

**THE MOSAIC PROJECT**  
**(A NONPROFIT PUBLIC BENEFIT CORPORATION)**

**REPORT ON AUDIT OF FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2021**

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INDEPENDENT AUDITOR'S REPORT

October 25, 2022

Board of Directors  
The Mosaic Project  
Oakland, California

**Opinion**

I have audited the accompanying financial statements of The Mosaic Project (a nonprofit public benefit corporation), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2021, 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**

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of The Mosaic Project and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Responsibilities of Management for the Financial Statements**

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

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

**Auditor's Responsibilities for the Audit of the Financial Statements**

My 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 my 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 generally accepted 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, including

omissions, 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 generally accepted auditing standards, I:

- 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 The Mosaic Project'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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Mosaic Project's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

### **Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the information included in the annual report but does not include the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information, and I do not express an opinion or any form of assurance thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, I conclude that an uncorrected material misstatement of the other information exists, I am required to describe it in my report.



Healy and Associates  
Concord, California

**THE MOSAIC PROJECT**  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2021

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ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 1,318,285
Accounts receivable	35,587
Promises to give receivable	84,581
Prepaid expenses	<u>27,887</u>

Total Current Assets 1,466,340

Property and equipment, net	1,012,974
Deposits	<u>12,334</u>

Total Assets \$ 2,491,648

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 23,777
PPP loan payable	<u>84,468</u>

Total Liabilities 108,245

COMMITMENTS AND CONTINGENCIES

NET ASSETS

Without donor restrictions	2,383,403
With donor restrictions	<u>-</u>

Total Net Assets 2,383,403

Total Liabilities and Net Assets \$ 2,491,648

See Notes to Financial Statements

**THE MOSAIC PROJECT**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND SUPPORT</b>			
Contributions	\$ 933,025	\$ 56,500	\$ 989,525
Program service fees	118,264	-	118,264
Gain on forgiveness of PPP first loan	85,000	-	85,000
In-kind grounds lease	55,243	-	55,243
In-kind services	30,703	-	30,703
California relief funds	15,000	-	15,000
Other income	3,096	-	3,096
In-kind goods	3,000	-	3,000
Interest income	47	-	47
	<u>1,243,378</u>	<u>56,500</u>	<u>1,299,878</u>
Net assets released from restriction	<u>56,500</u>	<u>(56,500)</u>	<u>-</u>
<b>TOTAL REVENUE AND SUPPORT</b>	<u>1,299,878</u>	<u>-</u>	<u>1,299,878</u>
<b>EXPENSES</b>			
Program services	418,311	-	418,311
Administrative services	139,560	-	139,560
Fundraising expenses	81,134	-	81,134
<b>TOTAL EXPENSES</b>	<u>639,005</u>	<u>-</u>	<u>639,005</u>
<b>CHANGE IN NET ASSETS</b>	660,873	-	660,873
NET ASSETS, beginning of year	<u>1,722,530</u>	<u>-</u>	<u>1,722,530</u>
NET ASSETS, end of year	<u><u>\$ 2,383,403</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,383,403</u></u>

See Notes to Financial Statements

**THE MOSAIC PROJECT**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2021**

	Program Services	Administrative Services	Fundraising Expenses	Total
Wages	\$ 204,647	\$ 75,850	\$ 66,004	\$ 346,501
Payroll taxes	20,599	6,497	2,169	29,265
Employee benefits	24,769	7,812	2,608	35,189
<b>Total Personnel Expenses</b>	<b>250,015</b>	<b>90,159</b>	<b>70,781</b>	<b>410,955</b>
In-kind grounds lease	55,243	-	-	55,243
In-kind services	20,174	9,559	970	30,703
Insurance	4,675	19,078	492	24,245
Rent	16,482	5,199	1,735	23,416
Taxes	14,615	184	120	14,919
Telecommunications	8,381	2,336	780	11,497
Other	7,295	2,175	750	10,220
Professional fees	6,607	2,631	77	9,315
Utilities	7,197	895	299	8,391
IT services	4,300	1,350	451	6,101
Training and development	4,452	-	-	4,452
Supplies, office, and administration	1,997	850	1,158	4,005
Bank charges	-	3,848	-	3,848
Program food	3,314	-	-	3,314
Event expenses	-	-	3,073	3,073
Equipment, computer, and software	2,151	684	203	3,038
In-kind goods	3,000	-	-	3,000
Maintenance and repair	2,537	-	-	2,537
Travel and meals	1,730	82	67	1,879
Program supplies	1,522	-	-	1,522
Payroll service fees	984	310	104	1,398
Program site rental	621	-	-	621
Dues and subscription	500	56	19	575
Vehicle	320	101	34	455
Professional development	199	63	21	283
<b>Total Expenses</b>	<b>\$ 418,311</b>	<b>\$ 139,560</b>	<b>\$ 81,134</b>	<b>\$ 639,005</b>

See Notes to Financial Statements

**THE MOSAIC PROJECT**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2021**

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<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Change in net assets	\$ 660,873
Adjustments to reconcile change in net assets to cash provided by operating activities:	
Gain on forgiveness of PPP first loan	(85,000)
<b>CHANGES IN CURRENT ASSETS AND CURRENT LIABILITIES:</b>	
Receivables	5,575
Prepaid expenses	3,530
Accounts payable and accrued expenses	<u>2,117</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>587,095</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Conversion investments to cash	122,418
Property and equipment purchases	<u>(277,338)</u>
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<u>(154,920)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>	
PPP second loan funding received	<u>84,468</u>
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<u>84,468</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	516,643
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>801,642</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u><u>\$ 1,318,285</u></u>

See Notes to Financial Statements



**THE MOSAIC PROJECT**  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021

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**NOTE A – NATURE OF ACTIVITIES**

The Mosaic Project (Organization), a nonprofit public benefit corporation, 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.

