

THE MOSAIC PROJECT
FINANCIAL STATEMENTS

Year Ended December 31, 2012

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Year Ended December 31, 2012**

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Noe and Company

Independent Auditor's Report

To the Board of Directors of
The Mosaic Project
Oakland, California

Report on the Financial Statements

I have audited the accompanying financial statements of The Mosaic Project ("Mosaic"), a California nonprofit corporation, which comprise the statement of financial position of Mosaic as of December 31, 2012, 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 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

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 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 judgment, including the assessment of the risk 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 Mosaic'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 Mosaic'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.

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 Mosaic as of December 31, 2012, and the change 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.

Noe and Company

Oakland, California
July 24, 2013

THE MOSAIC PROJECT
STATEMENT OF FINANCIAL POSITION
December 31, 2012

Assets

Current Assets:

Cash	\$ 189,258
Accounts Receivable	27,875
Grants Receivable	5,000
Pledges Receivable	5,150
Prepaid Expenses	<u>10,334</u>
Total Current Assets	237,617

Property and Equipment:

Furniture and Equipment	23,812
Less: Accumulated Depreciation	<u>(23,812)</u>
Net Property and Equipment	-

Deposits	<u>1,487</u>
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Total Assets	\$ <u><u>239,104</u></u>
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Liabilities and Net Assets

Current Liabilities:

Accounts Payable	\$ 635
Deferred Revenue	<u>3,300</u>
Total Current Liabilities	3,935

Note Payable	<u>26,250</u>
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Total Liabilities	30,185
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Net Assets:

Unrestricted	172,919
Temporarily Restricted	<u>36,000</u>

Total Net Assets	<u>208,919</u>
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Total Liabilities and Net Assets	\$ <u><u>239,104</u></u>
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See accompanying notes to financial statements

**THE MOSAIC PROJECT
STATEMENT OF ACTIVITIES
Year Ended December 31, 2012**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenues:			
Foundation and Community Grants	\$ 139,128	\$ 36,000	\$ 175,128
Contributions	143,109		143,109
In-Kind Contributions	76,677		76,677
Program Fees	258,777		258,777
Special Events Revenue	81,970		81,970
Special Events Direct Benefit Costs	(17,160)		(17,160)
Other Income	6,442		6,442
Net Assets Released from Restrictions	<u>75,250</u>	<u>(75,250)</u>	<u>-</u>
 Total Support and Revenues	 764,193	 (39,250)	 724,943
Expenses:			
Program Services:			
Outdoor School Program	421,978		421,978
In-School Project	46,187		46,187
Youth Leadership Project	120,013		120,013
Mosaic Consulting Project	<u>25,328</u>		<u>25,328</u>
 Total Program Services	 613,506		 613,506
Supporting Services:			
General and Administrative	58,872		58,872
Fundraising	<u>74,923</u>		<u>74,923</u>
 Total Supporting Services	 <u>133,795</u>		 <u>133,795</u>
 Total Expenses	 <u>747,301</u>		 <u>747,301</u>
 Change in Net Assets	 16,892	 (39,250)	 (22,358)
Net Assets, Beginning of the Year	<u>156,027</u>	<u>75,250</u>	<u>231,277</u>
Net Assets, End of the Year	\$ <u><u>172,919</u></u>	\$ <u><u>36,000</u></u>	\$ <u><u>208,919</u></u>

See accompanying notes to financial statements

THE MOSAIC PROJECT
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2012

	<u>Outdoor School Program</u>	<u>In-School Project</u>	<u>Youth Leadership Project</u>	<u>Mosaic Consulting Project</u>	<u>Total Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	<u>Total Expenses</u>
Salaries	\$ 139,391	\$ 26,846	\$ 61,992	\$ 13,909	\$ 242,138	\$ 35,252	\$ 41,898	\$ 77,150	\$ 319,288
Payroll Taxes	15,555	2,285	5,972	1,227	25,039	2,683	4,231	6,914	31,953
Benefits	13,618	1,755	4,126	916	20,415	2,256	2,775	5,031	25,446
Total Personnel Costs	168,564	30,886	72,090	16,052	287,592	40,191	48,904	89,095	376,687
Program Direct Expenses	200,279		26,719	1,670	228,668				228,668
Contract Services	9,107	6,291	2,027	2,514	19,939	4,485	2,800	7,285	27,224
Occupancy	6,070	1,167	2,694	611	10,542	1,528	1,820	3,348	13,890
Web/Internet Services	2,329	350	807	183	3,669	958	545	1,503	5,172
Office Supplies	1,300	216	498	113	2,127	331	392	723	2,850
Telephone	1,481	285	657	239	2,662	373	444	817	3,479
Printing and Reproduction	815	157	362	376	1,710	205	1,144	1,349	3,059
Postage and Shipping	653	99	228	51	1,031	129	1,159	1,288	2,319
Travel	198	742	88	379	1,407	50	512	562	1,969
Insurance	653	125	290	66	1,134	164	196	360	1,494
Bank/Credit Card Charges						2,679		2,679	2,679
Contributed Goods and Services	30,099	5,786	13,362	3,031	52,278	7,576	16,823	24,399	76,677
Miscellaneous Expenses	430	83	191	43	747	203	184	387	1,134
Total Expense	<u>\$ 421,978</u>	<u>\$ 46,187</u>	<u>\$ 120,013</u>	<u>\$ 25,328</u>	<u>\$ 613,506</u>	<u>\$ 58,872</u>	<u>\$ 74,923</u>	<u>\$ 133,795</u>	<u>\$ 747,301</u>

See accompanying notes to financial statements.

