Financial Statements
June 30, 2024

Mosaic and Affiliates

Independent Auditor's Report

To the Board of Directors
Mosaic and Affiliates
Omaha, Nebraska

Report on the Audit of the Consolidated 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, 2024, the related consolidated statements of activities, 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, 2024, and the changes in net assets 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*, issued by the Comptroller General of the United States *(Government Auditing Standards)*. 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 11, 2024 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 11, 2024

Assets	
Current Assets	
Cash and cash equivalents	$ 59,266,192
Current portion of investments, primarily investments limited as to use	73,941,186
Receivables	
Program service	38,844,902
Pledges	1,411,151
Affiliates	352,826
Other	344,977
Other current assets	40,442
Prepaid expenses	2,379,377
Total current assets	176,581,053
Noncurrent Assets	
Investments, primarily investments limited as to use, net of current portion	74,274,140
Property and equipment, net	50,344,338
Right of use assets, net	
Operating leases	5,024,077
Financing leases	4,007,537
Goodwill, net	17,722,511
Other long-term assets	5,281,513
Total assets	$ 333,235,169

Liabilities and Net Assets	
Current Liabilities	
Current portion of	
Long-term debt, including lines of credit	$ 5,002,226
Lease liabilities	
Operating	1,924,966
Finance	989,952
Annuity payment liability	179,093
Liability for post-retirement benefits	585,163
Accounts payable	8,087,977
Other accrued expenses	17,264,541
Outstanding and incurred but not reported loss reserves	11,222,655
Refundable advances	3,941,379
Estimated third-party payor settlements - Medicaid	5,093,982
Total current liabilities	54,291,934
Long-term Liabilities	
Long-term debt, net of current portion	20,864,890
Lease liabilities, net of current portion	
Operating	3,064,828
Finance	3,067,376
Annuity payment liability, net of current portion	832,446
Refundable fees	549,761
Liability for post-retirement benefits, net of current portion	4,986,381
Total long-term liabilities	33,365,682
Total liabilities	87,657,616
Net Assets	
Without donor restrictions	209,517,990
With donor restrictions	36,059,563
Total net assets	245,577,553
Total liabilities and net assets	$ 333,235,169

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support			
Program service revenue	$ 360,488,866	$ -	$ 360,488,866
Gifts and grants	3,522,060	3,477,768	6,999,828
Estates	1,480,193	-	1,480,193
Other revenue	5,930,145	-	5,930,145
CARES Act Provider Relief Funds and related grants	6,644,776	-	6,644,776
Investment income, net	6,004,736	28,242	6,032,978
Unrealized gains on investments, net	5,163,086	-	5,163,086
Net assets released from restriction for operations	452,303	(452,303)	-
Total revenue, gains, and other support	389,686,165	3,053,707	392,739,872
Expenses			
Salaries and wages	158,763,745	-	158,763,745
Employee benefits	30,711,856	-	30,711,856
Contracted providers	121,457,687	-	121,457,687
Supplies	8,522,735	-	8,522,735
Facilities	14,074,276	-	14,074,276
Purchased services	11,588,820	-	11,588,820
Interest	1,429,905	-	1,429,905
Travel and transportation	5,938,023	-	5,938,023
Other variable expenses	5,704,844	-	5,704,844
Depreciation	5,972,601	-	5,972,601
Amortization, primarily goodwill	3,928,376	-	3,928,376
Total expenses	368,092,868	-	368,092,868
Revenue in Excess of Expenses	21,593,297	3,053,707	24,647,004
Net Assets Released from Restriction for the Purchase of Property and Equipment	1,207,726	(1,207,726)	-
Postretirement Benefit Related Changes Other than Net Periodic Cost	(57,001)	-	(57,001)
Change in Net Assets	22,744,022	1,845,981	24,590,003
Net Assets, Beginning of Year	186,773,968	34,213,582	220,987,550
Net Assets, End of Year	$ 209,517,990	$ 36,059,563	$ 245,577,553

