THE MOSAIC PROJECT
(A NONPROFIT PUBLIC BENEFIT CORPORATION)

REPORT ON AUDIT OF FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

HEALY AND ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANT

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HEALY AND ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

August 19, 2019

Board of Directors
The Mosaic Project
Oakland, California

I have audited the accompanying financial statements of The Mosaic Project (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility 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; this includes the design, implementation, and maintenance of control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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Board of Directors
The Mosaic Project
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I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Mosaic Project as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Healy and Associates

Healy and Associates
Concord, California

THE MOSAIC PROJECT
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 827,434
Accounts receivable	80,116
Promises to give receivable	134,171
Prepaid expenses	14,002
Total Current Assets	1,055,723
Property and equipment, net	152,729
Deposits	3,334
Total Assets	$ 1,211,786
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable and accrued expenses	$ 35,279
Deferred income	9,500
Total Liabilities	44,779
COMMITMENTS AND CONTINGENCIES	
NET ASSETS	
Without donor restrictions	783,269
With donor restrictions	383,738
Total Net Assets	1,167,007
Total Liabilities and Net Assets	$ 1,211,786

THE MOSAIC PROJECT
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Program service fees	$ 355,578	$ -	$ 355,578
Contributions	390,108	571,642	961,750
Special Events	74,412	-	74,412
In-kind	25,091	-	25,091
Other income	17,553	-	17,553
Interest income	13	-	13
	862,755	571,642	1,434,397
Net assets released from restriction	434,960	(434,960)	-
TOTAL REVENUE AND SUPPORT	1,297,715	136,682	1,434,397
EXPENDITURES			
Program services	793,806	-	793,806
Administrative services	81,067	-	81,067
Fundraising expenses	152,243	-	152,243
TOTAL EXPENSES	1,027,116	-	1,027,116
CHANGE IN NET ASSETS	270,599	136,682	407,281
NET ASSETS, beginning of year	512,670	247,056	759,726
NET ASSETS, end of year	$ 783,269	$ 383,738	$ 1,167,007

THE MOSAIC PROJECT
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	Program Services	Administrative Services	Fundraising Expenses	Total
Wages	$ 298,290	$ 33,404	$ 67,898	$ 399,592
Payroll taxes	26,709	3,970	8,043	38,722
Employee benefits	44,567	6,608	13,687	64,862
Total Personnel Expenses	369,566	43,982	89,628	503,176
Program fees	363,590	158	2,743	366,491
Professional fees	120	23,825	4,643	28,588
Rent	19,394	1,921	6,923	28,238
In-kind	18,817	3,763	2,511	25,091
Event expenses	-	-	18,530	18,530
Supplies, office, and administration	7,619	707	9,164	17,490
Insurance	6,322	2,939	4,157	13,418
Website	416	41	8,673	9,130
IT services	4,966	492	1,773	7,231
Bank charges	7	1,978	1,832	3,817
Travel and meals	907	219	388	1,514
Dues and subscription	723	165	622	1,510
Taxes	311	801	335	1,447
Equipment, computer, and software	763	76	321	1,160
Other	285	-	-	285
Total Expenses	$ 793,806	$ 81,067	$ 152,243	$ 1,027,116

THE MOSAIC PROJECT
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	$ 407,281
CHANGES IN CURRENT ASSETS AND CURRENT LIABILITIES:	
Accounts and promises to give receivable	83,869
Prepaid expenses	(2,693)
Deposits	(1,000)
Accounts payable and accrued expenses	31,109
Deferred revenue	9,500
NET CASH PROVIDED BY OPERATING ACTIVITIES	528,066
CASH FLOWS FROM INVESTING ACTIVITIES:	
Property and equipment purchase	(118,631)
NET CASH USED BY INVESTING ACTIVITIES	(118,631)
NET INCREASE IN CASH	409,435
CASH AND CASH EQUIVALENTS, beginning of year	417,999
CASH AND CASH EQUIVALENTS, end of year	$ 827,434

NOTE A – NATURE OF ACTIVITIES

The Mosaic Project (Organization) works toward a peaceful future by uniting children of diverse backgrounds, providing them with essential community building skills, and empowering them to become peacemakers. The Organization's complementary work with youth and adults not only supports the youngest peacemakers, but also enables them to reach wider communities through schools, community-based organizations, and the workplace. The Organization works to create microcosms of the just, diverse, inclusive world they envision, demonstrate that peace is possible, and inspire action. The Mosaic Project is primarily supported through foundation and individual contributions and program service fees performed for school districts.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Method and Basis of Presentation

The accounting records of the Organization are maintained on the accrual basis of accounting. The financial statements of the Organization have been prepared in accordance with ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*, which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

> **Net assets without donor restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.
>
> **Net assets with donor restrictions**: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.
>
> Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Accounts Receivable

Accounts receivable consists primarily of amounts due from schools. Management continually monitors receivables for collectability, and no allowance for doubtful accounts is considered necessary.

