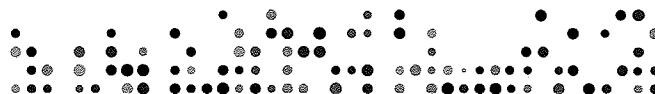


THE MOSAIC INSTITUTE FOR HARNESSING DIVERSITY
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2011



**MELISSA L.
COULSON**
CHARTERED ACCOUNTANT



THE MOSAIC INSTITUTE FOR HARNESSING DIVERSITY

DECEMBER 31, 2011

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**MELISSA L.
COULSON**
CHARTERED ACCOUNTANT

A Professional Corporation

Independent Auditor's Report

35 Hugh Street
Milton, Ontario L9T 2C7
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melissacoulson.ca

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, 2011, and the statement of operations and change in fund balances 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

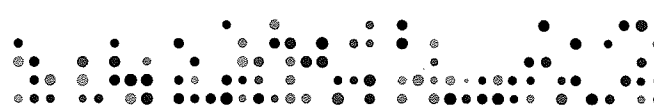
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from 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, 2011, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in cursive script that reads "Melissa Coulson".

Melissa L. Coulson C.A. Professional Corporation

Authorized to practice public accounting by
The Institute of Chartered Accountants of Ontario

May 30, 2012
Milton, Ontario

The Mosaic Institute for Harnessing Diversity

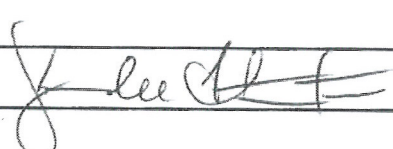
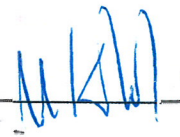
BALANCE SHEET

As at December 31

	2011	2010
	\$	\$
ASSETS		
Current		
Cash	142,184	112,545
Accounts receivable	7,410	7,254
Total current assets	149,594	119,799
Capital assets (note 4)	5,546	4,160
	155,140	123,959
LIABILITIES & FUND BALANCES		
Current		
Accounts payable and accrued liabilities	24,289	19,340
Deferred revenue	10,000	-
Total current liabilities	34,289	19,340
Fund balances		
Restricted funds (note 2, note 9)	7,705	49,208
Unrestricted funds (note 2, note 9)	113,146	55,411
Total fund balances	120,851	104,619
	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

**STATEMENT OF OPERATIONS
AND CHANGES IN FUND BALANCES**

Year ended December 31

	Operating Fund	U of Mosaic		Sudan Projects		Sudan Projects		SACGCP RBC Fund	SACGCP MCC Fund	2011 Total	2010 Total
		Aurea Fund	Unrestricted Fund	DFAIT Fund	Aurea Fund						
REVENUE											
Donations received	231,200	-	-	-	-	-	-	-	-	231,200	316,769
Grant income	2,500	-	50,000	-	-	-	-	50,000	91,695	194,195	197,917
Fundraising	20,665	-	-	-	-	-	-	-	-	20,665	-
Contract revenue	-	-	-	-	-	-	-	-	-	-	20,343
	254,365	-	50,000	-	-	-	-	50,000	91,695	446,060	535,029
EXPENSES											
Salaries and benefits	152,482	-	-	-	-	-	-	1,100	20,940	174,522	172,484
Contract expenses	-	8,806	19,680	-	-	-	-	16,024	46,375	90,885	63,063
Rent	33,004	1,527	-	-	-	-	-	433	15,861	50,825	39,519
Event expenses	19,798	-	-	-	-	-	-	-	-	19,798	-
Research and publications	-	-	-	-	-	-	-	-	15,749	15,749	3,463
Office and general	6,471	2,426	-	-	-	-	-	3,385	2,726	15,008	14,263
Web design and IT	1,619	13,015	-	-	-	-	-	-	-	14,634	8,772
Travel	1,502	1,577	867	-	-	-	-	6,398	1,765	12,109	22,695
Program event costs	1,247	1,605	-	-	-	-	-	8,965	-	11,817	13,194
Publicity and fundraising	5,057	-	-	-	-	-	-	-	-	5,057	4,648
Insurance	4,713	-	-	-	-	-	-	-	-	4,713	4,620
Professional fees	739	-	-	-	-	-	-	2,884	-	3,623	2,000
Telephone	3,587	-	-	-	-	-	-	-	-	3,587	3,656
Publications and subscriptions	1,951	192	-	-	-	-	-	-	-	2,143	2,769
Depreciation	1,458	143	-	-	-	-	-	-	-	1,601	1,069
Conferences and seminars	1,396	-	-	-	-	-	-	-	-	1,396	1,035
Marketing	-	257	-	-	-	-	-	1,000	-	1,257	2,107
Bank charges and interest	1,104	-	-	-	-	-	-	-	-	1,104	427
Honoraria	-	-	-	-	-	-	-	-	-	-	2,200
	236,128	29,548	20,547	-	-	-	-	40,189	103,416	429,828	361,984
Excess (deficiency) of revenue over expenses	18,237	(29,548)	29,453	-	-	-	-	9,811	(11,721)	16,232	173,045
Fund balance, beginning of year (note 9)	3,668	37,120	34,174	234	-	1,069	(1,069)	17,569	10,785	104,619	(68,426)
Interfund transfers	-	1,069	-	-	-	-	-	-	-	-	-
Fund balance, end of year	21,905	8,641	63,627	234	-	234	-	27,380	(936)	120,851	104,619

