Mosaic and Affiliates
Omaha, Nebraska

Consolidated Financial Statements
June 30, 2021 and 2020

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 consolidated financial statements of Mosaic and Affiliates (Mosaic), which comprise the consolidated balance sheets as of June 30, 2021 and 2020, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Mosaic as of June 30, 2021 and 2020, and the results of its operations, 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 1 to the financial statements, Mosaic adopted new accounting guidance related to Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts With Customers (Topic 606)* and ASU 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to these matters.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated October 15, 2021 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 solely 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 effectiveness of Mosaic's 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 15, 2021.

Mosaic and Affiliates

Consolidated Balance Sheets
June 30, 2021 and 2020

	2021	2020
ASSETS		
Current assets:		
Cash and cash equivalents	$ 60,172,318	42,156,194
Current portion of investments, primarily investments limited as to use	28,916,340	24,069,930
Receivables -		
Program services	33,849,185	27,423,004
Pledges	1,594,871	1,766,877
Affiliates	817,322	404,382
Other	1,591,992	1,321,552
Estimated third-party payor settlements - Medicaid	--	109,893
Current portion of investment in sales-type lease	192,000	348,776
Other current assets	189,651	146,627
Prepaid expenses	1,950,023	1,376,144
Total current assets	129,273,702	99,123,379
Investments, primarily investments limited as to use, net of current portion	53,297,758	43,468,255
Investment in sales-type lease, net of current portion	1,179,607	1,195,530
Property and equipment, net	50,475,895	51,822,039
Right-of-use assets, net -		
Operating leases	9,198,348	--
Financing leases	1,739,485	--
Other long-term assets, primarily goodwill, net	31,384,798	20,265,777
Total assets	$ 276,549,593	215,874,980

See notes to consolidated financial statements

Mosaic and Affiliates

Consolidated Balance Sheets
June 30, 2021 and 2020

		2021	2020
LIABILITIES AND NET ASSETS			
Current liabilities:			
Current portion of -			
Long-term debt, including lines of credit	$	8,478,345	3,312,058
Lease liabilities -			
Operating		3,297,976	--
Finance		400,117	--
Annuity payment liability		131,308	131,308
Liability for post-retirement benefits		49,534	21,135
Accounts payable -			
Trade		11,041,114	6,794,472
Construction		178,768	209,263
Other accrued expenses		22,888,051	16,132,306
Outstanding and incurred but not reported loss reserves		9,012,604	9,018,724
Refundable advances		11,587,897	1,911,216
Estimated third-party payor settlements - Medicaid		472,865	--
Total current liabilities		67,538,579	37,530,482
Long-term liabilities:			
Long-term debt, net		23,606,832	23,878,920
Lease liabilities, net of current portion -			
Operating		5,904,217	--
Finance		1,365,789	--
Annuity payment liability, net of current portion		1,436,682	1,367,489
Refundable fees		531,906	546,463
Liability for post-retirement benefits, net of current portion		1,209,741	1,257,703
Total long-term liabilities		34,055,167	27,050,575
Total liabilities		101,593,746	64,581,057
Commitments and contingencies			
Net assets:			
Without donor restrictions		143,681,188	119,157,861
With donor restrictions		31,274,659	32,136,062
Total net assets		174,955,847	151,293,923
Total liabilities and net assets	$	276,549,593	215,874,980

See notes to consolidated financial statements

Mosaic and Affiliates

Consolidated Statements of Operations and Changes in Net Assets
For the Year Ended June 30, 2021, with Comparative Totals for 2020

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUE, GAINS AND OTHER SUPPORT:				
Program service revenue	$ 278,419,675	--	278,419,675	263,087,945
Gifts and grants	3,057,472	1,341,147	4,398,619	2,977,023
Estates	3,779,149	--	3,779,149	2,357,118
Other revenue	4,418,208	--	4,418,208	4,270,789
Provider Relief Funds and related grants	8,919,562	--	8,919,562	--
Gain on sale of Texas agency property and equipment	--	--	--	4,281,384
Gain on sale of Texas agency operations	--	--	--	6,114,854
Investment income, net	2,522,833	12,957	2,535,790	796,236
Unrealized gains (losses) on investments, net	5,960,358	--	5,960,358	(789,781)
Net assets released from restriction for operations	1,977,763	(1,977,763)	--	--
Total revenue, gains and other support	309,055,020	(623,659)	308,431,361	283,095,568
EXPENSES:				
Salaries and wages	134,986,103	--	134,986,103	129,676,782
Employee benefits	26,571,054	--	26,571,054	26,721,275
Supplies	10,175,964	--	10,175,964	9,683,730
Facilities	13,347,083	--	13,347,083	13,060,622
Contracted providers	73,835,587	--	73,835,587	63,373,045
Purchased services	7,892,784	--	7,892,784	6,103,742
Interest	1,017,324	--	1,017,324	1,167,144
Travel and transportation	3,146,322	--	3,146,322	6,757,551
Other variable expenses	2,298,147	--	2,298,147	4,880,686
Depreciation	5,607,816	--	5,607,816	5,789,091
Amortization, primarily goodwill	5,962,187	--	5,962,187	1,760,443
Total expenses	284,840,371	--	284,840,371	268,974,111
NET INCOME (LOSS)	24,214,649	(623,659)	23,590,990	14,121,457
NET ASSETS RELEASED FROM RESTRICTION FOR THE PURCHASE OF PROPERTY AND EQUIPMENT	237,744	(237,744)	--	--
POST-RETIREMENT BENEFIT RELATED CHANGES OTHER THAN NET PERIODIC COST	70,934	--	70,934	(117,126)
INCREASE (DECREASE) IN NET ASSETS	24,523,327	(861,403)	23,661,924	14,004,331
NET ASSETS, BEGINNING OF YEAR	119,157,861	32,136,062	151,293,923	137,289,592
NET ASSETS, END OF YEAR	$ 143,681,188	31,274,659	174,955,847	151,293,923

See notes to consolidated financial statements

Mosaic and Affiliates

Consolidated Statements of Operations and Changes in Net Assets
For the Year Ended June 30, 2020

