Mosaic and Affiliates
Omaha, Nebraska

Consolidated Financial Statements
June 30, 2022 and 2021

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 Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Mosaic and Affiliates (Mosaic), which comprise the consolidated balance sheet as of June 30, 2022, the related consolidated statements of activities, 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).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Mosaic as of June 30, 2022, and the results of its activities and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Mosaic and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The financial statements of Mosaic as of and for the year ended June 30, 2021 were audited by Seim Johnson, LLP, who joined Eide Bailly LLP on July 25, 2022, and whose report dated October 15, 2021, contained an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2022 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 solely 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 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.

Eide Bailly LLP

Omaha, Nebraska,
October 19, 2022.

Mosaic and Affiliates

Consolidated Balance Sheets
June 30, 2022 and 2021

		2022	2021
ASSETS			
Current assets:			
Cash and cash equivalents	$	56,362,422	60,172,318
Current portion of investments, primarily investments limited as to use		28,152,262	28,916,340
Receivables -			
Program services		30,307,338	33,835,705
Pledges		1,150,346	1,594,871
Affiliates		409,840	817,322
Other		1,829,815	1,594,378
Current portion of investment in sales-type lease		174,083	192,000
Other current assets		68,146	142,013
Prepaid expenses		1,745,794	1,952,608
Total current assets		120,200,046	129,217,555
Investments, primarily investments limited as to use, net of current portion		72,854,198	53,353,905
Investment in sales-type lease, net of current portion		1,084,123	1,179,607
Property and equipment, net		49,516,672	50,475,895
Right-of-use assets, net -			
Operating leases		6,073,518	9,198,348
Financing leases		4,255,998	1,739,485
Goodwill, net		22,886,557	26,668,976
Other long-term assets		3,642,184	4,715,822
Total assets	$	280,513,296	276,549,593

See notes to consolidated financial statements

Mosaic and Affiliates

Consolidated Balance Sheets
June 30, 2022 and 2021

		2022	2021
LIABILITIES AND NET ASSETS			
Current liabilities:			
Current portion of -			
Long-term debt, including lines of credit	$	3,769,446	8,478,345
Lease liabilities -			
Operating		2,682,091	3,297,976
Finance		730,227	400,117
Annuity payment liability		131,308	131,308
Liability for post-retirement benefits		23,972	49,534
Accounts payable -			
Trade		8,460,526	11,041,114
Construction		60,144	178,768
Other accrued expenses		23,824,985	22,888,051
Outstanding and incurred but not reported loss reserves		9,940,600	9,012,604
Refundable advances		5,708,691	11,587,897
Estimated third-party payor settlements - Medicaid		1,095,656	472,865
Total current liabilities		56,427,646	67,538,579
Long-term liabilities:			
Long-term debt, net		21,266,851	23,606,832
Lease liabilities, net of current portion -			
Operating		3,395,272	5,904,217
Finance		3,617,713	1,365,789
Annuity payment liability, net of current portion		1,486,357	1,436,682
Refundable fees		583,445	531,906
Liability for post-retirement benefits, net of current portion		1,121,700	1,209,741
Total long-term liabilities		31,471,338	34,055,167
Total liabilities		87,898,984	101,593,746
Commitments and contingencies			
Net assets:			
Without donor restrictions		161,946,369	143,681,188
With donor restrictions		30,667,943	31,274,659
Total net assets		192,614,312	174,955,847
Total liabilities and net assets	$	280,513,296	276,549,593

See notes to consolidated financial statements

Mosaic and Affiliates

Consolidated Statements of Activities and Changes in Net Assets
For the Year Ended June 30, 2022, with Comparative Totals for 2021