Operating Activities	
Change in net assets	$ 24,590,003
Adjustments to reconcile the change in net assets to net cash from operating activities	
Depreciation	5,972,601
Amortization of goodwill	2,895,878
Amortization of financing leases, net	1,032,498
Amortization of operating leases, net	(27,981)
Amortization of debt issuance costs	329,919
Loss on sale of investment in sales-type lease	23,662
Gain on disposal of property and equipment, net	(945,190)
Change in liability for post-retirement benefits	120,320
Change in value of split-interest agreements	(228,929)
Increase in investments, primarily investments limited as to use	(16,729,662)
Restricted gifts, grants and estates	(3,477,768)
Change in assets and liabilities	
Receivables	
Program services	(12,035,438)
Other	1,262,733
Other current assets	6,012
Prepaid expenses	(384,806)
Accounts payable	2,478,235
Other accrued expenses	2,393,309
Outstanding and incurred but not reported loss reserves	753,778
Refundable advances	(2,506,637)
Estimated third-party payor settlements - Medicaid	307,588
Net Cash From Operating Activities	5,830,125
Investing Activities	
Proceeds from the sale of property and equipment	1,603,034
Purchases of property and equipment	(5,400,928)
Receipts from investment in sales-type lease	644,338
Net Cash used for Investing Activities	(3,153,556)

Financing Activities	
Payments on long-term debt	$ (4,665,971)
Principal payments on finance lease liabilities	(827,355)
Payments on annuity payment obligations	(336,576)
Payments from affiliates	20,239
Refundable fees received (disbursed)	65,841
Restricted gifts, grants and estates	3,840,113
Net Cash used for Financing Activities	(1,903,709)
Net Change in Cash and Cash Equivalents	772,860
Cash and Cash Equivalents, Beginning of Year	58,493,332
Cash and Cash Equivalents, End of Year	$ 59,266,192
Supplemental Disclosure of Noncash Investing and Financing Activities	
Leased assets obtained in exchange for new finance lease liabilities	$ 746,699
Leased assets obtained in exchange for new operating lease liabilities	$ 2,863,756
Cash paid for interest	$ 1,598,970

Note 1 - Organization and Principles of Consolidation

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. (Sold July 1, 2024 - see Note 23)
- 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 (LISS, LLC)

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). This corporation was formed to acquire, finance, build, own, maintain, improve, operate, lease and, if appropriate or desirable, sell or otherwise dispose of homes which provide housing for low-income individuals with disabilities. Mosaic's capital contribution in MRSNE is recognized by Mosaic using the equity method of accounting. Mosaic does not consolidate the accounting of MRSNE due to its relative insignificance in relation to Mosaic's consolidated financial statements and operations.

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

Note 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).

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 consolidated financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

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

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 year ended June 30, 2024, investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included with total revenue, gains and other support.

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 notice is received 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. Contributions receivable from remainder trusts are included in other long-term assets in the accompanying balance sheet.

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:

July 1, 2023	$ 26,809,464
June 30, 2024	$ 38,844,902

Mosaic has tracked historical loss information for its service receivables. Management believes that the historical loss information compiled is a reasonable base on which to determine expected credit losses for receivables held at June 30, 2024 because the composition of the receivables at those dates are consistent with that used in developing the historical credit-loss percentages. Additionally, management has determined that the current and reasonable and supportable forecasted economic conditions are consistent with the economic conditions included in the historical information. As a result, the historical loss rates have not been adjusted for differences in current conditions or forecasted changes. Accordingly, there was no allowance for credit losses at June 30, 2024.

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 sheet.

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

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 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.

Gifts of long-lived assets such as land, buildings or equipment are reported as support without donor restriction, and are excluded from revenue in excess of expenses, 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. No impairment losses were recognized in the year ended June 30, 2024.

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.

Right of Use Leased Assets and Liabilities

Right of use leased assets and the related liabilities are recognized at the lease commencement date and represent Mosaic's right to use an underlying asset and lease obligations for the lease term. Right to use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the lease asset into service. Right to use leased assets are amortized over the shorter of the lease term or the useful life of the underlying asset using the straight-line method.

