

THE MOSAIC INSTITUTE FOR HARNESSING DIVERSITY
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2012



**MELISSA L.
COULSON**
CHARTERED ACCOUNTANT



THE MOSAIC INSTITUTE FOR HARNESSING DIVERSITY

DECEMBER 31, 2012

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**MELISSA L.
COULSON**
CHARTERED ACCOUNTANT

A Professional Corporation

Independent Auditor's Report

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**To the Board of Directors of:
The Mosaic Institute for Harnessing Diversity**

I have audited the accompanying financial statements of The Mosaic Institute for Harnessing Diversity, which comprise the balance sheet as of December 31, 2012, and the statement of operations, statement of changes in operating fund, statement of changes in care and maintenance fund and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of 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 Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 judgement, 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

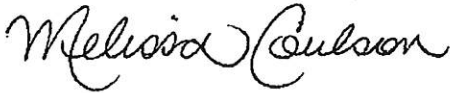


Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of The Mosaic Institute for Harnessing Diversity as at December 31, 2012, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Comparative Information

Without modifying my opinion, I draw attention to Note 3 to the financial statements which mentions that The Mosaic Institute for Harnessing Diversity adopted Canadian accounting standards for not-for-profit organizations on January 1, 2012 with a transition date of January 1, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the balance sheets as at December 31, 2011 and January 1, 2011 and the statements of income, retained earnings and cash flows for the year ended December 31, 2011 and related disclosures. Comparative financial information was audited using Canadian generally accepted accounting principles.



Melissa L. Coulson C.A. Professional Corporation
Authorized to practice public accounting by
The Institute of Chartered Accountants of Ontario

May 22, 2013
Milton, Ontario



**MELISSA L.
COULSON**
CHARTERED ACCOUNTANT



The Mosaic Institute for Harnessing Diversity

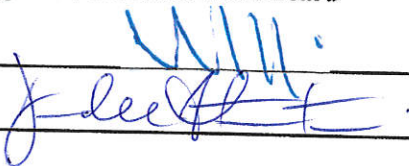
BALANCE SHEET

As at December 31

	December 31 2012 \$	<i>Unaudited</i> December 31 2011 \$	<i>Unaudited</i> January 1 2011 \$
ASSETS			
Current			
Cash	146,150	142,184	112,545
Accounts receivable	8,336	23	7,254
HST recoverable	13,439	7,387	-
Prepays	2,088	-	-
Total current assets	170,013	149,594	119,799
Capital assets (note 5)	4,030	5,546	4,160
	174,043	155,140	123,959
LIABILITIES & FUND BALANCES			
Current			
Accounts payable and accrued liabilities (note 9)	55,343	33,945	19,340
Deferred revenue	-	10,000	-
Total current liabilities	55,343	43,945	19,340
Fund balances			
Restricted funds (note 2)	35,981	7,705	49,208
Unrestricted funds (note 2, note 9)	82,719	103,490	55,411
Total fund balances	118,700	111,195	104,619
	174,043	155,140	123,959

Commitments (note 8)

