

**MISSION ROAD MINISTRIES
AND AFFILIATES**

**COMBINED FINANCIAL STATEMENTS WITH
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2025

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

Year Ended June 30, 2025

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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, 2025 and 2024, the related combined statements of activities and functional expenses for the year ended June 30, 2025, the related combined statements of cash flows for the years ended June 30, 2025 and 2024, 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, 2025 and 2024, their changes in net assets for the year ended June 30, 2025, and their cash flows for the years ended June 30, 2025 and 2024, 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 \$1,662,466 and \$1,659,095 as of June 30, 2025 and 2024, respectively, and total revenues of \$630,258 and \$594,061, 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' 2024 combined financial statements, and we expressed an unmodified audit opinion on those audited combined 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 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 Brouse, P. C.

San Antonio, Texas
November 13, 2025

MISSION ROAD MINISTRIES AND AFFILIATES
COMBINED STATEMENT OF FINANCIAL POSITION

June 30, 2025 and 2024

ASSETS	<u>2025</u>	<u>2024</u>
Current assets:		
Cash and cash equivalents	\$ 1,869,327	\$ 2,007,142
Restricted cash - client trust funds	167,936	249,131
Accounts receivable:		
Program fees, tuition, and expense reimbursements, net of allowance for credit losses of \$111,953 and \$119,872, respectively	813,279	1,458,588
Other	38,408	35,006
Prepaid expenses and other assets	114,659	162,190
Total current assets	<u>3,003,609</u>	<u>3,912,057</u>
Investments:		
Investments, general	17,672,128	16,815,721
Investments, endowment	1,152,332	1,031,739
Total investments	<u>18,824,460</u>	<u>17,847,460</u>
Property and equipment, net	12,952,958	13,102,881
Other assets:		
Restricted cash - HUD apartments	<u>202,241</u>	<u>162,054</u>
Total assets	<u><u>\$ 34,983,268</u></u>	<u><u>\$ 35,024,452</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable - trade	\$ 379,525	\$ 489,093
Accrued retirement plan contribution	88,500	88,500
Accrued salary and related expenses	549,892	520,138
Client trust funds	167,936	249,131
Deferred revenue	48,652	102,965
Current portion of long-term debt	38,398	38,333
Other current liabilities	75,890	45,903
Total current liabilities	<u>1,348,793</u>	<u>1,534,063</u>
Long-term debt, net of current portion	<u>868,200</u>	<u>906,608</u>
Total liabilities	<u>2,216,993</u>	<u>2,440,671</u>
Net assets:		
Without donor restrictions:		
Operations	17,168,804	17,356,573
Property and equipment	11,957,966	12,069,546
Total net assets without donor restrictions	<u>29,126,770</u>	<u>29,426,119</u>
With donor restrictions	3,639,505	3,157,662
Total net assets	<u>32,766,275</u>	<u>32,583,781</u>
Total liabilities and net assets	<u><u>\$ 34,983,268</u></u>	<u><u>\$ 35,024,452</u></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, 2025

