

**Mosaic Community Development
(d.b.a. inCOMMON Community Development)
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
For the period ended December 31, 2013**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Mosaic Community Development

We have audited the accompanying financial statements of Mosaic Community Development, d.b.a. inCOMMON Community Development (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013, 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

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 financial statements referred to above present fairly, in all material respects, the financial position of Mosaic Community Development, d.b.a. inCOMMON Community Development as of December 31, 2013, and the changes 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.

Hayes & Associates, LLC

HAYES & ASSOCIATES, L.L.C.

Omaha, Nebraska

November 5, 2014

Mosaic Community Development
d.b.a. inCOMMON Community Development
STATEMENT OF FINANCIAL POSITION
December 31, 2013
(With comparative totals for 2012)

ASSETS	2013	2012
CURRENT ASSETS		
Cash and cash equivalents	\$ 279,242	\$ 290,380
Unconditional promises to give	-	75,000
Total current assets	279,242	365,380
PROPERTY AND EQUIPMENT		
Land	9,282	7,700
Buildings and improvements	784,643	107,277
Construction in progress	-	91,424
Furniture and equipment	25,905	17,073
Vehicles	1,979	1,979
Less accumulated depreciation	(41,200)	(31,803)
Total property and equipment	780,609	193,650
Total assets	\$ 1,059,851	\$ 559,030
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accrued payroll	\$ 9,225	\$ 6,976
Accounts payable	1,834	-
Income tax payable	42	-
Current portion of long-term debt	7,186	1,972
Total current liabilities	18,287	8,948
OTHER LIABILITIES		
Long-term debt, less current portion	89,688	26,538
Total liabilities	107,975	35,486
NET ASSETS		
Unrestricted	635,647	252,823
Temporarily restricted	316,229	270,721
Total net assets	951,876	523,544
Total liabilities and net assets	\$ 1,059,851	\$ 559,030

See accompanying notes and independent auditor's report.

Mosaic Community Development
d.b.a. inCOMMON Community Development
STATEMENT OF ACTIVITIES
For the year ended December 31, 2013
(With comparative totals for 2012)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2013 Total</u>	<u>2012 Total</u>
REVENUES				
Campaign revenue	\$ 4,479	\$ -	\$ 4,479	\$ 10,269
Contributions	238,189	20,097	258,286	244,918
Grants	79,237	25,411	104,648	208,250
In-kind donations	310,205	-	310,205	4,712
Rental	11,525	-	11,525	-
Miscellaneous	1,781	-	1,781	3,942
Net assets released from restrictions	-	-	-	-
Total revenues and reclassifications	<u>645,416</u>	<u>45,508</u>	<u>690,924</u>	<u>472,091</u>
EXPENSES				
Program Services	131,243	-	131,243	72,037
Supporting services				
Management and general	104,149	-	104,149	95,224
Fundraising	<u>27,200</u>	<u>-</u>	<u>27,200</u>	<u>33,295</u>
Total supporting services	131,349	-	131,349	128,519
Total expenses	<u>262,592</u>	<u>-</u>	<u>262,592</u>	<u>200,556</u>
CHANGE IN NET ASSETS	382,824	45,508	428,332	271,535
NET ASSETS, BEGINNING OF PERIOD	<u>252,823</u>	<u>270,721</u>	<u>523,544</u>	<u>252,009</u>
NET ASSETS, END OF PERIOD	<u>\$ 635,647</u>	<u>\$ 316,229</u>	<u>\$ 951,876</u>	<u>\$ 523,544</u>

See accompanying notes and independent auditor's report.

Mosaic Community Development
d.b.a. inCOMMON Community Development
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2013
(With comparative totals for 2012)

