

**Financial Statements,
Supplemental Information and
Reports Required Under
Government Auditing Standards
and OMB Circular A-133**

Third Sector New England, Inc.

June 30, 2012 and 2011



Mayer Hoffman McCann P.C.
Tofias New England Division
An Independent CPA Firm

THIRD SECTOR NEW ENGLAND, INC. AND AFFILIATE

Financial Statements, Supplemental Information and Reports Required Under Government Auditing Standards and OMB Circular A-133

Table of Contents

Financial Statements:

Independent Auditors' Report	1
Statements of Financial Position	2
Statements of Activities	3-4
Statements of Functional Expenses	5-6
Statements of Cash Flows	7
Notes to Financial Statements	8-19

Supplemental Information:

Independent Auditors' Report on Supplemental Information	20
Supplemental Schedule of Activities for Fiscally Sponsored Programs and Services	21-25
Schedule of Expenditures of Federal Awards	26
Notes to Schedule of Expenditures of Federal Awards	27

Reporting Under Government Auditing Standards:

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	28-29
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Reporting Under OMB Circular A-133:

Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	30-31
Schedule of Findings and Questioned Costs	32-33



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Independent Auditors' Report

Board of Directors
Third Sector New England, Inc. and Affiliate
Boston, Massachusetts

We have audited the accompanying statements of financial position of Third Sector New England, Inc. ("TSNE") as of June 30, 2012 and 2011, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of TSNE's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated 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 the significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide 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 Third Sector New England, Inc. as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2012 on our consideration of TSNE's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements taken as a whole.

Mayer Hoffman McCann P.C.

November 15, 2012
Boston, Massachusetts

THIRD SECTOR NEW ENGLAND, INC. AND AFFILIATE

Statements of Financial Position

	<i>June 30,</i>	
	<i>2012</i>	<i>2011</i>
Assets		
Cash and cash equivalents	\$ 9,701,872	\$ 8,397,907
Assets limited as to use	167,646	150,366
Accounts and notes receivable, net (allowance for doubtful accounts of \$57,815 for 2012 and 2011)	3,101,586	2,296,646
Royalty fees receivable	226,290	2,390,116
Prepaid expenses and deposits	125,159	154,978
Investments	11,502,490	12,128,523
Cash surrender value on life insurance policy	-	32,281
Property and equipment, net	21,467,932	22,461,078
Deferred bond issuance costs, net	325,291	337,084
	<u> </u>	<u> </u>
Total assets	\$ 46,618,266	\$ 48,348,979
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 3,123,530	\$ 3,295,959
Deferred revenue	296,611	367,787
Deferred compensation agreement	-	32,281
Bonds payable	15,200,000	15,500,000
	<u> </u>	<u> </u>
Total liabilities	18,620,141	19,196,027
Net assets:		
Unrestricted net assets	<u>19,925,356</u>	<u>22,427,780</u>
Temporarily restricted:		
Temporarily restricted (TSNE)	276,403	246,371
Temporarily restricted (Fiscal Sponsorship)	<u>7,796,366</u>	<u>6,478,801</u>
Total temporarily restricted net assets	<u>8,072,769</u>	<u>6,725,172</u>
	<u> </u>	<u> </u>
Total net assets	27,998,125	29,152,952
	<u> </u>	<u> </u>
Total liabilities and net assets	\$ 46,618,266	\$ 48,348,979

THIRD SECTOR NEW ENGLAND, INC. AND AFFILIATE

Statements of Activities

Years Ended June 30,

	2012				2011	
	TSNE Unrestricted	Fiscal Sponsorship Programs Unrestricted	Total Unrestricted	Temporarily Restricted	Total	Total
Revenue and gains:						
Contributions and grants	\$ -	\$ -	\$ -	\$ 13,573,140	\$ 13,573,140	\$ 11,292,917
Royalty income	498,751	17,615	516,366	-	516,366	3,842,930
Consulting fees	228,988	1,622,054	1,851,042	-	1,851,042	635,077
Contract revenue	574,988	3,300,736	3,875,724	-	3,875,724	2,413,456
Interest income	11,794	17,365	29,159	-	29,159	26,259
Publication revenue excluding grant support	3,869	12,143	16,012	-	16,012	9,788
Conference revenue	37,964	167,701	205,665	-	205,665	432,970
Membership dues	-	31,458	31,458	-	31,458	116,887
Rental income	2,736,114	-	2,736,114	-	2,736,114	2,627,433
Other income	4,416	150,448	154,864	-	154,864	111,727
Net assets released from restrictions	3,893	12,221,650	12,225,543	(12,225,543)	-	-
Total revenue and gains	4,100,777	17,541,170	21,641,947	1,347,597	22,989,544	21,509,444
Expenses and losses:						
Fiscally sponsored programs	-	16,079,135	16,079,135	-	16,079,135	12,156,920
Fiscal sponsorship services	-	1,462,035	1,462,035	-	1,462,035	1,250,004
Mission effectiveness programs	1,578,153	-	1,578,153	-	1,578,153	2,204,886
NonProfit Center	2,883,437	-	2,883,437	-	2,883,437	3,078,367
Administrative and general	1,574,557	-	1,574,557	-	1,574,557	2,185,426
Total expenses and losses	6,036,147	17,541,170	23,577,317	-	23,577,317	20,875,603
Change in net assets from operations	(1,935,370)	-	(1,935,370)	1,347,597	(587,773)	633,841
Nonoperating:						
Investment income	252,415	-	252,415	-	252,415	287,877
Net realized and unrealized (loss) gain on investments	(819,469)	-	(819,469)	-	(819,469)	1,324,273
Change in net assets from nonoperating activities	(567,054)	-	(567,054)	-	(567,054)	1,612,150
Total changes in net assets	(2,502,424)	-	(2,502,424)	1,347,597	(1,154,827)	2,245,991
Net assets, beginning	22,427,780	-	22,427,780	6,725,172	29,152,952	26,906,961
Net assets, ending	\$ 19,925,356	\$ -	\$ 19,925,356	\$ 8,072,769	\$ 27,998,125	\$ 29,152,952

See accompanying notes to the financial statements.