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

	Without Donor Restrictions	With Donor Restrictions	Total	
			<u>2025</u>	<u>2024</u>
Support and revenue:				
Special events:				
Gross revenue	\$ 1,262,045	\$ 169,190	\$ 1,431,235	\$ 1,282,635
Less direct expenses	(170,805)	-	(170,805)	(153,514)
Net special events support	<u>1,091,240</u>	<u>169,190</u>	<u>1,260,430</u>	<u>1,129,121</u>
Contributions	426,350	1,603,962	2,030,312	2,134,499
United Way allocation	347,845	-	347,845	347,845
Governmental support:				
Program service fees and tuition	10,996,525	-	10,996,525	12,842,042
Private program service fees and tuition	3,003,166	-	3,003,166	2,942,702
Rental revenue, net of vacancies of \$19,416 for 2025 and \$41,795 for 2024	626,340	-	626,340	589,468
Interest and dividends, net of fees	539,109	60,614	599,723	399,596
Realized gains (losses) on investments, net	87,028	(6,880)	80,148	(147,190)
Gains on disposal of property and equipment	21,638	-	21,638	38,069
Miscellaneous	34,234	-	34,234	37,346
	<u>17,173,475</u>	<u>1,826,886</u>	<u>19,000,361</u>	<u>20,313,498</u>
Net assets released from restrictions	<u>1,473,265</u>	<u>(1,473,265)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>18,646,740</u>	<u>353,621</u>	<u>19,000,361</u>	<u>20,313,498</u>
Expenses:				
Program services:				
Habilitation and care	18,248,551	-	18,248,551	17,958,527
Supporting services:				
Administrative and general	1,386,637	-	1,386,637	1,407,640
Fundraising	390,370	-	390,370	344,086
Total expenses	<u>20,025,558</u>	<u>-</u>	<u>20,025,558</u>	<u>19,710,253</u>
Change in net assets before unrealized gains	(1,378,818)	353,621	(1,025,197)	603,245
Unrealized gains on investments	<u>1,079,469</u>	<u>128,222</u>	<u>1,207,691</u>	<u>1,454,097</u>
Change in net assets	(299,349)	481,843	182,494	2,057,342
Net assets at beginning of year	<u>29,426,119</u>	<u>3,157,662</u>	<u>32,583,781</u>	<u>30,526,439</u>
Net assets at end of year	<u>\$ 29,126,770</u>	<u>\$ 3,639,505</u>	<u>\$ 32,766,275</u>	<u>\$ 32,583,781</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, 2025

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

	Program Services	Supporting Services		Total	
	<u>Habilitation and Care</u>	<u>Administrative and General</u>	<u>Fundraising</u>	<u>2025</u>	<u>2024</u>
Salaries	\$ 9,449,352	\$ 924,114	\$ 231,117	\$ 10,604,583	\$ 10,168,426
Payroll taxes and employee benefits	1,569,497	180,727	34,054	1,784,278	1,780,536
Total salary and related expenses	<u>11,018,849</u>	<u>1,104,841</u>	<u>265,171</u>	<u>12,388,861</u>	<u>11,948,962</u>
Professional service fees	187,962	112,623	242	300,827	256,714
Program service fees	2,766,551	-	-	2,766,551	2,798,651
IT support services	260,260	44,626	20,894	325,780	321,978
Training - client	187,784	-	-	187,784	303,690
Supplies	733,520	15,069	3,709	752,298	882,105
Telephone	96,716	3,586	1,477	101,779	101,706
Occupancy	961,371	14,713	-	976,084	1,028,026
Corporate insurance	363,235	68,537	-	431,772	376,741
Transportation	166,882	602	1,293	168,777	185,029
Reimbursable program expenses	193,691	-	-	193,691	206,244
Specific assistance to individuals	40,153	-	-	40,153	53,947
Membership dues	125,152	136	11,784	137,072	36,745
Miscellaneous	126,885	21,904	8,090	156,879	124,007
Bad debt	42,043	-	-	42,043	5,145
Special events - indirect expense	-	-	77,710	77,710	45,034
Interest expense	5,205	-	-	5,205	8,607
Total expenses before depreciation	<u>17,276,259</u>	<u>1,386,637</u>	<u>390,370</u>	<u>19,053,266</u>	<u>18,683,331</u>
Depreciation	<u>972,292</u>	<u>-</u>	<u>-</u>	<u>972,292</u>	<u>1,026,922</u>
Total expenses	<u>\$ 18,248,551</u>	<u>\$ 1,386,637</u>	<u>\$ 390,370</u>	<u>\$ 20,025,558</u>	<u>\$ 19,710,253</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, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Change in net assets	\$ 182,494	\$ 2,057,342
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	972,292	1,026,922
Bad debt expense	42,043	5,145
Gains 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	(1,287,839)	(1,306,907)
Change in:		
Accounts receivable	599,864	(130,048)
Prepaid expenses and other assets	47,531	(73,684)
Accounts payable	(109,568)	39,262
Accrued salary expenses	29,754	14,542
Client trust funds	(81,195)	(40,205)
Deferred revenues	(54,313)	66,803
Other current liabilities	29,987	414
Net cash provided (used) by operating activities	<u>(210,588)</u>	<u>1,556,417</u>
Cash flows from investing activities:		
Purchases of property and equipment	(822,731)	(326,309)
Proceeds from sales of property and equipment	22,000	181,323
Proceeds from sales and maturities of investments	6,887,840	4,891,400
Purchases of investments	<u>(6,577,001)</u>	<u>(6,262,368)</u>
Net cash used by investing activities	<u>(489,892)</u>	<u>(1,515,954)</u>
Cash flows from financing activities:		
Proceeds from contributions restricted for purchase of property and equipment	560,000	65,100
Principal payments on long-term debt	<u>(38,343)</u>	<u>(34,968)</u>
Net cash provided by financing activities	<u>521,657</u>	<u>30,132</u>
Net increase (decrease) in cash, cash equivalents, and restricted cash	(178,823)	70,595
Cash, cash equivalents, and restricted cash at beginning of year	<u>2,418,327</u>	<u>2,347,732</u>
Cash, cash equivalents, and restricted cash at end of year	<u>\$ 2,239,504</u>	<u>\$ 2,418,327</u>
Schedule of supplemental cash flow information:		
Reconciliation of cash, cash equivalents, and restricted cash to statement of financial position:		
Cash and cash equivalents	\$ 1,869,327	\$ 2,007,142
Restricted cash - client trust funds	167,936	249,131
Restricted cash - HUD apartments	202,241	162,054
Total cash, cash equivalents, and restricted cash	<u>\$ 2,239,504</u>	<u>\$ 2,418,327</u>
Interest paid	<u>\$ 5,205</u>	<u>\$ 8,607</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 Adult Individual Skills and Socialization (ISS) facilities, at the Unicorn Centers 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.

