

**The Mosaic Foundation**  
Omaha, Nebraska

**Financial Statements**  
**June 30, 2009**  
**With Comparative Totals 2008**

**Together with Independent Auditor's Report**

# The Mosaic Foundation

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## Independent Auditor's Report

To the Board of Directors  
The Mosaic Foundation  
Omaha, Nebraska:

We have audited the accompanying statement of financial position of The Mosaic Foundation (Foundation) as of June 30, 2009, and the related statements of activities, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Mosaic Foundation as of June 30, 2009, and the results of its activities, changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*SEIM, JOHNSON, SESTAK & QUIST, LLP*

Omaha, Nebraska,  
September 29, 2009.

# The Mosaic Foundation

## Statements of Financial Position June 30, 2009 with Comparative Totals 2008

	2009					Total	2008 Total
	Mosaic Fund	Legacy Fund	Endowment Fund	Annuity Fund	Eliminations		
<b>ASSETS</b>							
Current assets:							
Cash and cash equivalents	\$ 1,911,456	2,018,512	--	506,007	--	4,435,975	3,751,420
Receivables -							
Interfund	--	159,278	--	100,297	(259,575)	--	--
Affiliate	--	--	--	8,225	--	8,225	--
Pledges	142,410	1,900	--	--	--	144,310	380,630
Other	13,380	--	--	--	--	13,380	45,396
Total current assets	2,067,246	2,179,690	--	614,529	(259,575)	4,601,890	4,177,446
Investments, primarily assets limited as to use	370,096	18,932,996	4,413,839	2,512,152	--	26,229,083	30,755,713
Other assets, net	36,822	1,965,127	--	--	--	2,001,949	2,509,569
Total assets	\$ 2,474,164	23,077,813	4,413,839	3,126,681	(259,575)	32,832,922	37,442,728
<b>LIABILITIES AND NET ASSETS</b>							
Current liabilities:							
Current portion of annuity payment liability	\$ --	--	--	165,000	--	165,000	175,229
Accounts payable -							
Trade	24,060	--	--	--	--	24,060	34,847
Affiliate	222,967	--	9,068	--	--	232,035	189,471
Interfund	259,575	--	--	--	(259,575)	--	--
Total current liabilities	506,602	--	9,068	165,000	(259,575)	421,095	399,547
Annuity payment liability, less current portion	--	--	--	2,346,043	--	2,346,043	2,678,529
Total liabilities	506,602	--	9,068	2,511,043	(259,575)	2,767,138	3,078,076
Net assets:							
Unrestricted	815,582	22,639,791	122,860	612,040	--	24,190,273	29,331,069
Temporarily restricted	1,151,980	438,022	1,210,045	--	--	2,800,047	2,047,283
Permanently restricted	--	--	3,071,866	3,598	--	3,075,464	2,986,300
Total net assets	1,967,562	23,077,813	4,404,771	615,638	--	30,065,784	34,364,652
Total liabilities and net assets	\$ 2,474,164	23,077,813	4,413,839	3,126,681	(259,575)	32,832,922	37,442,728