Approved on Behalf of the Board



Director

Director

The accompanying notes are an integral part of these financial statements

The Mosaic Institute for Harnessing Diversity

STATEMENT OF OPERATIONS
AND CHANGES IN FUND BALANCES

Year ended December 31

	Operating Fund	U of Mosaic		Kantishka CIC	China-Tibet CIC	Sudan Projects DFAIT Fund	Sri Lanka Tour	SACGCP		2011 Total	2012 Total	Unaudited Total
		Aurea Fund	U of Mosaic Unrestricted Fund					RBC Foundation	MCC Fund			
REVENUE												
Donations received	281,605	-	-	-	-	-	-	-	-	281,605	231,200	512,805
Grant income	-	50,000	-	-	-	-	20,000	-	6,418	76,418	194,195	270,613
Fundraising	-	150	-	-	-	-	-	-	-	150	20,665	20,815
Contract revenue	-	-	128,497	50,908	-	-	-	-	-	179,405	-	179,405
	281,605	50,150	128,497	50,908	-	-	20,000	-	6,418	537,578	446,060	983,638
EXPENSES												
Salaries and benefits	192,089	-	-	-	-	-	-	-	-	192,089	174,522	366,611
Contract expenses	-	7,800	58,385	40,309	-	-	-	-	1,600	152,997	90,885	243,882
Travel	4,543	-	2,254	4,571	-	-	20,357	-	246	39,049	12,109	51,158
Rent	38,823	-	-	-	-	-	-	13,000	42	51,865	50,825	102,690
Research and publications	1,000	2,000	30,662	-	-	-	-	-	478	34,140	15,749	49,889
Honoraria	11,593	-	-	-	-	-	-	-	-	11,593	1,396	12,989
Conferences and seminars	5,477	-	149	2,030	-	-	1,039	109	151	10,241	15,008	25,249
Office and general	2,016	-	-	-	-	-	-	-	-	2,016	14,634	16,650
Web design and IT	1,356	-	842	2,755	-	-	-	-	233	5,186	11,817	17,003
Program event costs	-	-	3,731	-	-	-	-	172	-	3,903	19,798	23,701
Event expenses	-	-	2,480	-	-	-	-	-	-	2,480	3,863	6,343
Marketing	-	-	30	1,383	-	-	-	-	-	3,863	1,257	5,120
Telephone	3,810	-	-	-	-	-	-	-	-	3,810	3,587	7,397
Telephony	2,059	-	-	-	-	-	-	-	-	2,059	3,623	5,682
Professional fees	2,840	-	-	-	-	-	-	-	1,000	3,840	4,713	8,553
Insurance	308	-	-	-	-	-	-	-	-	308	2,808	3,116
Publicity and fundraising (note 9)	2,272	-	53	-	-	-	-	-	2,500	2,325	2,143	4,468
Publications and subscriptions	1,517	-	-	-	-	-	-	-	-	1,517	1,601	3,118
Depreciation	496	-	18	-	-	-	-	-	-	514	1,104	1,618
Bank charges and interest	274,699	9,800	61,949	91,450	51,248	-	21,396	13,323	6,208	530,073	439,484	969,557
Excess (deficiency) of revenue over expenses	6,906	(9,800)	(11,799)	37,047	(340)	-	(1,396)	(13,323)	210	7,505	6,576	14,081
Fund balance, beginning of year (note 9)	12,249	8,641	63,627	-	-	234	-	27,380	(936)	111,195	104,619	215,814
Interfund transfers	5,093	1,159	(925)	-	-	(234)	-	(5,093)	-	-	-	(5,093)
Fund balance, end of year	24,248	-	50,903	37,047	(340)	-	(1,396)	8,964	(726)	118,700	111,195	229,895

The accompanying notes are an integral part of these financial statements

The Mosaic Institute for Harnessing Diversity

STATEMENT OF CASH FLOWS

Year ended December 31	2012	<i>Unaudited</i> 2011
	\$	\$
OPERATING ACTIVITIES		
Excess of revenue over expenses	7,505	6,576
Non-cash items:		
Depreciation	1,517	1,601
Change in non-cash working capital items:		
Increase in accounts receivable	(8,313)	7,231
Increase in HST recoverable	(6,052)	(7,387)
Decrease in prepaid expenses	(2,088)	-
Increase in accounts payable and accrued liabilities	21,397	14,605
Increase in deferred revenue	(10,000)	10,000
Cash provided by operating activities	3,966	32,626
INVESTING ACTIVITIES		
Purchase of capital assets	-	(2,987)
Net increase in cash	3,966	29,639
Cash, beginning of year	142,184	112,545
Cash, end of year	146,150	142,184

The accompanying notes are an integral part of these financial statements

The Mosaic Institute for Harnessing Diversity

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

1. NATURE OF OPERATIONS

The Mosaic Institute for Harnessing Diversity (“the organization” or “Mosaic”) was incorporated under the Business Corporations Act of Ontario without share capital by letters patent on June 4, 2007.