Promises to Give

Promises to give is comprised of grants, donations, and pledges receivable. The Organization records unconditional promises to give that are expected to be collected within one year at net realizable value. At December 31, 2018, no allowance for doubtful accounts is considered necessary.

Fair Value Measurements

The Organization's financial instruments include cash and cash equivalents. The carrying amount of these financial instruments has been estimated by management to approximate fair value. Fair value is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." When determining the inputs used to measure fair value, the highest priority is given to observable inputs and lowest priority is given to unobservable inputs. ASC 820-10, *Fair Value Measurement*, establishes a fair value hierarchy to prioritize the inputs used in measuring fair value. The Organization measured the fair value of cash and cash equivalents using Level 1 inputs. The fair value hierarchy is categorized into three levels based on the inputs as follows:

> **Level 1**— Quoted prices for identical assets and liabilities in active markets.
> **Level 2**—Observable inputs other than Level 1, which include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument.
> **Level 3**—Unobservable inputs that are supported by little or no market activity and that are significant to the fair values of the assets and liabilities.

Property and equipment

Property and equipment additions in excess of $5,000 are recorded at cost, or if donated, at fair value on the date of donation, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Maintenance and repairs that do not extend the useful lives of the respective assets are expensed as incurred.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

The Organization is supported through foundation and individual contributions and program service fees performed for school districts. In accordance with ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities,* contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. As permitted by ASC 958, donor-restricted contributions whose restrictions are met in the same year may be reported as unrestricted support.

Donated Services and In-Kind Contributions

Contributions of donated non-cash assets are measured on a non-recurring basis and recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, and would need to be purchased if not provided by donation, are recorded at fair value in the period received. The Organization received donated (in-kind) materials and services of $25,091 for the year ended December 31, 2018.

Functional Allocation of Expenses

The costs of program activities and supporting services have been summarized on a functional basis in the statement of functional expenses. The statement presents the natural classification of detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Indirect costs such as general and administrative expenses include costs that are not directly identifiable with any specific program, but which provide the overall support and direction of the Organization. Such expenses which are common to multiple functions have been allocated among the various functions benefited, either based upon square footage or personnel time records.

Tax Exemption Status

The Mosaic Project has received tax exempt status under section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the State of California Revenue and Taxation Code. The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS along with related state filings. The related tax returns are subject to examination by federal and state taxing authorities generally for three years after they are filed. The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Change in Accounting Principles

During the year ended December 31, 2018, the Organization adopted the requirements of the Financial Accounting Standards Board's ("FASB") Accounting Standards Update ("ASU") No. 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities* ("ASU 2016-14"), required for annual reporting periods beginning after December 15, 2017. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provide about expenses and investment return between not-for-profit entities. A key change required by ASU 2016-14 are the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions. A footnote on liquidity and availability has also been added.

Recent Accounting Pronouncements

In May 2014, as part of its ongoing efforts to assist in the convergence of U.S. GAAP and International Financial Reporting Standards ("IFRS"), the FASB issued 2014-09, *Revenue from Contracts with Customers* (Topic 606). The new guidance sets forth a new five-step revenue recognition model which replaces the prior revenue recognition guidance in its entirety and is intended to eliminate numerous industry-specific pieces of revenue recognition guidance that have historically existed in U.S. GAAP. The underlying principle of the new standard is that a business or other organization will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects what it expects in exchange for the goods or services. The standard also requires more detailed disclosures and provides additional guidance for transactions that were not addressed completely in the prior accounting guidance. The ASU provides alternative methods of initial adoption and will become effective for private companies for annual periods beginning after December 15, 2018. The FASB has issued several updates to the standard which i) defer the original effective date from January 1, 2018 to January 1, 2019, while allowing for early adoption as of January 1, 2018 (ASU 2015-14); ii) clarify the application of the principal versus agent guidance (ASU 2016-08); and iii) clarify the guidance on inconsequential and perfunctory promises and licensing (ASU 2016-10). In May 2016, the FASB issued ASU 2016-12, *Revenue from Contracts with Customers* (Topic 606) *Narrow-Scope Improvements and Practical Expedients*, to address certain narrow aspects of the guidance including collectability criterion, collection of sales taxes from customers, noncash consideration, contract modifications and completed contracts. This issuance does not change the core principle of the guidance in the initial topic issued in May 2014. The Organization is currently evaluating the impact of adopting this new guidance on its financial statements.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements (Continued)