See notes to financial statements

# The Mosaic Foundation

## Statements of Activities

### For the Year Ended June 30, 2009 with Comparative Totals 2008

	2009					2008 Total	
	Mosaic Fund	Legacy Fund	Endowment Fund	Annuity Fund	Eliminations		Total
UNRESTRICTED REVENUE, GAINS (LOSSES) AND OTHER SUPPORT:							
Contributions -							
Gifts and grants	\$ 1,698,619	23,896	--	170,310	--	1,892,825	2,487,614
Estates	--	1,416,319	--	--	--	1,416,319	709,668
Interest and dividends	7,072	908,946	574	114,271	--	1,030,863	1,310,944
Net realized gains (losses) on other than trading securities	19,059	(6,465,705)	(21,669)	(521,258)	--	(6,989,573)	214,498
Change in value of split-interest agreements	--	--	--	101,987	--	101,987	(344,001)
Other income (loss)	6,542	(33)	--	--	--	6,509	15,055
Total revenue, gains (losses) and other support	<u>1,731,292</u>	<u>(4,116,577)</u>	<u>(21,095)</u>	<u>(134,690)</u>	<u>--</u>	<u>(2,541,069)</u>	<u>4,393,778</u>
EXPENSES:							
Purchased and professional services	1,983,169	108,909	--	19,849	--	2,111,927	1,844,324
Other	79,124	968	1,049	1,110	--	82,251	104,579
Total expenses	<u>2,062,293</u>	<u>109,877</u>	<u>1,049</u>	<u>20,959</u>	<u>--</u>	<u>2,194,178</u>	<u>1,948,903</u>
EXCESS OF REVENUE, GAINS AND OTHER SUPPORT OVER (UNDER) EXPENSES	(331,001)	(4,226,454)	(22,144)	(155,649)	--	(4,735,247)	2,444,875
NET ASSETS RELEASED FROM RESTRICTION	505,915	193,122	--	--	--	699,037	380,350
GRANTS AND TRANSFERS TO AFFILIATES, NET	(1,870,196)	--	--	--	--	(1,870,196)	(4,978,595)
CHANGE IN NET UNREALIZED GAINS (LOSSES) ON OTHER THAN TRADING SECURITIES	--	1,658,721	(6,053)	146,021	--	1,798,689	(3,436,143)
INTERFUND TRANSFERS, NET	742,121	(1,588,913)	(186,286)	--	--	(1,033,078)	--
DECREASE IN UNRESTRICTED NET ASSETS	\$ <u>(953,161)</u>	<u>(3,963,524)</u>	<u>(214,483)</u>	<u>(9,628)</u>	<u>--</u>	<u>(5,140,796)</u>	<u>(5,589,513)</u>

See notes to financial statements

# The Mosaic Foundation

## Statements of Changes in Net Assets For the Year Ended June 30, 2009 with Comparative Totals 2008

	2009					2008 Total	
	Mosaic Fund	Legacy Fund	Endowment Fund	Annuity Fund	Eliminations		Total
<b>UNRESTRICTED NET ASSETS:</b>							
Excess of revenue, gains and other support over (under) expenses	\$ (331,001)	(4,226,454)	(22,144)	(155,649)	--	(4,735,248)	2,444,875
Net assets released from restriction	505,915	193,122	--	--	--	699,037	380,350
Grants and transfers to affiliates, net	(1,870,196)	--	--	--	--	(1,870,196)	(4,978,595)
Change in net unrealized gains (losses) on other than trading securities	--	1,658,721	(6,053)	146,021	--	1,798,689	(3,436,143)
Interfund transfers, net	742,121	(1,588,913)	(186,286)	--	--	(1,033,078)	--
Decrease in unrestricted net assets	<u>(953,161)</u>	<u>(3,963,524)</u>	<u>(214,483)</u>	<u>(9,628)</u>	<u>--</u>	<u>(5,140,796)</u>	<u>(5,589,513)</u>
<b>TEMPORARILY RESTRICTED NET ASSETS:</b>							
Gifts and grants	418,723	--	--	--	--	418,723	219,680
Estates	--	--	--	--	--	--	293,740
Net assets released from restriction	(505,915)	(193,122)	--	--	--	(699,037)	(380,350)
Interfund transfers, net	846,792	--	186,286	--	--	1,033,078	--
Increase (decrease) in temporarily restricted net assets	<u>759,600</u>	<u>(193,122)</u>	<u>186,286</u>	<u>--</u>	<u>--</u>	<u>752,764</u>	<u>133,070</u>
<b>PERMANENTLY RESTRICTED NET ASSETS:</b>							
Gifts and grants	--	--	75,740	--	--	75,740	300,260
Estates	--	--	15,639	--	--	15,639	--
Net realized gains (losses) on other than trading securities	--	--	(3,024)	--	--	(3,024)	1,146
Change in net unrealized gains (losses) on other than trading securities	--	--	809	--	--	809	(1,150)
Change in value of split-interest agreements	--	--	--	--	--	--	(10,228)
Increase in permanently restricted net assets	<u>--</u>	<u>--</u>	<u>89,164</u>	<u>--</u>	<u>--</u>	<u>89,164</u>	<u>290,028</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<u>(193,561)</u>	<u>(4,156,646)</u>	<u>60,967</u>	<u>(9,628)</u>	<u>--</u>	<u>(4,298,868)</u>	<u>(5,166,415)</u>
<b>NET ASSETS, beginning of year</b>	<u>2,161,123</u>	<u>27,234,459</u>	<u>4,343,804</u>	<u>625,266</u>	<u>--</u>	<u>34,364,652</u>	<u>39,531,067</u>
<b>NET ASSETS, end of year</b>	<u>\$ 1,967,562</u>	<u>23,077,813</u>	<u>4,404,771</u>	<u>615,638</u>	<u>--</u>	<u>30,065,784</u>	<u>34,364,652</u>