		2020	
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, GAINS AND OTHER SUPPORT:			
Program service revenue	$ 263,087,945	--	263,087,945
Gifts and grants	813,383	2,163,640	2,977,023
Estates	2,357,118	--	2,357,118
Other revenue	4,270,789	--	4,270,789
Gain on sale of Texas agency property and equipment	4,281,384	--	4,281,384
Gain on sale of Texas agency operations	6,114,854	--	6,114,854
Investment income, net	769,191	27,045	796,236
Unrealized losses on investments, net	(789,781)	--	(789,781)
Net assets released from restriction for operations	6,914,778	(6,914,778)	--
Total revenue, gains and other support	287,819,661	(4,724,093)	283,095,568
EXPENSES:			
Salaries and wages	129,676,782	--	129,676,782
Employee benefits	26,721,275	--	26,721,275
Supplies	9,683,730	--	9,683,730
Facilities	13,060,622	--	13,060,622
Contracted providers	63,373,045	--	63,373,045
Purchased services	6,103,742	--	6,103,742
Interest	1,167,144	--	1,167,144
Travel and transportation	6,757,551	--	6,757,551
Other variable expenses	4,880,686	--	4,880,686
Depreciation	5,789,091	--	5,789,091
Amortization, primarily goodwill	1,760,443	--	1,760,443
Total expenses	268,974,111	--	268,974,111
NET INCOME (LOSS)	18,845,550	(4,724,093)	14,121,457
NET ASSETS RELEASED FROM RESTRICTION FOR THE PURCHASE OF PROPERTY AND EQUIPMENT	267,275	(267,275)	--
POST-RETIREMENT BENEFIT RELATED CHANGES OTHER THAN NET PERIODIC COST	(117,126)	--	(117,126)
INCREASE (DECREASE) IN NET ASSETS	18,995,699	(4,991,368)	14,004,331
NET ASSETS, BEGINNING OF YEAR	100,162,162	37,127,430	137,289,592
NET ASSETS, END OF YEAR	$ 119,157,861	32,136,062	151,293,923

See notes to consolidated financial statements

Mosaic and Affiliates

Consolidated Statements of Cash Flows
For the Years Ended June 30, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 23,661,924	14,004,331
Adjustments to reconcile the change in net assets to net cash provided by operating activities -		
Depreciation	5,607,816	5,789,091
Amortization and impairment of goodwill	5,678,418	1,760,443
Amortization of financing leases	283,769	--
Amortization of operating leases, net	3,845	--
Gain on disposal of property and equipment, net	(278,655)	(477,318)
Gain on sale of Texas property and equipment	--	(4,281,384)
Gain on sale of Texas agency operations, net	--	(6,114,854)
Change in liability for post-retirement benefits	(19,563)	144,947
Change in value of split-interest agreements	13,851	295,146
(Increase) decrease in trading securities, net	(14,675,913)	4,862,166
Restricted gifts, grants and estates, net	(1,341,147)	(2,163,640)
(Increase) decrease in current assets -		
Receivables -		
Program services	(6,426,181)	(2,145,438)
Other	(270,440)	23,749
Estimated third-party payor settlements - Medicaid	109,893	(109,893)
Other current assets	(43,024)	(25,395)
Prepaid expenses	(573,879)	133,956
Increase (decrease) in current liabilities -		
Trade accounts payable	4,246,642	1,618,361
Other accrued expenses	6,755,745	1,209,890
Outstanding and incurred but not reported loss reserves	(6,120)	313,471
Refundable advances	9,676,681	228,274
Estimated third-party payor settlements - Medicaid	472,865	(711,249)
Net cash provided by operating activities	32,876,527	14,354,654
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from the sale of property and equipment	19,619	199,391
Proceeds from the sale of Texas agency property and equipment	--	5,620,716
Proceeds from the sale of Texas agency operations, net	--	7,214,854
Purchases of property and equipment	(4,032,579)	(2,878,701)
Acquisition of goodwill	(16,353,412)	(600,000)
Receipts from investment in sales-type lease	172,699	30,694
Net cash provided by (used in) investing activities	(20,193,673)	9,586,954
CASH FLOWS FROM FINANCING ACTIVITIES:		
Advances on lines of credit	10,000,000	600,000
Payments on lines of credit	(5,357,144)	(6,652,109)
Proceeds from issuance of long-term debt	2,780,951	1,785,988
Payments on long-term debt	(2,529,608)	(2,185,087)
Principal payments on finance lease liabilities	(257,348)	--
Annuity gifts received	460,000	40,000
Payments on annuity payment obligations	(404,658)	(294,528)
Payments from (to) affiliates, net	(412,940)	67,091
Refundable fees received (disbursed), net	(14,557)	30,772
Restricted gift of securities	--	999,511
Restricted gifts, grants and estates, net	1,068,574	6,658,317
Net cash provided by financing activities	5,333,270	1,049,955
NET INCREASE IN CASH AND CASH EQUIVALENTS	18,016,124	24,991,563
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	42,156,194	17,164,631
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 60,172,318	42,156,194

See notes to consolidated financial statements

Mosaic and Affiliates

Consolidated Statements of Cash Flows (Continued)
For the Years Ended June 30, 2021 and 2020

		2021	2020
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Acquisition cost of Living Innovations Support Services, LLC			
Cash received	$	844,345	--
Program service receivables		3,662,866	--
Prepaid expenses		261,815	--
Property and equipment		196,978	--
Other assets - Goodwill		16,353,412	--
Accounts payable - trade		(111,709)	--
Other accrued expenses		(1,119,862)	--
Total acquisition cost	$	20,087,845	--
Gain on sale of Texas agency property and equipment:			
Cash received	$	--	5,620,716
Sales type lease entered into		--	1,575,000
Net book value of property and equipment sold		--	(2,914,332)
Gain on sale of Texas agency property and equipment	$	--	4,281,384
Gain on sale of Texas agency operations:			
Cash received	$	--	8,367,452
Transaction costs		--	(1,152,598)
Net proceeds		--	7,214,854
Amount escrowed included in other receivables		--	800,000
Write off of Texas agency goodwill		--	(1,900,000)
Gain on sale of Texas agency operations	$	--	6,114,854
Leased assets obtained in exchange for new finance lease liabilities	$	2,023,254	--
Interest paid		1,030,529	1,184,763

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, Colorado, Connecticut, Delaware, Illinois, Indiana, Iowa, Kansas, Maine, Nebraska, New Hampshire, and Rhode Island. Mosaic also provides independent senior care in Wisconsin.