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, 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, 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 and expense reimbursements from various individuals, organizations, and governmental agencies for program services provided by the Organization. Accounts receivable are presented net of an allowance for credit losses, which is an estimate of amounts that may not be collectible. The Organization 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, the Organization 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 the Organization 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

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 and fixtures	5 - 15
Vehicles	3 - 7

Revenue and Revenue Recognition

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

Revenue with and without Donor Restrictions

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

Income Tax Status

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 326 (Financial Instruments – Credit Losses)

Effective July 1, 2023, the Organization 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 the Organization, 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. The Organization 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

The Organization has evaluated subsequent events through November 13, 2025, the date which the financial statements were available for issue.

MISSION ROAD MINISTRIES AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS

3 CONCENTRATION OF CREDIT RISK

The Organization maintains its cash and cash equivalent balances in one financial institution. At June 30, 2025, the Organization's cash and cash equivalents exceeded federally insured limits by \$1,693,596 in one financial institution.

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>2025</u>	<u>2024</u>
Program fees, tuition, and expense reimbursements:		
Due from government agencies	\$ 700,158	\$ 1,312,796
Due from private payors	225,074	265,664
Program fees, tuition, and expense reimbursements receivable, gross	<u>925,232</u>	<u>1,578,460</u>
Less allowance for credit losses	<u>(111,953)</u>	<u>(119,872)</u>
Program fees, tuition, and expense reimbursements receivable, net	<u>\$ 813,279</u>	<u>\$ 1,458,588</u>

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	<u>(47,827)</u>	<u>(58,798)</u>
Balance, end of year	<u>\$ 111,953</u>	<u>\$ 119,872</u>

MISSION ROAD MINISTRIES AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS

5 INVESTMENTS

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

	<u>2025</u>	<u>2024</u>
Cash and money market funds	\$ 1,508,396	\$ 1,639,564
Equities	3,001,992	2,715,375
Mutual funds:		
Bond funds	4,670,177	3,716,509
International bond funds	1,027,312	820,370
Bond/equity blended funds	17,479	10,213
Large equity blend funds	1,111,245	1,235,905
Foreign large equity blend funds	626,619	653,177
Large equity value funds	1,086,438	1,201,501
Foreign large equity value funds	624,994	657,056
Large equity growth funds	1,124,532	1,248,524
Foreign large equity growth funds	621,789	655,522
Mid-cap equity funds	870,508	1,002,831
Small-cap equity blend funds	215,779	291,119
World allocation funds	451,030	348,174
Emerging market funds	620,501	609,742
Long-short equity funds	407,244	143,031
Relative value arbitrage funds	452,561	416,944
Options trading funds	205,987	343,129
Macro trading funds	163,513	74,901
Real estate funds	16,364	63,873
	<u>\$ 18,824,460</u>	<u>\$ 17,847,460</u>