	Program Services			Supporting Services			2013	2012
	Individual Development	Neighborhood Development	Total Program Services	Administration	Campaign	Total Supporting Services	Total	Total
Salaries	\$ 34,128	\$ 66,781	\$ 100,909	\$45,385	\$20,695	\$ 66,080	\$ 166,989	\$ 147,722
Payroll taxes	3,049	4,381	7,430	2,773	1,646	4,419	11,849	3,810
Employee benefits	-	-	-	11,417	-	11,417	11,417	10,811
Administrative support	-	-	-	-	-	-	-	10,114
Automobile	69	-	69	701	62	763	832	-
Professional fees	-	-	-	6,374	40	6,414	6,414	5,352
Printing and promotion	1,161	-	1,161	-	2,531	2,531	3,692	2,579
Property taxes	-	900	900	-	-	-	900	-
Income taxes	-	-	-	42	-	42	42	-
Construction, design, and permits	-	1,335	1,335	-	-	-	1,335	-
Utilities	-	910	910	4,654	-	4,654	5,564	3,848
Equipment, furniture, fixtures	-	1,845	1,845	404	-	404	2,249	261
Dues and subscriptions	-	-	-	1,255	503	1,758	1,758	1,060
Repairs and maintenance	-	283	283	1,153	-	1,153	1,436	1,812
Conferences and meetings	97	1,567	1,664	5,829	-	5,829	7,493	2,096
Staff training and development	9	59	68	1,370	-	1,370	1,438	1,585
Insurance	-	-	-	8,213	-	8,213	8,213	-
Interest expense	-	-	-	2,308	-	2,308	2,308	1,701
Supplies	505	516	1,021	2,570	-	2,570	3,591	2,668
Recycling program gear	26	4,233	4,259	-	-	-	4,259	-
Events	4,417	-	4,417	-	1,694	1,694	6,111	-
Collaborations	100	4,812	4,912	-	-	-	4,912	-
Miscellaneous	60	-	60	303	29	332	392	496
Depreciation	-	-	-	9,398	-	9,398	9,398	4,641
Total expenses	\$ 43,621	\$ 87,622	\$ 131,243	\$ 104,149	\$ 27,200	\$ 131,349	\$ 262,592	\$ 200,556

See accompanying notes and independent auditor's report.

Mosaic Community Development
d.b.a. inCOMMON Community Development
STATEMENT OF CASH FLOWS
For the year ended December 31, 2013
(With comparative totals for 2012)

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 428,332	\$ 47,432
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	9,398	4,213
In-kind donations	(310,205)	(3,786)
Changes in unconditional promises to give restricted for long-term purposes	75,000	-
Changes in accrued payroll	2,249	957
Changes in accounts payable	1,834	-
Changes in income taxes payable	42	-
NET CASH FROM OPERATING ACTIVITIES	206,650	48,816
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(286,152)	(16,352)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of loan	68,364	(1,597)
CHANGE IN CASH AND CASH EQUIVALENTS	(11,138)	30,867
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	290,380	152,916
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 279,242	\$ 183,783

See accompanying notes and independent auditor's report.

Mosaic Community Development
d.b.a. inCOMMON Community Development
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2013

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies of Mosaic Community Development:

1. Organization

Mosaic Community Development, d.b.a. inCOMMON Community Development (the Organization) is a not-for-profit corporation and is independently incorporated. The purpose of the organization is to fight poverty by working with residents to build social capital and improve systematic structures within vulnerable neighborhoods. The major programs of the Organization include Individual Development and Neighborhood Development. The Organization's programs are supported primarily by grants and contributions. Approximately 2% of the Organization's revenues are derived from debt-financed property rentals.

2. Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the use of management's estimates. Actual results could differ from those estimates.

3. Financial Statement Presentation

The Organization is required to report information regarding its financial position and activities according to the following three classes of net assets:

- a. Unrestricted net assets include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by contract or by board designation.
- b. Temporarily restricted net assets are those net assets whose use by the Organization has been limited by donors to later periods of time or after specified dates or to specified purposes.

Mosaic Community Development
d.b.a. inCOMMON Community Development
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the year ended December 31, 2013

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Financial Statement Presentation - Continued

- c. Permanently restricted net assets are those net assets whose use by the Organization has donor-imposed restrictions that stipulate resources be maintained permanently but may permit the Organization to use up or expend part or all of the income (or economic benefits) derived from the donated assets. The Organization had no permanently restricted net assets as of December 31, 2013.

4. Cash and Cash Equivalents

For purposes of the statement of financial position and the statement of cash flows, cash and cash equivalents consist of cash and other highly liquid resources, such as investments in certificates of deposit and money market funds, with an original maturity of three months or less when purchased.

5. Property and Equipment

The Organization capitalizes all expenditures in excess of \$500 for property and equipment with a useful life of more than one year. Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method based on the estimated useful life of the asset.

6. Revenue Recognition

All contributions are considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as temporarily or permanently restricted support and increase the respective class of net assets. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets. Investment income that is limited to specific uses by donor restrictions is reported as increases in unrestricted net assets if the restrictions are met in the same reporting period as the income is recognized.