		2022			2021
		Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUE, GAINS AND OTHER SUPPORT:					
Program service revenue	$	329,313,900	--	329,313,900	280,254,584
Gifts and grants		2,469,149	1,206,216	3,675,365	4,392,950
Estates		1,656,091	--	1,656,091	3,779,149
Other revenue		2,322,966	--	2,322,966	2,428,517
CARES Act Provider Relief Funds and related grants		4,073,801	--	4,073,801	9,115,750
Gain on forgiveness of debt		10,000,000	--	10,000,000	--
Contribution from acquired entity		2,597,898	--	2,597,898	--
Investment income, net		9,824,488	2,247	9,826,735	2,500,053
Unrealized gains (losses) on investments, net		(13,247,858)	--	(13,247,858)	5,960,358
Net assets released from restriction for operations		1,692,172	(1,692,172)	--	--
Total revenue, gains and other support		350,702,607	(483,709)	350,218,898	308,431,361
EXPENSES:					
Salaries and wages		151,152,794	--	151,152,794	134,986,103
Employee benefits		31,227,787	--	31,227,787	26,571,054
Supplies		9,654,085	--	9,654,085	10,175,964
Facilities		14,675,530	--	14,675,530	13,347,083
Contracted providers		96,096,193	--	96,096,193	73,835,587
Purchased services		8,718,350	--	8,718,350	7,892,784
Interest		1,046,356	--	1,046,356	1,017,324
Travel and transportation		4,831,678	--	4,831,678	3,146,322
Other variable expenses		5,010,659	--	5,010,659	2,298,147
Depreciation		5,778,694	--	5,778,694	5,607,816
Amortization, primarily goodwill		4,504,793	--	4,504,793	2,643,687
Goodwill impairment		--	--	--	3,318,500
Total expenses		332,696,919	--	332,696,919	284,840,371
NET INCOME (LOSS)		18,005,688	(483,709)	17,521,979	23,590,990
NET ASSETS RELEASED FROM RESTRICTION FOR THE PURCHASE OF PROPERTY AND EQUIPMENT		123,007	(123,007)	--	--
POST-RETIREMENT BENEFIT RELATED CHANGES OTHER THAN NET PERIODIC COST		136,486	--	136,486	70,934
INCREASE (DECREASE) IN NET ASSETS		18,265,181	(606,716)	17,658,465	23,661,924
NET ASSETS, BEGINNING OF YEAR		143,681,188	31,274,659	174,955,847	151,293,923
NET ASSETS, END OF YEAR	$	161,946,369	30,667,943	192,614,312	174,955,847

See notes to consolidated financial statements

Mosaic and Affiliates

Consolidated Statements of Activities and Changes in Net Assets
For the Year Ended June 30, 2021

		2021		
		Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, GAINS AND OTHER SUPPORT:				
Program service revenue	$	280,254,584	--	280,254,584
Gifts and grants		3,051,803	1,341,147	4,392,950
Estates		3,779,149	--	3,779,149
Other revenue		2,428,517	--	2,428,517
CARES Act Provider Relief Funds and related grants		9,115,750	--	9,115,750
Investment income, net		2,487,096	12,957	2,500,053
Unrealized gains on investments, net		5,960,358	--	5,960,358
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
EXPENSES:				
Salaries and wages		134,986,103	--	134,986,103
Employee benefits		26,571,054	--	26,571,054
Supplies		10,175,964	--	10,175,964
Facilities		13,347,083	--	13,347,083
Contracted providers		73,835,587	--	73,835,587
Purchased services		7,892,784	--	7,892,784
Interest		1,017,324	--	1,017,324
Travel and transportation		3,146,322	--	3,146,322
Other variable expenses		2,298,147	--	2,298,147
Depreciation		5,607,816	--	5,607,816
Amortization, primarily goodwill		2,643,687	--	2,643,687
Goodwill impairment		3,318,500	--	3,318,500
Total expenses		284,840,371	--	284,840,371
NET INCOME (LOSS)		24,214,649	(623,659)	23,590,990
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
INCREASE (DECREASE) IN NET ASSETS		24,523,327	(861,403)	23,661,924
NET ASSETS, BEGINNING OF YEAR		119,157,861	32,136,062	151,293,923
NET ASSETS, END OF YEAR	$	143,681,188	31,274,659	174,955,847