See notes to financial statements

# The Mosaic Foundation

## Statements of Cash Flows For the Year Ended June 30, 2009 with Comparative Totals 2008

	2009					2008 Total	
	Mosaic Fund	Legacy Fund	Endowment Fund	Annuity Fund	Eliminations		Total
CASH FLOWS FROM OPERATING ACTIVITIES:							
Change in net assets	\$ (193,561)	(4,156,646)	60,967	(9,628)	--	(4,298,868)	(5,166,415)
Adjustments to reconcile the change in net assets to net cash provided by (used in) operating activities -							
Interfund transfers, net	(1,588,913)	1,588,913	--	--	--	--	--
Change in net realized and unrealized (gains) losses on other than trading securities	(19,059)	4,806,984	29,937	375,237	--	5,193,099	3,221,649
Change in value of split-interest agreements	--	--	--	(101,987)	--	(101,987)	354,229
(Increase) decrease in receivables and other assets	213,505	552,451	--	1,775	--	767,731	(51,077)
Increase (decrease) in current liabilities -							
Accounts payable:							
Trade	(10,787)	--	--	--	--	(10,787)	21,882
Affiliates, net	42,964	--	(400)	--	--	42,564	205,417
Net cash provided by (used in) operating activities	<u>(1,555,851)</u>	<u>2,791,702</u>	<u>90,504</u>	<u>265,397</u>	<u>--</u>	<u>1,591,752</u>	<u>(1,414,315)</u>
CASH FLOWS FROM INVESTING ACTIVITIES,							
Purchase of investments, net	<u>265,630</u>	<u>(710,071)</u>	<u>(90,504)</u>	<u>(131,524)</u>	<u>--</u>	<u>(666,469)</u>	<u>(1,068,957)</u>
Net cash provided by (used in) investing activities	<u>265,630</u>	<u>(710,071)</u>	<u>(90,504)</u>	<u>(131,524)</u>	<u>--</u>	<u>(666,469)</u>	<u>(1,068,957)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:							
Incurrence of annuity payment obligations	--	--	--	230,863	--	230,863	542,554
Payments on annuity obligations	--	--	--	(471,591)	--	(471,591)	(494,719)
Interfund transfers, net	<u>1,601,823</u>	<u>(1,501,666)</u>	<u>--</u>	<u>(100,157)</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net cash provided by (used in) financing activities	<u>1,601,823</u>	<u>(1,501,666)</u>	<u>--</u>	<u>(340,885)</u>	<u>--</u>	<u>(240,728)</u>	<u>47,835</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	311,602	579,965	--	(207,012)	--	684,555	(2,435,437)
CASH AND CASH EQUIVALENTS - Beginning of year	<u>1,599,854</u>	<u>1,438,547</u>	<u>--</u>	<u>713,019</u>	<u>--</u>	<u>3,751,420</u>	<u>6,186,857</u>
CASH AND CASH EQUIVALENTS - End of year	<u>\$ 1,911,456</u>	<u>2,018,512</u>	<u>--</u>	<u>506,007</u>	<u>--</u>	<u>4,435,975</u>	<u>3,751,420</u>

