncertain events, grant award amounts are not recorded as contribution revenue until the conditions are met. Funds received in advance of the conditions being met are recorded as refundable advances, and will subsequently be recognized as contribution revenue when donor conditions are met.

A breakdown of the grant awards that are paid and unpaid at year end is as follows:

	<u>2025</u>
Grant payments recorded as revenue	\$ 897,880
Grant payments not yet recorded as revenue	48,358
Total payments received through June 30, 2025	946,238
Remaining balance of conditional grant award	638,873
Total conditional grant award	\$ 1,585,111

Payments under this grant are expected to be received in the following years:

2026	\$ 425,531	
2027	213,342	
	\$ 638,873	

**9 DEFERRED REVENUE**

The change in MRDC's deferred revenue for the years ended June 30, 2025 and 2024 is comprised of the following:

	<u>2025</u>	<u>2024</u>
Deferred revenue at beginning of year	\$ 96,450	\$ 10,000
Additions:		
Grant proceeds received but not yet earned	579,213	86,450
Sponsorships, table sales, ticket sales for special event in upcoming year	-	10,000
Reductions:		
Grant proceeds earned	(617,305)	-
Special event revenue earned	(10,000)	(10,000)
Deferred revenue at end of year	\$ 48,358	\$ 96,450

**10 SUPPORT AND REVENUE**

*Support and Revenue Concentrations*

MRDC received \$10,996,525, and \$12,842,042 of revenue from governmental agencies for the years ended June 30, 2025 and 2024, respectively. This equates to 60.4% and 66.1%, respectively, of total support and revenue for those years.

**MISSION ROAD DEVELOPMENTAL CENTER**

**NOTES TO FINANCIAL STATEMENTS**

**11 SPECIAL EVENTS**

MRDC holds a special event, the Supported Employment Luncheon, to recognize clients and their community employers. 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 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Special events gross revenue	\$ 289,673	\$ 248,360
Special events direct expenses	(45,119)	(27,949)
Special events indirect expenses (included in fundraising expenses)	(19,084)	(21,615)
Special events revenues and expenses, net	\$ 225,470	\$ 198,796

**12 NET ASSETS WITH DONOR RESTRICTIONS**

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

	<u>2025</u>	<u>2024</u>
Subject to expenditures for specified purpose or time periods:		
Fixed asset additions and improvements	\$ 210,237	\$ 54,484
Future program expenses	207,951	44,775
Total net assets subject to expenditures for specified purpose or time periods	418,188	99,259
Subject to restrictions that are perpetual in nature:		
Mockingbird property	88,394	88,394
Total net assets with donor restrictions	\$ 506,582	\$ 187,653

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>2025</u>	<u>2024</u>
Satisfaction of purpose or time restrictions:		
Camps and SOAR	\$ 164,787	\$ 251,765
Property and equipment purchases	716,627	255,930
Other program services	587,724	429,237
Total net assets released from restriction	\$ 1,469,138	\$ 936,932

**13 LEASES**

MRDC had one noncancellable operating lease that expired in February 2024, and several month-to-month operating leases for office equipment and storage space. Rental expenses under these leases consisted of \$1,834 and \$3,244 for the years ended June 30, 2025 and 2024, respectively.

**14 AFFILIATE ORGANIZATIONS AND RELATED PARTY INFORMATION**

Founded in 2000, MRM provides centralized administrative support, fundraising activities, 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 holds one special event, the Grand Western Shindig ("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. Net event proceeds of \$957,002 and \$885,292 were distributed to MRDC in 2025 and 2024, respectively. In addition, MRM made payments to MRDC for services rendered in the amounts of \$21,375 and \$19,500 in 2025 and 2024, respectively, and made additional contributions to MRDC under its Compelling Need Spending Policy of \$220,757 and \$-0- in 2025 and 2024, respectively. The Bledsoe Foundation made contributions to MRDC of \$100,000 and \$4,342 in 2025 and 2024, respectively.

(Continued)

**MISSION ROAD DEVELOPMENTAL CENTER**

**NOTES TO FINANCIAL STATEMENTS**

**14 AFFILIATE ORGANIZATIONS AND RELATED PARTY INFORMATION** (Continued)

MRDC paid MRM \$1,500,490 and \$1,548,920 in management fees during 2025 and 2024, respectively. MRDC paid MRM \$4,450 and \$6,919 in 2025 and 2024, respectively, for cost to hire employees. At June 30, 2025 and 2024, MRDC's accounts receivable included \$49,986 and \$-0-, respectively, due from MRM.

At June 30, 2025 and 2024, MRDC's liabilities included \$-0- and \$114,652, respectively, due to MRM, and \$45,388 and \$-0-, respectively, in advance payments made by the Apartments towards expenses in the upcoming year.

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 contribution expense for the years ended June 30, 2025 and 2024 was \$182,915 and \$195,784, respectively, which includes administrative expenses and fees of \$27,936 and \$40,805, respectively.

*Deferred Compensation Plan*

MRDC subscribes to MRM's 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 \$15,841 and \$723 for the years ended June 30, 2025 and 2024, 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.

	<u>2025</u>
Cash and cash equivalents	\$ 1,318,894
Restricted cash - client trust funds	154,230
Accounts receivable	880,223
Investments	<u>12,939,407</u>
Financial assets at year end	15,292,754
Less those unavailable for general expenditure within one year, due to:	
Cash with restrictions on use	(154,230)
Donor-restricted to expenditure for specific purpose or time period	<u>(418,188)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u><u>\$ 14,720,336</u></u>

(Continued)

## MISSION ROAD DEVELOPMENTAL CENTER

### NOTES TO FINANCIAL STATEMENTS

#### 16 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (Continued)

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, 2025, MRDC had financial assets available to meet cash needs for general expenditure within one year that were equivalent to roughly 279 days of average operating expenses.

#### 17 CHANGES TO PROGRAMS

In 1947, Mission Road Developmental Center was founded to serve children with intellectual and developmental disabilities (IDD) and in 1954, was licensed as a non-profit by the State of Texas. At its peak, the program provided full-time residential housing and support for eighty children on the MRDC campus and in the community, with dedicated support facilities including a medical clinic, commercial kitchen, cafeteria, laundry services, and recreational facilities.

In 1999, the United States Supreme Court ruled in *Olmstead v L.C.* that, under the Americans with Disabilities Act, individuals with disabilities, including IDD, should be placed in the least restrictive setting. In response, Texas Health and Human Services shifted its focus to placing children with IDD into community-based foster homes. This change resulted in a consistent decline in the MRDC program's census. In December 2024, enrollment in the Residential Child Care program was down to nineteen children. That same month, the Mission Road Ministries Board of Directors elected to voluntarily suspend the license, in good standing, and terminate the contract for the 24-Hour Residential Child Care (RCC) program with the Texas Department of Family and Protective Services.

Management is implementing plans to redirect resources to adults with IDD and are exploring new opportunities to serve children with IDD.

#### 18 SUBSEQUENT EVENTS

##### *United Way Funding*

MRM's existing five-year partnership agreement with United Way ended on June 30, 2025. MRM has successfully applied for and been awarded a new five-year agreement, with a scheduled award of \$300,000 annually, to begin on July 1, 2025. Revenues from these agreements will be recognized when received, as the funding for each year of these agreements is subject to various conditions.