Mosaic and Affiliates
Omaha, Nebraska

Consolidated Financial Statements
June 30, 2015 and 2014

Together with Independent Auditor's Report

Mosaic and Affiliates

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Independent Auditor's Report

To the Board of Directors
Mosaic and Affiliates
Omaha, Nebraska:

Report on the Financial Statements

We have audited the accompanying financial statements of Mosaic and Affiliates (Mosaic) which comprise the consolidated balance sheets as of June 30, 2015 and 2014, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller general of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risks assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Mosaic as of June 30, 2015 and 2014, the results of its operations, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Emphasis of Matter

As discussed in Note 2 to the consolidated financial statements, Mosaic designated its investments as trading securities. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated October 8, 2015 on our consideration of Mosaic's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mosaic's internal control over financial reporting and compliance.

Seim Johnson, LLP

Omaha, Nebraska,
October 8, 2015.

Mosaic and Affiliates

Consolidated Balance Sheets
June 30, 2015 and 2014

	2015	2014
ASSETS		
Current assets:		
Cash and cash equivalents	$ 9,279,781	19,509,545
Current portion of investments, primarily investments limited as to use	27,058,537	27,164,956
Receivables -		
Program services, net of estimated uncollectibles of $303,728 in 2015 and $304,386 in 2014	26,604,923	20,637,155
Pledges	1,058,449	960,880
Affiliates	456,518	375,031
Other	637,457	566,751
Other current assets	118,848	225,701
Prepaid expenses	2,097,434	3,043,161
Total current assets	67,311,947	72,483,180
Investments, primarily investments limited as to use, net of current portion	45,850,632	44,307,593
Property and equipment, net	69,194,924	71,210,129
Other assets, net	11,099,616	8,838,148
Total assets	$ 193,457,119	196,839,050
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current portion of -		
Long-term debt, including lines of credit	$ 17,434,405	16,053,452
Annuity payment liability	131,308	131,308
Liability for post-retirement benefits	10,420	23,806
Accounts payable -		
Trade	5,489,710	4,663,034
Construction	437,303	83,191
Other accrued expenses	12,362,091	14,058,195
Outstanding and incurred but not reported loss reserves	10,790,241	10,452,075
Deferred revenue	332,836	356,483
Estimated third-party payor settlements - Medicaid	932,662	3,976,771
Total current liabilities	47,920,976	49,798,315
Long-term liabilities:		
Long-term debt, net of current portion	21,061,945	22,694,231
Annuity payment liability, net of current portion	1,554,982	1,694,579
Refundable fees	682,172	699,206
Liability for post-retirement benefits, net of current portion	1,080,845	895,451
Total long-term liabilities	24,379,944	25,983,467
Total liabilities	72,300,920	75,781,782
Commitments and contingencies		
Net assets:		
Unrestricted	89,722,680	90,137,754
Temporarily restricted	26,945,406	26,518,654
Permanently restricted	4,488,113	4,400,860
Total net assets	121,156,199	121,057,268
Total liabilities and net assets	$ 193,457,119	196,839,050

See notes to consolidated financial statements

Mosaic and Affiliates

Consolidated Statements of Operations and Changes in Net Assets
For the Year Ended June 30, 2015, with Comparative Totals for 2014

	2015				2014
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
REVENUE, GAINS AND OTHER SUPPORT:					
Net program service revenue	$ 223,166,419	--	--	223,166,419	207,354,090
Gifts and grants	2,412,163	1,660,124	45,016	4,117,303	4,732,261
Estates	719,734	549,250	41,821	1,310,805	2,370,122
Other revenue	4,252,063	--	--	4,252,063	4,722,535
Investment income, net	4,087,850	(13,044)	1,482	4,076,288	1,883,163
Unrealized losses on investments, net	(3,136,726)	--	(1,066)	(3,137,792)	--
Reclassification of net unrealized gains on securities transferred to trading securities	7,046,959	--	--	7,046,959	--
Net assets released from restriction for operations	1,248,476	(1,248,476)	--	--	--
Total revenue, gains and other support	239,796,938	947,854	87,253	240,832,045	221,062,171
EXPENSES:					
Salaries and wages	126,231,601	--	--	126,231,601	119,556,529
Employee benefits	33,717,273	--	--	33,717,273	32,821,609
Supplies	3,477,375	--	--	3,477,375	3,849,460
Occupancy	5,737,613	--	--	5,737,613	5,777,992
Day and host home contractors	22,019,183			22,019,183	17,478,472
Purchased and professional services	6,512,113	--	--	6,512,113	5,612,145
Rentals and leases	6,850,834	--	--	6,850,834	6,707,947
Interest	1,305,394	--	--	1,305,394	1,421,736
Food	3,707,077	--	--	3,707,077	3,660,131
Insurance	2,514,668	--	--	2,514,668	2,555,675
Cost of goods sold - Ease-E	2,133,457	--	--	2,133,457	2,065,517
Telephone	1,469,284	--	--	1,469,284	1,474,111
Travel	2,223,505	--	--	2,223,505	1,738,926
Transportation	1,715,476	--	--	1,715,476	2,001,837
Repairs and maintenance	1,572,750	--	--	1,572,750	1,474,846
Employee-related expenses	1,149,694	--	--	1,149,694	944,092
Other	4,953,875	--	--	4,953,875	4,967,056
Depreciation	5,969,000	--	--	5,969,000	5,990,851
Amortization	338,042	--	--	338,042	358,817
Total expenses	233,598,214	--	--	233,598,214	220,457,749
NET INCOME	6,198,724	947,854	87,253	7,233,831	604,422
NET ASSETS RELEASED FROM RESTRICTION FOR THE PURCHASE OF PROPERTY AND EQUIPMENT	521,102	(521,102)	--	--	--
RECLASSIFICATION OF NET UNREALIZED GAINS ON SECURITIES TRANSFERRED TO TRADING SECURITIES	(7,046,959)	--	--	(7,046,959)	--
CHANGE IN NET UNREALIZED GAINS AND LOSSES ON OTHER THAN TRADING SECURITIES	--	--	--	--	3,696,445
POSTRETIREMENT BENEFIT RELATED CHANGES OTHER THAN NET PERIODIC COST	(87,941)	--	--	(87,941)	285,632
INCREASE (DECREASE) IN NET ASSETS	(415,074)	426,752	87,253	98,931	4,586,499
NET ASSETS, BEGINNING OF YEAR	90,137,754	26,518,654	4,400,860	121,057,268	116,470,769
NET ASSETS, END OF YEAR	$ 89,722,680	26,945,406	4,488,113	121,156,199	121,057,268

See notes to consolidated financial statements

Mosaic and Affiliates

Consolidated Statements of Operations and Changes in Net Assets
For the Year Ended June 30, 2014