See notes to financial statements

# The Mosaic Foundation

## Notes to Financial Statements June 30, 2009 with Comparative Totals 2008

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### (1) Organization

The purpose of The Mosaic Foundation (Foundation), (a Nebraska corporation, not-for-profit) is to solicit, receive, distribute and maintain funds to further the objective and purpose of Mosaic and its affiliated companies (Mosaic). Grants are approved by the Board of Directors only for the benefit of Mosaic and its affiliated companies that are exempt under Section 501(c)(3) of the Internal Revenue Code of 1954.

Mosaic (a Nebraska corporation, not-for-profit) has the ability to elect or remove the Foundation's Board of Directors. Mosaic and Affiliates (Mosaic) is a not-for-profit integrated company that provides living and care facilities and vocational services to people with developmental disabilities or other special needs related to their health, education, care and support. These services are provided within the states of Connecticut, Delaware, Tennessee, Iowa, Illinois, Indiana, Nebraska, Kansas, Texas, Colorado, Arizona, Utah and New Mexico.

Mosaic is affiliated with the Evangelical Lutheran Church of America and recognized by the Lutheran Church – Missouri Synod. With such affiliation and recognition, Mosaic is solely responsible for its own management and affairs.

### (2) Summary of Significant Accounting Policies

The following is a summary of significant accounting policies of the Foundation. These policies are in accordance with accounting principles generally accepted in the United States of America.

#### A. *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

#### B. *Cash and Cash Equivalents*

Cash and cash equivalents include investments in highly liquid debt instruments with original maturities of three months or less.

#### C. *Investments*

Investments in equity securities and mutual funds with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position. Investment income and realized gains and losses is included in excess of revenue, gains and other support over (under) expenses unless the income or loss is restricted by donor or law. Unrealized gains on investments are excluded from net income unless the investments are trading securities.

Realized gains and losses are determined by the specific identification of the investments. Unrealized gains and temporary losses on investments are excluded from the excess of revenue, gains, and other support over (under) expenses, unless the investments are trading securities. Periodically, the Foundation reviews its investments to determine whether any unrealized losses are other than temporary. During 2009 and 2008, investment declines determined to be other-than-temporary were \$153,684 and \$1,205,872, respectively.

#### D. *Investments Limited as to Use*

Investments limited as to use include investments set aside by the Board of Directors for future capital improvements and general operations of Mosaic and its affiliated companies. Investments limited as to use also includes investments restricted as to use by donors.

# The Mosaic Foundation

## Notes to Financial Statements June 30, 2009 with Comparative Totals 2008

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### E. *Contribution Receivable from Remainder Trusts*

The Foundation has been named beneficiary of several irrevocable charitable remainder trust agreements in which the Foundation will receive certain funds upon termination of each trust. The Foundation recognizes contribution revenue in the period in which the trusts are established or when they receive notice of the trust's existence. The contributions and associated receivables are recorded by discounting the future gift amount to its net present value.

### F. *Annuity Payment Liability*

The Foundation has received several charitable gift annuities for which the Foundation is required to make specified payments in accordance with gift annuity agreements. The Foundation recognizes the agreements in the period in which the contract is executed. Assets received are recorded at fair value and an annuity payment liability is recognized at the present value of future cash flows expected to be paid.

Unless restricted by the donor, unrestricted contribution revenue is recognized as the difference between these two amounts. Adjustments to the annuity liability to reflect a change of the discount rate in life expectancy are recognized as changes in the value of split-interest agreements.