THE MOSAIC PROJECT
STATEMENT OF CASH FLOWS
Year Ended December 31, 2012

Cash Flows From Operating Activities:

Change in Net Assets \$ (22,358)

Adjustments to Reconcile Change in Net Assets
to Net Cash Used in Operating Activities:

Changes in Operating Assets and Liabilities:

Increase in Accounts Receivable	(2,125)
Increase in Grants Receivable	(4,750)
Increase in Pledges Receivable	(5,150)
Increase in Prepaid Expenses	(3,253)
Decrease in Accounts Payable	(713)
Increase in Deferred Revenue	<u>3,300</u>

Net Cash Used in Operating Activities (35,049)

Cash Flows From Financing Activities:

Principal Payments on Note Payable (18,750)

Net Cash Used in Financing Activities (18,750)

Net Decrease in Cash (53,799)

Cash, Beginning of Year 243,057

Cash, End of Year **\$ 189,258**

THE MOSAIC PROJECT
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2012

1. ORGANIZATION

The Mosaic Project (“Mosaic”) was established as a 501(c)(3) nonprofit organization in June 2000 in the State of California.

Mosaic works toward a peaceful future by uniting children of diverse backgrounds, providing them with essential community building skills, and empowering them to become peacemakers. Our 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. Together, we create microcosms of the just, diverse, inclusive world we envision, demonstrate that peace is possible, and inspire action.

Mosaic has established the following programs:

Outdoor School Program

Mosaic’s principal program is our unique human-relations outdoor school. This dynamic 4-night, 5-day experience for fourth and fifth graders is offered during the school week. Three classes from schools that differ markedly in socioeconomic, racial, and ethnic make-up participate in the program together, giving the students the opportunity to experience firsthand a diverse setting in which all are welcomed and respected. While typical outdoor schools focus on environmental science, ours addresses issues of difference and builds self-esteem and community through an inspiring learning experience.

Mosaic reaches students before negative attitudes surrounding difference become entrenched and enables them to live with, learn from, and befriend others with whom they would not ordinarily interact. Together in a beautiful, natural setting, they begin to recognize their commonalities and gain respect and appreciation for the uniqueness of all individuals, including themselves. They are encouraged to overcome ignorance and insecurities which can lead to fear of difference, prejudice, discrimination, hatred, and violence. We provide students with the profound, personal experience of building an inclusive, egalitarian community across race, culture, and class barriers, inspiring and empowering them to create such communities throughout their lives.

THE MOSAIC PROJECT
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended December 31, 2012

1. ORGANIZATION (Continued)

In-School Project:

The In-School Project deepens and sustains the impact of Mosaic's outdoor education experience. Mosaic's innovative Outdoor School is outstanding in promoting peace, mutual understanding, and conflict resolution among its 4th and 5th grade participants. The In-School Project initiative allows students to delve even deeper in exploring these themes over time. We introduce our research-based curriculum in kindergarten and continue Mosaic lessons throughout the grade levels, setting the stage for and reinforcing lessons learned at the Outdoor School. The in-school supplement also infuses Mosaic values and skill sets into the overall school culture and improves the climate of its partner schools.

The fun, musical, and experiential quality of Mosaic workshops is what sets Mosaic apart from other SEL/character development/social justice education initiatives. Our innovative, active curriculum supports students in deepening their appreciation for diversity and justice, while cultivating empathy, teamwork, conflict resolution skills and a more inclusive classroom and school-wide community.

Youth Leadership Project:

Mosaic offers leadership training for high-school and college aged students who serve as mentors for the 4th and 5th graders at our Outdoor School. The Youth Leadership Project's curriculum addresses issues of difference while building leadership skills. Youth Leaders undergo extensive training prior to arriving at the Outdoor School. Once there, the training continues as they serve as cabin leaders for a session, putting theory into practice. We offer youth opportunities to participate in events year round, including discussions, workshops, guest lectures, game days, field trips, and service learning projects. The Youth Leadership Project encourages the growth of a vibrant cross-cultural community of youth throughout the Bay Area.