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE, GAINS AND OTHER SUPPORT:				
Net program service revenue	$ 207,354,090	--	--	207,354,090
Gifts and grants	1,985,844	2,708,684	37,733	4,732,261
Estates	1,762,411	--	607,711	2,370,122
Other revenue	4,478,035	244,500	--	4,722,535
Investment income, net	1,848,855	33,746	562	1,883,163
Net assets released from restriction for operations	1,051,690	(1,051,690)	--	--
Total revenue, gains and other support	218,480,925	1,935,240	646,006	221,062,171
EXPENSES:				
Salaries and wages	119,556,529	--	--	119,556,529
Employee benefits	32,821,609	--	--	32,821,609
Supplies	3,849,460	--	--	3,849,460
Occupancy	5,777,992	--	--	5,777,992
Day and host home contractors	17,478,472			17,478,472
Purchased and professional services	5,612,145	--	--	5,612,145
Rentals and leases	6,707,947	--	--	6,707,947
Interest	1,421,736	--	--	1,421,736
Food	3,660,131	--	--	3,660,131
Insurance	2,555,675	--	--	2,555,675
Cost of goods sold - Ease-E	2,065,517	--	--	2,065,517
Telephone	1,474,111	--	--	1,474,111
Travel	1,738,926	--	--	1,738,926
Transportation	2,001,837	--	--	2,001,837
Repairs and maintenance	1,474,846	--	--	1,474,846
Employee-related expenses	944,092	--	--	944,092
Other	4,967,056	--	--	4,967,056
Depreciation	5,990,851	--	--	5,990,851
Amortization	358,817	--	--	358,817
Total expenses	220,457,749	--	--	220,457,749
NET INCOME (LOSS)	(1,976,824)	1,935,240	646,006	604,422
NET ASSETS RELEASED FROM RESTRICTION FOR THE PURCHASE OF PROPERTY AND EQUIPMENT	191,610	(191,610)	--	--
CHANGE IN NET UNREALIZED GAINS AND LOSSES ON OTHER THAN TRADING SECURITIES	3,694,894	--	1,551	3,696,445
POSTRETIREMENT BENEFIT RELATED CHANGES OTHER THAN NET PERIODIC COST	285,632	--	--	285,632
INCREASE IN NET ASSETS	2,195,312	1,743,630	647,557	4,586,499
NET ASSETS, BEGINNING OF YEAR	87,942,442	24,775,024	3,753,303	116,470,769
NET ASSETS, END OF YEAR	$ 90,137,754	26,518,654	4,400,860	121,057,268

See notes to consolidated financial statements

Mosaic and Affiliates

Consolidated Statements of Cash Flows
For the Years Ended June 30, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 98,931	4,586,499
Adjustments to reconcile the change in net assets to net cash provided by operating activities -		
Depreciation	5,969,000	5,990,851
Amortization	338,042	358,817
Gain on disposal of property and equipment, net	(713,090)	(587,214)
Change in liability for post-retirement benefits	172,008	(318,098)
Change in value of split-interest agreements	146,149	180,882
Change in carrying value of swap agreements, net	10,648	8,589
Net realized and unrealized gains on other than trading securities	--	(4,339,673)
Increase in trading securities, net	(1,436,620)	--
Restricted gifts, grants, estates and capital advances, net	(2,296,211)	(3,354,128)
(Increase) decrease in current assets -		
Receivables -		
Program services	(5,967,768)	(74,889)
Other	(70,706)	(100,299)
Other current assets	106,853	8,223
Prepaid expenses	945,727	(1,033,799)
Increase (decrease) in current liabilities -		
Trade accounts payable	826,676	909,978
Other accrued expenses	(1,696,104)	279,777
Outstanding and incurred but not reported loss reserves	338,166	249,044
Deferred revenue	(23,647)	35,573
Estimated third-party payor settlements - Medicaid	(3,044,109)	(2,277,332)
Net cash provided by (used in) operating activities	(6,296,055)	522,801
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from the sale of property and equipment	1,300,030	2,292,465
Purchases of property and equipment	(4,186,623)	(4,452,724)
Proceeds from the sale of investments	--	1,618,054
Purchase of investments	--	(4,350,355)
Payment for business acquisition	(1,900,000)	--
Changes in investments in affiliates, net	138,744	(72,785)
Net cash used in investing activities	(4,647,849)	(4,965,345)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net borrowings on revolving lines of credit	1,465,424	2,181,031
Proceeds from issuance of long-term debt	502,931	600,000
Payments on long-term debt	(2,230,336)	(3,611,615)
Payments on annuity payment obligations, net	(285,746)	(336,214)
Other asset additions, net	(219,489)	(238,608)
Payments from (to) affiliates, net	(81,487)	71,542
Refundable fees disbursed, net	(17,034)	(477,164)
Restricted gifts, grants, estates and capital advances, net	1,579,877	2,041,340
Net cash provided by financing activities	714,140	230,312
NET DECREASE IN CASH AND CASH EQUIVALENTS	(10,229,764)	(4,212,232)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	19,509,545	23,721,777
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 9,279,781	19,509,545

See notes to consolidated financial statements

(1) Organization

Mosaic and Affiliates (Mosaic) is a not-for-profit integrated organization that provides living and care facilities and vocational services to people with intellectual disabilities or other special needs related to their health, education, care and support. These services are provided within the states of Arizona, Connecticut, Delaware, Iowa, Illinois, Indiana, Nebraska, Kansas, Texas, and Colorado. Mosaic also provides independent senior care in Wisconsin.

Mosaic also owns all of the issued common stock of BICO and Ease-E Medical, Inc. BICO insures Mosaic for the deductible portion of workers' compensation and general liability risks while Ease-E Medical's primary business is the retail sale of disposable medical supplies. The consolidated financial statements of Mosaic include the accounts of the following entities:

- Mosaic
- The Mosaic Foundation
- Mosaic Housing Corp I
- Mosaic Housing Corp II
- Mosaic Housing Corp III
- Mosaic Housing Corp IV
- Mosaic Housing Corp V, Inc.
- Mosaic Housing Corp VII
- Mosaic Housing Corp VIII
- Mosaic Housing Corp IX
- Mosaic Housing Corp X
- Mosaic Housing Corp XI
- Mosaic Housing Corp XII
- Mosaic Housing Corp XIII
- Mosaic Housing Corp XIV
- Mosaic Housing Corp XV
- Mosaic Housing Corp XVI
- Mosaic Housing Corp XVII
- Mosaic Housing Corp XVIII
- Mosaic Housing Corp XIX
- Mosaic Housing Corp XX
- Mosaic Housing Corp XXI
- Mosaic Housing Corp XXII
- Mosaic Housing Corp XXIII
- The Oaks of Dunn County, Inc.
- Mosaic Illinois Housing 1
- Mosaic Illinois Housing 2
- Mosaic Illinois Housing of Macomb
- Mosaic Illinois Housing of Rockford
- Ease-E Medical, Inc. (f/k/a Spectrum Medical Equipment, Inc.)
- BICO Ltd.

Significant intercompany accounts and transactions have been eliminated in the consolidation.

Mosaic is affiliated with the Evangelical Lutheran Church of America. With such affiliation, Mosaic is solely responsible for its own management and affairs.

(2) Summary of Significant Accounting Policies

The following is a summary of significant accounting policies of Mosaic. These policies are in accordance with accounting principles generally accepted in the United States of America.

A. Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

B. Cash and Cash Equivalents

Cash and cash equivalents for purposes of the consolidated statement of cash flows include investments in highly liquid debt instruments with original maturities of three months or less.

Supplemental disclosures of cash flow information include:

	2015	2014
Interest paid	$ 1,319,052	1,434,171
Gift of building	--	163,000

C. Investments

Effective July 1, 2014, Mosaic designated certain investments as trading securities. As a result of this designation, $7,046,959 of cumulative net unrealized gains on the trading portfolio as of July 1, 2014, not previously recognized in earnings, were recognized as revenue, gains and other support.

Investments in equity securities, debt securities and mutual funds with readily determinable fair values are measured at fair value based on published or quoted market prices and are classified as trading securities. Other investments, including certificates of deposit and cash surrender value of life insurance, have been classified as held-to-maturity.

For the year ended June 30, 2014, investment income or loss (including realized gains and losses on investments, interest and dividends) is included in net income (loss) unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are excluded from net income (loss) unless the investments are trading securities.

Effective July 1, 2014, Mosaic recognizes all investment income in net income.