Mosaic also owns all of the issued common stock of BICO Ltd. (BICO) and Ease-E Medical, Inc. BICO insures Mosaic for the deductible portion of workers' compensation, employer's liability, general and professional liability, sexual misconduct, auto liability, employment practices liability, cyber liability, and environmental liability risks, while Ease-E Medical Inc.'s primary business is the retail sale of disposable medical supplies. The 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 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.
- Mosaic Senior Services, Inc.
- Living Innovations Support Services, LLC

On February 1, 2021, Mosaic acquired 100% of the membership interest in Living Innovations Support Services, LLC (LISS, LLC). LISS, LLC contracts with various intellectual disability related services agencies, the State of Connecticut, the State of Maine, the State of New Hampshire and the State of Rhode Island to provide community-based services and support for those with disabilities or other special needs.

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

Mosaic Housing Corp V, Inc. is the general partner of Mosaic Residential Services of Nebraska, LLC (MRSNE). See Note 9 for Mosaic's accounting recognition of MRSNE.

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 (U.S. GAAP).

A. Use of Estimates

The preparation of 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 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 statements of cash flows include investments in highly liquid debt instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, and are not included in investment accounts.

C. Investments

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.

For the years ended June 30, 2021 and 2020, investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included 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 amounts reflecting consideration to which Mosaic expects to be entitled to from third-party payors, clients and others.

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 endowment purposes 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 the Department of Housing and Urban Development.

For insurance losses and reserves – Investments held within BICO 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 $5,000 or applicable state required Medicaid amount if other than $5,000. 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 support without donor restriction, 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 support with donor restriction. 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.

Mosaic's long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the sum of expected cash flows is less than the carrying amount of the asset, a loss is recognized.

H. Goodwill

Mosaic has acquired goodwill through the purchase of several companies that provide various services for people with intellectual disabilities or the aged. Mosaic has adopted the amendments included in ASU 2019-06, *Intangibles – Goodwill and Other (Topic 350)* extending the private company accounting alternatives on goodwill and certain identifiable intangible assets to not-for-profit entities. Under the amendment Mosaic began amortizing goodwill on a straight-line basis over ten years. Mosaic evaluates and test goodwill for impairment in accordance with ASC Topic 350. See Note 9 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. Contribution revenue without donor restriction 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 $9,012,604 and $9,018,724 of liabilities in 2021 and 2020, respectively, for self-insured workers' compensation insurance and other general liability risks. BICO insures Mosaic's deductible portion of workers' compensation and employers' liability. In addition, BICO insures 100% of auto physical damage risks, cyber and environmental liability risks. 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 which was incorporated under the laws of Bermuda and is registered as a Class 1 insurer under The Insurance Act of 1978.

K. Refundable Advances

Refundable advances at June 30, 2021 and 2020 consist of the following:

	2021	2020
Paycheck Protection Program loan	$ 10,000,000	--
Connecticut Department of Developmental Services	1,587,897	1,892,216
Other	--	19,000
	$ 11,587,897	1,911,216

In May 2021, Mosaic was granted a $10,000,000 loan pursuant to the Paycheck Protection Program (PPP) set up by the United States Small Business Administration through an approved lender. The loan is uncollateralized and fully guaranteed by the Federal government. Mosaic is eligible for loan forgiveness of up to 100% of the loan, if it is used for certain payroll, rent and utility expenses.

Mosaic intends to take measures to maximize the loan forgiveness but cannot reasonably determine the portion of the loan that will be ultimately forgiven. Mosaic is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. Mosaic has recorded the PPP loan as a refundable advance and will recognize the refundable advance as grant revenue upon being legally released from the loan obligation by the SBA. Mosaic will be required to repay any remaining balance, plus interest accrued at 1%, in monthly installments commencing upon the notification of loan forgiveness or partial forgiveness.

L. Estimated Third-Party Payor Settlements – Medicaid

Revenue for certain intermediate care facilities and other programs located in Nebraska, Iowa, Indiana, and Connecticut 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. Settlements also include liabilities related to overpayments received from Medicaid and other payors, and State of Iowa assessments.

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 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 original residents, 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

The financial statements report the changes in and totals of each net asset class based on the existence or absence of donor restrictions, as described below:

Net assets without donor restrictions are those net assets not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of Mosaic. Net assets without donor restrictions include undesignated net assets and net assets subject to designation by the Board of Directors.

Net assets with donor restrictions are net assets subject to stipulations imposed by donors. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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 conditions on which they depend are substantially met. The gifts are reported as support with donor restrictions 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, net assets with donor restrictions are reclassified as net assets without donor restrictions 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 contributions without donor restrictions in the accompanying 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. Program Service Revenue

Program service revenue is reported at the amount that reflects the consideration to which Mosaic expects to be entitled in exchange for providing services. These amounts are due primarily from third-party payors (primarily Medicaid) and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations. Mosaic bills third-party payors for services after the service is performed. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by Mosaic. Revenue for performance obligations satisfied at a point in time is recognized when goods or services are provided and Mosaic does not believe it is required to provide additional goods or services to the client. Mosaic has determined that all of its performance obligations for program service revenue are satisfied at a point in time. Mosaic is paid prospectively at determined contractual rates for either hourly or units of services, or for daily 24 hour care. At the end of a service unit or day, Mosaic has performed all required duties under its contracts with third-party payors (primarily Medicaid) and therefore has earned revenue for that unit of service or day.

Because all of Mosaic's performance obligations relate to contracts with a duration of less than one year, Mosaic has elected to apply the optional exemption allowed and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

Mosaic determines the transaction price based on contractually established rates with third-party payors (primarily Medicaid) for the goods and services it provides to patients. The contractually established rates are either for hourly or units of service, or are daily rates for 24 hour care. Mosaic expects to be entitled to these contractually agreed upon rates and does not provide discounts or contractual adjustments to its rates.

Subsequent changes to the estimate of the transaction price are recorded as adjustments to patient service revenue in the period of change. For the years ended June 30, 2021 and 2020, no additional revenue was recognized due to changes in estimates of implicit price concessions for performance obligations satisfied in prior years.