Investment return is summarized as follows:

	<u>2025</u>	<u>2024</u>
Interest and dividend income	\$ 669,333	\$ 457,908
Investment management fees	(69,610)	(58,312)
Investment income, net of fees	599,723	399,596
Realized gains and losses	80,148	(147,190)
Unrealized gains and losses	1,207,691	1,454,097
Total investment return	<u>\$ 1,887,562</u>	<u>\$ 1,706,503</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, the Organization's investments were reported at fair value using a Level 1 measure.

(Continued)

MISSION ROAD MINISTRIES AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

5 INVESTMENTS (Continued)

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”. 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 \$723,781 were pulled from the Organization’s investment accounts to fund operations during the year ended June 30, 2025.

6 PROPERTY AND EQUIPMENT

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

	<u>2025</u>	<u>2024</u>
Land and land improvements	\$ 721,286	\$ 721,286
Buildings and improvements	23,757,032	23,418,698
Equipment	1,994,550	1,823,227
Furniture and fixtures	129,265	110,364
Vehicles	1,619,801	1,525,702
Construction in progress	33,308	151,797
Property and equipment, gross	<u>28,255,242</u>	<u>27,751,074</u>
Accumulated depreciation	<u>(15,302,284)</u>	<u>(14,648,193)</u>
Property and equipment, net	<u>\$ 12,952,958</u>	<u>\$ 13,102,881</u>

7 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 \$197,871 and \$159,014 at June 30, 2025 and 2024, 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 \$4,370 and \$3,040 at June 30, 2025 and 2024, 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 \$202,241 and \$162,054 at June 30, 2025 and 2024, respectively.

8 CLIENT TRUST FUNDS

MRDC and the Apartments administer cash trust accounts for their clients. These funds totaled \$167,936 and \$249,131 at June 30, 2025 and 2024, 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

9 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	<u>946,238</u>
Remaining balance of conditional grant award	638,873
Total conditional grant award	<u><u>\$ 1,585,111</u></u>

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

2026	\$ 425,531
2027	213,342
	<u><u>\$ 638,873</u></u>

10 DEFERRED REVENUE

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

	<u>2025</u>	<u>2024</u>
Balance at beginning of year	\$ 102,965	\$ 36,162
Additions:		
Grant proceeds received but not yet earned	579,213	86,450
Rent prepayments for upcoming year	294	15
Sponsorships, table sales, ticket sales for special event in upcoming year	(617,305)	16,500
Reductions:		
Rent revenue earned	(15)	(537)
Special event revenue earned	(16,500)	(35,625)
Balance at end of year	<u><u>\$ 48,652</u></u>	<u><u>\$ 102,965</u></u>

MISSION ROAD MINISTRIES AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS

11 LONG-TERM DEBT

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

	<u>2025</u>	<u>2024</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%, maturing on May 1, 2026.	\$ 38,398	\$ 76,741
200 Oblate mortgage note payable to HUD, interest at 7.875% should the mortgagor default on the note. Interest will accrue from the funding date of the note until the entire note is paid off. If there is no default on the loan by August 1, 2036, the entire note and accrued interest will be forgiven. As it is management's intention to adhere to the requirements of the note, interest has not been accrued.	868,200	868,200
	<u>906,598</u>	<u>944,941</u>
Less current portion	<u>(38,398)</u>	<u>(38,333)</u>
	<u>\$ 868,200</u>	<u>\$ 906,608</u>

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2026	\$ 38,398
2027	-
2028	-
2029	-
2030	-
Thereafter	868,200
	<u>\$ 906,598</u>

Total interest expense on long-term debt during the years ended June 30, 2025 and 2024 was \$5,205 and \$8,607, respectively.