D. Contribution Receivable from Remainder Trusts

The Mosaic Foundation has been named beneficiary of several irrevocable charitable remainder trust agreements in which The Mosaic Foundation will receive certain funds upon termination of each trust. The Mosaic Foundation recognizes contribution revenue in the period in which the trusts are established or when they receive notice of the trust's existence and when the amount contributed is measurable. The contributions and associated receivables are recorded by discounting the future gift amount to its net present value.

E. Program Service Receivables

Mosaic reports program service receivables for services rendered at net realizable amounts after determining the estimated allowance for doubtful accounts and contractual adjustments from third-party payors. Management reviews client receivables by payor class and applies percentages relative to account age and historical collection information to determine the adequacy of the bad debt allowance. Management utilizes calculation estimates based on applicable third-party reimbursement methodologies to determine contractual adjustments.

Payment for services is expected within thirty to sixty days of receipt of the billing. Any amounts deemed uncollectible are written off on a monthly basis. Mosaic does not charge interest on outstanding balances owed.

F. Investments Limited as to Use

By board - Investments set aside by the Board of Directors (Board) for future capital improvements over which the Board retains control and may, at its discretion, subsequently use for other purposes.

By donor - Investments limited as to use by donor includes assets the donor has restricted for endowment or specific purposes.

Under bond indenture agreements – Investments set aside in accordance with terms of the various revenue bond agreements. This includes project funds, debt service funds and reserve funds.

Under regulatory agreements – Investments restricted under regulatory agreements with Housing and Urban Development.

For insurance losses and reserves – Investments held within BICO Ltd. for the satisfaction of losses and related reserves.

Deposits held in trust – Investments held for residents and clients under security deposits and other arrangements.

Other – Accounts restricted as reserves, escrow accounts, and for deferred compensation agreements.

These investments are recorded at fair value. Amounts required to meet current liabilities of Mosaic have been classified as current assets in the consolidated balance sheets.

G. Property and Equipment

Property and equipment acquisitions are stated at cost. Mosaic's capitalization policy is $2,500 or the applicable state required Medicaid amount if other than $2,500. Depreciation is provided on the straight-line method based upon the estimated useful lives of each class of depreciable asset as follows:

Land improvements	5 – 30 years
Buildings and improvements	2 – 50 years
Equipment and furnishings	2 – 30 years
Transportation equipment	3 – 15 years

Gifts of cash that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are released when the acquired long-lived assets are placed into service.

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs is expensed as incurred; significant renewals and betterments are capitalized.

Gifts of long-lived assets such as land, buildings or equipment are reported as unrestricted support, and are excluded from net income, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed into service.

H. Goodwill

Mosaic has acquired goodwill through the purchase of several companies that provide various services for people with intellectual disabilities. As of June 30, 2015 and 2014, unamortized goodwill related to these purchases of $5,980,582 and $4,195,602, respectively, is included in other assets, net, in the consolidated balance sheets. Mosaic evaluates goodwill for impairment in accordance with ASC Topic 350, *Intangibles-Goodwill and Other,* on an annual basis. See Note 8 for further information.

I. Annuity Payment Liability

Mosaic has received several charitable gift annuities for which Mosaic is required to make specified payments in accordance with gift annuity agreements. Mosaic recognizes the agreements in the period in which the contract is executed. Assets received are recorded at fair value and an annuity payment liability is recognized at the present value of future cash flows expected to be paid. Unrestricted contribution revenue is recognized as the difference between these two amounts. Adjustments to the annuity liability to reflect changes in life expectancy are recognized as change in the value of split-interest agreements, and are included in other revenue on the consolidated statements of operations and changes in net assets.

J. Outstanding and Incurred But Not Reported Loss Reserves

The consolidated balance sheets include $10,790,241 and $10,452,075 of liabilities in 2015 and 2014, respectively, for self-insured workers compensation insurance and other general liability risks. Such liabilities relate to supplemental workers compensation insurance for which Mosaic is self-insured through BICO Ltd., a consolidated entity. These obligations represent an estimate for both reported claims not yet paid and claims incurred but not yet reported. Mosaic estimates the required reserve for such claims based on reports received from the third party administrators and an actuarial analysis.

Mosaic owns all of the issued common stock of BICO Ltd. which was incorporated under the laws of Bermuda and is registered as a Class 3 insurer under The Insurance Act of 1978. BICO Ltd. insures Mosaic for the deductible portion of workers' compensation and general liability risks.

K. Deferred Revenue

Deferred revenue at June 30, 2015 and 2014 consists of advances from the following:

		2015	2014
Connecticut Department of Developmental Services	$	320,460	320,460
Other		12,376	36,023
	$	332,836	356,483

L. Estimated Third-Party Payor Settlements – Medicaid

Revenue for certain intermediate care facilities and other programs located in Nebraska, Iowa Connecticut, and Texas are based, in part, on cost reimbursement principles and are subject to audit and retroactive adjustment by Medicaid. Mosaic is reimbursed on cost reimbursable items at tentative rates with final settlement determined after submission of annual cost reports by Mosaic.

M. Refundable Fees

The Oaks of Dunn County, Inc. (The Oaks) is a non-profit housing project for seniors of varying income levels in Menomonie, Wisconsin. Fees paid by the original 27 residents that entered into a reservation agreement for an apartment unit at The Oaks are refundable to the resident upon termination of the agreement. For all residents after the first 27, fees paid upon entering a reservation agreement are reduced on an annual basis by 5%, up to 50% of the original deposit, and used to offset living expenses. Any remaining deposit is refunded upon termination of the agreement by the resident.

N. Net Assets

Mosaic maintains the following classes of net assets:

Unrestricted – Represents net assets that are not subject to donor-imposed restrictions.

Temporarily Restricted – Represents net assets subject to donor-imposed stipulations that may or will be met either by actions of Mosaic and/or the passage of time.

Permanently Restricted – Represents net assets subject to donor-imposed stipulations that they be maintained permanently by Mosaic. Generally, the donors of these assets permit Mosaic to use all of the interest and dividends earned on related investments for general or specific purposes of Mosaic.

O. Donor-Restricted Funds

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of operations and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year received are reported as unrestricted contributions in the accompanying consolidated financial statements.

Pledges receivable are unconditional promises to give that are recognized as contributions when the promise is received. Pledges receivable that are expected to be collected in less than one year are reported at net realizable value. Pledges receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue. The allowance for uncollectible pledges receivable is determined based on management's evaluation of the collectability of individual promises. Promises that remain uncollected more than one year after their due dates are written off unless the donors indicate that payments are merely postponed.

P. *Net Program Service Revenue*

Net program service revenue is reported at the estimated net realizable amounts from clients, third-party payors and others for services rendered. Revenue under third-party payor agreements is subject to audit, prospective adjustment or can be subject to retroactive adjustment. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Q. *Derivatives*

Mosaic recognizes all derivative instruments as either assets or liabilities in the consolidated balance sheets at fair value. Changes in the fair value (i.e. gains or losses) of the derivative instrument is reported as a component of net income (loss) and included in revenue, gains and other support in the consolidated statements of operations and changes in net assets. Mosaic has not designated its interest rate swap as a cash flow hedge.

R. *Income Taxes*

All consolidated affiliated entities, except for Mosaic Housing Corp V, Inc. and Ease-E Medical, Inc. (Ease-E), are not-for-profit corporations as described in Section 501(c)(3) or 501(c)(2) of the Internal Revenue Code and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The Internal Revenue Service has established standards to be met to maintain Mosaic's tax exempt status.

Mosaic Housing Corp V, Inc. is a for-profit taxable corporation and had no material operations or income.