In February 2016, the FASB issued ASU 2016-02, *Leases* (ASU 2016-02). ASU 2016-02 establishes a comprehensive new lease accounting model. The new standard clarifies the definition of a lease and causes lessees to recognize leases on the balance sheet as a lease liability with a corresponding right-of-use asset for leases with a lease term of more than one year. ASU 2016-02 is effective for nonpublic financial statements issued for fiscal years beginning after December 15, 2019. Early adoption is permitted. The new standard requires a modified retrospective transition for capital or operating leases existing at or entered into after the beginning of the earliest comparative period presented in the financial statements, but it does not require transition accounting for leases that expire prior to the date of initial application. The Organization is currently evaluating impact of adopting this new guidance on its financial statements.

NOTE C – FIXED ASSETS

As of December 31, 2018, fixed assets consist of work in progress on leased land in the amount of $152,729. The work in progress contains costs associated with readying the space for future use as a camp location of the Organization. The land is being leased to the Organization on a long-term basis. When an asset is placed in service, depreciation will begin. There is no depreciation expense for the year ended December 31, 2018.

NOTE D – COMMITMENTS

In 2018, the Organization extended its existing lease for an additional three-year lease for office space in Oakland. The lease runs through July 2021 at a rate of approximately $2,400 per month. Rental expense for the year ended December 31, 2018 was $28,238. The Organization sublets a portion of their space to another organization. Rent expense reflects the actual cost to the Organization. Future commitments for these leases are as follows:

Year Ended December 31	
2019	$ 28,796
2020	$ 29,364
2021	$ 17,326
2022	$ 1

During the year ended December 31, 2018, the Organization entered into a 34 year and 6-month lease at the rate of $1 per year, for use of land located in Castro Valley. The Organization has begun the process of preparing the land and property for use in their program as a camp.

NOTE E – CONTINGENCIES

Grant awards require the fulfillment of certain conditions as set forth in the instrument of grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. The Organization deems this contingency remote since by accepting the grants and their terms, it has accommodated the objectives of the Organization to the provisions of the grants. The Organization's management believes the Organization has complied with the terms of all grants.

NOTE F – CONCENTRATION OF CREDIT

At December 31, 2018, the Organization had $529,726 in accounts in a financial institution exceeding insured limits. The Organization has not experienced any losses in such accounts and believes that it is not currently exposed to any significant risks of loss. However, the liquidity of the financial institution is monitored by management.

NOTE G – LIQUIDITY AND AVAILABILITY

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

Cash	$ 827,434
Grants and accounts receivable	214,287
Total Financial Assets	1,041,721
Less:	
Net assets with purpose restrictions to be met in one year	(383,738)
Financial assets available to meet cash needs for general expenditures within one year	$657,983

As part of the Organization's liquidity management, the Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of daily requirements, if available, in short-term investments.

NOTE H – EMPLOYEE BENEFITS

Accumulated unpaid benefits for paid time off are recognized as liabilities of the Organization, when accrued. Accumulated paid time off payable at December 31, 2018, is $2,098 and is reflected in the accounts payable and accrued expenses line item in the accompanying statement of financial position.

NOTE I –NET ASSETS WITH DONOR RESTRICTIONS

Activity for net assets with donor restrictions for the year ended December 31, 2018, consists of the following.

Nature of Restriction	Beginning Balance	Income and Contributions	Released from Restriction	Ending Balance
Program specific	$102,000	$22,000	($124,000)	$ -
Time specific	125,000	-	(125,000)	-
Capital campaign	20,056	549,642	(185,960)	383,738
Total	$247,056	$571,642	($434,960)	$383,738

NOTE J – RELATED PARTY TRANSACTIONS

The Executive Director is the spouse of the Chief Operating Officer.

NOTE K – SUBSEQUENT EVENTS

Management has evaluated subsequent events for recognition and disclosure through August 19, 2019, the date the financial statements were available to be issued. Management concluded that no material subsequent events have occurred since December 31, 2018, that required recognition or disclosure in the financial statements.