### G. *Net Assets*

The Foundation maintains the following classes of net assets:

Unrestricted - Represents net assets that are not subject to donor-imposed restrictions.

Temporarily Restricted - Represents net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time.

Permanently Restricted - Represents net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all of the interest and dividends earned in related investments for general or specific purposes.

### H. *Donor-Restricted Funds*

Unconditional promises to give cash and other assets to the Foundation are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of operations as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year received are reported as unrestricted contributions in the accompanying financial statements.

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. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue.

# The Mosaic Foundation

## Notes to Financial Statements June 30, 2009 with Comparative Totals 2008

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### I. *Fund Accounting*

To ensure observance of limitations and restrictions placed on the use of resources available, the accounts of the Foundation are maintained primarily in accordance with the principles of fund accounting by which resources are classified into funds established according to their nature and purpose.

The assets, liabilities and net assets of the Foundation are reported in four self-balancing fund groups as follows:

*Mosaic Fund* - The Mosaic Fund represents that portion of funds which are available to advance the objective and purpose of Mosaic and its affiliates, including support for operations and for property and equipment.

*Legacy Fund* - The Legacy Fund represents funds that are subject to restrictions by donors and designated by the Foundation's Board of Directors, which generally provide for preservation of the principal with income earned on the funds available for operations of the Foundation.

*Endowment Fund* - The Endowment Fund represents funds that are subject to restrictions by donors and designated by the Foundation's Board of Directors, which generally provide for preservation of the principal with income earned on the funds generally available for operations of the Foundation.

*Annuity Fund* - The Foundation has designated certain funds to provide for the payment of amounts specified in accordance with gift annuity agreements.

### J. *Income Taxes*

The Foundation is a not-for-profit organization described in Section 501(c)(3) of the Code and has received a determination letter that it is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code.

During the year ended June 30, 2008, the Foundation adopted the provisions of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* – an interpretation of FASB Statement No. 109 (FIN 48), which clarifies the accounting for uncertainty in income tax positions. This interpretation requires the Foundation to recognize in the financial statements the benefit of positions taken in a previously filed tax return or expected to be taken in a future tax return only when it is considered more likely than not that the position will be sustained upon examination by the tax authorities. The adoption of FIN 48 in 2008, did not have a material effect on the 2008 or 2009 financial statements of the Foundation.

### K. *Fair Value of Financial Statements*

On July 1, 2008, the Foundation adopted the provisions of SFAS No. 157, *Fair Value Measurements*, for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. SFAS No. 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. SFAS No. 157 also establishes a framework for measuring fair value and expands disclosures about fair value measurements. FASB Staff Position (FSP) FAS 157-2, *Effective Date of FASB Statement No. 157*, delays the effective date of SFAS No. 157 for all nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis.

The carrying value of all financial instruments approximates estimated fair value. Cash and accounts receivable approximate fair value due to their short-term nature. Investments are stated at fair value as discussed above.

# The Mosaic Foundation

## Notes to Financial Statements June 30, 2009 with Comparative Totals 2008

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### *L. Comparative Amounts*

The amounts shown for 2008 in the accompanying financial statements are included to provide a basis for comparison with 2008, and are not intended to present all information necessary for a fair presentation of the 2008 financial statements in conformity with accounting principles generally accepted in the United States of America.

### *M. Subsequent Events*

The Foundation considered events occurring through the audit report date for recognition or disclosure in the financial statements as subsequent events. That date is the date the financial statements were available to be issued.

### *N. Reclassification*

Certain amounts in the 2008 financial statements have been reclassified to conform to the 2009 reporting format.

## **(3) Investments, Primarily Investments Limited as to Use**

### *Fair Value Measurements*

The Foundation adopted SFAS No. 157 on July 1, 2008 for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. SFAS No. 157 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety

For the fiscal years ended June 30, 2009 and 2008, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

### *Investment Securities*

The fair value of investment securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.