Ease-E is a for-profit taxable corporation. Ease-E had net income during 2015 and a net loss during 2014. Income tax refunds and deferred tax liabilities are included in other receivables and other accrued expenses, respectively, on the consolidated balance sheets.

Mosaic recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Such tax positions, which are more than 50% likely of being realized, are measured at their highest value. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. During 2015 and 2014, management determined that there are no income tax positions requiring recognition in the consolidated financial statements other than described previously.

S. *Fair Value of Financial Instruments*

Financial instruments consist of cash and cash equivalents, program services accounts receivable, investments, primarily investments limited as to use, current liabilities and long-term debt obligations. Management's estimate of fair value of investments and investments limited as to use is described in Note 6. The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents, program services accounts receivable and current liabilities approximate fair value due to the short-term nature of these financial instruments. The carrying value of long-term debt obligations approximates fair value since the interest rates closely reflect current market rates.

T. *Performance Indicator*

The consolidated statement of operations and changes in net assets includes net income (loss) as a performance indicator. Changes in net assets which are excluded from the performance indicator, consistent with industry practice, include net assets released from restriction for the purchase of property and equipment and postretirement benefit changes other than net periodic cost.

U. Subsequent Events

Mosaic considered events occurring through October 8, 2015 for recognition or disclosure in the financial statements as subsequent events. That date is the date the consolidated financial statements were available to be issued.

(3) Net Program Service Revenue

Mosaic has agreements with third-party payors that provide payments based on contracted rates. The majority of Mosaic's support comes from state agencies for the provision of services to Title XIX - Medicaid eligible individuals and Medicaid waiver individuals. The majority of the contracted rates are based on prospective payment methodologies, with the remainder made on limited cost based methodologies. Laws and regulations governing the Medicaid program are extremely complex and subject to interpretation. Certain programs can be subject to retroactive adjustment. As a result, there is at least a reasonable possibility that recorded estimates could change in the future.

(4) Pledges Receivable

Included in pledges receivable are the following unconditional promises to give at June 30, 2015 and 2014:

		2015	2014
Program assistance and facility improvements:			
Less than one year	$	1,058,449	960,880
One to five years		1,921,772	1,730,649
More than five years		187,488	269,293
Pledges receivable		3,167,709	2,960,822
Less allowance for uncollectible pledges		(105,463)	(99,997)
Less discounts for the time-value of money		(96,560)	(93,772)
Pledges receivable, net		2,965,686	2,767,053
Less current portion of pledges receivable, net		(1,058,449)	(960,880)
Long-term portion of pledges receivable, net	$	1,907,237	1,806,173

The long-term portion of pledges receivable, net, is included in other assets, net, in the consolidated balance sheets, see Note 8. The discount rate was 2.0% for both 2015 and 2014.

(5) Investments, Primarily Investments Limited as to Use

The composition of investments at June 30, 2015 and 2014 is as follows:

	2015	2014
Current portion of investments, primarily investments limited as to use	$ 27,058,537	27,164,956
Investments limited as to use -		
By board	$ 30,449,113	31,382,540
By donor	8,340,851	7,768,019
Under bond indenture agreements	332,650	319,396
Under regulatory agreements	1,097,561	1,024,049
For insurance losses and reserves	15,725,343	14,622,324
Deposits held in trust	715,617	618,585
Other	125,165	111,815
Other investments	16,122,869	15,625,821
	72,909,169	71,472,549
Less amounts required for current obligations -		
Investments limited as to use	(15,825,343)	(14,722,324)
Other investments	(11,233,194)	(12,442,632)
	(27,058,537)	(27,164,956)
Investments, primarily investments limited as to use, net of current portion	$ 45,850,632	44,307,593

Investments are presented in the consolidated balance sheets at fair value, with the exception of real estate, certificates of deposit and cash surrender value of life insurance. Investments in real estate are presented at the lower of historical cost or fair value. Total investments, primarily investments limited as to use, presented at fair value at June 30, 2015 and 2014 is as follows:

	2015	2014
Investments, primarily investments limited as to use	$ 72,909,169	71,472,549
Less investments in real estate	(1,246,304)	(1,246,304)
Less investments in certificates of deposit	(277,157)	(456,172)
Less investments in cash surrender value of life insurance	(1,000,955)	(966,012)
	$ 70,384,753	68,804,061

Investment income is composed as follows:

		2015			
		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividends	$	1,222,093	--	--	1,222,093
Net realized gains on other than trading securities		2,865,757	(13,044)	1,482	2,854,195
		4,087,850	(13,044)	1,482	4,076,288
Unrealized losses on investments, net		(3,136,726)	--	(1,066)	(3,137,792)
Total investment income	$	951,124	(13,044)	416	938,496

		2014			
		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividends	$	1,239,935	--	--	1,239,935
Net realized gains on other than trading securities		617,886	33,746	562	652,194
Realized losses on investments determined to be other-than-temporarily impaired		(8,966)	--	--	(8,966)
		1,848,855	33,746	562	1,883,163
Changes in net unrealized gains on other than trading securities		3,694,894	--	1,551	3,696,445
Total investment income	$	5,543,749	33,746	2,113	5,579,608

(6) Fair Value

Fair Value Measurements

FASB ASC Topic 820 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 measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that Mosaic has the ability to access at the measurement date.

- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly through either corroboration or observable market data.

- Level 3 inputs are unobservable inputs for the asset or liability. Therefore, unobservable inputs shall reflect the entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety

The financial statements as of and for the years ended June 30, 2015 and 2014 do not include any nonrecurring fair value measurements relating to assets and liabilities for which Mosaic has adopted the provisions of ASC 820.

The following methods and assumptions were used to estimate the fair value for each financial instrument measured at fair value:

Cash and Cash Equivalents – The fair value of cash and cash equivalents, consisting primarily of deposit accounts, money market funds and accrued interest, is classified as Level 1 as these funds are valued using quoted market prices.

Fixed Income Securities – Investments in fixed income securities are comprised of U.S. government treasury securities and U.S. government agency obligations. U.S. government treasury obligations are classified as Level 1 if they trade with sufficient frequency and volume to enable the organization to obtain pricing information on an ongoing basis. The remaining fixed income securities are classified as Level 2 based on multiple sources of information, which may include market data and/or quoted market prices from either markets that are not active or are for the same or similar assets in active markets.

Equity Securities, Exchange Traded and Closed End Funds, and Mutual Funds – The fair value of equity securities, exchange traded and closed end funds, and mutual funds is classified as Level 1 as the market value is based on quoted market prices, when available, or market prices provided by recognized broker dealers.

Beneficial Interest in Perpetual Trusts – The fair value of these interests are classified as Level 3 as Mosaic does not have the ability to redeem the investment. The fair value is based upon the value of the underlying investments as reported to Mosaic by the related holder.

Swap Agreement – The fair value of the interest rate swap agreement is classified as Level 2. Fair value is determined based on the present value of expected future cash flows using discount rates appropriate with the risks involved.

For the fiscal years ended June 30, 2015 and 2014, the application of valuation techniques applied to similar assets and liabilities has been consistent.