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 statement of activities.

Outstanding and Incurred But Not Reported Loss Reserves

The consolidated balance sheet includes $11,222,655 of liabilities 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.

Refundable Advances

Refundable advances at June 30, 2024 consist of the following:

COVID-19 related stimulus grants	$ 3,372,473
Connecticut Department of Developmental Services	568,906
	$ 3,941,379

Estimated Third-Party Payor Settlements – Medicaid

Revenue for certain intermediate care facilities and other programs located in Nebraska, Iowa, and Indiana and bridge funding in Connecticut are based, in part, on cost reimbursement principles and are subject to audit and retroactive adjustment by the various states' Medicaid programs. 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:

July 1, 2023	$ 4,786,394
June 30, 2024	$ 5,093,982

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. The Oaks was sold on July 1, 2024. See Note 23 for further information.

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:

<u>Net assets without donor restrictions</u> 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.

<u>Net assets with donor restrictions</u> 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.

Grants and Contributions

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. The gifts are reported as support with donor restrictions if they are received with donor restrictions that limit their use. Conditional promises to give and indications of intentions to give, that is those with a measurable performance or other barrier, and a right of return, are recognized when conditions on which they depend have been substantially met. The gifts are reported as net assets with donor restrictions if they are received with donor restrictions 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 statement of activities 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 consolidated financial statements.

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

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 year ended June 30, 2024, 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.

Rental Revenue

Revenue associated with Mosaic's housing services (Mosaic Housing Corp entities, The Oaks, and Mosaic Illinois Housing) does not fall under the scope of ASC Topic 606, *Revenue from Contracts with Customers*. Housing revenues are reported in accordance with ASC Topic 842, *Leases*. Under the guidance in Topic 842, agreements with residents represent month-to-month lease agreements. Revenues derived from services related to these month-to-month lease agreements is considered to be incidental to the lease, and immaterial to the financial statements overall. Revenue is recorded, and payment is due from residents at the beginning of the month for that month's rent. Rental revenue is included in other revenue in the consolidated statement of activities and was approximately $1,596,000 in 2024.

Future cash flows from operating lease payments to be received as of June 30, 2024 are approximately $90,000.

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. Note 20 presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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 2024. 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 sheet.

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 2024, management determined that there are no income tax positions requiring recognition in the financial statements other than described previously.

Performance Indicator

The consolidated statement of activities includes revenue in excess of expenses 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.

Adoption of New Accounting Standard

As of July 1, 2023, Mosaic adopted Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (ASU 2016-13)*, which replaces the incurred loss methodology with an expected credit loss methodology that is referred to as the current expected credit loss (CECL) methodology. The CECL model is applicable to the measurement of credit losses on financial assets measured at amortized cost, including trade and loan receivables, and held to maturity debt securities. CECL requires entities to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. The update also requires that credit losses on available-for-sale debt securities be presented as an allowance rather than a write-down of the security. This standard provides financial statement users with more decision-useful information about the expected losses on financial instruments.

Mosaic adopted ASU 2016-13 using the modified retrospective review method for all financial assets measured at amortized cost. Results for reporting periods beginning after July 1, 2023, are presented under Topic 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP. The adoption of the new standard did not materially impact Mosaic's consolidated statement of activities or consolidated statement of cash flows.

Subsequent Events

Mosaic considered events occurring through October 11, 2024 for recognition or disclosure in the financial statements as subsequent events. That date is the date the financial statements were available to be issued.

Note 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 year ended June 30, 2024:

Residential services	$ 212,172,921
Host homes	90,895,565
Day services	26,975,334
In-home support	12,771,464
Medical supplies and other	17,673,582
Total program service revenue	$ 360,488,866

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.