The organization undertakes original research and a variety of programming to educate and engage the general public, members of specific ethno-cultural communities, and Canadian policy makers with respect to the capacity of individuals and communities from Canada’s ethno-cultural mosaic to advance the interests of peace in places beset by intractable conflicts overseas, as well as to help improve relations between and among those communities here in Canada. The ultimate goal of the Mosaic Institute is to harness the creativity, connections and resources of Canada’s diverse population in order to advance the cause of peace in the countries with which these groups of Canadians have traditional connections.

The organization is incorporated as a not-for-profit organization and is exempt from income tax under section 149 of the Income Tax Act.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. The significant policies are detailed as follows:

Fund accounting

Mosaic follows the deferral method of accounting for contributions.

(i) **Operating Fund**

The Operating Fund accounts for the expenditures related to general operations of the organization financed by general revenues.

(ii) **U of Mosaic – AUREA Foundation Fund (Restricted)**

The AUREA Foundation Fund received no new funding in the current year, but had a fund balance of \$8,641 carried forward from 2011 available. The monies for this fund had to be spent on a Project Coordinator, on costs relating to doing research incurred by the institute in the administration of the U of Mosaic initiative.

The Mosaic Institute for Harnessing Diversity

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

(iii) U of Mosaic – Unrestricted

BMO committed \$150,000 over three years for the U of Mosaic. The third payment of \$50,000 was received in the year. There were no restrictions as to the use of the funds within the project.

(iv) South Asian Canadian Global Citizenship Project – MCC Fund (Restricted)

The Department of Citizenship and Immigration Canada has committed funding of \$150,000 over 18 months to be used for this project which ended during the year. This was a restricted fund in that it could not be used for international expenses and had to be used solely for specific preapproved expenses including management, travel, publicity, facilities, materials and other Canadian project costs. Payments of \$6,418 (2011 - \$91,695) were received in the year.

(v) South Asian Canadian Global Citizenship Project – RBC Foundation (Unrestricted)

This project was also being funded by the RBC Foundation in the amount of \$100,000 over two years. There were no restrictions as to the use of the funds within the project. No new funding was received in the current year but had a fund balance of \$27,380 carried forward from 2011 available. The project ended during the year.

(vi) China-Tibet – CIC Fund (Restricted)

The Minister of Citizenship, Immigration and Multiculturalism has committed funding of \$280,000 over 2 years to be used for this project. This is a restricted fund in that it must be used only for preapproved expenses including project manager, project assistant, travel, honorariums, conferences and other project expenses. Payments of \$50,908 (2011 - \$nil) were received in the year.

(vii) Kanishka – Public Safety Canada (PSC) Fund (Restricted)

The Minister of Public Safety and Emergency Preparedness has committed funding of \$410,000 over 2 years to be used for this project. This is a restricted fund in that it may not be used for any other purpose than the preapproved expenses, salaries and wages, research, travel, honorariums and other project expenses. Payments of \$128,497 (2011 - \$nil) were received in the year.

Revenue recognition

The organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expense is incurred.

The Mosaic Institute for Harnessing Diversity

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

Unrestricted contributions are recognized as revenue when they are received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Revenue from contract services is recognized when the service is completed and collectability is reasonably assured.

Revenue from grant applications is recognized when the funds are received in the year that the related expense occurs.

Capital assets

Capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Capital assets are depreciated over their useful lives using the following rates per annum:

Computer equipment	30% declining balance
Furniture and equipment	20% declining balance

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts disclosed in the financial statements. Actual results could differ from those estimates. In particular, recognizing government funding during the period of service involves estimating adjustments the government may make subsequent to a period.

Volunteer services

The organization benefits from substantial services in the form of volunteer time. Since these invaluable services are not purchased by the organization, they are not recorded in these financial statements.

Financial instruments

The organization applies the provisions of Section 3856, *Financial Instruments* of the Canadian Institute of Chartered Accountants (CICA) Handbook, Part II as they apply to not-for-profit organizations.