Fair Value on a Recurring Basis

The following table presents the financial instruments that are measured at fair value on a recurring basis at June 30, 2015 and 2014:

	June 30, 2015			
	Total	**Level 1**	**Level 2**	**Level 3**
Investments, primarily investments limited as to use:				
Cash and cash equivalents	$ 9,152,718	9,152,718	--	--
US treasury obligations	62,897	62,897	--	--
US government agency obligations	528,371	--	528,371	--
Common stock - domestic	151,091	151,091	--	--
Exchange traded and closed end funds				
Equity	26,520,376	26,520,376	--	--
Fixed Income	2,744,576	2,744,576	--	--
Mutual funds				
Equity	3,351,057	3,351,057	--	--
Fixed Income	27,462,299	27,462,299	--	--
Beneficial interest in perpetual trusts	411,368	--	--	411,368
	$ 70,384,753	69,445,014	528,371	411,368
Long-term debt, net of current portion,				
Swap agreements, net	$ 16,997	--	16,997	--

	June 30, 2014			
	Total	**Level 1**	**Level 2**	**Level 3**
Investments, primarily investments limited as to use:				
Cash and cash equivalents	$ 9,601,823	9,601,823	--	--
US treasury obligations	225,466	225,466	--	--
US government agency obligations	631,505	--	631,505	--
Common stock - domestic	160,630	160,630	--	--
Exchange traded and closed end funds				
Equity	21,531,834	21,531,834	--	--
Fixed Income	2,615,098	2,615,098	--	--
Mutual funds				
Equity	5,422,102	5,422,102	--	--
Fixed Income	28,200,790	28,200,790	--	--
Beneficial interest in perpetual trusts	414,813	--	--	414,813
	$ 68,804,061	67,757,743	631,505	414,813
Long-term debt, net of current portion,				
Swap agreements, net	$ 6,349	--	6,349	--

A reconciliation of fair value measurements classified as Level 3 for the years ended June 30, 2015 and 2014 is as follows:

	2015	**2014**
Beginning balance	$ 414,813	374,550
Investment income, net	11,753	3,030
Unrealized losses on investments, net	(38,929)	--
Changes in unrealized gains and losses on other than trading securities	--	(4,320)
Purchases	37,745	59,195
Sales	(14,014)	(17,642)
Ending balance	$ 411,368	414,813

(7) Property and Equipment

Property and equipment as of June 30, 2015 and 2014, is summarized as follows:

	2015	2014
Land and land improvements	$ 10,877,375	11,091,114
Buildings and improvements	116,332,665	115,675,449
Equipment and furnishings	13,884,213	15,638,159
Transportation equipment	2,540,562	2,580,925
Construction in process	2,225,716	622,212
	145,860,531	145,607,859
Less accumulated depreciation	(76,665,607)	(74,397,730)
	$ 69,194,924	71,210,129

Depreciation expense of $5,969,000 and $5,990,851 for June 30, 2015 and 2014, respectively, is included in the accompanying consolidated statement of operations and changes in net assets.

(8) Other Assets, Net

Other assets for Mosaic at June 30, 2015 and 2014 are comprised of the following:

	2015	2014
Goodwill	$ 5,980,582	4,195,602
Contributions receivable from remainder trusts	2,313,461	1,785,401
Pledges receivable, net of current portion	1,907,237	1,806,173
Gift annuities receivable	106,909	117,268
Capital contribution to Mosaic Residential Services of Nebraska (MRSNE)	770,219	770,219
Other	21,208	163,485
	$ 11,099,616	8,838,148

The changes in the carrying amount of goodwill for the years ended June 30, 2015 and 2014 are as follows:

	2015	2014
Beginning balance	$ 4,195,602	4,310,622
Goodwill acquired	1,900,000	--
Amortization expense	(115,020)	(115,020)
Ending balance	$ 5,980,582	4,195,602

Mosaic Housing Corp V, Inc. is the general partner of Mosaic Residential Services of Nebraska, LLC (MRSNE). This corporation was formed to acquire, finance, build, own, maintain, improve, operate, lease and, if appropriate or desirable, sell or otherwise dispose of homes which provide housing for low income individuals with disabilities. Mosaic's capital contribution in MRSNE is recognized by Mosaic using the equity method of accounting.

Mosaic does not consolidate the accounting of MRSNE due to its relative insignificance in relation to Mosaic's consolidated financial statements and operations.

Business Combination

On September 5, 2014, Mosaic acquired the business of Arrow Home and Community Based Services (Arrow). This business focused operations on home and community based services to enable adults with intellectual and developmental disabilities to live as independently as possible. The business operated in nine locations in the state of Texas. As a result of the acquisition, Mosaic is expected to expand services in Texas.

Mosaic paid cash of $1,900,000 in exchange for existing independent contractor agreements, among other things. The transaction resulted in goodwill of $1,900,000, which has been included in other assets, net.

(9) Long-Term Liabilities

Long-Term Debt, Including Lines of Credit

A summary of long-term debt at June 30, 2015 and 2014 is as follows:

	2015	2014
Nebraska Investment Finance Authority Revenue Bonds, Series 2010, due through May 2025, payable in semi-annual installments of $359,050, interest rate of 6.04%, paid semiannually.	$ 5,331,894	5,710,703
Hospital Authority No. 1 of Kearney County, Nebraska Revenue Bonds, Series 2010, due through May 2025, payable in semi-annual installments of $178,877, interest rate of 5.95%, paid semiannually.	2,667,391	2,857,892
Hospital Authority No. 1 of Gage County, Nebraska Revenue Bonds, Series 2010, due through March 2025, payable in semi-annual installments of $92,258, interest rate of 5.95%, paid semiannually.	1,375,745	1,473,998
Iowa Finance Authority Revenue Bonds, Series 2012, due through May 2027, payable in varying monthly installments, interest rate of 75% of LIBOR index rate plus 1.45%, paid monthly.	2,665,308	2,843,930
United States Department of Agriculture (USDA), payable in monthly installments, including interest at a rate of 4.75%, outstanding principal due November 2023. This mortgage payable is secured by all property, equipment and revenue of The Oaks.	1,204,466	1,319,222
Hospital Authority No. 1 of Kearney County, Nebraska Revenue Bonds, Series 2003, due through January 2018, payable in varying annual installments, interest rate of 5.49%, paid semiannually.	594,354	771,960
U.S. Department of Housing and Urban Development, payable in monthly installments of $3,438, including interest at a rate of 8.50%, outstanding principal due October 2032. This mortgage payable is secured by all property and equipment of Mosaic Housing Corp I.	373,583	382,663
City of Garden City, Kansas Economic Development Revenue Bonds, Series 2005, due through June 2020, payable in varying annual installments, interest rate of 5.11%, paid semiannually.	277,988	325,654

		2015	2014
Village of Rantoul, Illinois Revenue Bonds, Series 2000, due through December 2015, payable in varying annual installments, interest rate of 6.61%, paid semiannually.		75,747	220,048
City of Winfield, Kansas Revenue Bonds, Series A 1999, due through February 2016, payable in varying annual installments, interest rate of 5.66%, paid semiannually.		79,282	154,261
Various mortgages, payable in monthly installments, including interest at rates ranging from 0% to 7.34%, maturing between 2015 and 2037. These mortgages are secured by real estate in Connecticut, Colorado, Nebraska, Illinois, Wisconsin and Texas.		4,206,393	4,391,678
Various promissory notes to Charitable Remainder Annuity Trusts, secured by deeds of trusts on certain real property, monthly interest payments only through specified date or when trusts terminate, interest rates ranging from 6.44% to 8.66%.		884,054	884,054
Wells Fargo Bank note, payable in monthly principal installments of $50,000, interest payable at 2.25% above the Daily One Month LIBOR, outstanding principal due June 2017.		1,200,000	1,800,000
Notes payable, Federal Home Loan Bank of Topeka, forgivable if certain requirements are maintained for a period of 15 years.		1,000,000	500,000
Other long-term debt.		7,453	35,000
Line of credit - Morgan Stanley Smith Barney.		14,481,120	12,968,317
Line of credit - Wells Fargo Bank.		2,054,575	2,101,954
Swap agreements, net (see Note 10).		16,997	6,349
Total long-term debt		38,496,350	38,747,683
Less current maturities of long-term debt		(17,434,405)	(16,053,452)
Long-term debt, net of current portion	$	21,061,945	22,694,231

Hospital Authority No. 1 of Gage County, Hospital Authority No. 1 of Kearney County, Nebraska, and the Nebraska Investment Finance Authority Revenue Bonds, Series 2010, were issued in connection with a project to build 11 homes in the state of Nebraska. Under loan agreements dated March 12, 2010, March 31, 2010, and April 14, 2010, respectively, the proceeds of the bonds were forwarded to Mosaic. The issues are secured by the assets of the related homes.