Mosaic Consulting Project:

The Mosaic Consulting Project (MCP) is Mosaic's adult education arm. MCP trainings utilize experiential, dynamic activities to explore differences and build community. Our focus on empathy, appreciation of differences, assertiveness, team building, and conflict resolution creates a more engaged, effective workforce and a more inclusive, cohesive workplace culture.

THE MOSAIC PROJECT
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended December 31, 2012

1. ORGANIZATION (Continued)

Mosaic Consulting Project (Continued):

With the creation of MCP, Mosaic has established a unique community building model. As Bay Area organizations invest in their employees, they also invest in their community. Net proceeds from MCP directly fund Mosaic's youth programs, furthering its mission to work towards a more peaceful future.

Ultimately, MCP enables the organization to expand its impact to reach entire communities through schools, community-based organizations, as well as the work place.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of Mosaic have been prepared on the accrual basis of accounting whereby revenues are recognized when earned and expenses as incurred.

Revenue Recognition

Mosaic recognizes services and other fee revenue in the period when the service has been provided.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

THE MOSAIC PROJECT
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended December 31, 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

Net assets of Mosaic and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations. Also, contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of Mosaic and/or passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by Mosaic. Generally, the donors of these assets permit Mosaic to use all or part of the income earned on any related investments for general or specific purposes. Mosaic had no permanently restricted net assets at December 31, 2012.

Grants and Contributions

Grants and contributions, including unconditional promises to give, are recorded as made. All grants and contributions are available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Conditional promises to give are not included as support until the conditions are substantially met.

THE MOSAIC PROJECT
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended December 31, 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements

Mosaic reports its fair value measurements using a three level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by generally accepted accounting standards, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

Level 1 - Quoted prices for identical assets or liabilities in active markets to which the organization has access at the measurement date.

Level 2 - Inputs other than quoted prices included in level 1 that are observable for assets or liabilities, either directly or indirectly. Level 2 inputs include quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full terms of the assets or liabilities.

Level 3 - Unobservable inputs for assets or liabilities. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

Donated Assets

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair value at the date of donation. Donated property and equipment are reported as increases in unrestricted net assets unless the donor has restricted the use of donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, Mosaic reports expiration of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor.

THE MOSAIC PROJECT
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended December 31, 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Services

Donated services are recognized as contributions, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would typically need to be purchased if not provided by donation. The value of contributed services included in the accompanying statement of activities amounted to \$19,215 in 2012.

There are volunteers who contribute their time to Mosaic. No amounts have been recognized in the accompanying financial statements because the criteria for recognition of such volunteer effort have not been satisfied.

Income Tax Status

Mosaic is exempt from federal income tax under Section 501 (c) (3) of the Internal Revenue Code and is exempt from California franchise taxes under Section 23701d of the Revenue and Taxation Code. It is the opinion of management that all income earned has been related to Mosaic's tax-exempt status and there has been no unrelated business income.

The accounting standard requires that a tax position be recognized or derecognized based on a "more-likely-than-not" threshold. Based on the management's analysis of Mosaic's tax positions, the accounting for any uncertainty in Mosaic's tax positions is not expected to have a material impact on the financial statements.

Property and Equipment

Expenditures for property and equipment greater than or equal to \$1,000 are capitalized at cost and depreciated over their estimated useful lives using the straight-line method. The fair value of donated capital items is similarly capitalized.

THE MOSAIC PROJECT
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended December 31, 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Credit Risk

Financial instruments that potentially subject Mosaic to concentrations of credit risk are primarily cash, investments and accounts receivable. Mosaic places its cash in financial institutes that are insured in limited amounts by the U.S. government.

Subsequent Events

Mosaic has evaluated subsequent events through July 24, 2013, which is the date the financial statements were available to be issued.

3. OPERATING LEASES

Mosaic has entered into operating leases on a month to month basis for office space and storage with monthly payments ranging from \$ 150 to \$ 1,016. Rent expenses for the year ended December 31, 2012 were \$13,890.

4. TEMPORARILY RESTRICTED NET ASSETS

Net assets were temporarily restricted for the following purposes at December 31, 2012:

Outdoor School Program	\$ 22,500
In-School Project	13,000
Youth Leadership Project	<u>500</u>
Total	\$ <u>36,000</u>

THE MOSAIC PROJECT
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended December 31, 2012

5. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors during 2012:

Outdoor School Program	\$ 60,250
Developing Business Manager Position	<u>15,000</u>
Total	\$ <u>75,250</u>

6. RELATED PARTY TRANSACTIONS

Mosaic engaged two board members as program consultants in 2012. Fees paid to the board members amounted to \$ 4,053 in 2012.

Also Mosaic leased a storage unit from the board president on a month to month basis. Total rent paid to the board president was \$1,800 in 2012.

A board member lent \$10,000 in April 2001 and \$40,000 in April 2002 to Mosaic for its operation. The loan had no fixed maturity date with zero interest rate. The balance of the note payable was \$26,250 as of December 31, 2012.