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

	2011	2010
	\$	\$
OPERATING ACTIVITIES		
Excess of revenue over expenses	16,232	173,045
Non-cash items:		
Depreciation	1,601	1,069
Change in non-cash working capital items:		
Increase in accounts receivable	(156)	(5,047)
Decrease in prepaid expenses	-	5,753
Increase in accounts payable and accrued liabilities	4,949	6,817
Increase in deferred revenue	10,000	-
Decrease in due to related party	-	(107,264)
Cash provided by operating activities	32,626	74,373
INVESTING ACTIVITIES		
Purchase of capital assets	(2,987)	(3,144)
Net increase in cash	29,639	71,229
Cash, beginning of year	112,545	41,316
Cash, end of year	142,184	112,545

The accompanying notes are an integral part of these financial statements

The Mosaic Institute for Harnessing Diversity

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

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 \$37,120 carried forward from 2010 available. The monies for this fund must be spent on a Project Coordinator, on costs relating to doing research and an “environmental scan” of existing on-campus conflict resolution groups, and on overhead and management costs 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, 2011

(iii) U of Mosaic – Unrestricted

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

(iv) Sudan Projects – DFAIT Fund (Restricted)

The Winnipeg Conference on Sudan was partially funded through a contract with DFAIT for expenses up to \$22,000. Approved expenses include costs for staff, travel, accommodation, administration and conference facilities.

(v) Sudan – AUREA Foundation Fund (Restricted)

The AUREA Foundation was established to focus on the provision of conference scholarships, the publication of conference material and conference speaker expenses.

(vi) 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. This is a restricted fund in that it may not be used for international expenses and must be used solely for specific preapproved expenses including management, travel, publicity, facilities, materials and other Canadian project costs. Payments of \$91,695 (2010 - \$47,917) were received in the year.

(vii) South Asian Canadian Global Citizenship Project – RBC Fund (Unrestricted)

This project is also being funded by the RBC in the amount of \$100,000 over two years. There are no restrictions as to the use of the funds within the project. The second payment of \$50,000 was received this 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. 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.

The Mosaic Institute for Harnessing Diversity

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

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 3855, *Financial Instruments – Recognition and Measurement*, and Section 3861, *Financial Instruments – Disclosures and Presentation*, of the Canadian Institute of Chartered Accountants (CICA) Handbook, 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, 2011

3. 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

4. CAPITAL ASSETS

	Cost \$	Accumulated Depreciation \$	2011 \$	2010 \$
Furniture and fixtures	1,891	417	1,474	232
Computer equipment	7,718	3,645	4,073	3,928
	9,609	4,062	5,547	4,160

5. 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.

The Mosaic Institute for Harnessing Diversity

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

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.

6. RELATED PARTY TRANSACTIONS

During the year, the organization received donations of \$115,000 (2010 - \$211,084) from related organizations controlled by a director.

7. FUTURE ACCOUNTING CHANGES

The CICA has issued a new accounting framework applicable to Canadian not-for-profit organizations. Effective for the annual reporting period that commences on or after January 1, 2012, not-for-profit organizations will have to choose between International Financial Reporting Standards ("IFRS") and Canadian accounting standards for not-for-profit organizations, whichever accounting framework suits them best. Early adoption of these standards is permitted. The Organization has not determined which framework it is going to adopt and has not yet determined the impact of adoption.

8. COMMITMENTS

Mosaic has entered into operating lease agreements for office space. The lease was extended from August 2011 to July 31, 2012. The future minimum lease payments are as follows:

	\$
2012	10,844

9. ERROR CORRECTION

During the course of 2011, it was noted that an unrestricted contribution to the U of Mosaic in the amount of \$50,000 as well as related expenses of \$15,826 were recorded in the U of Mosaic Aurea Fund in error. These amounts should have been recorded separately in the U of Mosaic Unrestricted Fund. The result is the opening retained earnings of the U of Mosaic Aurea Fund is over stated by \$34,174 and the opening retained earnings of the U of Mosaic Unrestricted Fund is understated by \$34,174.

As well, the restricted fund balance on the 2010 balance sheet was overstated by \$34,174 and the unrestricted fund balance was understated by \$34,174.