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:		
Endowment earnings	\$ 731,955	\$ 613,512
Other property and equipment additions and improvements	210,237	54,484
Future program expenses	207,951	44,775
Meadow Brook HUD capital advance	1,399,000	1,399,000
Bledsoe Foundation net assets for benefit of MRDC	<u>579,598</u>	<u>535,877</u>
Total net assets subject to expenditures for specified purpose or time periods	3,128,741	2,647,648
Subject to restrictions that are perpetual in nature:		
Endowment to provide operating income	422,370	421,620
Mockingbird Property (included in fixed assets)	<u>88,394</u>	<u>88,394</u>
Total net assets with donor restrictions	<u>\$ 3,639,505</u>	<u>\$ 3,157,662</u>

(Continued)

MISSION ROAD MINISTRIES AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS

12 NET ASSETS WITH DONOR RESTRICTIONS (Continued)

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	591,851	434,837
Net assets released from restriction	<u>\$ 1,473,265</u>	<u>\$ 942,532</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.

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.

(Continued)

MISSION ROAD MINISTRIES AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

13 ENDOWMENT (Continued)

Endowment "Income" Appropriation (Spending Policy)

All earnings are reinvested until appropriated for expenditure by decision of the MRM Board of Directors, Finance Committee, and Investment & Endowment Committee. 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, 2025 and 2024 is as follows:

	2025		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 1,154,325	\$ 1,154,325
	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 1,035,132	\$ 1,035,132

Changes in endowment net assets for the years ended June 30, 2025 and 2024 were as follows:

	2025		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 1,035,132	\$ 1,035,132
Interest and dividends	-	42,603	42,603
Investment management fees	-	(4,236)	(4,236)
Investment income, net	-	38,367	38,367
Realized gains (losses)	-	(8,825)	(8,825)
Unrealized gains (losses)	-	88,901	88,901
Contributions	-	750	750
Endowment net assets, end of year	\$ -	\$ 1,154,325	\$ 1,154,325

(Continued)

MISSION ROAD MINISTRIES AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

13 ENDOWMENT (Continued)

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 928,879	\$ 928,879
Interest and dividends	-	27,133	27,133
Investment management fees	-	(3,783)	(3,783)
Investment income, net	-	23,350	23,350
Realized gains (losses)	-	(29,229)	(29,229)
Unrealized gains (losses)	-	109,641	109,641
Contributions	-	2,491	2,491
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 1,035,132</u>	<u>\$ 1,035,132</u>

14 SUPPORT AND REVENUE

Support and Revenue Concentrations

The Organization received \$11,307,964, and \$13,114,248 of revenue from governmental agencies, including rental assistance payments for apartment tenants of \$311,439 and \$272,206, for the years ended June 30, 2025 and 2024, respectively. Total revenue from governmental agencies equates to 59.5% and 64.6%, respectively, of total support and revenue for those years.

15 SPECIAL EVENTS

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. 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.

Revenues and expenses related to these two events for the years ended June 30, 2025 and 2024 are summarized as follows:

	2025		
	MRM Shindig	MRDC Supported Emp. Luncheon	Total
Special events gross revenue, unrestricted	\$ 972,372	\$ 289,673	\$ 1,262,045
Special events gross revenue, donor restricted	169,190	-	169,190
Special events revenue, gross	1,141,562	289,673	1,431,235
Special events direct expenses	(125,686)	(45,119)	(170,805)
Special events indirect expenses (included in fundraising expense)	(58,626)	(19,084)	(77,710)
Special events revenue and expenses, net	<u>\$ 957,250</u>	<u>\$ 225,470</u>	<u>\$ 1,182,720</u>
	2024		
	MRM Shindig	MRDC Supported Emp. Luncheon	Total
Special events gross revenue, unrestricted	\$ 853,438	\$ 248,360	\$ 1,101,798
Special events gross revenue, donor restricted	180,837	-	180,837
Special events revenue, gross	1,034,275	248,360	1,282,635
Special events direct expenses	(125,565)	(27,949)	(153,514)
Special events indirect expenses (included in fundraising expense)	(23,419)	(21,615)	(45,034)
Special events revenue and expenses, net	<u>\$ 885,291</u>	<u>\$ 198,796</u>	<u>\$ 1,084,087</u>

MISSION ROAD MINISTRIES AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS

16 LEASES

The Organization 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 \$2,737 and \$3,722, for the years ended June 30, 2025 and 2024, respectively.