See notes to consolidated financial statements

Mosaic and Affiliates

Consolidated Statements of Cash Flows
For the Years Ended June 30, 2022 and 2021

		2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:			
Change in net assets	$	17,658,465	23,661,924
Adjustments to reconcile the change in net assets to net cash provided by operating activities -			
Depreciation		5,778,694	5,607,816
Amortization of goodwill		3,782,419	2,359,918
Impairment of goodwill		--	3,318,500
Amortization of financing leases, net		710,968	283,769
Amortization of operating leases, net		--	3,845
Gain on forgiveness of debt		(10,000,000)	--
Gain on acquisition		(2,597,898)	--
(Gain) loss on disposal of property and equipment, net		599,309	(278,655)
Change in liability for post-retirement benefits		(113,603)	(19,563)
Contributions received for split-interest agreements		(1,014)	--
Change in value of split-interest agreements		(24,633)	13,851
Increase in trading securities, net		(16,138,317)	(14,677,348)
Restricted gifts, grants and estates, net		(1,206,216)	(1,341,147)
(Increase) decrease in current assets -			
Receivables -			
Program services		3,528,367	(8,123,001)
Other		(235,437)	1,426,380
Estimated third-party payor settlements - Medicaid		--	109,893
Other current assets		73,867	(42,948)
Prepaid expenses		206,814	(572,520)
Increase (decrease) in current liabilities -			
Trade accounts payable		(2,580,588)	4,247,615
Other accrued expenses		936,934	6,754,772
Outstanding and incurred but not reported loss reserves		927,996	(6,120)
Refundable advances		4,120,794	9,676,681
Estimated third-party payor settlements - Medicaid		622,791	472,865
Net cash provided by operating activities		6,049,712	32,876,527
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from the sale of property and equipment		1,890,977	19,619
Purchases of property and equipment		(7,427,830)	(4,032,579)
Acquisition of goodwill		--	(16,353,412)
Receipts from investment in sales-type lease		113,401	172,699
Net cash used in investing activities		(5,423,452)	(20,193,673)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Advances on lines of credit		--	10,000,000
Payments on lines of credit		(4,642,856)	(5,357,144)
Proceeds from issuance of long-term debt		671,165	2,780,951
Payments on long-term debt		(3,077,189)	(2,529,608)
Principal payments on finance lease liabilities		(645,447)	(257,348)
Annuity gifts received		526,880	460,000
Payments on annuity payment obligations		(451,558)	(404,658)
Payments from (to) affiliates, net		407,482	(412,940)
Refundable fees received (disbursed), net		51,539	(14,557)
Restricted gifts, grants and estates, net		2,723,828	1,068,574
Net cash provided by (used in) financing activities		(4,436,156)	5,333,270
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(3,809,896)	18,016,124
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		60,172,318	42,156,194
CASH AND CASH EQUIVALENTS, END OF YEAR	$	56,362,422	60,172,318

See notes to consolidated financial statements

Mosaic and Affiliates

Consolidated Statements of Cash Flows (Continued)
For the Years Ended June 30, 2022 and 2021

		2022	2021
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
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:			
Leased assets obtained in exchange for new finance lease liabilities	$	3,227,481	2,023,254
Interest paid	$	1,036,167	1,030,529
Paycheck Protection Program loan forgiveness	$	10,000,000	--

See notes to consolidated financial statements

(1) Organization

Mosaic and Affiliates (Mosaic) is a not-for-profit healthcare organization offering a wide range of person centered services, empowering people with intellectual developmental disabilities, behavioral and senior care needs to live as independently as possible. 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, 2022 and 2021, 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.

The following represents client balances as of July 1st and June 30th:

	2022	**2021**
July 1st	33,835,705	25,712,704
June 30th	30,307,338	33,835,705

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 activities and changes in net assets.

J. Outstanding and Incurred But Not Reported Loss Reserves

The consolidated balance sheets include $9,940,600 and $9,012,604 of liabilities in 2022 and 2021, respectively, for self-insured workers' compensation insurance and other general liability risks. BICO insures Mosaic's deductible portion of workers' compensation and employers' liability. 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, 2022 and 2021 consist of the following:

		2022	2021
Paycheck Protection Program loan	$	--	10,000,000
COVID-19 related stimulus grants		4,137,679	--
Connecticut Department of Developmental Services		1,571,012	1,587,897
	$	5,708,691	11,587,897

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 was uncollateralized and fully guaranteed by the Federal government. Mosaic was eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. In January 2022, Mosaic received forgiveness of the loan; the forgiveness of these funds are included in the consolidated statement of activities and changes in net assets for the year ended June 30, 2022.