The standards require that all financial assets and liabilities be measured at fair value with the exception of investments held to maturity, loans and receivables and other liabilities that are measured at amortized cost using the effective interest rate method. The organization has designated cash and accounts receivable as loans and receivables; and accounts payable and accrued liabilities as other financial liabilities.

The Mosaic Institute for Harnessing Diversity

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

3. IMPACT OF THE CHANGE IN THE BASIS OF ACCOUNTING

Effective January 1, 2012, the organization adopted the requirements of the CICA handbook and has adopted Canadian Accounting Standards for Not-for-Profit Organizations (ASNFPFO). This framework is in accordance with Canadian Generally Accepted Accounting Principles. These are the first financial statements prepared in accordance with this new framework which has been applied retrospectively. The accounting policies set out in the significant policy note have been applied in preparing the financial statement for the period ended December 31, 2012, the comparative information presented in these financial statements for the year ended December 31, 2011 and in the preparation of an opening balance sheet as at January 1, 2011 which is the organization's date of transition.

The organization issued financial statements for the year ended December 31, 2011 using generally accepted accounting principles prescribed by the CICA Handbook – Accounting XFI. The adoption of ASNFPFO has no impact on the previously reported assets, liabilities and equity of the organization, and accordingly, no adjustments have been recorded in the comparative balance sheet, income statement, statement of retained earnings and the cash flow statement. Certain of the organization's presentation and disclosure included in these financial statements reflect the new presentation and disclosure requirements of ASNFPFO.

4. CAPITAL DISCLOSURE

The organization's main objective when managing capital is to safeguard its ability to continue as a going concern, so that it can ensure the continuation of investment support for the organizations that it is involved with.

The capital structure of Mosaic consists of unrestricted net assets, internally restricted assets and externally restricted assets. Mosaic manages its capital structure and makes adjustments to it in light of economic conditions and the risk characteristics of the underlying assets. Mosaic's primary use of capital is to finance non-cash working capital requirements and capital expenditures which are currently funded from its internally generated cash flows.

The restricted net assets are broken into various reserves each with a specific purpose and are managed to ensure that Mosaic can continue to provide stable funding to the programs that it supports.

Mosaic is not subject to any externally imposed capital requirements and does not presently utilize any quantitative measures to monitor its capital.

The Mosaic Institute for Harnessing Diversity

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

5. CAPITAL ASSETS

	Cost	Accumulated Depreciation	2012	2011
	\$	\$	\$	\$
Furniture and fixtures	1,891	712	1,179	1,474
Computer equipment	7,718	4,867	2,851	4,073
	9,609	4,062	4,030	5,547

6. FINANCIAL INSTRUMENTS

Credit Risk

Mosaic is exposed to credit risk on the amounts receivable from its donors. Mosaic has adopted credit policies and makes provisions for uncollectible donations as it sees fit. Mosaic does not have a significant exposure to any individual donor or counterparty.

Fair Values

The fair values of cash, accounts receivable and accounts payable and accrued liabilities, approximately their carrying value due to their short-term nature.

Interest Rate Risk

Mosaic is not exposed to significant interest rate risk due to the short term maturity of its monetary current assets and current liabilities.

7. RELATED PARTY TRANSACTIONS

During the year, the organization received donations of \$230,000 (2011 - \$115,000) from related organizations controlled by a director.

The Mosaic Institute for Harnessing Diversity

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

8. COMMITMENTS

Mosaic has entered into operating lease agreements for office space. The lease was extended from August 2012 to July 31, 2015. The future minimum lease payments are as follows:

	\$
2013	18,161
2014	21,125
2015	12,323
	<u>51,609</u>

Mosaic also entered into an agreement with an external provider to receive research services from September 2012 – May 2013 in connection to the Kanishka project.

9. ERROR CORRECTION

In fiscal 2012, it was discovered that an expense relating to Publicity and Fundraising totaling \$9,656 was not captured as part of the 2011 financial statements. As a result, the 2011 financial statements have been restated with an increase to Publicity and Fundraising expense and a corresponding increase in Accounts Payable and accrued liabilities.