

URBAN MOSAIC, INC.

**FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2019**

TOGETHER WITH AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Urban Mosaic, Inc.:

We have audited the accompanying financial statements of Urban Mosaic, Inc. (the Organization) which comprise the statement of financial position as of December 31, 2019 and the related statement of activity, cash flows and functional expenses 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

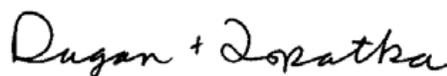
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Urban Mosaic, Inc. as of December 31, 2019, and the changes in its net assets and cash flows, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.



DUGAN & LOPATKA

Warrenville, Illinois
July 28, 2020

MEMBER

INPACT

INTERNATIONAL ALLIANCE OF
PROFESSIONAL ACCOUNTANTS

URBAN MOSAIC, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 101,874
Total current assets	<u>101,874</u>
Total assets	<u><u>\$ 101,874</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable	\$ 1,558
Total current liabilities	<u>1,558</u>
Total liabilities	<u>1,558</u>

NET ASSETS:

Without donor restrictions	36,322
With donor restrictions	<u>63,994</u>
Total net assets	<u>100,316</u>
Total liabilities and net assets	<u><u>\$ 101,874</u></u>

The accompanying notes are an integral part of this statement.

URBAN MOSAIC, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUE:			
Individual donors	\$ 126,263	\$ 16,151	\$ 142,414
Churches	206,614	2,843	209,457
Foundations	280,800	45,000	325,800
Business - corporations	20,726	-	20,726
Non-Profit organizations	9,155	-	9,155
	<u>643,558</u>	<u>63,994</u>	<u>707,552</u>
FUNCTIONAL EXPENSES:			
Programs	640,682	-	640,682
General and administrative	16,671	-	16,671
Fundraising	10,304	-	10,304
	<u>667,657</u>	<u>-</u>	<u>667,657</u>
CHANGE IN NET ASSETS	<u>(24,099)</u>	<u>63,994</u>	<u>39,895</u>
NET ASSETS, Beginning of year	<u>60,421</u>	<u>-</u>	<u>60,421</u>
NET ASSETS, End of year	<u>\$ 36,322</u>	<u>\$ 63,994</u>	<u>\$ 100,316</u>

The accompanying notes are an integral part of this statement.

URBAN MOSAIC, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 39,895
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Changes in assets and liabilities -	
Increase in accounts payable	<u>1,558</u>
Total adjustments	<u>1,558</u>
Net cash provided by operating activities	<u>41,453</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	41,453
CASH AND CASH EQUIVALENTS, Beginning of year	<u>60,421</u>
CASH AND CASH EQUIVALENTS, End of year	<u><u>\$ 101,874</u></u>

The accompanying notes are an integral part of this statement.

URBAN MOSAIC, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Programs</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Donation expense	\$ 626,255	\$ -	\$ -	\$ 626,255
Exhibition expense	-	-	95	95
Marketing	-	-	2,552	2,552
Professional fees	-	7,001	-	7,001
Consulting	5,632	746	4,386	10,764
Travel	7,966	-	578	8,544
IT cost	604	3,759	669	5,032
Miscellaneous	225	5,165	2,024	7,414
	<u>\$ 640,682</u>	<u>\$ 16,671</u>	<u>\$ 10,304</u>	<u>\$ 667,657</u>

The accompanying notes are an integral part of this statement.

URBAN MOSAIC, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Urban Mosaic, Inc. (hereinafter the "Organization") was incorporated in the State of Delaware on December 30, 2013. During 2019, they formally changed their name from Urban Transformation International, Inc., to Urban Mosaic, Inc.

The Organization's mission is to promote the creation, development, implementation, and transmission of replicable models, for holistic urban transformation, that strengthens civil society and equip people to become change agents committed to reducing poverty, violence, and corruption in order to build healthier cities.

The financial statements were available to be issued on July 28, 2020, with subsequent events being evaluated through this date.

The following summarizes the significant accounting policies and practices reflected in the accompanying financial statements.

Basis of Accounting -

The financial statements of the Organization have been prepared on the accrual basis of accounting which recognizes revenues as they are earned and expenses as they are incurred.