Mosaic has elected the practical expedient allowed and does not adjust the estimated amount of consideration from third-party payors for the effects of a significant financing component due to Mosaic's expectation is that the period between the time service is provided to the patient and the time that the patient or third-party payor pays for that service will be one year or less.

Q. Functional Allocation of Expenses

The cost of providing living and care facilities and vocational services to people with intellectual disabilities or other special needs have been summarized on the basis of natural classification in the consolidated statement of operations and change in net assets. Note 19 presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

R. Income Taxes

All consolidated affiliated entities, except for Mosaic Housing Corp V, Inc., Ease-E Medical, Inc. (Ease-E), BICO and LISS, LLC 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 2021 and 2020. Income tax refunds and deferred tax liabilities are included in other receivables and other accrued expenses, respectively, on the consolidated balance sheets.

BICO was incorporated under the laws of Bermuda, which do not require income taxes.

LISS, LLC elected to be taxed under the provisions of Subchapter S and is considered a disregarded entity under the Internal Revenue Code since its sole member is Mosaic. Mosaic would be responsible if any federal income taxes were assessed on LISS, LLC's income.

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 2021 and 2020, management determined that there are no income tax positions requiring recognition in the financial statements other than described previously.

S. Performance Indicator

The consolidated statement of operations and changes in net assets includes net income 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 post-retirement benefit changes other than net periodic cost.

T. Change in Accounting Principle

Effective July 1, 2020, Mosaic adopted the provisions of FASB Accounting Standards Update (ASU) 2016-02 Leases (Topic 842). The new accounting standard requires the recognition of right-of-use assets and lease liabilities for all long-term leases, including operating leases, on the balance sheet. Mosaic elected the optional transition method and adopted the new guidance on a modified retrospective basis with no restatement of prior period amounts. As allowed under the new accounting standard, Mosaic elected to apply practical expedients to carry forward the original lease determinations, lease classifications and accounting of initial direct costs for all asset classes at the time of adoption.

Upon adoption of ASU 2016-02, Mosaic recognized right-of-use assets-operating leases of $12,902,659 and lease liabilities-operating leases of $12,902,659. There was no cumulative-effect adjustment required to the opening balance of net assets. The adoption of ASU 2016-02 did not have a significant effect on Mosaic's consolidated statements of operations or cash flows. See Note 11 for further information.

U. Reclassification

Certain amounts in the 2020 financial statements have been reclassified to conform to the 2021 reporting format.

V. Subsequent Events

Mosaic considered events occurring through October 15, 2021 for recognition or disclosure in the financial statements as subsequent events. That date is the date the financial statements were available to be issued.

(3) Program Service Revenue

Mosaic has agreements with third-party payors that provide for payments to Mosaic at contractually established rates. A summary of the payment arrangements with major third-party payors follows:

Medicaid. Residential care services rendered to beneficiaries of various Medicaid programs (including managed care) are paid at prospectively determined rates per day of care. Day services and in-home support services are paid at prospectively determined rates per unit of service, based on the amount of time an individual receives services in a given day.

Substantially all of Mosaic's revenue is from individuals who are beneficiaries of various states' Medicaid programs. These Medicaid programs' ability to honor their contracts is dependent on adequate funding by the respective State and Federal governments.

Program service revenue, by service line is as follows, for the years ended June 30, 2021 and 2020:

	2021	2020
Residential services	$ 167,875,043	157,750,860
Host homes	63,292,332	56,785,301
Day services	23,066,030	23,201,408
In-home support	14,415,783	15,977,696
Medical supplies and other	9,770,487	9,372,681
Total program service revenue	$ 278,419,675	263,087,945

Laws and regulations concerning government programs (Medicaid), are complex and subject to varying interpretation. Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and Mosaic's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews and investigations.

(4) Pledges Receivable

Included in pledges receivable are the following unconditional promises to give at June 30, 2021 and 2020:

		2021	2020
Program assistance and facility improvements:			
Less than one year	$	1,594,871	1,766,877
One to five years		1,639,730	2,035,252
More than five years		31,172	34,569
Pledges receivable		3,265,773	3,836,698
Less allowance for uncollectible pledges		(350,202)	(350,202)
Less discounts for the time-value of money		(53,467)	(63,522)
Pledges receivable, net		2,862,104	3,422,974
Less current portion of pledges receivable, net		(1,594,871)	(1,766,877)
Long-term portion of pledges receivable, net	$	1,267,233	1,656,097

The long-term portion of pledges receivable, net, is included in other assets, net, in the consolidated balance sheets, see Note 9. The discount rate used was 2.0% for both 2021 and 2020.

(5) Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated balance sheet dates, are comprised of the following:

		2021	2020
Financial assets:			
Cash and cash equivalents	$	60,172,318	42,156,194
Receivables -			
Program services		33,849,185	27,423,004
Other		1,591,992	1,321,552
Investments, primarily investments limited as to use		82,214,098	67,538,185
Total financial assets		177,827,593	138,438,935
Less financial assets limited as to use:			
By board designation for endowment		43,009,719	33,298,267
By donor		5,174,415	5,320,746
Under bond indenture agreements		205,800	187,586
Under regulatory agreements		1,205,196	1,131,575
For insurance losses and reserves		24,950,185	23,109,458
Deposits held in trust		3,970,673	858,075
Other		100,000	100,000
Total financial assets limited as to use		78,615,988	64,005,707
Financial assets available for general expenditure	$	99,211,605	74,433,228

Mosaic's endowment funds consist of donor-restricted endowments and funds designated by the Board of Directors as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

Board designated endowment funds of $43,009,719 and $33,298,267 at June 30, 2021 and 2020, respectively, are not intended to be spent from, however this amount could be made available for expenditure by an action of the Board of Directors should that be necessary. See Note 13 for further information regarding endowments.

Mosaic's liquidity management plan includes investing cash in excess of daily requirements in short-term investments, certificates of deposit, and money market funds.

