MISSION ROAD DEVELOPMENTAL CENTER

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2024

MISSION ROAD DEVELOPMENTAL CENTER

FINANCIAL STATEMENTS

Year Ended June 30, 2024

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Schuh|Browne
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Directors of
Mission Road Developmental Center
San Antonio, Texas

Opinion

We have audited the accompanying financial statements of Mission Road Developmental Center (a nonprofit organization), which comprise the statements of financial position as of June 30, 2024 and 2023, the related statements of activities and functional expenses for the year ended June 30, 2024, the related statements of cash flows for the years ended June 30, 2024 and 2023, 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, 2024 and 2023, the changes in net assets for the year ended June 30, 2024, and its cash flows for the years ended June 30, 2024 and 2023, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Mission Road Developmental Center and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Mission Road Developmental Center's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Mission Road Developmental Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Mission Road Developmental Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Mission Road Developmental Center’s 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 27, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Schulz Browne, P.C.

San Antonio, Texas
December 5, 2024

MISSION ROAD DEVELOPMENTAL CENTER

STATEMENT OF FINANCIAL POSITION

June 30, 2024 and 2023

ASSETS	2024	2023
Current assets:		
Cash and cash equivalents	$ 1,630,760	$ 1,462,732
Restricted cash - client trust funds	235,532	276,422
Accounts receivable:		
Program tuition and expense reimbursements, net of allowance for credit losses of $119,872 and $173,895, respectively	1,455,684	1,365,555
Affiliate	-	4,905
Other	21,978	1,523
Prepaid expenses and other assets	111,912	62,731
Total current assets	3,455,866	3,173,868
Investments	12,350,055	10,254,891
Property and equipment, net	11,702,530	12,473,019
Total assets	$ 27,508,451	$ 25,901,778
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable:		
Trade	$ 457,899	$ 412,817
Affiliate	114,652	-
Accrued retirement plan contribution	77,489	77,489
Accrued salary and related expenses	451,434	428,623
Deferred compensation	42,871	36,611
Client trust funds	235,532	276,422
Deferred revenue	96,450	10,000
Total current liabilities	1,476,327	1,241,962
Net assets:		
Without donor restrictions - operations	14,230,335	11,913,667
Without donor restrictions - property and equipment	11,614,136	12,384,625
Total net assets without donor restrictions	25,844,471	24,298,292
With donor restrictions	187,653	361,524
Total net assets	26,032,124	24,659,816
Total liabilities and net assets	$ 27,508,451	$ 25,901,778

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

MISSION ROAD DEVELOPMENTAL CENTER

STATEMENT OF ACTIVITIES

Year Ended June 30, 2024

(With Comparative Totals For Year Ended June 30, 2023)

	Without Donor Restrictions	With Donor Restrictions	Total 2024	Total 2023
Support and revenue:				
Special events:				
Gross revenue	$ 248,360	$ -	$ 248,360	$ 215,286
Less direct expenses	(27,949)	-	(27,949)	(34,389)
Net special events support	220,411	-	220,411	180,897
Contributions	1,350,735	582,224	1,932,959	1,082,730
United Way allocation	347,845	-	347,845	334,500
Allocations from MRM Shindig	708,797	180,837	889,634	897,482
Governmental support:				
Program service fees and tuition	12,842,042	-	12,842,042	12,555,144
CARES Act grants	-	-	-	551,191
Private program services fees and tuition	2,962,202	-	2,962,202	2,867,283
Investment income, net of fees	272,830	-	272,830	174,286
Realized losses on investments, net	(125,017)	-	(125,017)	(25,218)
Gains on disposal of property and equipment	38,069	-	38,069	76,213
Miscellaneous	33,553	-	33,553	21,301
	18,651,467	763,061	19,414,528	18,715,809
Net assets released from restrictions	936,932	(936,932)	-	-
Total support and revenue	19,588,399	(173,871)	19,414,528	18,715,809
Expenses:				
Program services:				
Habilitation and care	17,478,567	-	17,478,567	18,382,925
Supporting services:				
Administrative and general	1,331,665	-	1,331,665	1,370,704
Fundraising	238,870	-	238,870	186,148
Total expenses	19,049,102	-	19,049,102	19,939,777
Change in net assets before unrealized gains	539,297	(173,871)	365,426	(1,223,968)
Unrealized gains on investments	1,006,882	-	1,006,882	871,087
Change in net assets	1,546,179	(173,871)	1,372,308	(352,881)
Net assets at beginning of year	24,298,292	361,524	24,659,816	25,012,697
Net assets at end of year	$ 25,844,471	$ 187,653	$ 26,032,124	$ 24,659,816