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 \$1,500,490 and \$1,548,920 to its affiliates in 2025 and 2024, respectively. MRM also contributes to its affiliates in support of their missions. MRM contributed \$1,199,134 and \$904,792 to affiliates to support program activities in 2025 and 2024, respectively. The Bledsoe Foundation made contributions to MRDC of \$100,000 and \$4,342 in 2025 and 2024, 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 that 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 expense for the years ended June 30, 2025 and 2024 were \$208,906 and \$223,603, respectively, which includes administrative expenses and fees of \$31,906 and \$46,603, respectively.

Deferred Compensation Plan

MRM has a 457(b) deferred compensation plan that 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 \$15,841 and \$723 for the years ended June 30, 2025 and 2024, 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. For the years ended June 30, 2025 and 2024, management fees charged amounted to \$16,557 and \$15,895, 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 \$59,956 and \$46,326 for the years ended 2025 and 2024, 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. For the years ended June 30, 2025 and 2024, management fees charged amounted to \$10,378 and \$9,673, 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 \$56,188 and \$47,256 for the years ended 2025 and 2024, 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. For the years ended June 30, 2025 and 2024, management fees charged amounted to \$12,561 and \$12,384, 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 \$66,783 and \$55,231 for the years ended 2025 and 2024, respectively.

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	\$ 1,869,327
Restricted cash	370,177
Accounts receivable, net	851,687
Investments	18,824,460
Financial assets at year end	21,915,651
Less those unavailable for general expenditure within one year, due to:	
Cash restricted for specific uses	(370,177)
Investments with donor restrictions that are perpetual in nature	(422,370)
Donor-restricted to expenditure for specific purpose	(3,128,741)
Financial assets available to meet cash needs for general expenditure within one year	\$ 17,994,363

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, 2025, the Organization had financial assets available to meet cash needs for general expenditure within one year that were equivalent to roughly 328 days of average operating expenses.

MISSION ROAD MINISTRIES AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS

21 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.

22 SUBSEQUENT EVENTS

United Way Funding

MRM's existing five-year partnership agreement with United Way ends 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.