(6) Investments, Primarily Investments Limited as to Use

The composition of investments, primarily investments limited as to use, at June 30, 2021 and 2020 is as follows:

		2021	2020
Current portion of investments, primarily investments limited as to use	$	28,916,340	24,069,930
Investments limited as to use -			
By board	$	43,009,719	33,298,267
By donor		5,174,415	5,320,746
Under bond indenture agreements		205,800	187,586
Under regulatory agreements		1,205,196	1,131,575
For insurance losses and reserves		24,950,185	23,109,458
Deposits held in trust		3,970,673	858,075
Other		100,000	100,000
Other investments		3,598,110	3,532,478
		82,214,098	67,538,185
Less amounts required for current obligations -			
Investments limited as to use		(27,950,519)	(23,109,458)
Other investments		(965,821)	(960,472)
		(28,916,340)	(24,069,930)
Investments, primarily investments limited as to use, net of current portion	$	53,297,758	43,468,255

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, 2021 and 2020 is as follows:

		2021	2020
Investments, primarily investments limited as to use	$	82,214,098	67,538,185
Less investments in real estate		(1,241,304)	(1,241,304)
Less investments in certificates of deposit		(1,295,601)	(1,266,644)
Less investments in cash surrender value of life insurance		(1,098,044)	(1,068,850)
	$	78,579,149	63,961,387

Investment income is composed of the following:

		2021		
		Without Donor Restrictions	**With Donor Restrictions**	**Total**
Interest and dividends	$	778,640	--	778,640
Net realized gains on other than trading securities		1,744,193	12,957	1,757,150
		2,522,833	12,957	2,535,790
Unrealized gains on investments, net		5,960,358	--	5,960,358
Total investment income	$	8,483,191	12,957	8,496,148

		2020		
		Without Donor Restrictions	**With Donor Restrictions**	**Total**
Interest and dividends	$	1,255,189	--	1,255,189
Net realized gains (losses) on other than trading securities		(485,998)	27,045	(458,953)
		769,191	27,045	796,236
Unrealized losses on investments, net		(789,781)	--	(789,781)
Total investment income	$	(20,590)	27,045	6,455

(7) Fair Value

Fair Value Measurements

Mosaic applies FASB ASC Topic 820 for fair value measurements of financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. 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 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 and accrued interest, is classified as Level 1 as these funds are valued using quoted market prices.

Exchange Traded and Closed End Funds, and Mutual Funds – The fair value of 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.

For the fiscal years ended June 30, 2021 and 2020, 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, 2021 and 2020:

	June 30, 2021			
	Total	**Level 1**	**Level 2**	**Level 3**
Investments, primarily investments limited as to use:				
Cash and cash equivalents	$ 23,423,868	23,423,868	--	--
Exchange traded and closed end funds				
Equity	27,407,649	27,407,649	--	--
Fixed income	12,559,297	12,559,297	--	--
Mutual funds				
Equity	2,992,784	2,992,784	--	--
Fixed income	11,862,356	11,862,356	--	--
Beneficial interest in perpetual trusts	333,195	--	--	333,195
	$ 78,579,149	78,245,954	--	333,195

	June 30, 2020			
	Total	**Level 1**	**Level 2**	**Level 3**
Investments, primarily investments limited as to use:				
Cash and cash equivalents	$ 18,430,936	18,430,936	--	--
Exchange traded and closed end funds				
Equity	20,345,587	20,345,587	--	--
Fixed income	9,228,381	9,228,381	--	--
Mutual funds				
Equity	1,901,324	1,901,324	--	--
Fixed income	13,774,475	13,774,475	--	--
Beneficial interest in perpetual trusts	280,684	--	--	280,684
	$ 63,961,387	63,680,703	--	280,684

A reconciliation of fair value measurements classified as Level 3 for the years ended June 30, 2021 and 2020 is as follows:

		2021	2020
Beginning balance	$	280,684	574,411
Investment income, net		5,181	11,964
Unrealized gains on investments, net		40,102	3,457
Additions		10,867	10,538
Distributions		(3,639)	(319,686)
Ending balance	$	333,195	280,684

(8) Property and Equipment

Property and equipment as of June 30, 2021 and 2020, is summarized as follows:

		2021	2020
Land and land improvements	$	11,255,995	11,092,322
Buildings and improvements		110,930,406	108,062,489
Equipment and furnishings		15,264,853	14,395,837
Transportation equipment		2,501,305	2,499,073
Construction in process		611,828	347,997
		140,564,387	136,397,718
Less accumulated depreciation		(90,088,492)	(84,575,679)
	$	50,475,895	51,822,039

Depreciation expense of $5,607,816 and $5,789,091 for June 30, 2021 and 2020, respectively, is included in the accompanying consolidated statements of operations and changes in net assets.

(9) Other Long-Term Assets, Primarily Goodwill, Net

Other long-term assets, primarily goodwill, net for Mosaic at June 30, 2021 and 2020 are comprised of the following:

		2021	2020
Goodwill, net	$	26,716,116	16,041,122
Contributions receivable from estates and remainder trusts		2,399,543	1,567,022
Pledges receivable, net of current portion		1,267,233	1,656,097
Gift annuities receivable		78,949	78,028
Capital contribution to Mosaic Residential Services of Nebraska (MRSNE)		914,464	914,464
Other		8,493	9,044
	$	31,384,798	20,265,777

The changes in the carrying amount of goodwill for the years ended June 30, 2021 and 2020 are as follows:

		2021	2020
Goodwill -			
Beginning of year	$	17,801,565	19,101,565
Acquistions -			
Arizona agency		--	600,000
LISS, LCC		16,353,412	--
Sale of Texas agency		--	(1,900,000)
Subtotal		34,154,977	17,801,565
Accumulated amortization -			
Beginning of year		1,760,443	--
Goodwill amortization		2,359,918	1,760,443
Kansas agency goodwill impairment		3,318,500	--
Subtotal		7,438,861	1,760,443
Goodwill, net	$	26,716,116	16,041,122

Mosaic recognized an impairment of the remaining unamortized goodwill associated with the Kansas agency that was acquired in 2010. Due to decreased census and changes in referrals, Mosaic determined an impairment loss of $3,318,500 was necessary. The impairment loss is included with amortization, primarily goodwill in consolidated statements of operations and changes in net assets for the year ended June 30, 2021.

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 financial statements and operations.