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

MISSION ROAD DEVELOPMENTAL CENTER

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2024

(With Comparative Totals For Year Ended June 30, 2023)

	Program Services	Supporting Services		Total	
	Habilitation and Care	Administrative and General	Fundraising	2024	2023
Salaries	$ 8,858,197	$ 952,134	$ 165,339	$ 9,975,670	$ 10,817,470
Payroll taxes and employee benefits	1,540,185	165,337	26,178	1,731,700	1,822,218
Total salary and related expenses	10,398,382	1,117,471	191,517	11,707,370	12,639,688
Professional service fees	154,489	36,510	93	191,092	144,516
Program service fees	2,798,651	-	-	2,798,651	2,797,708
IT support services	259,148	45,926	12,745	317,819	370,523
Training - client	303,690	-	-	303,690	300,896
Supplies	818,715	13,390	1,672	833,777	813,454
Telephone	97,841	2,485	1,124	101,450	106,172
Occupancy	852,695	18,310	47	871,052	754,908
Corporate insurance	285,028	51,262	-	336,290	305,264
Transportation	184,255	244	479	184,978	161,171
Specific assistance to individuals	290,640	-	-	290,640	310,771
Membership dues	30,979	1,526	3,858	36,363	24,013
Miscellaneous	72,454	22,673	5,720	100,847	103,326
Bad debt	4,775	-	-	4,775	59,922
Special events - indirect expenses	-	21,868	21,615	43,483	50,823
Total expenses before depreciation	16,551,742	1,331,665	238,870	18,122,277	18,943,155
Depreciation	926,825	-	-	926,825	996,622
Total expenses	$ 17,478,567	$ 1,331,665	$ 238,870	$ 19,049,102	$ 19,939,777

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

MISSION ROAD DEVELOPMENTAL CENTER

STATEMENT OF CASH FLOWS

Years Ended June 30, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Change in net assets	$ 1,372,308	$ (352,881)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	926,825	996,622
Bad debt expense	4,775	59,922
Gain on disposal of property and equipment	(38,069)	(76,213)
Contributions restricted for purchase of property and equipment	(65,100)	(177,888)
Realized and unrealized (gains) and losses, net	(881,865)	(845,869)
Change in:		
Program tuition and expense reimbursements receivable	(94,904)	552,883
Affiliate receivables	4,905	5,434
Other receivables	(20,455)	(381)
Promises to give receivable	-	1,775
Prepaid expenses	(49,181)	(16,783)
Trade accounts payable	45,082	(25,423)
Affiliate accounts payable	114,652	(103,956)
Accrued retirement plan contribution	-	(376)
Accrued salary expenses	22,811	74,420
Deferred compensation	6,260	4,333
Client trust funds	(40,890)	42,993
Deferred revenues	86,450	10,000
Other current liabilities	-	(6,221)
Net cash provided by operating activities	1,393,604	142,391
Cash flows from investing activities:		
Purchases of property and equipment	(299,590)	(169,497)
Proceeds from sales of property and equipment	181,323	-
Proceeds from sales and maturities of investments	4,454,987	1,096,778
Purchases of investments	(5,668,286)	(1,038,502)
Net cash used by investing activities	(1,331,566)	(111,221)
Cash flows from financing activities:		
Proceeds from contributions restricted for purchase of property and equipment	65,100	177,888
Net cash provided by financing activities	65,100	177,888
Net increase in cash, cash equivalents, and restricted cash	127,138	209,058
Cash, cash equivalents, and restricted cash at beginning of year	1,739,154	1,530,096
Cash, cash equivalents, and restricted cash at end of year	$ 1,866,292	$ 1,739,154
Schedule of supplemental cash flow information:		
Reconciliation of cash, cash equivalents, and restricted cash to statement of financial position:		
Cash and cash equivalents	$ 1,630,760	$ 1,462,732
Restricted cash - client trust funds	235,532	276,422
Total cash, cash equivalents, and restricted cash	$ 1,866,292	$ 1,739,154

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

1 NATURE OF ORGANIZATION

Founded in 1947 in San Antonio, Texas, Mission Road Developmental Center (MRDC) provides a continuum of care for children and adults with intellectual and other developmental disabilities (IDD) in residential, nonresidential, and life skills/vocational settings. Services are provided in the person's residence (in-home services), at the MRDC 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)

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, 2023, 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)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment (Continued)

Depreciation is based on the following estimated useful lives:

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

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively. Contributions are recognized when cash, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional 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)

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 842 (Leases)

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

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

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 December 5, 2024, 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, 2024, MRDC's cash and cash equivalents exceeded federally insured limits by $1,730,517.