L. *Estimated Third-Party Payor Settlements – Medicaid*

Revenue for certain intermediate care facilities and other programs located in Nebraska, Iowa, and Indiana 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.

The following represents estimated third-party payor settlements as of July 1st and June 30th:

	2022	**2021**
July 1st	472,865	--
June 30th	2,157,514	472,865

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 restrictions 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 activities 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, 2022 and 2021, 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 activities and change in net assets. Note 20 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 2022 and 2021. Income tax refunds and deferred tax liabilities are considered immaterial and 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 2022 and 2021, management determined that there are no income tax positions requiring recognition in the financial statements other than described previously.

S. Performance Indicator

The consolidated statements of activities 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. Reclassification

Certain amounts in the 2021 financial statements have been reclassified to conform to the 2022 reporting format.

U. Subsequent Events

Mosaic considered events occurring through October 19, 2022 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, 2022 and 2021:

	2022	2021
Residential services	$ 204,214,853	167,875,043
Host homes	71,829,509	63,292,332
Day services	22,553,679	23,066,030
In-home support	13,344,096	14,415,783
Medical supplies and other	17,371,763	11,605,396
Total program service revenue	$ 329,313,900	280,254,584

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, 2022 and 2021:

	2022	2021
Program assistance and facility improvements:		
Less than one year	$ 1,150,346	1,594,871
One to five years	1,376,631	1,639,730
More than five years	29,084	31,172
Pledges receivable	2,556,061	3,265,773
Less allowance for uncollectible pledges	(200,000)	(350,202)
Less discounts for the time-value of money	(45,340)	(53,467)
Pledges receivable, net	2,310,721	2,862,104
Less current portion of pledges receivable, net	(1,150,346)	(1,594,871)
Long-term portion of pledges receivable, net	$ 1,160,375	1,267,233

The long-term portion of pledges receivable, net, is included in other assets, net, in the consolidated balance sheets, see Note 10. The discount rate used was 2.0% for both 2022 and 2021.

(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:

	2022	2021
Financial assets:		
Cash and cash equivalents	$ 56,362,422	60,172,318
Receivables -		
Program services	30,307,338	33,835,705
Other	1,829,815	1,594,378
Investments, primarily investments limited as to use	101,006,460	82,270,245
Total financial assets	189,506,035	177,872,646
Less financial assets limited as to use:		
By board designation for endowment	38,750,052	43,009,719
By donor	9,231,901	8,619,063
Under bond indenture agreements	171,626	205,800
Under regulatory agreements	1,649,876	1,205,196
For insurance losses and reserves	26,187,275	24,950,185
Deposits held in trust	1,913,604	3,970,673
Total financial assets limited as to use	77,904,334	81,960,636
Financial assets available for general expenditure	$ 111,601,701	95,912,010

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 $38,750,052 and $43,009,719 at June 30, 2022 and 2021, 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 14 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, 2022 and 2021 is as follows:

		2022	2021
Current portion of investments, primarily investments limited as to use	$	28,152,262	28,916,340
Investments limited as to use -			
By board	$	38,750,052	43,009,719
By donor		9,231,901	8,619,063
Under bond indenture agreements		171,626	205,800
Under regulatory agreements		1,649,876	1,205,196
For insurance losses and reserves		26,187,275	24,950,185
Deposits held in trust		1,913,604	3,970,673
Other investments		23,102,126	309,609
		101,006,460	82,270,245
Less amounts required for current obligations -			
Investments limited as to use		(26,187,275)	(27,950,519)
Other investments		(1,964,987)	(965,821)
Total current portion of investments		(28,152,262)	(28,916,340)
Investments, primarily investments limited as to use, net of current portion	$	72,854,198	53,353,905

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, 2022 and 2021 is as follows:

		2022	2021
Investments, primarily investments limited as to use	$	101,006,460	82,270,245
Less investments in real estate		(1,248,804)	(1,241,304)
Less investments in certificates of deposit		(1,297,641)	(1,295,601)
Less investments in cash surrender value of life insurance		(1,099,888)	(1,098,044)
Investments presented at fair value	$	97,360,127	78,635,296

Investment income is composed of the following:

		2022		
		Without Donor Restrictions	**With Donor Restrictions**	**Total**
Interest and dividends	$	797,079	--	797,079
Net realized gains on investments		9,027,409	2,247	9,029,656
		9,824,488	2,247	9,826,735
Unrealized losses on investments, net		(13,247,858)	--	(13,247,858)
Total investment income	$	(3,423,370)	2,247	(3,421,123)

		2021		
		Without Donor Restrictions	**With Donor Restrictions**	**Total**
Interest and dividends	$	778,640	--	778,640
Net realized gains on investments		1,708,456	12,957	1,721,413
		2,487,096	12,957	2,500,053
Unrealized gains on investments, net		5,960,358	--	5,960,358
Total investment income	$	8,447,454	12,957	8,460,411

(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, 2022 and 2021, 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, 2022 and 2021:

	June 30, 2022			
	Total	**Level 1**	**Level 2**	**Level 3**
Investments, primarily investments limited as to use:				
Cash and cash equivalents	$ 24,061,543	24,061,543	--	--
Exchange traded and closed end funds				
Equity	15,186,097	15,186,097	--	--
Fixed income	23,192,545	23,192,545	--	--
Mutual funds				
Equity	3,329,095	3,329,095	--	--
Fixed income	31,309,190	31,309,190	--	--
Beneficial interest in perpetual trusts	281,657	--	--	281,657
	$ 97,360,127	97,078,470	--	281,657

	June 30, 2021			
	Total	**Level 1**	**Level 2**	**Level 3**
Investments, primarily investments limited as to use:				
Cash and cash equivalents	$ 23,480,015	23,480,015	--	--
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
	$ 78,635,296	78,302,101	--	333,195

A reconciliation of fair value measurements classified as Level 3 for the years ended June 30, 2022 and 2021 is as follows:

		2022	2021
Beginning balance	$	333,195	280,684
Investment income, net		6,806	5,181
Unrealized gains (losses) on investments, net		(42,688)	40,102
Additions		7,867	10,867
Distributions		(23,523)	(3,639)
Ending balance	$	281,657	333,195

(8) Property and Equipment

Property and equipment as of June 30, 2022 and 2021, is summarized as follows:

		2022	2021
Land and land improvements	$	11,508,609	11,255,995
Buildings and improvements		111,927,002	110,930,406
Equipment and furnishings		15,177,954	15,264,853
Transportation equipment		2,732,693	2,501,305
Construction in process		1,333,384	611,828
		142,679,642	140,564,387
Less accumulated depreciation		(93,162,970)	(90,088,492)
	$	49,516,672	50,475,895

Depreciation expense of $5,778,694 and $5,607,816 for June 30, 2022 and 2021, respectively, is included in the accompanying consolidated statements of activities and changes in net assets.

(9) Goodwill, Net

The changes in the carrying amount of goodwill for the years ended June 30, 2022 and 2021 are as follows:

		2022	2021
Goodwill -			
Beginning of year	$	34,107,843	17,754,431
Acquisition - LISS, LCC		--	16,353,412
Subtotal		34,107,843	34,107,843
Accumulated amortization -			
Beginning of year		7,438,867	1,760,449
Goodwill amortization		3,782,419	2,359,918
Kansas agency goodwill impairment		--	3,318,500
Subtotal		11,221,286	7,438,867
Goodwill, net	$	22,886,557	26,668,976

In 2021, 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 reported in consolidated statements of activities 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) Other Long-Term Assets

Other long-term assets for Mosaic at June 30, 2022 and 2021 are comprised of the following:

	2022	2021
Contributions receivable from estates and remainder trusts	$ 1,467,553	2,399,543
Pledges receivable, net of current portion	1,160,375	1,267,233
Gift annuities receivable	44,711	78,949
Capital contribution to Mosaic Residential Services of Nebraska (MRSNE)	914,464	914,464
Other	66,487	55,633
	$ 3,653,590	4,715,822

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

A summary of long-term debt, including lines of credit, at June 30, 2022 and 2021 is as follows:

	2022	2021
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.	$ 2,163,332	2,366,431
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.	6,786,549	6,938,018
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.	5,287,846	6,835,065

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.	3,817,770	4,630,095
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.	229,368	388,769
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.	281,794	298,346
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.	4,659,906	4,225,785
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
	25,424,457	32,523,257
Less current portion of long-term debt, including lines of credit	(3,769,446)	(8,478,345)
Long-term debt, excluding current portion	21,655,011	24,044,912
Less unamortized debt issuance costs	(388,160)	(438,080)
Total long-term debt, excluding current portion	$ 21,266,851	23,606,832

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 residential 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, 2022, 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, 2022 and 2021, Mosaic had available a line of credit of $17,000,000 with Wells Fargo Bank. The line of credit at June 30, 2022 and 2021 had a balance of $-0- and $4,642,856, 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 June 30, 2022, Mosaic and Wells Fargo Bank entered into an agreement to reduce the maximum draw on this line of credit from $17,000,000 to $15,000,000.

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, 2022 are as follows:

2023	$	3,769,446
2024		3,114,152
2025		3,138,214
2026		3,229,273
2027		3,063,933
Thereafter		9,109,439
	$	25,424,457

(12) 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, 2022 and 2021 is as follows:

		2022	2021
Assets -			
Operating ROU assets	$	6,073,518	9,138,348
Finance ROU assets		4,255,998	1,739,485
Total	$	10,329,516	10,937,833

		2022	2021
Liabilities -			
Current:			
Operating	$	2,682,091	3,297,976
Finance		730,227	400,117
Noncurrent:			
Operating		3,395,272	5,904,217
Finance		3,617,713	1,365,789
Total	$	10,425,303	10,968,099

Lease costs for the years ended June 30, 2022 and 2021 are as follows:

		2022	2021
Operating lease costs	$	3,964,133	4,527,041
Finance lease costs -			
Amortization of ROU assets		710,968	283,769
Interest on lease liabilities		68,805	15,818
Total	$	4,743,906	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 activities.

A summary of maturities for operating leases at June 30, 2022 is as follows;

2023	$	2,682,091
2024		1,791,103
2025		1,047,494
2026		419,105
2027		163,749
Thereafter		149,537
Total lease payments		6,253,079
Less amounts representing interest		175,716
Present value of operating lease liabilities	$	6,077,363

A summary of maturities for finance leases at June 30, 2022 is as follows:

2023	$	730,227
2024		761,516
2025		699,504
2026		457,353
2027		223,995
Thereafter		1,824,164
Total lease payments		4,696,759
Less amounts representing interest		348,819
Present value of finance lease liabilities	$	4,347,940

A summary of remaining lease terms and discount rates at June 30, 2022 is as follows:

Weighted average remaining lease term (years):	
Operating leases	11.7
Finance leases	3.1
Weighted average discount rate:	
Operating leases	2.19%
Finance leases	2.12%

Supplemental cash flow information related to leases for the years ended June 30, 2022 and 2021 is as follows:

		2022	2021
Cash paid for amounts included in the measurement of lease liabilities:			
Operating leases	$	6,140,643	3,704,311
Finance leases		921,646	273,166
Lease assets obtained in exchange for new:			
Operating leases		57,773	12,902,659
Finance leases		3,227,481	2,023,254

(13) Net Assets With Donor Restrictions

Net assets with donor restrictions are as follows:

		2022	2021
Subject to expenditure for specified purpose:			
Support of general operations of Mosaic	$	4,570,003	5,272,994
Donor restricted for program purposes		204,420	212,991
		4,774,423	5,485,985
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	949,832
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	1,444,918
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		5,595	11,190
		18,725,091	18,730,686
Endowments to be held in perpetuity		7,168,429	7,057,988
	$	30,667,943	31,274,659

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.