(10) Long-Term Debt, Including Lines of Credit

A summary of long-term debt, including lines of credit, at June 30, 2021 and 2020 is as follows:

		2021	2020
Public Finance Authority Revenue Refunding Bonds, Tax-Exempt, Series 2018A, due through November 2028, payable in varying semi-annual installments, interest rate of 3.985%, paid semi-annually.	$	2,366,431	2,569,073
Public Finance Authority Revenue Refunding Bonds, Taxable, Series 2018B, due through November 2028, payable in varying semi-annual installments, interest rate of 4.959%, paid semi-annually.		6,938,018	7,087,662
Public Finance Authority Revenue Refunding Bonds, Tax-Exempt, Series 2017A, due through May 2027, payable in varying semi-annual installments, interest rate of 3.53%, paid semiannually.		6,835,065	8,316,778

Public Finance Authority Revenue Refunding Bond, Tax-Exempt, Series 2017B, due through May 2026, payable in varying monthly installments, interest rate at LIBOR, paid monthly. Par value of bonds are $6,740,000.	4,630,095	2,939,081
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 of Dunn County, Inc.	388,769	541,291
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.	298,346	313,441
Various mortgages, payable in monthly installments, including interest at rates ranging from 0% to 7.34%, maturing between 2026 and 2051. These mortgages are secured by real estate in Connecticut, Colorado, Nebraska, Illinois, and Wisconsin.	4,225,785	3,713,762
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%.	597,892	597,892
Notes payable, Federal Home Loan Bank of Topeka, forgivable if certain requirements are maintained for a period of 15 years.	1,600,000	1,600,000
Line of credit - Wells Fargo Bank.	4,642,856	--
	32,523,257	27,678,980
Less current portion of long-term debt, including lines of credit	(8,478,345)	(3,312,058)
Long-term debt, excluding current portion	24,044,912	24,366,922
Less unamortized debt issuance costs	(438,080)	(488,002)
Total long-term debt, excluding current portion	$ 23,606,832	23,878,920

Public Finance Authority Revenue Bonds (Mosaic Project) Tax-Exempt, Series 2018A and Series 2018B, were issued to finance the acquisition of tangible and intangible assets related to in-home support services of Soreo and to refund certain existing obligations. Both bonds are secured by all revenue of Mosaic and a security interest in certain collateral properties.

Public Finance Authority Revenue Refunding Bonds, Series 2017A, were issued to refund certain existing obligations. The issue is secured by all revenue of Mosaic and a security interest in certain collateral properties.

Public Finance Authority Revenue Refunding Bonds, Series 2017B, were issued in connection with the acquisition and improvement of group homes. The issue is secured by all revenue and a security interest in certain collateral properties. The bonds bear interest at the LIBOR Index Rate. At June 30, 2021, the applicable rate is 1.46%.

In order to secure the financing of the above Public Finance Authority Bonds, as described above, Mosaic agreed to deeds of trust and assignment of rents and leases for certain properties. These properties are located in Omaha, Axtell and Beatrice, Nebraska and include farms located in Axtell, Nebraska and Storm Lake, Iowa.

At June 30, 2021 and 2020, Mosaic had available a line of credit of $17,000,000 and $7,000,000 with Wells Fargo Bank, respectively. The line of credit at June 30, 2021 and 2020 had a balance of $4,642,856 and $-0-, respectively. The line of credit matures on December 31, 2022 and is secured by the accounts receivable and other rights to payment and general intangibles of Mosaic. Subsequent to year end, the line of credit was paid through cash and cash equivalents of Mosaic.

Deferred financing costs are amortized on a straight-line basis over the life of their respective long-term debt, which approximates the interest rate method.

Future maturities of long-term debt as of June 30, 2021 are as follows:

2022	$	8,478,345
2023		3,118,363
2024		3,092,537
2025		3,118,167
2026		3,209,658
Thereafter		11,506,187
	$	32,523,257

(11) Leases

Mosaic has operating lease agreements for certain facility space for operations under various noncancelable operating lease agreements which expire between 2022 and 2030, including renewal options. Mosaic also has operating and financing lease agreements for certain automobiles which expire in 2027. FASB ASC 842 requires the recognition of leasing arrangements on the balance sheet as right-of-use assets and liabilities pertaining to the rights and obligations created by the leased assets. Mosaic determines whether an arrangement is a lease at inception and classifies it as finance or operating.

Right-of-use (ROU) lease assets and corresponding lease liabilities are recognized at commencement date based on the present value of lease payments over the expected lease term. Since the interest rate implicit in Mosaic's lease arrangements is not readily determinable, Mosaic determines an incremental borrowing rate for each lease based on the approximate interest rate on a collateralized basis with similar remaining terms and payments as of the lease commencement date to determine the present value of future lease payments. Lease terms may include renewal options when it is reasonably certain that the option will be exercised and excludes termination options. Mosaic has elected not to recognize ROU assets and lease liabilities that arise from short-term (12 months or less) leases for any class of underlying assets. Mosaic's lease agreements do not include non-lease components or variable lease payments which should be considered in the calculation of ROU assets and lease liabilities. Mosaic's leases do not contain any residual value guarantees.

A summary of ROU assets and lease liabilities at June 30, 2021 is as follows:

		2021
Assets -		
Operating ROU assets	$	9,198,348
Finance ROU assets		1,739,485
Total	$	10,937,833
Liabilities -		
Current:		
Operating	$	3,297,976
Finance		400,117
Noncurrent:		
Operating		5,904,217
Finance		1,365,789
Total	$	10,986,099

Lease costs for the year ended June 30, 2021 are as follows:

		2021
Operating lease costs	$	4,527,041
Finance lease costs -		
Amortization of ROU assets		283,769
Interest on lease liabilities		15,818
Total	$	4,826,628

Operating lease costs are recognized on a straight-line basis over the lease term and included in facilities expense in the consolidated statements of operations.