Iowa Finance Authority Revenue Bonds, Series 2012, were issued in connection with a business acquisition. Under the loan agreement dated May 1, 2012, the proceeds of the bonds were forwarded to Mosaic. The issue is secured by a mortgage, assignment of rents and leases, security agreement related to the property acquired.

Hospital Authority No. 1 of Kearney County, Nebraska Series 2003 Revenue Bonds were issued in connection with improvements to the Axtell, Nebraska campus in Kearney County. Under a loan agreement dated January 28, 2003, the proceeds of the bonds were forwarded to Mosaic. The issue is secured by a mortgage/deed of trust in land, improvements and fixtures located in the Axtell program.

Housing Revenue Bonds Series 2000 were issued to refinance certain prior taxable debt and to acquire, construct, and install facilities in Dwight, Peoria, and Pontiac, Illinois. Under loan agreements dated December 27, 2000, the proceeds of the bonds were forwarded to Mosaic. The issue is secured by a mortgage/deed of trust in land, improvements and fixtures located in Dwight, Peoria, and Pontiac, Illinois.

Housing Revenue Bonds Series 1999 were issued in connection with the construction of living and care facilities in Cowley County, Kansas. Under lease purchase agreement dated February 1, 1999, the proceeds of the bonds were forwarded to Mosaic. The issue is secured by a mortgage/deed of trust in land, improvements and fixtures located in Cowley County, Kansas.

At June 30, 2015 and 2014, The Mosaic Foundation had available a line of credit of $15,400,000, with Morgan Stanley Smith Barney. The line of credit at June 30, 2015 and 2014 had a balance of $14,481,120 and $12,968,318, respectively, with an interest rate of 2.44% on the first $5,000,000 in principal and a varying interest rate of 1.19% and 1.15% at June 30, 2015 and 2014, respectively, on the remaining balance. The line of credit is secured by certain investments of The Mosaic Foundation.

At June 30, 2015 and 2014, Mosaic also had available a line of credit of $5,000,000, respectively, with Wells Fargo Bank. The line of credit at June 30, 2015 and 2014 had a balance of $2,054,575 and $2,101,954, respectively, with a varying interest rate of 2.19% and 2.15%, respectively, and is secured by the revenue of Mosaic.

Future maturities of long-term debt as of June 30, 2015 are as follows:

2016	$	17,434,405
2017		4,225,268
2018		1,617,327
2019		1,350,379
2020		1,424,172
Thereafter		12,444,799
	$	38,496,350

(10) Swap Agreements

Mosaic entered into an International Swaps and Derivatives' Association, Inc. (ISDA) Master Agreement, as supplemented and amended by the Schedule to the Master Agreement and the Confirmation (Swap Agreement) with Wells Fargo Bank, N.A. (Wells Fargo). This agreement was entered into during 2012 to establish an approximate fixed rate of interest with respect to the Series 2012 Bonds at the fixed rate of 1.85% payable by Mosaic to Wells Fargo on the swap (but subject to netting the variable index rate to be received by Mosaic from Wells Fargo on the swap and the variable rate of interest payable by Mosaic with respect to the Series 2012 Bonds) to May 1, 2027, in order to mitigate the risk of higher borrowing costs in a rising interest rate environment over the term of the Swap Agreement. The notional amount of the Wells Fargo Swap Agreement is intended to equal the outstanding principal amount of the Series 2012 Bonds during the term of the swap, which amounted to $2,665,308 and $2,843,930 at June 30, 2015 and 2014, respectively. The payment obligations of Mosaic to Wells Fargo under the Wells Fargo Swap Agreement are supported by a note issued pursuant to the Indenture and as a result are joint and several obligations.

Mosaic continues to pay the agreed upon variable rate for the Series 2012 Bonds as required in the bond documents on a monthly basis but pays or receives additional interest to or from Wells Fargo based on any difference between the variable index rate defined in the Swap Agreement received by Mosaic and the fixed rate of 1.85% paid by Mosaic under the Wells Fargo Swap Agreement. The total amount paid to Wells Fargo included in interest expense related to the swap agreement for the years ended June 30, 2015 and 2014 was $93,708 and $99,658, respectively.

Mosaic has recorded the fair value of the swap as a liability in the consolidated balance sheet. The change in carrying value of the Swap Agreement of ($10,468) and ($8,589) at June 30, 2015 and 2014, respectively is included in other revenue on the consolidated statements of operations and changes in net assets as a component of net income in 2015 and 2014, respectively.

Provided that Mosaic does not default under the terms of the Wells Fargo Swap Agreement, no termination event or settlement under the swap agreement occurs and Mosaic does not default on its obligations pursuant to the Indenture or any indebtedness over a threshold amount, there will be no cash outlay for the fair value of the Wells Fargo Swap Agreement. Assuming termination or settlement does not occur, the fair value of the Wells Fargo Swap Agreement will diminish over its life.

(11) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets related to the following at June 30, 2015 and 2014:

		2015	2014
Support of general operations of Mosaic	$	6,070,268	5,404,806
Temporarily restricted endowments		748,156	748,156
Mosaic Housing Corp II capital advance and grant		1,067,400	1,274,900
Mosaic Housing Corp III capital advance		948,600	948,600
Mosaic Housing Corp IV capital advance and grant		479,300	479,300
Mosaic Housing Corp VII capital advance		865,300	865,300
Mosaic Housing Corp XIII capital advance		949,848	949,848
Mosaic Housing Corp IX capital advance		153,083	153,083
Mosaic Housing Corp X capital advance		166,591	166,591
Mosaic Housing Corp XI capital advance		205,391	205,391
Mosaic Housing Corp XII capital advance		991,400	991,400
Mosaic Housing Corp XIII capital advance		954,400	954,400
Mosaic Housing Corp XIV capital advance		1,076,300	1,076,300
Mosaic Housing Corp XV capital advance and grants		1,498,413	1,498,413
Mosaic Housing Corp XVI capital advance		1,444,917	1,444,917
Mosaic Housing Corp XVII capital advance and grants		1,449,200	1,449,200
Mosaic Housing Corp XVIII capital advance and grants		1,614,500	1,614,500
Mosaic Housing Corp XIX capital advance		1,211,900	1,211,900
Mosaic Housing Corp XX capital advance and grants		1,650,000	1,650,000
Mosaic Housing Corp XXII capital advance and grants		1,631,300	1,631,300
Mosaic Housing Corp XXIII capital advance and grants		244,500	244,500
City of Omaha HOME grants		523,768	523,768
Affordable Housing loans		80,000	98,000
Illinois Housing Development Authority loan		564,500	564,500
Affordable Housing Program loan		50,000	50,000
City of Fort Collins grant		39,165	44,760
Donor restricted for program purposes		267,206	274,821
	$	26,945,406	26,518,654

Capital advances, grants and loans relate to the construction and/or operation of housing projects for low income persons with disabilities and are not required to be repaid so long as the projects comply with appropriate regulations and operate for terms as specified within the advance, grant or loan.