# The Mosaic Foundation

## Notes to Financial Statements June 30, 2009 with Comparative Totals 2008

Investment income (loss) is composed as follows:

	2009					2008 Total
	Mosaic Fund	Legacy Fund	Endowment Fund	Annuity Fund	Total	
Interest and dividends	\$ 7,072	908,946	574	114,271	1,030,863	1,310,944
Net realized gains on other than trading securities	19,059	(6,312,021)	(24,693)	(521,258)	(6,838,913)	1,421,516
Realized losses on investments determined to be other-than-temporarily impaired	--	(153,684)	--	--	(153,684)	(1,205,872)
	26,131	(5,556,759)	(24,119)	(406,987)	(5,961,734)	1,526,588
Changes in net unrealized gains (losses) on other than trading securities	--	1,658,721	(5,244)	146,021	1,799,498	(3,437,293)
Total investment income (loss)	\$ 26,131	(3,898,038)	(29,363)	(260,966)	(4,162,236)	(1,910,705)

### (4) Other Assets, Net

Other assets for the Foundation are comprised of the following:

	2009	2008
Contributions receivable from remainder trusts, net	\$ 1,811,817	2,262,908
Pledges receivable, net of current portion	36,822	98,841
Gift annuities receivable	153,310	147,820
	\$ 2,001,949	2,509,569

### (5) Contributions

Contributions are included in the statement of activities and the statement of changes in net assets. Total contributions recognized for the years ended June 30, 2009 and 2008 were:

	2009	2008
Unrestricted contributions -		
Gifts and grants	\$ 1,892,825	2,487,614
Estates	1,416,319	709,668
Temporarily restricted contributions -		
Gifts and grants	418,723	219,680
Estates	--	293,740
Permanently restricted contributions -		
Gifts and grants	75,740	300,260
Estates	15,639	--
	\$ 3,819,246	4,010,962

# The Mosaic Foundation

## Notes to Financial Statements June 30, 2009 with Comparative Totals 2008

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### (6) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Support of general operations of Mosaic and affiliates	\$ <u>2,800,047</u>	<u>2,047,283</u>

Permanently restricted net assets listed below include endowment funds which are to be held in perpetuity, the income which is expendable for the following:

	<u>2009</u>	<u>2008</u>
Support of general operations of Mosaic and affiliates	\$ <u>3,075,463</u>	<u>2,986,300</u>

### (7) Endowment

The Nebraska Uniform Prudent Management of Institutional Funds Act (NUPMIFA) was enacted April 4, 2007. NUPMIFA sets out guidelines to be considered when managing and investing donor restricted endowment funds. On July 1, 2008, the Foundation adopted FASB Staff Position FAS 117-1, *Endowments of Not-for-profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*.

Foundation endowments consist of funds established to invest permanently restricted donations. As required by GAAP, net assets associated with endowment funds, including funds designated by Board of Trustees to function as endowments and beneficial interest in trust assets, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation has interpreted NUPMIFA as requiring the preservation of the whole dollar value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Absent any donor-imposed restrictions, interest, dividends and net appreciation of donor-restricted endowment funds is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by NUPMIFA.

In accordance with NUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Foundation and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Foundation
7. The investment policies of the Foundation

# The Mosaic Foundation

## Notes to Financial Statements June 30, 2009 with Comparative Totals 2008

The net asset composition and changes in endowment net assets for the year ended June 30, 2009 are as follows:

### Endowment Net Asset Composition by Type of Fund

		June 30, 2009			
		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$	22,639,791	748,156	3,071,866	26,459,813

		June 30, 2008			
		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$	26,603,315	748,156	2,982,702	30,334,173

### Changes in Endowment Net Assets

		Year Ended June 30, 2009			
		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, beginning of year	\$	26,603,315	748,156	2,982,702	30,334,173
Investment loss		(4,007,915)	--	(2,215)	(4,010,130)
Contributions		1,440,182	--	91,379	1,531,561
Amounts appropriated for expenditure		(1,588,913)	--	--	(1,588,913)
Other changes, Transfer to increase board designated endowment funds		193,122	--	--	193,122
Endowment net assets, end of year	\$	22,639,791	748,156	3,071,866	26,459,813

