

H E A L Y A N D A S S O C I A T E S

C E R T I F I E D P U B L I C A C C O U N T A N T

THE MOSAIC PROJECT
(A NONPROFIT PUBLIC BENEFIT CORPORATION)

REPORT ON AUDIT OF FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

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INDEPENDENT AUDITOR'S REPORT

July 27, 2017

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, 2016, 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.

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, 2016, 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, 2016

ASSETS

CURRENT ASSETS

Cash and cash equivalents (Notes B and D)	\$ 264,860
Grants and accounts receivable (Note B)	60,794
Other current assets	<u>42,445</u>

Total Current Assets 368,099

Total Assets \$ 368,099

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	<u>\$ 7,170</u>
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Total Liabilities 7,170

COMMITMENTS AND CONTINGENCIES (Note C)

NET ASSETS

Unrestricted	338,929
Temporarily restricted (Note E)	<u>22,000</u>

Total Net Assets 360,929

Total Liabilities and Net Assets \$ 368,099

THE MOSAIC PROJECT
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT			
Program service fees	\$ 363,604		\$ 363,604
Individuals	225,531		225,531
Foundations	208,576	2,000	210,576
Special Events	152,655		152,655
Corporate	5,182		5,182
In-kind	40,944		40,944
Other income	16,509		16,509
Interest income	65		65
	<u>1,013,066</u>	<u>2,000</u>	<u>1,015,066</u>
Net assets released from restriction	<u>20,000</u>	<u>(20,000)</u>	<u>-</u>
TOTAL REVENUE AND SUPPORT	<u>1,033,066</u>	<u>(18,000)</u>	<u>1,015,066</u>
EXPENDITURES			
Program services	747,186		747,186
Administrative services	76,141		76,141
Fundraising expenses	143,841		143,841
	<u>967,168</u>	<u>-</u>	<u>967,168</u>
CHANGE IN NET ASSETS	65,898	(18,000)	47,898
NET ASSETS, beginning of year	<u>273,031</u>	<u>40,000</u>	<u>313,031</u>
NET ASSETS, end of year	<u>\$ 338,929</u>	<u>\$ 22,000</u>	<u>\$ 360,929</u>

See Notes to Financial Statements

THE MOSAIC PROJECT
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016

	Program Services	Administrative Services	Fundraising Expenses	Total
Wages	\$ 309,599	\$ 33,030	\$ 60,559	\$ 403,188
Payroll taxes	27,459	3,671	6,730	37,860
Employee benefits	33,892	4,531	8,307	46,730
Total Personnel Expenses	370,950	41,232	75,596	487,778
Site rental	238,877	-	-	238,877
Food and supplies	21,897	351	727	22,975
Training and development	6,140	-	-	6,140
Travel	5,236	86	196	5,518
Printing and reproduction	1,940	175	1,421	3,536
Consultants	16,670	-	-	16,670
Program evaluation	4,646	-	-	4,646
Cost of goods sold	2,557	-	-	2,557
Interns	1,641	-	-	1,641
Professional fees	1,305	9,759	884	11,948
Rent, utilities and building services	22,049	2,948	5,404	30,401
Telecommunications	5,041	674	1,235	6,950
IT services	2,986	399	732	4,117
Postage and shipping	277	35	1,578	1,890
Equipment	637	435	156	1,228
Dues and memberships	-	280	120	400
Miscellaneous	633	319	559	1,511
Public relations	45	-	3,037	3,082
Insurance	8,530	291	534	9,355
Event expense	-	-	24,536	24,536
Taxes and fees	1,304	1,028	4,311	6,643
Bad debt	33,825	-	-	33,825
In-kind	-	18,129	22,815	40,944
Total Expenses	\$ 747,186	\$ 76,141	\$ 143,841	\$ 967,168

See Notes to Financial Statements

THE MOSAIC PROJECT
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets \$ 47,898

CHANGES IN CURRENT ASSETS AND CURRENT LIABILITIES:

Accounts receivable (28,958)
Prepaid expenses (22,117)
Accounts payable and accrued expenses 2,282

NET CASH USED BY OPERATING ACTIVITIES (895)

NET DECREASE IN CASH (895)

CASH, beginning of year 265,755

CASH, end of year \$ 264,860

THE MOSAIC PROJECT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

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 our youngest peacemakers, but also enables us to reach wider communities through schools, community-based organizations, and the workplace. The Organization works to create microcosms of the just, diverse, inclusive world we 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 in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Financial statement presentation follows the guidance of the Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. Under this standard, the Organization is required to report information regarding their financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets. The Organization had no permanently restricted net assets at December 31, 2016.

Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management must make estimates based on future events that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the financial statements, and revenues and expenses during the reporting period. Actual results could differ from these estimates under different assumptions or conditions.

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.

THE MOSAIC PROJECT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Revenue Recognition

In accordance with ASC 958, grants and contributions received are recorded as unrestricted or temporarily restricted depending on the existence and nature of grantor restrictions. Contributions are recorded as restricted support if they are received with grantor stipulations that limit the use of the contributed assets. When a grantor restriction expires, that is, when a stipulated purpose restriction is accomplished, or donor restrictions are satisfied by the passage of time, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement 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. Revenue from program service fees are recognized in the period when services are provided.

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 \$40,944 for the year ended December 31, 2016.

THE MOSAIC PROJECT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allocation of Expenses

The costs of providing program and supporting services have been summarized on a functional basis in the statements of functional expenses. The statement presents the natural classification of detail of expenses by function. Costs common to multiple functions have been allocated among the various functions benefited. General and administrative expenses include the costs that are not directly identifiable with any specific program, but which provide the overall support and direction of the organization. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Tax Exemption Status

The Mosaic Project has received 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 no unrelated business income, and Management has analyzed tax positions taken and has concluded that, as of December 31, 2016, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

NOTE C – COMMITMENTS AND CONTIGENCIES

Rental expense for the year ended December 31, 2016 was \$26,730. The Organization sublets a portion of their space to another organization. Rent expense reflects the actual cost to the Organization. In 2015, the Organization entered into a three-year lease for office space in Oakland. Accordingly, the future commitments for the lease are as follows:

<u>Year Ended December 31</u>	
2017	\$ 27,032
2018	\$ 15,638

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.

THE MOSAIC PROJECT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

NOTE D – CONCENTRATION OF CREDIT

At December 31, 2016, the Organization had \$4,202 in an account 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 E – TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2016, temporarily restricted net assets of \$22,000 are available. Temporarily restricted net assets released from restriction during the year were \$20,000 as follows.

	Beginning Balance	Income and Contributions	Released from Restriction	Ending Balance
Clif Foundation	\$ -	\$2,000	\$ -	\$2,000
Youth Outside	40,000	-	(20,000)	20,000
Total	<u>\$40,000</u>	<u>\$2,000</u>	<u>\$(20,000)</u>	<u>\$22,000</u>

NOTE F – RELATED PARTY TRANSACTIONS

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

NOTE G – SUBSEQUENT EVENTS

Management has evaluated subsequent events for recognition and disclosure through July 27, 2017, the date the financial statements were available to be issued. Management concluded that no material subsequent events have occurred since December 31, 2016 that required recognition or disclosure in the financial statements.