Note 4 - Pledges Receivable

Included in pledges receivable are the following unconditional promises to give at June 30, 2024:

Program assistance and facility improvements:	
Less than one year	$ 1,411,151
One to five years	2,883,839
More than five years	22,662
Pledges receivable	4,317,652
Less allowance for uncollectible pledges	(200,000)
Less discounts for the time-value of money	(102,083)
Pledges receivable, net	4,015,569
Less current portion of pledges receivable, net	(1,411,151)
Long-term portion of pledges receivable, net	$ 2,604,418

The long-term portion of pledges receivable, net is included in other long-term assets in the consolidated balance sheet (see Note 10). The discount rate was 2.0%.

Note 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 date, are comprised of the following:

Financial assets	
Cash and cash equivalents	$ 59,266,192
Receivables	
Program services	38,844,902
Other	344,977
Investments, primarily investments limited as to use	148,215,326
Total financial assets	246,671,397
Less financial assets limited as to use	
By board designation for endowment	44,623,235
By donor	13,295,323
Under debt agreements	8,237,829
Under regulatory agreements	1,787,356
Under deferred compensation plan	4,199,798
For insurance losses and reserves	30,521,051
Deposits held in trust	472,946
Total financial assets limited as to use	103,137,538
Financial assets available for general expenditure	$ 143,533,859

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 $44,623,235 at June 30, 2024 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.

Note 6 - Investments, Primarily Investments Limited as to Use

The composition of investments, primarily investments limited as to use, at June 30, 2024 is as follows:

Investments limited as to use	
By board	$ 44,623,235
By donor	13,295,323
Under debt agreements	8,237,829
Under regulatory agreements	1,787,356
Under deferred compensation plan	4,199,798
For insurance losses and reserves	30,521,051
Deposits held in trust	472,946
Other investments	45,077,788
	148,215,326
Less amounts required for current obligations	
Investments limited as to use	(30,521,051)
Other investments, not limited as to use	(43,420,135)
Total current portion of investments	(73,941,186)
Investments primarily investments limited as to use, Net of current portion	$ 74,274,140

Investments are presented in the consolidated balance sheet 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. Investments in certificates of deposit are valued at cost, which approximate fair value. Investments in cash surrender value of life insurance represent the amount that would be received should the underlying insurance contracts be cancelled. Total investments, primarily investments limited as to use, presented at fair value at June 30, 2024 is as follows:

Investments, primarily investments limited as to use	$ 148,215,326
Less investments in real estate	(1,248,804)
Less investments in certificates of deposit	(15,894)
Less investments in cash surrender value of life insurance	(1,141,440)
Investments presented at fair value	$ 145,809,188

Investment income is composed of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	$ 5,645,725	$ -	$ 5,645,725
Net realized gains on investments	359,011	28,242	387,253
	6,004,736	28,242	6,032,978
Unrealized gains on investments, net	5,163,086	-	5,163,086
Total investment income	$ 11,167,822	$ 28,242	$ 11,196,064

Note 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 consolidated 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:

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.

US Treasury Obligations – The fair value of US treasury obligations is classified as Level 1 if they trade with sufficient frequency and volume to enable Mosaic to obtain pricing information on an ongoing basis.

For the year ended June 30, 2024, 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, 2024:

	Fair Value Measurements at Reporting Date Using			
	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Investments, primarily investments limited as to use				
Cash and cash equivalents (at cost)	$ 47,726,848	$ -	$ -	$ -
Money market	552,765	552,765	-	-
US treasury obligations	24,354,171	24,354,171	-	-
Exchange traded and closed end funds				
Equity	30,112,815	30,112,815	-	-
Fixed income	13,073,817	13,073,817	-	-
Mutual funds				
Equity - Mutual funds	10,177,940	10,177,940	-	-
Fixed income - Mutual funds	19,500,620	19,500,620	-	-
Beneficial interest in perpetual trusts	310,212	-	-	310,212
	$ 145,809,188	$ 97,772,128	$ -	$ 310,212

A reconciliation of fair value measurements classified as Level 3 for the year ended June 30, 2024 is as follows:

Beginning balance	$ 284,230
Investment income, net	7,866
Unrealized gains on investments, net	15,106
Additions	7,144
Distributions	(4,134)
Ending balance	$ 310,212

Note 8 - Property and Equipment

Property and equipment as of June 30, 2024, is summarized as follows:

Land and land improvements	$ 11,790,023
Buildings and improvements	115,405,249
Equipment and furnishings	16,736,973
Transportation equipment	2,397,282
Construction in process	2,639,001
	148,968,528
Less accumulated depreciation	(98,624,190)
	$ 50,344,338

Depreciation expense of $5,972,601 is included in the accompanying consolidated statement of activities.