4 INVESTMENTS

Investments consisted of the following at June 30, 2024 and 2023:

	2024	2023
Cash and money market funds	$ 1,395,489	$ 1,361,907
Equities	2,715,375	2,395,938
Mutual funds:		
Bond funds	2,314,028	1,988,954
International bond funds	507,787	399,733
Bond/equity blended funds	10,213	7,795
Large equity blend funds	745,253	427,484
Foreign large equity blend funds	384,230	324,468
Large equity value funds	719,791	430,177
Foreign large equity value funds	382,435	329,916
Large equity growth funds	748,520	457,534
Foreign large equity growth funds	381,014	316,688
Mid-cap equity funds	643,562	592,251
Small-cap equity blend funds	198,797	180,781
World allocation funds	218,450	194,962
Emerging market funds	336,085	259,542
Long-short equity funds	89,098	65,973
Relative value arbitrage funds	259,726	249,163
Options trading funds	213,743	212,425
Macro trading funds	46,658	25,685
Real estate funds	39,801	33,515
	12,350,055	$ 10,254,891

Investment return is summarized as follows:

	2024	2023
Interest and dividend income	313,743	$ 199,902
Investment management fees	(40,913)	(25,616)
Investment income, net of fees	272,830	174,286
Realized gains and losses	(125,017)	(25,218)
Unrealized gains and losses	1,006,882	871,087
Total investment return	1,154,695	$ 1,020,155

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, 2024 and 2023, MRDC's investments were reported at fair value using a Level 1 measure.

Investment Drawdown under Compelling Need Spending Policy

MRDC's board-approved investment policy allows for the expenditure of up to 5% of investment assets, based on a rolling three-year average as of the end of the previous calendar year, when there is a "compelling necessity to allow MRM and its' affiliates to carry out its Mission without diluting the quality of care provided to its clients". In light of financial pressures brought on by the COVID-19 pandemic, this policy was implemented in fiscal year 2022 and funds totaling $-0- and $236,000 were pulled from MRDC's investment accounts to fund operations during the years ended June 30, 2024 and 2023, respectively.

5 TUITION AND EXPENSE REIMBURSEMENTS RECEIVABLE

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

	2024	2023
Program tuition and expense reimbursements:		
Due from government agencies	$ 1,312,760	$ 1,239,948
Due from private payors	262,796	299,502
Program tuition and expense reimbursements receivable, gross	1,575,556	1,539,450
Less allowance for credit losses	(119,872)	(173,895)
Program tuition and expense reimbursements receivable, net	$ 1,455,684	$ 1,365,555

Changes in the allowance for credit losses for the years ended June 30, 2024 and 2023 were as follows:

	2024	2023
Balance, beginning of year	$ 173,895	$ 198,146
Provisions for credit losses	4,775	59,922
Write-offs of uncollectible accounts, net of recoveries	(58,798)	(84,173)
Balance, end of year	$ 119,872	$ 173,895

6 PROPERTY AND EQUIPMENT

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

	2024	2023
Land	$ 544,651	$ 544,651
Buildings and improvements	20,532,683	20,586,956
Equipment	1,668,812	1,637,448
Furniture	51,837	52,600
Vehicles	1,425,624	1,425,624
Construction in progress	151,797	17,179
Property and equipment, gross	24,375,404	24,264,458
Accumulated depreciation	(12,672,874)	(11,791,439)
Property and equipment, net	$ 11,702,530	$ 12,473,019

Insurance Proceeds from Damage to Property and Equipment

In the year ended June 30, 2021, damage to a roof of a facility owned by MRDC was discovered, and an insurance claim was made. Related to this claim, during the year ended June 30, 2021, MRDC received proceeds in the amount of $247,488 and wrote off property and equipment assets with a net book value of $107,307, resulting in a net gain from involuntary conversion of property and equipment in the amount of $140,181. During the year ended June 30, 2023, MRDC received additional proceeds on this claim totaling $76,213, which have been recognized as a gain. Roof replacement costs have been capitalized and are subject to depreciation.

7 CLIENT TRUST FUNDS

MRDC administers cash trust accounts for its clients. These funds totaled $235,532 and $276,422 at June 30, 2024 and 2023, respectively. A corresponding liability is recorded in current liabilities in the statement of financial position.