SUPPLEMENTARY INFORMATION

MISSION ROAD MINISTRIES AND AFFILIATES
COMBINING STATEMENT OF FINANCIAL POSITION
June 30, 2025

	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	\$ 510,685	\$ 1,318,894	\$ 17,218	\$ 15,219	\$ 7,311	\$ -	\$ -	\$ 1,869,327
Restricted cash - client trust funds	-	154,230	5,207	3,145	5,354	-	-	167,936
Accounts receivable:								
Program fees, tuition, and expense reimbursements, net of allowance for credit losses of \$111,953	-	808,268	372	4,407	232	-	-	813,279
Affiliate	-	49,986	-	-	-	-	(49,986)	-
Other	16,439	21,969	-	-	-	-	-	38,408
Prepaid expenses and other assets	22,311	92,047	14,634	14,291	16,764	-	(45,388)	114,659
Total current assets	<u>549,435</u>	<u>2,445,394</u>	<u>37,431</u>	<u>37,062</u>	<u>29,661</u>	<u>-</u>	<u>(95,374)</u>	<u>3,003,609</u>
Investments:								
Investments, general	4,153,123	12,939,407	-	-	-	579,598	-	17,672,128
Investments, endowment	1,152,332	-	-	-	-	-	-	1,152,332
Total investments	<u>5,305,455</u>	<u>12,939,407</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>579,598</u>	<u>-</u>	<u>18,824,460</u>
Property and equipment, net	-	11,596,887	444,648	185,528	725,895	-	-	12,952,958
Other assets:								
Restricted cash - HUD apartments	-	-	64,786	100,889	36,566	-	-	202,241
Total assets	<u>\$ 5,854,890</u>	<u>\$ 26,981,688</u>	<u>\$ 546,865</u>	<u>\$ 323,479</u>	<u>\$ 792,122</u>	<u>\$ 579,598</u>	<u>\$ (95,374)</u>	<u>\$ 34,983,268</u>
LIABILITIES AND NET ASSETS								
Current liabilities:								
Accounts payable:								
Trade	\$ 44,890	\$ 323,306	\$ 2,994	\$ 3,462	\$ 4,873	\$ -	\$ -	\$ 379,525
Affiliate	49,986	45,388	-	-	-	-	(95,374)	-
Accrued retirement plan contribution	9,292	79,208	-	-	-	-	-	88,500
Accrued salary and related expenses	67,565	478,041	1,541	1,305	1,440	-	-	549,892
Client trust funds	-	154,230	5,207	3,145	5,354	-	-	167,936
Deferred revenue	-	48,358	292	-	2	-	-	48,652
Current portion of long-term debt	-	-	-	38,398	-	-	-	38,398
Other current liabilities	-	72,239	1,388	1,208	1,055	-	-	75,890
Total current liabilities	<u>171,733</u>	<u>1,200,770</u>	<u>11,422</u>	<u>47,518</u>	<u>12,724</u>	<u>-</u>	<u>(95,374)</u>	<u>1,348,793</u>
Long-term debt, net of current portion	-	-	868,200	-	-	-	-	868,200
Total liabilities	<u>171,733</u>	<u>1,200,770</u>	<u>879,622</u>	<u>47,518</u>	<u>12,724</u>	<u>-</u>	<u>(95,374)</u>	<u>2,216,993</u>
Net assets:								
Without donor restrictions:								
Operations	4,528,832	13,765,843	90,795	128,831	(1,345,497)	-	-	17,168,804
Property and equipment	-	11,508,493	(423,552)	147,130	725,895	-	-	11,957,966
Total net assets without donor restrictions	4,528,832	25,274,336	(332,757)	275,961	(619,602)	-	-	29,126,770
With donor restrictions	1,154,325	506,582	-	-	1,399,000	579,598	-	3,639,505
Total net assets	<u>5,683,157</u>	<u>25,780,918</u>	<u>(332,757)</u>	<u>275,961</u>	<u>779,398</u>	<u>579,598</u>	<u>-</u>	<u>32,766,275</u>
Total liabilities and net assets	<u>\$ 5,854,890</u>	<u>\$ 26,981,688</u>	<u>\$ 546,865</u>	<u>\$ 323,479</u>	<u>\$ 792,122</u>	<u>\$ 579,598</u>	<u>\$ (95,374)</u>	<u>\$ 34,983,268</u>