As disclosed in Note 2, Mosaic rents certain property under month-to-month operating leases. Property subject to operating leases consists of the following:

Land and land improvements	$ 1,465,409
Buildings and improvements	29,360,363
Equipment and furnishings	240,933
Construction in process	60,692
	31,127,397
Less accumulated depreciation	(18,003,964)
	$ 13,123,433

Depreciation expense of $1,052,485 related to the assets subject to leases, is included in the accompanying consolidated statement of activities.

Note 9 - Goodwill, Net

The changes in the carrying amount of goodwill for the year ended June 30, 2024 are as follows:

Goodwill	
Beginning of year	$ 34,887,843
Accumulated amortization	
Beginning of year	14,092,371
Goodwill amortization	2,895,878
Escrow account write-off	177,083
Subtotal	17,165,332
Goodwill, net	$ 17,722,511

Note 10 - Other Long-Term Assets

Other long-term assets for Mosaic at June 30, 2024 are comprised of the following:

Contributions receivable from estates and remainder trusts	$ 1,559,861
Pledges receivable, net of current portion	2,604,418
Gift annuities receivable	85,850
Capital contribution to Mosaic Residential Services of Nebraska (MRSNE)	914,464
Other	116,920
	$ 5,281,513

Note 11 - Long-Term Debt, Including Lines of Credit

A summary of long-term debt, including lines of credit, at June 30, 2024 is as follows:

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.	$ 1,757,090
Public Finance Authority Revenue Refunding Bonds, Taxable, Series 2018B, due through November 2028, payable in varying semi-annual installments, interest rate of 4.959%.	6,483,435
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 semi-annually.	1,981,581
Public Finance Authority Revenue Refunding Bond, Tax-Exempt, Series 2017B, due through May 2026, payable in varying monthly installments, interest rate at SOFR, paid monthly.	2,193,118
Wells Fargo Tech and Data Loan, due through June 2029, paid monthly at an interest rate of 3.85%	7,261,905
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.	244,452
Various mortgages, payable in monthly installments, including interest at rates ranging from 0% to 7.34%, maturing between 2024 and 2051. These mortgages are secured by real estate in Connecticut, Colorado, Nebraska, and Illinois.	4,005,963
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
Notes payable, Federal Home Loan Bank of Topeka, forgivable if certain requirements are maintained for a period of 15 years.	1,350,000
	25,875,436
Less current portion of long-term debt, including lines of credit	(5,002,226)
Long-term debt, excluding current portion	20,873,210
Less unamortized debt issuance costs	(8,320)
Total long-term debt, net	$ 20,864,890

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 SOFR Index Rate. At June 30, 2024, the applicable rate is 5.48%.

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.

On September 26, 2024, the Series 2017A, 2017B, 2018A and 2018B bonds were refunded by the issuance of Series 2024A and 2024B bonds. See note 22 for additional information.