**THE MOSAIC PROJECT**  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021

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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, 2021, no allowance for doubtful accounts was deemed necessary by management.

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 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 in active markets.

**Level 2**—Observable inputs other than Level 1, which include quoted prices for similar assets 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.

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.

**THE MOSAIC PROJECT**  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021

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NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

A portion of the Organization's revenue is derived from grants, which are conditioned upon the Organization providing services or other deliverables. Amounts received are recognized as revenue when the Organization has provided services or deliverables in compliance with specific grant provisions. Amounts received prior to providing services or deliverables are reported as refundable advances in the statement of financial position. The Organization has grant funds of \$30,000 that have not been recognized as of December 31, 2021 because services or other deliverables have not been completed, with \$0 in advance payments recognized in the statement of financial position as a refundable advance.

Revenues from program fees are recognized when services have been rendered. Revenues received in advance of services, if any, are reflected as deferred revenue.

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.

Functional Allocation of Expenses

The costs of program activities 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. 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 based on employee time spent in the functional area or square footage used.

**THE MOSAIC PROJECT**  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021

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**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**Relevant Accounting Pronouncements**

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The new standard establishes a comprehensive new lease accounting model. It clarifies the definition of a lease and causes lessees to recognize leases on the statement of financial position as a lease liability with a corresponding right-of-use asset for leases with a lease term of more than one year. It is effective for financial statements issued for fiscal years beginning after December 15, 2021, and interim periods within those fiscal years. Early adoption is permitted. The 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 the impact of adopting this new guidance on its financial statements.

**NOTE C – FIXED ASSETS**

As of December 31, 2021, fixed assets consist of work in progress on leased land in the amount of \$1,012,974. 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, 2021.

**NOTE D – COMMITMENTS**

The Organization leases office space in Oakland. The lease ran through July 2021, at a rate of approximately \$2,475 per month, after which it became a month-to-month lease. Rental expense for the year ended December 31, 2021 was \$23,416.

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.

The Organization has no significant commitments beyond December 31, 2021.

**THE MOSAIC PROJECT**  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021

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**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.

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of non-essential businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. Therefore, the Organization expects this matter could negatively impact its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.

**NOTE F – CONCENTRATIONS**

At December 31, 2021, the Organization had \$1,086,975 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.

At December 31, 2021, two funders accounted for 27% of total receivables (17%, and 10%).

**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 and cash equivalents	\$ 1,318,285
Receivables	120,168
Total Financial Assets	<u>1,438,453</u>
Less:	
Net assets with purpose restrictions to be met in one year	<u>( - )</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$1,438,453</u></u>

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.

**THE MOSAIC PROJECT**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2021**

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**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, 2021, is \$6,982 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, 2021, consists of the following.

Nature of Restriction	Beginning Balance	Income and Contributions	Released from Restriction	Ending Balance
Time	\$ -	\$ 10,000	(\$ 10,000)	\$ -
Purpose				
Personnel	-	25,000	(25,000)	
School project	-	1,000	(1,000)	-
Capital campaign	\$ -	\$ 20,500	(\$ 20,500)	\$ -
Total	\$ -	\$ 56,500	(\$ 56,500)	\$ -

**NOTE J – PPP LOANS**

In May 2020, the Organization received \$85,000 from the Payroll Protection Program, offered through the Small Business Administration, in response to COVID-19. In January 2021, the Organization received forgiveness of the full amount of the first PPP loan of \$85,000.

In April 2021, the Organization received a second draw of \$84,568 from the PPP grant funding offered through the Small Business Administration. The Organization applied for forgiveness during the year ended December 31, 2021 and was forgiven subsequent to year end.

**NOTE K – RELATED PARTY TRANSACTIONS**

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

**THE MOSAIC PROJECT**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2021**

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**NOTE L – IN-KIND DONATIONS**

During the year ended December 31, 2021, the Organization was the recipient of substantial amounts of in-kind contributions of use of land, services, and goods. The values of these contributions, as reflected in the accompanying financial statements, are as follows:

<u>Services or Goods</u> <u>Received and Allocation</u>	<u>Basis for Valuation</u>	<u>Total</u>
<u>Program Services</u>		
Ground lease	Based on FMV of usage	\$ 55,243
Professional services	Based on FMV of services	20,174
Goods and supplies	Based on FMV of goods and supplies	3,000
		<u>78,417</u>
<u>Administrative Services</u>		
Professional services	Based on FMV of services	9,559
		<u>9,559</u>
<u>Fundraising</u>		
Professional services	Based on FMV of services	970
		<u>970</u>
Total		<u>\$ 88,946</u>

**NOTE M – SUBSEQUENT EVENTS**

In January 2022, the Organization received forgiveness of the full amount of the second PPP loan of \$84,568.

Management has evaluated subsequent events for recognition and disclosure through October 25, 2022, the date the financial statements were available to be issued. Management concluded that no material subsequent events have occurred since December 31, 2021, that required recognition or disclosure in the financial statements.