MISSION ROAD MINISTRIES AND AFFILIATES

COMBINING STATEMENT OF ACTIVITIES

Year Ended June 30, 2025

	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	\$ 972,372	\$ 289,673	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,262,045
Less direct expenses	(125,686)	(45,119)	-	-	-	-	-	(170,805)
Net special events support	846,686	244,554	-	-	-	-	-	1,091,240
Contributions	137,371	288,979	-	-	-	-	-	426,350
United Way allocation	-	347,845	-	-	-	-	-	347,845
Contributions from related agencies	-	220,757	-	-	-	-	(220,757)	-
Allocations from MRM Shindig	-	787,812	-	-	-	-	(787,812)	-
Governmental support:								
Program service fees and tuition	-	10,996,525	-	-	-	-	-	10,996,525
Private program service fees and tuition	-	3,024,541	-	-	-	-	(21,375)	3,003,166
Rental revenue, net	-	-	199,032	250,812	176,496	-	-	626,340
Management fees	1,500,490	-	-	-	-	-	(1,500,490)	-
Interest and dividends, net of fees	146,503	392,606	-	-	-	-	-	539,109
Realized gains (losses) on investments, net	22,854	64,174	-	-	-	-	-	87,028
Gains on disposal of property and equipment	-	21,638	-	-	-	-	-	21,638
Miscellaneous	-	30,316	1,131	1,946	841	-	-	34,234
Related agency revenue - affiliate	4,450	-	-	-	-	-	(4,450)	-
	<u>2,658,354</u>	<u>16,419,747</u>	<u>200,163</u>	<u>252,758</u>	<u>177,337</u>	<u>-</u>	<u>(2,534,884)</u>	<u>17,173,475</u>
Net assets released from restrictions	169,190	1,469,138	-	-	-	104,127	(269,190)	1,473,265
Total support and revenue	<u>2,827,544</u>	<u>17,888,885</u>	<u>200,163</u>	<u>252,758</u>	<u>177,337</u>	<u>104,127</u>	<u>(2,804,074)</u>	<u>18,646,740</u>
Expenses:								
Program services:								
Habilitation and care	-	17,745,070	160,466	167,043	180,422	-	(4,450)	18,248,551
Affiliate expenses	1,199,134	-	-	-	-	100,000	(1,299,134)	-
Supporting services:								
Administrative and general	1,310,773	1,241,033	28,564	19,572	23,601	4,127	(1,241,033)	1,386,637
Fundraising	371,286	278,541	-	-	-	-	(259,457)	390,370
Total expenses	<u>2,881,193</u>	<u>19,264,644</u>	<u>189,030</u>	<u>186,615</u>	<u>204,023</u>	<u>104,127</u>	<u>(2,804,074)</u>	<u>20,025,558</u>
Change in net assets before unrealized gains	(53,649)	(1,375,759)	11,133	66,143	(26,686)	-	-	(1,378,818)
Unrealized gains on investments	273,845	805,624	-	-	-	-	-	1,079,469
Change in net assets	220,196	(570,135)	11,133	66,143	(26,686)	-	-	(299,349)
Net assets at beginning of year	<u>4,308,636</u>	<u>25,844,471</u>	<u>(343,890)</u>	<u>209,818</u>	<u>(592,916)</u>	<u>-</u>	<u>-</u>	<u>29,426,119</u>
Net assets at end of year	<u>\$ 4,528,832</u>	<u>\$ 25,274,336</u>	<u>\$ (332,757)</u>	<u>\$ 275,961</u>	<u>\$ (619,602)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,126,770</u>

With Donor Restrictions

Mission Road Ministries	Mission Road Developmental Center, Inc.	Meadow Brook Apartments	Clifford Craig Bledsoe Memorial Foundation	Eliminations	Subtotal	Total
\$ 169,190	\$ -	\$ -	\$ -	\$ -	\$ 169,190	\$ 1,431,235
-	-	-	-	-	-	(170,805)
169,190	-	-	-	-	169,190	1,260,430
750	1,518,877	-	84,335	-	1,603,962	2,030,312
-	-	-	-	-	-	347,845
-	100,000	-	-	(100,000)	-	-
-	169,190	-	-	(169,190)	-	-
-	-	-	-	-	-	10,996,525
-	-	-	-	-	-	3,003,166
-	-	-	-	-	-	626,340
-	-	-	-	-	-	-
38,367	-	-	22,247	-	60,614	599,723
(8,825)	-	-	1,945	-	(6,880)	80,148
-	-	-	-	-	-	21,638
-	-	-	-	-	-	34,234
-	-	-	-	-	-	-
199,482	1,788,067	-	108,527	(269,190)	1,826,886	19,000,361
(169,190)	(1,469,138)	-	(104,127)	269,190	(1,473,265)	-
30,292	318,929	-	4,400	-	353,621	19,000,361
-	-	-	-	-	-	18,248,551
-	-	-	-	-	-	-
-	-	-	-	-	-	1,386,637
-	-	-	-	-	-	390,370
-	-	-	-	-	-	20,025,558
30,292	318,929	-	4,400	-	353,621	(1,025,197)
88,901	-	-	39,321	-	128,222	1,207,691
119,193	318,929	-	43,721	-	481,843	182,494
1,035,132	187,653	1,399,000	535,877	-	3,157,662	32,583,781
\$ 1,154,325	\$ 506,582	\$ 1,399,000	\$ 579,598	\$ -	\$ 3,639,505	\$ 32,766,275