At June 30, 2024, Mosaic had available a line of credit of $15,000,000 with an interest rate of 2% above LIBOR with Wells Fargo Bank. At June 30, 2024, the line of credit had a balance of $-0-. The line of credit is secured by the accounts receivable and other rights to payment and general intangibles 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, 2024 are as follows:

2025	$ 5,002,226
2026	4,613,522
2027	4,447,129
2028	3,912,023
2029	2,749,858
Thereafter	5,150,678
	$ 25,875,436

Note 12 - Leases

Mosaic has operating lease agreements for certain facility space for operations under various noncancelable operating lease agreements which expire between 2024 and 2048, including renewal options. Mosaic also has operating and financing lease agreements for certain automobiles which expire in 2028. FASB ASC 842 requires the recognition of leasing arrangements on the consolidated 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, 2024 is as follows:

Assets	
Operating ROU assets	$ 5,024,077
Finance ROU assets	4,007,537
Total	$ 9,031,614
Liabilities	
Current	
Operating	$ 1,924,966
Finance	989,952
Long-term	
Operating	3,064,828
Finance	3,067,376
Total	$ 9,047,122

Lease costs for the year ended June 30, 2024 are as follows:

Operating lease costs	$ 2,909,874
Finance lease costs	
Amortization of ROU assets	1,032,498
Interest on lease liabilities	157,067
Total	$ 4,099,439

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

A summary of maturities for operating leases at June 30, 2024 is as follows:

2025	$ 2,037,891
2026	1,293,385
2027	923,369
2028	709,746
2029	211,308
Thereafter	302,369
Total lease payments	5,478,068
Less amounts representing interest	488,274
Present value of operating lease liabilities	$ 4,989,794

A summary of maturities for finance leases at June 30, 2024 is as follows:

2025	$ 1,032,817
2026	747,678
2027	553,689
2028	427,430
2029	184,447
Thereafter	1,783,403
Total lease payments	4,729,464
Less amounts representing interest	672,136
Present value of finance lease liabilities	$ 4,057,328

A summary of remaining lease terms and discount rates at June 30, 2024 is as follows:

Weighted average remaining lease term (years)	
Operating leases	10.63
Finance leases	1.36
Weighted average discount rate	
Operating leases	3.28%
Finance leases	2.19%

Supplemental cash flow information related to leases for the year ended June 30, 2024 is as follows:

Cash paid for amounts included in the measurement of lease liabilities	
Operating leases	$ 2,937,855
Finance leases	1,213,630
Lease assets obtained in exchange for new	
Operating leases	2,863,756
Finance leases	746,699

Note 13 - Net Assets With Donor Restrictions

Net assets with donor restrictions are as follows:

Subject to expenditure for specified purpose	
Support of general operations of Mosaic	$ 9,902,840
Donor restricted for program purposes	195,381
	10,098,221
Subject to passage of time	
Mosaic Housing Corp II capital advance and grant	1,067,400
Mosaic Housing Corp IV capital advance and grant	479,300
Mosaic Housing Corp VII capital advance	865,300
Mosaic Housing Corp VIII capital advance	949,832
Mosaic Housing Corp IX capital advance	153,083
Mosaic Housing Corp X capital advance	166,591
Mosaic Housing Corp XI capital advance	205,391
Mosaic Housing Corp XII capital advance	991,400
Mosaic Housing Corp XIII capital advance	954,400
Mosaic Housing Corp XIV capital advance	1,076,300
Mosaic Housing Corp XV capital advance and grants	1,498,413
Mosaic Housing Corp XVI capital advance	1,444,918
Mosaic Housing Corp XVII capital advance and grants	1,449,200
Mosaic Housing Corp XVIII capital advance and grants	1,614,500
Mosaic Housing Corp XIX capital advance	1,211,900
Mosaic Housing Corp XX capital advance and grants	1,650,000
Mosaic Housing Corp XXII capital advance and grants	1,631,300
Mosaic Housing Corp XXIII capital advance and grants	244,500
City of Omaha HOME grants	523,768
Affordable Housing loans	80,000
Illinois Housing Development Authority loan	316,000
Affordable Housing Program loan	50,000
	18,623,496
Endowments to be held in perpetuity	7,337,846
	$ 36,059,563

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.