A summary of maturities for operating leases at June 30, 2021 is as follows;

2022	$	3,297,976
2023		2,780,949
2024		1,831,314
2025		977,307
2026		466,262
Thereafter		257,795
Total lease payments		9,611,603
Less amounts representing interest		409,410
Present value of operating lease liabilities	$	9,202,193

A summary of maturities for finance leases at June 30, 2021 is as follows:

2022	$	400,117
2023		417,261
2024		417,942
2025		414,316
2026		209,550
Thereafter		4,052
Total lease payments		1,863,238
Less amounts representing interest		97,332
Present value of finance lease liabilities	$	1,765,906

A summary of remaining lease terms and discount rates at June 30, 2021 is as follows:

Weighted average remaining lease term (years):	
Operating leases	4.39
Finance leases	4.92
Weighted average discount rate:	
Operating leases	2.19%
Finance leases	2.12%

Supplemental cash flow information related to leases for the year ended June 30, 2021 is as follows:

		2021
Cash paid for amounts included in the measurement of lease liabilities:		
Operating leases	$	3,704,311
Finance leases		273,166
Lease assets obtained in exchange for new:		
Operating leases		12,902,659
Finance leases		2,023,254

(12) Net Assets With Donor Restrictions

Net assets with donor restrictions are as follows:

		2021	2020
Subject to expenditure for specified purpose:			
Support of general operations of Mosaic	$	5,272,994	6,131,524
Donor restricted for program purposes		212,991	217,651
		5,485,985	6,349,175
Subject to passage of time:			
Mosaic Housing Corp II capital advance and grant		1,067,400	1,067,400
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 VIII capital advance		949,832	948,848
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		1,444,918	1,449,917
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	80,000
Illinois Housing Development Authority loan		412,000	412,000
Affordable Housing Program loan		50,000	50,000
City of Fort Collins grant		11,190	16,785
		18,730,686	18,740,296
Subject to spending policy and appropriation:			
Support of general operations of Mosaic		7,057,988	7,046,591
	$	31,274,659	32,136,062

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.

(13) 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 interests 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, 2021 and 2020 are as follows:

Endowment Net Asset Composition by Type of Fund

		June 30, 2021		
		Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$	43,009,719	--	43,009,719
Donor-restricted endowment funds		--	7,057,988	7,057,988
	$	43,009,719	7,057,988	50,067,707

		June 30, 2020		
		Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$	33,298,267	--	33,298,267
Donor-restricted endowment funds		--	7,046,591	7,046,591
	$	33,298,267	7,046,591	40,344,858

Changes in Endowment Net Assets

		Year Ended June 30, 2021		
		Without Donor Restrictions	**With Donor Restrictions**	**Total**
Net assets, beginning of year	$	33,298,267	7,046,591	40,344,858
Investment income, net		6,397,360	1,288,286	7,685,646
Contributions		3,877,910	11,397	3,889,307
Amounts appropriated for expenditure -				
Annual distribution		(728,957)	(1,288,286)	(2,017,243)
Additional transfers to Mosaic -				
Strategic grant - direct care wages		(84,861)	--	(84,861)
Other changes,				
Transfer to increase board designated endowment funds		250,000	--	250,000
Endowment net assets, end of year	$	43,009,719	7,057,988	50,067,707

		Year Ended June 30, 2020		
		Without Donor Restrictions	**With Donor Restrictions**	**Total**
Net assets, beginning of year	$	30,069,783	6,020,217	36,090,000
Investment income, net		(594,573)	55,023	(539,550)
Contributions		2,459,452	1,026,374	3,485,826
Amounts appropriated for expenditure,				
Annual distribution		(1,749,477)	(55,023)	(1,804,500)
Additional transfers to Mosaic -				
Strategic grant - direct care wages		(510,333)	--	(510,333)
Strategic grant - quality initiative		(47,835)	--	(47,835)
Other changes,				
Transfer to increase board designated endowment funds		3,671,250	--	3,671,250
Endowment net assets, end of year	$	33,298,267	7,046,591	40,344,858

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 and 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 and money-market instruments. The total funds will invest in major asset categories as follows:

	Actual Allocation	Allocation Range
Equities	59%	30% to 70%
Fixed income	26%	25% to 55%
Cash equivalents	15%	0% to 20%
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 approximately 5% of all endowment funds. Periodically, additional or less appropriations are approved by the Board of Directors. The Foundation considers the long-term expected return on its funds in establishing this policy.

(14) Professional Liability and Other 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. These risks are evaluated and recorded in BICO.

BICO is a wholly-owned subsidiary of Mosaic and insures Mosaic for the deductible portion of U.S. workers' compensation, general and professional liability, auto liability, cyber and environmental liability along with other employer liability risks. The deductible reimbursement policy risks ranged from $100,000 and $500,000 at June 30, 2021 and 2020. BICO has established a collateral account of $5,033,000 at June 30, 2021 and 2020, 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, 2021 and 2020, BICO had included in liabilities outstanding and incurred but not reported (IBNR) loss reserves of $9,012,604 and $9,486,224, 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.

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 8.5% of annual covered payroll. Contribution requirements are established by union contract.

Mosaic also offers an additional deferred compensation plan for its executive employees. 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 employees.

For the year ended June 30, 2021 and 2020, total pension expense of $932,501 and $973,016, respectively, was incurred by Mosaic.

Executive Supplemental Benefit Plan

Certain employees as defined by employment agreements are eligible for healthcare coverage at any age upon termination for any reason other than cause. Healthcare coverage is only available until age 65 or their Medicare entitlement age (if later).

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, 2021 and 2020 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, 2021 and 2020:

		2021	2020
Consolidated balance sheets:			
Liability for post-retirement benefits -			
Salary continuation	$	928,774	904,315
Health benefits		330,501	374,523
	$	1,259,275	1,278,838
Consolidated statements of operations and changes in net assets:			
Included with employee benefits -			
Salary continuation	$	68,906	68,588
Health benefits		6,869	(112,814)
	$	75,775	(44,226)
Postretirement benefit related changes other than net periodic cost -			
Salary continuation	$	(44,447)	(17,727)
Health benefits		(29,756)	(99,399)
	$	(74,203)	(117,126)

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, 2021 and 2020:

		2021	2020
Changes to benefit obligation:			
Benefit obligation at beginning of period	$	904,315	818,000
Service cost		26,352	24,554
Interest cost		8,410	19,469
Experience (gain) loss		(10,303)	42,292
Benefit obligation at end of period		928,774	904,315
Fair value of plan assets at end of period		--	--
Funded status at end of period	$	(928,774)	(904,315)
Amounts recognized in the consolidated balance sheets:			
Current liabilities	$	--	--
Noncurrent liabilities		928,774	904,315
	$	928,774	904,315

The following is a summary of the components of net periodic postretirement benefit cost for the years ended June 30, 2021 and 2020:

		2021	2020
Service cost during the period	$	26,352	24,554
Interest cost		8,410	19,469
Amount of recognized gains and losses		34,144	24,565
Net periodic postretirement benefit cost	$	68,906	68,588