(14) 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, 2022 and 2021 are as follows:

Endowment Net Asset Composition by Type of Fund

		June 30, 2022		
		Without Donor Restrictions	**With Donor Restrictions**	**Total**
Board-designated endowment funds	$	38,750,052	--	38,750,052
Donor-restricted endowment funds		--	7,168,429	7,168,429
	$	38,750,052	7,168,429	45,918,481

		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

Changes in Endowment Net Assets

		Year Ended June 30, 2022		
		Without Donor Restrictions	**With Donor Restrictions**	**Total**
Net assets, beginning of year	$	43,009,719	7,057,988	50,067,707
Investment income, net		(3,358,135)	--	(3,358,135)
Contributions		1,621,853	110,441	1,732,294
Amounts appropriated for expenditure -				
Annual distribution		(2,503,385)	--	(2,503,385)
Additional transfers to Mosaic -				
Other		(20,000)	--	(20,000)
Endowment net assets, end of year	$	38,750,052	7,168,429	45,918,481

		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)
Strategic grant - quality initiative		--	--	--
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

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	33%	30% to 70%
Fixed income	50%	25% to 55%
Cash equivalents	16%	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.

(15) 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, 2022 and 2021. BICO has established a collateral account of $5,033,000 at June 30, 2022 and 2021, 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, 2022 and 2021, BICO had included in liabilities outstanding and incurred but not reported (IBNR) loss reserves of $9,940,600 and $9,012,604, respectively.

(16) 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, 2022 and 2021, total pension expense of $993,318 and $932,501, 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, 2022 and 2021 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, 2022 and 2021:

		2022	2021
Consolidated balance sheets:			
Liability for post-retirement benefits -			
Salary continuation	$	890,206	928,774
Health benefits		255,466	330,501
	$	1,145,672	1,259,275
Consolidated statements of activities and changes in net assets:			
Included with employee benefits -			
Salary continuation	$	62,881	68,906
Health benefits		8,098	6,869
	$	70,979	75,775
Postretirement benefit related changes other than net periodic cost -			
Salary continuation	$	101,449	44,447
Health benefits		35,057	29,756
	$	136,486	74,203

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, 2022 and 2021:

		2022	2021
Changes to benefit obligation:			
Benefit obligation at beginning of period	$	928,774	904,315
Service cost		26,299	26,352
Interest cost		7,458	8,410
Experience (gain) loss		(72,325)	(10,303)
Benefit obligation at end of period		890,206	928,774
Fair value of plan assets at end of period		--	--
Funded status at end of period	$	(890,206)	(928,774)
Amounts recognized in the consolidated balance sheets:			
Current liabilities	$	--	--
Noncurrent liabilities		890,206	928,774
	$	890,206	928,774

The following is a summary of the components of net periodic postretirement benefit cost for the years ended June 30, 2022 and 2021:

		2022	2021
Service cost during the period	$	26,299	26,352
Interest cost		7,458	8,410
Amount of recognized gains and losses		29,124	34,144
Net periodic postretirement benefit cost	$	62,881	68,906

Items not yet recognized as a component of periodic postretirement benefit cost at June 30, 2022 and 2021:

		2022	**2021**
Net loss	$	65,404	166,853

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, 2022 and 2021:

		2022	**2021**
Changes to benefit obligation:			
Benefit obligation at beginning of period	$	330,501	374,523
Service cost		10,130	10,321
Interest cost		5,519	4,490
Prior service cost adjustment		(18,759)	--
Benefits paid		(23,791)	(21,135)
Experience gain		(48,134)	(37,698)
Benefit obligation at end of period		255,466	330,501
Fair value of plan assets at end of period		--	--
Funded status at end of period	$	(255,466)	(330,501)
Amounts recognized in the consolidated balance sheets:			
Current liabilities	$	23,972	49,534
Noncurrent liabilities		231,494	280,967
	$	255,466	330,501

The following is a summary of the components of net periodic postretirement benefit cost for the years ended June 30, 2022 and 2021:

		2022	**2021**
Service cost during the period	$	10,130	10,321
Interest cost		5,519	4,490
Amount of recognized gains and losses		(7,551)	(7,942)
Net periodic postretirement benefit cost	$	8,098	6,869

Items not yet recognized as a component of periodic postretirement benefit cost at June 30, 2022 and 2021:

		2022	**2021**
Net gain	$	(94,242)	(59,205)

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, 2022 and 2021:

	2022	**2021**
Discount rate – Pension	3.44%	0.80%
Discount rate – Health	3.16	1.67
Rate of increase in compensation levels	2.00	2.00

(17) 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, 2022 and 2021, total health insurance expense of $15,256,934 and $12,938,246 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.