Note 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 GAAP, 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 net assets with donor restrictions (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. The remaining portion of the donor-restricted endowment fund is classified as without donor restrictions. The board of directors designates 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, 2024 are as follows:

Endowment Net Asset Composition by Type of Fund

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 44,623,235	$ -	$ 44,623,235
Donor-restricted endowment funds	-	7,337,846	7,337,846
	$ 44,623,235	$ 7,337,846	$ 51,961,081

Change in Endowment Net Assets

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, beginning of year	$ 42,285,013	$ 7,274,844	$ 49,559,857
Investment income, net	5,093,667	-	5,093,667
Contributions	1,522,086	63,002	1,585,088
Amounts appropriated for expenditure			
Annual distribution	(2,477,993)	-	(2,477,993)
Additional transfers to Mosaic			
Other	(1,799,538)	-	(1,799,538)
Endowment net assets, end of year	$ 44,623,235	$ 7,337,846	$ 51,961,081

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	52%	30% to 70%
Fixed income	36%	25% to 55%
Cash equivalents	12%	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.

Note 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.

GAAP requires 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 amount to $100,000 at June 30, 2024. BICO has established a collateral account of $3,233,000 at June 30, 2024 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 sheet. At June 30, 2024, BICO had included in liabilities outstanding and incurred but not reported (IBNR) loss reserves of $11,222,655.

Note 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 9.5% of annual covered payroll plus a 10% surcharge required by the union. 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. The balance as of June 30, 2024 was $4,199,798 and is included with investments, primarily investments limited as to use, net of current portion and liability for post-retirement benefits, net of current portion on the consolidated balance sheet.

For the year ended June 30, 2024, total pension expense of $1,525,453 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 sheet 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, 2024:

Consolidated balance sheet	
Liability for post-retirement benefits	
Salary continuation	$ 1,113,987
Health benefits	257,759
	$ 1,371,746
Consolidated statement of activities	
Included with employee benefits	
Salary continuation	$ 70,010
Health benefits	21,624
	$ 91,634
Postretirement benefit related changes other than net periodic cost	
Salary continuation	$ (80,442)
Health benefits	23,441
	$ (57,001)

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 date of June 30, 2024:

Changes to benefit obligation	
Benefit obligation at beginning of period	$ 963,535
Service cost	25,822
Interest cost	44,188
Experience loss	80,442
Benefit obligation at end of period	1,113,987
Fair value of plan assets at end of period	-
Funded status at end of period	$ (1,113,987)
Amounts recognized in the consolidated balance sheet	
Current liabilities	$ 561,191
Noncurrent liabilities	552,796
	$ 1,113,987

The following is a summary of the components of net periodic postretirement benefit cost for the year ended June 30, 2024:

Service cost during the period	$	25,822
Interest cost		44,188
Net periodic postretirement benefit cost	$	70,010

Items not yet recognized as a component of periodic postretirement benefit cost at June 30, 2024:

Net loss	$	164,038

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 date of June 30, 2024:

Changes to benefit obligation		
Benefit obligation at beginning of period	$	287,891
Service cost		8,698
Interest cost		12,926
Benefits paid		(28,315)
Recognized net (gain) / loss		(23,441)
Benefit obligation at end of period		257,759
Fair value of plan assets at end of period		-
Funded status at end of period	$	(257,759)
Amounts recognized in the consolidated balance sheet		
Current liabilities	$	23,972
Noncurrent liabilities		233,787
	$	257,759

The following is a summary of the components of net periodic postretirement benefit cost for the year ended June 30, 2024:

Service cost during the period	$	8,698
Interest cost		12,926
Net periodic postretirement benefit cost	$	21,624

Items not yet recognized as a component of periodic postretirement benefit cost at June 30, 2024:

Net gain	$	(39,776)

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, 2024:

Discount rate – Pension	5.55%
Discount rate – Health	5.38%
Rate of increase in compensation levels	4.00%

Note 17 - Health Care Plan

Mosaic provides comprehensive medical and an employee assistance program for eligible employees and their dependents through participation in a multi-employer Voluntary Employee’s Beneficiary Association (VEBA) or an Individual Coverage Health Reimbursement Arrangement (ICHRA). For the year ended June 30, 2024, total health insurance expense of $11,978,729 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.