Mosaic Community Development
d.b.a. inCOMMON Community Development
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the year ended December 31, 2013

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

7. Fair Value of Financial Instruments

In management's opinion, the carrying amount of unconditional promises to give approximates fair value.

8. Income Tax Status

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. For the year ended December 31, 2013, the Organization had tax liability on unrelated business activity of \$42. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

The Organization's federal Returns of Organization Exempt from Income Tax (Form 990) for 2013, 2012, and 2011 are subject to examination by the IRS, generally for three years after they were filed.

9. Functional Expenses

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

10. Comparative Financial Information

The financial statements include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2013, from which the summarized information was derived.

Mosaic Community Development
d.b.a. inCOMMON Community Development
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For year ended December 31, 2013

NOTE B. LEASES

As of December 31, 2013, the Organization owns three buildings. One is occupied primarily by the Organization with desk space leased to a non-profit organization on a month-to-month basis for \$100 per month. Both of the other two buildings are single tenant occupancy leased for a remaining term of three years and two years, seven months, respectively. As of December 31, 2013, accumulated depreciation for rental properties was \$24,388.

Properties comprise the following:

Rental properties	\$202,277
Accumulated depreciation	<u>(24,388)</u>
	<u>\$177,889</u>

Future rentals on non-cancelable operating leases related to the rental properties:

<u>Year</u>	<u>Amount</u>
2014	\$ 32,400
2015	33,000
2016	<u>21,600</u>
	<u>\$ 87,000</u>

NOTE C. NOTES PAYABLE

The following is a summary of the notes payable:

Note payable to Equitable Bank in monthly installments of \$306.98, including interest at 6.50% through February 10, 2012, then interest will be assessed using an interest rate based on the fixed rate advances published by the Federal Home Loan Bank of Topeka, plus a margin of 3.00%, resulting in an interest rate of 5.50% per annum based on a year of 360 days. The note matures on January 1, 2019. The Organization has pledged a Deed of Trust dated January 9, 2009, to a trustee in favor of Lender on real property located in Douglas County, State of Nebraska as collateral for the loan.

\$ 26,854

Mosaic Community Development
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NOTES TO FINANCIAL STATEMENTS - CONTINUED
For year ended December 31, 2013

NOTE C. NOTES PAYABLE – CONTINUED

Note payable to American National Bank in monthly installments of \$448.85, including interest at 4.50% per annum based on a year of 360 days. The note matures on September 15, 2020. The Organization has pledged a Deed of Trust dated September 20, 2013, to a trustee in favor of Lender on real property located in Douglas County, State of Nebraska as collateral for the loan.

	70,020
	96,874
Less portion considered current	(7,186)
Total long-term liabilities	\$ 89,688

Following are scheduled principal payments on the note payable for each of the next five and succeeding years:

<u>Year ending December 31,</u>	
2014	\$ 5,214
2015	5,225
2016	5,248
2017	5,255
2018	5,274
Thereafter	70,658
Total	\$96,874

Interest paid was \$2,308 for the year ended December 31, 2013.

NOTE D. CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash in bank deposit accounts, which at times, may exceed federally insured limits. Cash balances as at December 31, 2013 were fully insured by FDIC coverage.

Mosaic Community Development
d.b.a. inCOMMON Community Development
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For year ended December 31, 2013

NOTE E. TEMPORARILY RESTRICTED NET ASSETS

The Organization has temporarily restricted net assets of \$316,229 at December 31, 2013, yet to be expended on the program services and salaries.

NOTE F. IN-KIND DONATIONS

In-kind donations for the year ended December 31, 2013 total \$310,205. The Organization received furniture from a donor with a value of \$3,000 and donations of labor and supplies with a value of \$307,205.

NOTE G. RELATED-PARTY TRANSACTION

The Organization entered into an agreement for architecture services with an architecture firm owned by one of the Organization's Board Members. The award process carried out by the Board of Directors conformed to its Conflict of Interest policy in undergoing a qualification-based selection process and the interested Board Member recused himself from the vote. The Organization paid the architecture firm \$10,120 for design services during the year ended December 31, 2013.

NOTE G. SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 5, 2014, the date which the financial statements were available to be issued. There were no subsequent events affecting the amount reported in the financial statements for the year ended December 31, 2013 which are required to be disclosed in the notes to the financial statements for the year then ended.