Basis of Presentation -

Financial statement presentation follows the recommendations of the Accounting Standards Codification (ASC), *Financial Statements for Not-for-Profit Organizations*. Under the ASC, the Organization is required to report information regarding two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Without donor restrictions - Net assets that are not subject to donor-imposed stipulations and may be expensed for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of management and the board of directors.

With donor restrictions - Net assets subject to donor-imposed stipulations. Some donor restrictions are temporary in nature; those restrictions will be met either by actions of the Organization and/or the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

Cash and Cash Equivalents -

For purposes of the statement of cash flows, the Organization considers all highly liquid instruments with an original maturity of three months or less to be cash equivalents.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Donor Imposed Restrictions -

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a 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 met. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the assets, or if they are designated as support for future periods. 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 to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-imposed contributions whose restrictions are met in the same reporting period are reported as net assets without donor restrictions.

The Organization reports gifts of land, buildings, and equipment as unrestricted support 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 restricted support. Absent explicit donor stipulations regarding how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Credit Risk -

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash. The Organization places its cash and deposits with high quality financial institutions; however, deposits may exceed the federally insured limits at times.

Property and Equipment -

Property and equipment are recorded at cost or fair market value if donated. The Organization's capitalization policy is to capitalize expenditures in excess of \$2,000. Renewals and betterments of property are accounted for as additions to the asset accounts. Repair and maintenance charges are expensed as incurred.

Income Taxes -

The Organization qualifies as an exempt organization under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is not subject to income taxes.

The Organization files informational returns in the U.S. federal jurisdiction and New Jersey. With few exceptions, the Organization is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for fiscal years before 2016. The Organization does not expect a material net change in unrecognized tax benefits in the next twelve months.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Estimates -

The Organization prepares its financial statements according to generally accepted accounting principles which require the use of estimates and assumptions that affect reported amounts and disclosures. Actual results could differ from those estimates.

New Accounting Pronouncement -

Effective January 1, 2019, the Organization adopted ASU 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This guidance is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions and improve guidance to better distinguish between conditional and unconditional contributions.

The adoption of this new standard did not result in a material impact to the Organization's financial statements. There was no significant effect on the financial statements related to the adoption of these new standards which would require a cumulative adjustment to net assets at the date of adoption under the modified retrospective method.

Allocation of Expenses -

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include consulting, travel, and IT costs, which are allocated on the basis of estimated time and effort.

(2) CONCENTRATION:

The Organization received approximately 49% of its total support and revenue from two donors for the year ended December 31, 2019.

(3) CONDITIONAL GRANT:

Conditional Grants at December 31, 2019 consist of the following:

Foundation Grant	<u>\$ 200,000</u>
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Under terms of a foundation agreement dated May 16, 2019, the Organization was selected for a \$400,000 conditional grant by the Foundation, of which \$200,000 was conditional. The Organization was required to meet certain first-year benchmarks in order to receive the grant, including written progress reports, planting new churches, equipping existing churches to become missional churches, creating safe spaces for children and youth, address delinquency, train local leaders through Urban Leadership School, systemize trainings, and go live with an online training platform.

(4) NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions are available for the following purposes at December 31, 2019:

Global Transformational Fund	\$ 16,151
Mexico Transformational Fund	<u>47,843</u>
	<u>\$ 63,994</u>

(5) LIQUIDITY AND AVAILABILITY:

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year, comprise the following at December 31, 2019

Financial assets -	
Cash and cash equivalents	<u>\$ 101,874</u>
Total financial assets	<u>101,874</u>
Less: Donor imposed restrictions	<u>63,994</u>
Net financial assets after donor-imposed restrictions	<u>37,880</u>
Financial assets available to meet cash needs for general expenditures that is without donor or other restrictions limiting their use within one year	<u>\$ 37,880</u>

The Organization manages its liquidity and reserves adhering to the following principles:

- operating within a prudent range of financial soundness and stability.
- incurring unbudgeted costs only when such costs are funded.
- maintaining adequate liquid assets to fund near-term operating needs.

(6) SUBSEQUENT EVENT:

In March 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The Organization cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption from this pandemic may impact operations and financial statements.