Note 18 - Concentrations of Credit Risk

More than 95% of Mosaic's program service activity is with individuals who are beneficiaries of 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. At June 30, 2024, Mosaic had approximately $62,020,000 in excess of FDIC coverage.

Mosaic has investments in marketable equity securities 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.

Note 19 - Commitments and Contingencies

Risk Management

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.

Litigation

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.

Note 20 - Functional Expenses

The table presented below illustrates Mosaic's expenses by both their nature and their function for the year ended June 30, 2024:

		Supporting Services		
	Program Services	Management and General	Fundraising	Total
Salaries and wages	$ 131,665,485	$ 25,688,576	$ 1,409,684	$ 158,763,745
Employee benefits	27,835,859	2,720,390	155,607	30,711,856
Contracted providers	121,441,370	16,317	-	121,457,687
Supplies	8,302,126	210,571	10,038	8,522,735
Facilities	12,799,069	1,262,289	12,918	14,074,276
Purchased services	3,819,162	7,217,964	551,694	11,588,820
Interest	449,568	980,337	-	1,429,905
Travel and transportation	4,454,055	1,259,578	224,390	5,938,023
Other variable expenses	4,064,090	1,640,544	210	5,704,844
Depreciation	5,972,601	-	-	5,972,601
Amortization, primarily goodwill	3,928,376	-	-	3,928,376
	$ 324,731,761	$ 40,996,566	$ 2,364,541	$ 368,092,868

Note 21 - State and Local COVID-19 Funding

Mosaic has received 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. Revenue is recognized as qualifying expenses are incurred.

Note 22 - Subsequent Events

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

The Oaks of Dunn County, Inc. was sold to American Lutheran Home, Inc., a Wisconsin non-profit corporation. The sale was completed on July 1, 2024 via a signed General Bill of Sale and Assignment, at a purchase price of $3,500,000 less indemnification holdback, security deposits and admissions fees, and other miscellaneous charges for net proceeds of $2,833,132.

Mosaic Senior Services, Inc. purchased the assets of Prileo Healthcare LLC dba Prileo Home Care, an Arizona limited liability company. A General Bill of Sale and Assignment dated August 1, 2024 was executed authorizing a purchase price of $16,425,000. The purchase includes all fixed assets and Section 197 intangibles and noncompetition agreements. The purchase will be financed through the issuance of Taxable Series 2024A Revenue Bonds.

Subsequent to year end, Mosaic executed a stock purchase agreement to acquire all of the common stock of Momentum, a Maine S-corporation, for the furtherance of Mosaic's activities in Maine. The purchase price was $6,000,000 and will close on November 1, 2024.

On September 26, 2024, Mosaic issued Arizona Industrial Development Authority Revenue Bonds, Taxable Series 2024A in the amount of $16,646,444. These bonds bear interest at 5.56 %, with principal and interest payable monthly through September 2034. The Series 2024A bonds are expected to be converted to Tax-Exempt Series 2024A Revenue Bonds on November 1, 2024, and will bear interest at 4.39% subsequent to the conversion.

Mosaic issued Arizona Industrial Development Authority Revenue Refunding Bonds, Tax-Exempt Series 2024B in the amount of $ 12,212,142 on September 26, 2024. The proceeds will be used to pay the cost of issuance of the Series 2024B Bonds and to refund the Series 2017A, 2017B, 2018A, and 2018B Bonds. The 2024B bonds bear interest at 4.39%. The bonds have monthly interest, and semi annual principal payments through May 2027, and subsequently have semi-annual principal and interest payments through November 2028.

Interest rates on both the Series 2024A and 2024B bonds are subject to change should the top corporate tax rate in the United States change. Changes in the top corporate tax rates will not cause the interest rates to decrease, but could cause the rates to increase in future periods.

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 consolidated financial statements of Mosaic and Affiliates (Mosaic), which comprise the consolidated balance sheet as of June 30, 2024, the related consolidated statements of activities 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 11, 2024.

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.

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 Mosaic's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mosaic's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Omaha, Nebraska
October 11, 2024