Items not yet recognized as a component of periodic postretirement benefit cost at June 30, 2021 and 2020:

		2021	2020
Net loss	$	166,853	211,300

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, 2021 and 2020:

		2021	2020
Changes to benefit obligation:			
Benefit obligation at beginning of period	$	374,523	315,891
Service cost		10,321	4,638
Interest cost		4,490	8,060
Amendments/new participant		--	90,806
Benefits paid		(21,135)	(18,759)
Experience gain		(37,698)	(26,113)
Benefit obligation at end of period		330,501	374,523
Fair value of plan assets at end of period		--	--
Funded status at end of period	$	(330,501)	(374,523)
Amounts recognized in the consolidated balance sheets:			
Current liabilities	$	49,534	21,135
Noncurrent liabilities		280,967	353,388
	$	330,501	374,523

The following is a summary of the components of net periodic postretirement benefit cost for the years ended June 30, 2021 and 2020:

		2021	2020
Service cost during the period	$	10,321	4,638
Interest cost		4,490	8,060
Amount of recognized gains and losses		(7,942)	(125,513)
Net periodic postretirement benefit cost	$	6,869	(112,814)

Items not yet recognized as a component of periodic postretirement benefit cost at June 30, 2021 and 2020:

		2021	2020
Net gain	$	(59,205)	(32,719)

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, 2021 and 2020:

	2021	2020
Discount rate – Pension	0.80%	0.93%
Discount rate – Health	1.67	1.28
Rate of increase in compensation levels	2.00	2.00

(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. For the years ended June 30, 2021 and 2020, total health insurance expense of $12,938,246 and $12,485,600 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.

(17) Concentrations of Credit Risk

The majority (more than 95%) 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

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

The table presented below illustrates Mosaic's expenses by both their nature and their function for the years ended June 30, 2021 and 2020:

	2021			
		Supporting Services		
	Program Services	Management and General	Fundraising	Total
Salaries and wages	$ 115,998,861	18,083,500	903,742	134,986,103
Employee benefits	23,473,408	3,056,118	41,528	26,571,054
Supplies	9,199,012	975,300	1,652	10,175,964
Facilities	12,469,056	857,320	20,707	13,347,083
Contracted providers	73,823,580	12,007	--	73,835,587
Purchased services	3,402,465	4,087,599	402,720	7,892,784
Interest	476,868	540,456	--	1,017,324
Travel and transportation	2,904,594	224,039	17,689	3,146,322
Other variable expenses	928,356	846,200	523,591	2,298,147
Depreciation	4,395,226	1,212,590	--	5,607,816
Amortization	5,962,187	--	--	5,962,187
	$ 253,033,613	29,895,129	1,911,629	284,840,371

	2020			
		Supporting Services		
	Program Services	Management and General	Fundraising	Total
Salaries and wages	$ 112,773,130	15,883,314	1,020,338	129,676,782
Employee benefits	24,599,978	1,981,883	139,414	26,721,275
Supplies	9,374,250	306,420	3,060	9,683,730
Facilities	12,412,422	636,502	11,698	13,060,622
Contracted providers	63,372,645	400	--	63,373,045
Purchased services	2,586,686	3,132,595	384,461	6,103,742
Interest	842,384	324,760	--	1,167,144
Travel and transportation	5,667,050	924,327	166,174	6,757,551
Other variable expenses	3,584,842	765,449	530,395	4,880,686
Depreciation	4,514,144	1,274,947	--	5,789,091
Amortization	1,760,443	--	--	1,760,443
	$ 241,487,974	25,230,597	2,255,540	268,974,111

(20) Provider Relief Funds and Related Grants

Provider Relief Funds and related grants for the years ended June 30, 2021 and 2020 consist of the following:

	2021	2020
CARES Act Provider Relief Funds	$ 4,467,407	--
State and local COVID-19 funding	4,452,155	--
	$ 8,919,562	--

On March 27, 2020, the CARES Act was signed into law that provides $175 billion in relief funds to hospitals and other healthcare providers on the front line of the coronavirus response. This funding is to be used to prevent, prepare for, and respond to coronavirus, and reimburse providers for healthcare related expenses or lost revenue attributable to the coronavirus. The funds were distributed to Mosaic on October 14, 2020. The funds represent a stimulus grant which requires certain terms and conditions. Total CARES Act Provider Relief Funds (PRF) advanced to Mosaic through June 30, 2021 was $4,467,407. Mosaic recognized this amount in revenue, gains, and other support in the consolidated statements of operations and changes in net assets based on healthcare related expenditures and lost revenue attributable to the coronavirus through June 30, 2021.

Mosaic will be required to submit documentation to HHS and attest how it earned the provider relief funds in accordance with the applicable terms and conditions. HHS continues to provide clarification of provider relief fund usage, which could impact the amounts previously recorded as revenue, gains and other support.

In addition, Mosaic has received additional funding from various states that received funding from Coronavirus Relief Funds administered by the United States Treasury under the CARES Act. Eligible expenses under the funding include those incurred to enable compliance with COVID-19 public health precautions, mitigate COVID-19 effects, or to respond to the COVID-19 public health emergency.

(21) Sale of Texas Agency Property and Equipment and Agency Operations

During 2020, Mosaic entered into a purchase and sale agreement to sell substantially all of the property used by Mosaic in conduct of providing intellectual and developmental disability and support services in Texas (approximately 25 properties). The transaction was closed in December 2019.

In addition Mosaic entered into an asset purchase agreement to sell all rights, title and interest in all assets including tangible and intangible, except excluded assets sold to a different party described above, that took over the operations of Mosaic’s Texas agency. The transaction was closed in February 2020, and included setting aside $800,000 of the purchase price in escrow, for 12 months. The escrowed amount is included with other receivables in the consolidated balance sheet as of June 30, 2020. Management received the escrowed amount upon expiration of the 12 months in 2021.

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, 2021, 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 (collectively, the financial statements), and have issued our report thereon dated October 15, 2021. The financial statements of The Mosaic Foundation, Mosaic Senior Services, Inc., The Oaks of Dunn County, Inc., Ease-E Medical, Inc., and BICO, Ltd were not audited in accordance with *Government Auditing Standards.*

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Mosaic's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the 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.

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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 financial statements. 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*.

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 15, 2021.