(18) 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.

(19) 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.

(20) Functional Expenses

The table presented below illustrates Mosaic's expenses by both their nature and their function for the years ended June 30, 2022 and 2021:

2022

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Total
Salaries and wages	$ 128,426,718	21,698,513	1,027,563	151,152,794
Employee benefits	27,485,780	3,687,850	54,157	31,227,787
Supplies	9,181,547	467,694	4,844	9,654,085
Facilities	13,616,697	1,037,312	21,521	14,675,530
Contracted providers	96,089,936	6,257	--	96,096,193
Purchased services	4,253,272	4,028,484	436,594	8,718,350
Interest	488,493	557,863	--	1,046,356
Travel and transportation	4,067,254	656,475	107,949	4,831,678
Other variable expenses	3,820,330	1,190,329	--	5,010,659
Depreciation	5,776,312	2,382	--	5,778,694
Amortization, primarily goodwill	4,504,793	--	--	4,504,793
	$ 297,711,132	33,333,159	1,652,628	332,696,919

2021

	Program Services	Supporting Services: Management and General	Supporting Services: 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, primarily goodwill	2,643,687	--	--	2,643,687
Goodwill impairment	3,318,500	--	--	3,318,500
	$ 253,033,613	29,895,129	1,911,629	284,840,371

(21) CARES Act Provider Relief Funds and Related Grants

CARES Act Provider Relief Funds and related grants for the years ended June 30, 2022 and 2021 consist of the following:

		2022	2021
CARES Act Provider Relief Funds	$	845,784	4,663,595
State and local COVID-19 funding		3,228,017	4,452,155
	$	4,073,801	9,115,750

CARES Act Provider Relief Funds

On March 27, 2021, the Coronavirus Aid, Relief, and Economic Security (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 support healthcare-related expenses or lost revenue attributable to the coronavirus and to ensure uninsured patients can get testing and treatment for the coronavirus. A portion of the funds was distributed to eligible providers beginning April 10, 2021 along with targeted distributions made throughout 2021. The funds represent a stimulus grant which requires certain terms and conditions.

Total CARES Act Provider Relief Funds advanced to Mosaic through June 30, 2022 was $5,509,379. Mosaic recognized $845,784 and $4,663,595 in 2022 and 2021, respectively, of the funds in noncapital grants and contributions in satisfaction with terms and conditions agreed to with the Department of Health and Human Services (HHS). Mosaic submitted to HHS documentation of how the Provider Relief Funds were used as required by the CARES Act. These funds are subject to potential audit by HRSA and as a result, changes from estimated amounts could have a material impact on the financial statements in the future.

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.

(22) Subsequent Events

Subsequent to year end, Mosaic has entered into the following transactions:

Mosaic has acquired the code of a software and has become the sole owner of this software (not a licensing agreement). The cost of acquiring this software was approximately $1,650,000.

Mosaic has signed asset acquisition agreements on two additional service locations, one in Colorado and one in Iowa. Both of these transactions resulted in Mosaic assuming liabilities in exchange for minor amounts of equipment and the customer base and service territory of the previous provider.

Mosaic has entered into a $10 million, 7-year term note with a bank, bearing interest at 3.85%. The note is secured by an investment account held in Mosaic’s name.

CPAs & BUSINESS ADVISORS

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, 2022, the related consolidated statements of activities 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 19, 2022.

Report on 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 or significant deficiencies may exist that has not been identified.

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Report on 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.

Eide Bailly LLP

Omaha, Nebraska,
October 19, 2022.