Permanently restricted net assets listed below include endowment funds which are to be held in perpetuity, the income which is expendable for the following:

	2015	2014
Support of general operations of Mosaic	$ 4,488,113	4,400,860

(12) Endowment

The Nebraska Uniform Prudent Management of Institutional Funds Act (NUPMIFA) was enacted April 4, 2007. NUPMIFA sets out guidelines to be considered when managing and investing donor restricted endowment funds. Mosaic applies FASB ASC Topic 958 Subtopic 205 Subtopic 45, *Reporting of Endowment Funds.*

Mosaic endowments consist of funds established for a variety of purposes, including donor restricted endowment funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by Board of Directors to function as endowments and beneficial interest in trust assets, are classified and reported based on the existence or absence of donor-imposed restrictions.

Mosaic has interpreted NUPMIFA as requiring the preservation of the whole dollar value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Mosaic classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Absent any donor-imposed restrictions, interest, dividends and net appreciation of donor-restricted endowment funds is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Mosaic in a manner consistent with the standard of prudence prescribed by NUPMIFA.

In accordance with NUPMIFA, Mosaic considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of Mosaic and the donor-restricted endowment fund
3. General economic 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 Mosaic
7. The investment policies of Mosaic

The net asset composition and changes in endowment net assets for the year ended June 30, 2015 and 2014 are as follows:

Endowment Net Asset Composition by Type of Fund

	June 30, 2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board-designated endowment funds	$ 30,449,113	--	--	30,449,113
Donor-restricted endowment funds	--	748,156	4,488,113	5,236,269
	$ 30,449,113	748,156	4,488,113	35,685,382

	June 30, 2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board-designated endowment funds	$ 31,382,540	--	--	31,382,540
Donor-restricted endowment funds	--	748,156	4,400,860	5,149,016
	$ 31,382,540	748,156	4,400,860	36,531,556

Changes in Endowment Net Assets

	Year Ended June 30, 2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, beginning of year	$ 31,382,540	748,156	4,400,860	36,531,556
Investment income	678,869	151,553	416	830,838
Contributions	727,760	--	86,837	814,597
Amounts appropriated for expenditure	(2,358,806)	(151,553)	--	(2,510,359)
Other changes,				
Transfer to increase board designated endowment funds	18,750	--	--	18,750
Endowment net assets, end of year	$ 30,449,113	748,156	4,488,113	35,685,382

	Year Ended June 30, 2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, beginning of year	$ 29,812,461	748,156	3,753,303	34,313,920
Investment income	4,515,236	636,749	2,113	5,154,098
Contributions	1,823,093	--	645,444	2,468,537
Amounts appropriated for expenditure	(4,787,000)	(636,749)	--	(5,423,749)
Other changes,				
Transfer to increase board designated endowment funds	18,750	--	--	18,750
Endowment net assets, end of year	$ 31,382,540	748,156	4,400,860	36,531,556

Return Objectives and Risk Parameters

The primary objective of Mosaic's endowment funds is to generate sufficient funds to support a long-term distribution policy of five percent (5%) of the total balance of endowments to Mosaic. Unrestricted matured deferred gifts including all bequests and other estate gifts will be added to the principal of the Board-designated endowment annually unless otherwise directed by the Board of Directors. Mosaic has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to agencies supported by its endowment, while seeking to maintain the purchasing power of endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as board designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to generate sufficient funds to support a long-term distribution policy of five percent (5%) or as otherwise designated by the donor or Board, while minimizing investment risk.

Strategies Employed for Achieving Objectives

Mosaic relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest & dividends). The organization targets a diversified asset allocation strategy.

The endowment funds will be invested in publicly-traded common stocks and other equity-type securities, fixed income securities, money-market instruments and hedging instruments. The total funds will invest in major asset categories as follows:

	Actual Allocation	Target Allocation Range
Equities	57%	50% to 70%
Fixed income	41%	30% to 50%
Cash equivalents	2%	0% to 10%
Alternatives	0%	0% to 10%

Appropriation Policy and How the Investment Objectives Relate to Appropriation Policy

The endowment funds are held in the Mosaic Foundation, which has a policy of distributing to Mosaic each year 5% of all endowment funds. Periodically, additional appropriations are approved by the Board of Directors. The Foundation considers the long-term expected return on its funds in establishing this policy.

(13) Professional Liability Insurance

Mosaic's professional liability policy provides coverage on a claims-made basis covering only those claims which have occurred and are reported to the insurance company while the coverage is in force. In the event Mosaic should elect not to purchase insurance from the present carrier or the carrier should elect not to renew the policy, any unreported claims which occurred during the policy year may not be recoverable from the carrier. Mosaic could have exposure on possible incidents that have occurred for which claims will be made in the future, should professional liability insurance not be obtained, should coverage be limited and/or not available. Mosaic also carries an umbrella policy which provides additional coverage on an occurrence basis.

Accounting principles generally accepted in the United States of America require a provider to recognize the ultimate costs of malpractice claims or similar contingent liabilities, which include costs associated with litigating or settling claims, when the incidents that give rise to the claims occur. Mosaic does evaluate all incidents and claims along with prior claim experienced to determine if a liability is to be recognized. For the years ending June 30, 2015 and 2014, management determined no liability should be recognized for asserted or unasserted claims. Management is not aware of any such claim that would have a material adverse impact on the accompanying consolidated financial statements.

(14) Workers' Compensation

BICO Ltd. is a wholly-owned subsidiary of Mosaic and insures Mosaic for the deductible portion of U.S. workers' compensation and general and professional liability, auto liability, privacy and network liability along with other employer liability risks. The deductible reimbursement policy risks ranged from $50,000 to $500,000 at June 30, 2015 and 2014. BICO Ltd. has established a collateral account of $4,600,000 and $3,800,000 at June 30, 2015 and 2014, respectively, held in favor of Sentry Insurance as the third party administrator on the workers' compensation program as security for all outstanding claims, which is included with investments limited as to use in the consolidated balance sheets. At June 30, 2015 and 2014, BICO Ltd had included in liabilities outstanding and incurred but not reported (IBNR) reserves of $10,790,241 and $10,452,075 respectively.

(15) Employee Benefit Plans

Deferred Compensation Plan

Mosaic offers its employees a deferred compensation plan created in accordance with Internal Revenue Code 403(b). The plan permits all eligible Mosaic employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, disability, retirement, death or unforeseeable emergency. During the year ended June 30, 2015, Mosaic offered an additional one time match of up to 3% to eligible employees.

The employee is the beneficial owner of all assets the employee places in the plan.

Mosaic may elect to make matching contributions of which the amount is dependent upon employee funded levels and years of service. Vesting requirements are dependent on employee level and years of service.

Mosaic contributes to the New England Health Care Workers’ Union pension plan which is a cost-sharing multiple-employer defined benefit pension plan administered by the New England Health Care Workers’ Union. The plan provides retirement benefits which are established by union contract to plan members and beneficiaries. Mosaic is required to contribute 2% of annual covered payroll. Contribution requirements are established by union contract.

Mosaic also offers an additional deferred compensation plan for its executive officers. Eligible employees may defer up to the maximum amount allowed by Section 457(b) of the Internal Revenue Code into a separate investment account in which the executive has the right to direct the investment of the funds in accordance with investment guidelines established by Mosaic. Upon separation, as defined by the plan, the balance of the accounts will be paid to each of the executive officers.

For the year ended June 30, 2015 and 2014, total pension expense of $1,471,807 and $397,812, respectively, was incurred by Mosaic.