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:

	2024
Grant payments recorded as revenue	$ 280,575
Grant payments not yet recorded as revenue	86,450
Total payments received as of June 30, 2024	367,025
Remaining balance of conditional grant award	1,218,086
Total conditional grant award	$ 1,585,111

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

2025	$ 579,213
2026	425,531
2027	213,342
	$ 1,218,086

9 DEFERRED REVENUE

The change in MRDC's deferred revenue for the years ended June 30, 2024 and 2023 is comprised of the following:

	2024	2023
Deferred revenue at beginning of year	$ 10,000	$ -
Additions:		
Grant proceeds received but not yet earned	86,450	
Sponsorships, table sales, ticket sales for special event in upcoming year	10,000	10,000
Reductions:		
Special event revenue earned	(10,000)	-
Deferred revenue at end of year	$ 96,450	$ 10,000

10 SUPPORT AND REVENUE

Support and Revenue Concentrations

MRDC received $12,842,042, and $13,106,335 of revenue from governmental agencies for the years ended June 30, 2024 and 2023, respectively. This equates to 66.1% and 70.0%, respectively, of total support and revenue for those years.

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 2024 and 2023:

	2024	2023
Special events gross revenue	$ 248,360	$ 215,286
Special events direct expenses	(27,949)	(34,389)
Special events indirect expenses (included in fundraising expenses)	(21,615)	(9,133)
Special events revenues and expenses, net	$ 198,796	$ 171,764

12 NET ASSETS WITH DONOR RESTRICTIONS

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

	2024	2023
Subject to expenditures for specified purpose or time periods:		
Fixed asset additions and improvements	$ 54,484	$ 93,517
Future program expenses	44,775	179,613
Total net assets subject to expenditures for specified purpose or time periods	99,259	273,130
Subject to restrictions that are perpetual in nature:		
Mockingbird property	88,394	88,394
Total net assets with donor restrictions	$ 187,653	$ 361,524

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:

	2024	2023
Satisfaction of purpose or time restrictions:		
Camps and SOAR	$ 251,765	$ 115,723
Property and equipment purchases	255,930	84,371
Other program services	429,237	250,445
Total net assets released from restriction	$ 936,932	$ 450,539

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 $3,244 and $8,867 for the years ended June 30, 2024 and 2023, 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 $885,292 and $892,847 were distributed to MRDC in 2024 and 2023, respectively. In addition, MRM made payments to MRDC for services rendered in the amounts of $19,500 and $19,500 in 2024 and 2023, respectively. The Bledsoe Foundation made contributions to MRDC of $4,342 and $4,635 in 2024 and 2023, respectively.

MRDC paid MRM $1,548,920 and $1,547,719 in management fees during 2024 and 2023, respectively. MRDC paid MRM $6,919 and $12,662 in 2024 and 2023, respectively, for cost to hire employees.

(Continued)

14 AFFILIATE ORGANIZATIONS AND RELATED PARTY INFORMATION (Continued)

At June 30, 2024 and 2023, MRDC's accounts receivable included $-0- and $4,905, respectively, due from MRM, and $-0- and $-0-, respectively, due from the Apartments. During the year ended June 30, 2023, MRDC forgave a debt owed by Meadow Brook Apartments in the amount of $15,581, resulting in an expense to MRDC of that amount.

At June 30, 2024 and 2023, MRDC's accounts payable included $114,652 and $-0-, respectively, due to MRM.

MRDC and its affiliates share pooled corporate insurance policies. The annual premiums for these insurance policies are paid proportionately by MRDC and its affiliates.

15 EMPLOYEE BENEFIT PLANS

Defined Contribution Plan

MRDC subscribes to MRM's defined contribution retirement plan. This plan covers all MRDC full-time and non-excluded class employees who are active employees on December 31, have attained age 21, and have completed three months of service. MRDC's portion of retirement plan contribution expense for the years ended June 30, 2024 and 2023 was $195,784 and $187,483, respectively, which includes administrative expenses and fees of $40,805 and $32,880, 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 $723 and $688 for the years ended June 30, 2024 and 2023, 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.

	2024
Cash and cash equivalents	$ 1,630,760
Restricted cash - client trust funds	235,532
Accounts receivable	1,477,662
Investments	12,350,055
Financial assets at year end	15,694,009
Less those unavailable for general expenditure within one year, due to:	
Cash with restrictions on use	(235,532)
Donor-restricted to expenditure for specific purpose or time period	(99,259)
Financial assets available to meet cash needs for general expenditure within one year	$ 15,359,218

(Continued)

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, 2024, MRDC had financial assets available to meet cash needs for general expenditure within one year that were equivalent to roughly 294 days of average operating expenses.

17 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.

Consolidation of Children's Homes

In August 2024, the four campus children's homes were consolidated to three, due to declining program census. The fourth home was mothballed and stands vacant for future use. This action is expected to reduce program operating expenses in the upcoming year.