		Year Ended June 30, 2008			
		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, beginning of year	\$	31,079,073	660,010	2,682,446	34,421,529
Investment loss		(2,088,673)	--	(4)	(2,088,677)
Contributions		724,422	88,146	300,260	1,112,828
Amounts appropriated for expenditure		(3,281,507)	--	--	(3,281,507)
Other changes, Transfer to increase board designated endowment funds		170,000	--	--	170,000
Endowment net assets, end of year	\$	26,603,315	748,156	2,982,702	30,334,173

# The Mosaic Foundation

## Notes to Financial Statements June 30, 2009 with Comparative Totals 2008

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### Return Objectives and Risk Parameters

The primary objective of The Mosaic Foundation Legacy (which includes Board designated reserves) and Endowment Funds (which includes donor-restricted endowment funds) is to generate sufficient funds to support a long-term distribution policy of five percent (5%) of the total balance of the Legacy fund and Endowment Fund to Mosaic. Unrestricted matured deferred gifts including all bequests and other estate gifts will be added to the principal of the Legacy Fund annually unless otherwise directed by the Board of Directors. The Mosaic Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to agencies supported by its endowment, while seeking to maintain the purchasing power of endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as board designated funds. Under this policy, as approved by the Board of Directors, the Legacy and endowment assets are invested in a manner that is intended to generate sufficient funds to support a long-term distribution policy of five percent (5%) or as otherwise designated by the donor or Board, while minimizing investment risk.

### Strategies Employed for Achieving Objectives

The Mosaic Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest & dividends). The organization targets a diversified asset allocation strategy.

The Fund will be invested in publicly-traded common stocks and other equity-type securities, fixed income securities, money-market instruments and hedging instruments. The total funds will invest in major asset categories as follows:

	<u>Actual Allocation</u>	<u>Target Allocation Range</u>
Equities	57%	50% to 70%
Fixed income	38%	30% to 50%
Cash equivalents	5%	0% to 10%
Alternatives	0%	0% to 10%

### Appropriation Policy and How the Investment Objectives Relate to Appropriation Policy

The Mosaic Foundation has a policy of distributing to Mosaic each year 5% of agency endowment funds, other endowment funds and the Mosaic Legacy Fund. The Foundation considers the long-term expected return on its funds in establishing this policy.

## **(8) Related Party Transactions**

Periodically, the Foundation provides grants to and receives transfers of assets from Mosaic and its affiliates. For the year ended June 30, 2009, net grants and transfers made to Mosaic was \$1,870,196 and for the year ended June 30, 2008, net grants and transfers made to Mosaic was \$4,978,595. Net amounts owed to Mosaic at June 30, 2009 were \$242,654. Net amounts due from Mosaic at June 30, 2008 were \$15,946. In addition, the Foundation paid Mosaic for costs related to fundraising and management fees in the amount of \$1,955,000 and \$1,681,200 in 2009 and 2008, respectively.

# The Mosaic Foundation

## Notes to Financial Statements June 30, 2009 with Comparative Totals 2008

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### (9) Functional Expenses

The Foundation solicits, receives, distributes and maintains funds for the benefit of Mosaic. Expenses related to providing these services are as follows:

	<u>2009</u>	<u>2008</u>
Fundraising and administrative	\$ 2,059,912	1,802,610
Investment management fees	<u>134,266</u>	<u>146,293</u>
	<u>\$ 2,194,178</u>	<u>1,948,903</u>

### (10) Concentrations of Risk

The Foundation has investments in various marketable mutual funds and real estate. The values of these investments are determined by market value and are not insured or collateralized.

The investments are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect net assets of the Foundation.