Executive Supplemental Benefit Plan

Mosaic adopted an executive supplemental benefit plan (Plan) in 2004 to provide supplemental retirement benefits for a certain number of its employees. When a participant reaches a total age plus years of service equal to seventy-five or more, the participant becomes eligible for post retirement payments (salary continuation) and health care benefits. As of June 30, 2015, only a limited number of employees were eligible to participate in the Plan and only one employee had reached the threshold to be vested in the Plan.

Mosaic applies the recognition and disclosure provisions of FASB ASC Topic 715, *Compensation – Retirement Benefits* (ASC Topic 715). ASC Topic 715 requires companies to recognize the funded status of defined benefit pension and other postretirement plans as a net asset or liability and to recognize changes in that funded status in the year in which the changes occur through other changes in net assets, to the extent those changes are not included in the net periodic cost. The funded status reported on the consolidated balance sheets as of June 30, 2015 and 2014 under ASC Topic 715 was measured as the difference between the fair value of plan assets and the benefit obligation.

The following summarizes the recognition of the executive supplemental benefit plan in the financial statements at June 30, 2015 and 2014:

		2015	2014
Consolidated balance sheets:			
Liability for post-retirement benefits -			
Salary continuation	$	567,347	430,344
Health benefits		523,918	488,913
	$	1,091,265	919,257
Consolidated statements of operations and changes in net assets:			
Included with employee benefits -			
Salary continuation	$	50,488	133,940
Health benefits		33,579	28,280
	$	84,067	162,220
Postretirement benefit related changes other than net periodic cost -			
Salary continuation	$	(86,515)	358,579
Health benefits		(1,426)	(72,947)
	$	(87,941)	285,632

Projected Benefit Obligation – Salary Continuation

The following table summarizes the projected benefit obligation, the fair value of plan assets, and the funded status at the measurement dates of June 30, 2015 and 2014:

		2015	2014
Changes to benefit obligation:			
Benefit obligation at beginning of period	$	430,344	838,045
Service cost		15,725	30,532
Interest cost		14,890	28,745
Benefits paid		--	(183,062)
Assumption change		--	(2,496)
Experience gain		106,388	(281,420)
Benefit obligation at end of period		567,347	430,344
Fair value of plan assets at end of period		--	--
Funded status at end of period	$	(567,347)	(430,344)
Amounts recognized in the consolidated balance sheets:			
Current liabilities	$	--	--
Noncurrent liabilities		567,347	430,344
	$	567,347	430,344

The following is a summary of the components of net periodic postretirement benefit cost for the years ended June 30, 2015 and 2014:

		2015	2014
Service cost during the period	$	15,725	30,532
Interest cost on projected benefit obligation		14,890	28,745
Amortization		19,873	74,663
Net periodic pension cost	$	50,488	133,940

Items not yet recognized as a component of periodic pension cost at June 30, 2015 and 2014:

		2015	2014
Net loss	$	182,194	79,641

Accumulated Postretirement Benefit Obligation – Health Benefits

The following table summarizes the accumulated post retirement benefit obligation, the fair value of plan assets, and the funded status at the measurement dates of June 30, 2015 and 2014:

		2015	2014
Changes to benefit obligation:			
Benefit obligation at beginning of period	$	488,913	399,310
Service cost		18,423	17,339
Interest cost		15,156	10,941
Benefits paid		--	(11,624)
Assumption change		--	35,324
Experience gain		1,426	37,623
Benefit obligation at end of period		523,918	488,913
Fair value of plan assets at end of period		--	--
Funded status at end of period	$	(523,918)	(488,913)
Amounts recognized in the consolidated balance sheets:			
Current liabilities	$	10,420	23,806
Noncurrent liabilities		513,498	465,107
	$	523,918	488,913

The following is a summary of the components of net periodic pension cost for the years ended June 30, 2015 and 2014:

		2015	2014
Service cost during the period	$	18,423	17,339
Interest cost on accumulated postretirement benefit obligation		15,156	10,941
Net periodic pension cost	$	33,579	28,280

Items not yet recognized as a component of periodic pension cost at June 30, 2015 and 2014:

		2015	2014
Net experience (gain) loss	$	37,745	36,319

Actuarial Assumptions

The following are the actuarial assumptions used by the Plans to develop the components of the pension projected benefit obligation and accumulated postretirement benefit obligation for the year ended June 30, 2015 and 2014:

	2015	2014
Discount rate – Pension	3.29%	3.46%
Discount rate – Health	2.91	3.10
Rate of increase in compensation levels	2.00	5.00

(16) Health Care Plan

Mosaic provides comprehensive medical and vision care benefits and an employee assistance program for eligible employees and their dependents through participation in a multi-employer Voluntary Employee's Beneficiary Association (VEBA). In addition, educational compensation benefits are provided for participating employees through the VEBA. Mosaic contributes 100% of the core medical plan cost (single person coverage) based on actuarial determined rates. For the years ended June 30, 2015 and 2014, total health insurance expense of $18,176,688 and $17,993,580 was incurred by Mosaic.

To the extent the VEBA has plan liabilities in excess of plan assets or plan assets in excess of plan liabilities, future employer contributions may be changed to continue to provide benefits to eligible employees and their dependents of Mosaic and its affiliates.

(17) Concentrations of Credit Risk

The majority (more than 90%) of Mosaic's program service activity is with individuals who are beneficiaries of the various states' Medicaid programs. The Medicaid programs' ability to honor their contracts is dependent on State and Federal funding of the programs.

Amounts held in financial institutions occasionally are in excess of the Federal Deposit Insurance Corporation and Securities Investor Protection Corporation limits. Mosaic deposits its cash with high quality financial institutions, and management believes Mosaic is not exposed to significant credit risk on those amounts.

Mosaic has investments in marketable equity securities, corporate bonds and various other types of investments. The values of these investments are determined by market value and are not insured or collateralized.

The investments are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in values of investment will occur in the near term and that such changes could materially affect net assets of Mosaic.

(18) Commitments and Contingencies

Operating Leases

Mosaic conducts a portion of its operations in facilities that are leased on a month-to-month basis and, therefore, are not included in the minimum rental commitments shown below. Mosaic generally leases vehicles for 12-month terms, with the option for month-to-month renewals following the initial term.

The minimum rental commitments under operating leases, which includes facilities, vehicles and equipment, are as follows for years ended June 30:

2016	$	2,846,872
2017		1,857,571
2018		1,072,258
2019		710,687
2020		335,831

Litigation

The health and human services industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health and human services program participation requirements, reimbursements for client services, and Medicaid fraud and abuse. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for client services previously billed.

Management believes that Mosaic is in compliance with applicable government laws and regulations as they see apply to the areas of fraud and abuse. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

Mosaic is involved in litigation arising in the normal course of business. After consultation with legal counsel, management estimates these matters will be resolved without material adverse affect on Mosaic's future financial position or results from operations.

(19) Functional Expenses

Mosaic provides care, rehabilitative and vocational services to individuals with disabilities within its geographic location. Expenses related to providing these services are as follows:

		2015	2014
Program services	$	209,950,092	197,500,121
General and administrative		21,126,789	20,540,257
Fundraising		2,366,110	2,262,125
Investment management fees		155,223	155,246
	$	233,598,214	220,457,749

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

To the Board of Directors
Mosaic and Affiliates
Omaha, Nebraska:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Mosaic and Affiliates (Mosaic), which comprise the consolidated balance sheet as of June 30, 2015, and the related consolidated statements of operations and changes in net assets and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 8, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Mosaic's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mosaic's internal control. Accordingly, we do not express an opinion on the effectiveness of Mosaic's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that has not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mosaic's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Seim Johnson, LLP

Omaha, Nebraska,
October 8, 2015.