THIRD SECTOR NEW ENGLAND, INC. AND AFFILIATE

Statement of Activities

Year Ended June 30, 2011

	<i>TSNE</i>	<i>Fiscal Sponsorship</i>	<i>Total</i>	<i>Temporarily</i>	<i>Total</i>
	<i>Unrestricted</i>	<i>Programs</i>	<i>Unrestricted</i>	<i>Restricted</i>	<i>Total</i>
Revenue and gains:					
Contributions and grants	\$ -	\$ -	\$ -	\$ 11,292,917	\$ 11,292,917
Royalty income	3,842,930	-	3,842,930	-	3,842,930
Consulting fees	249,062	386,015	635,077	-	635,077
Contract revenue	249,978	2,163,478	2,413,456	-	2,413,456
Interest income	13,975	12,284	26,259	-	26,259
Publication revenue excluding grant support	6,580	3,208	9,788	-	9,788
Conference revenue	38,345	394,625	432,970	-	432,970
Membership dues	-	116,887	116,887	-	116,887
Rental income	2,627,433	-	2,627,433	-	2,627,433
Other income	-	111,727	111,727	-	111,727
Net assets released from restrictions	124,318	10,071,488	10,195,806	(10,195,806)	-
Total revenue and gains	7,152,621	13,259,712	20,412,333	1,097,111	21,509,444
Expenses and losses:					
Fiscally sponsored programs	-	12,156,920	12,156,920	-	12,156,920
Fiscal sponsorship services	147,212	1,102,792	1,250,004	-	1,250,004
Mission effectiveness programs	2,204,886	-	2,204,886	-	2,204,886
NonProfit Center	3,078,367	-	3,078,367	-	3,078,367
Administrative and general	2,185,426	-	2,185,426	-	2,185,426
Total expenses and losses	7,615,891	13,259,712	20,875,603	-	20,875,603
Change in net assets from operations	(463,270)	-	(463,270)	1,097,111	633,841
Nonoperating:					
Investment income	287,877	-	287,877	-	287,877
Net realized and unrealized gain on investments	1,324,273	-	1,324,273	-	1,324,273
Change in net assets from nonoperating activities	1,612,150	-	1,612,150	-	1,612,150
Total changes in net assets	1,148,880	-	1,148,880	1,097,111	2,245,991
Net assets, beginning	21,278,900	-	21,278,900	5,628,061	26,906,961
Net assets, ending	\$ 22,427,780	\$ -	\$ 22,427,780	\$ 6,725,172	\$ 29,152,952

See accompanying notes to the financial statements.

THIRD SECTOR NEW ENGLAND, INC. AND AFFILIATE

Statements of Functional Expenses

Years Ended June 30,

	2012					2011	
	<i>Fiscally Sponsored Programs</i>	<i>Fiscal Sponsorship Services</i>	<i>Mission Effectiveness Program</i>	<i>NonProfit Center</i>	<i>Administrative and General</i>	<i>Total</i>	<i>Total</i>
Salaries and wages	\$ 6,593,319	\$ 717,820	\$ 743,634	\$ 105,360	\$ 641,978	\$ 8,802,111	\$ 8,229,351
Grants, awards and contributions	895,423	-	22,200	-	250	917,873	1,621,489
Professional fees	3,858,279	26,250	501,668	57,288	117,645	4,561,130	2,916,775
Employee benefits	1,680,395	217,370	225,595	33,093	411,440	2,567,893	2,327,310
Occupancy	434,197	-	-	-	-	434,197	383,964
Supplies	583,472	3,093	2,596	2,476	40,816	632,453	495,926
Travel	945,391	5,569	22,825	-	2,179	975,964	589,696
Printing	129,888	-	7,566	-	9,689	147,143	142,828
Conference expense	420,522	1,339	9,444	166	3,600	435,071	414,029
Contract expense	68,946	339,462	-	-	(339,462)	68,946	149,708
Other expense	56,229	30,566	35,174	6,319	(40,754)	87,534	85,552
Telephone/communications expense	153,357	672	2,887	17,810	23,078	197,804	168,687
Training	11,579	-	1,988	-	8,411	21,978	29,076
Depreciation and amortization	2,837	24,299	-	947,142	41,585	1,015,863	1,005,378
Equipment	187,477	8,892	-	8,537	22,915	227,821	112,440
Accounting and legal expense	24,524	73,214	2,576	5,808	471,944	578,066	195,564
Insurance expense	31,070	13,489	-	(10,569)	159,243	193,233	108,669
Facility expenses	-	-	-	1,062,192	-	1,062,192	1,237,057
Debt service	2,230	-	-	647,815	-	650,045	662,104
Total expenses	\$ 16,079,135	\$ 1,462,035	\$ 1,578,153	\$ 2,883,437	\$ 1,574,557	\$ 23,577,317	\$ 20,875,603

See accompanying notes to the financial statements.

THIRD SECTOR NEW ENGLAND, INC. AND AFFILIATE

Statement of Functional Expenses

Year Ended June 30, 2011

	<i>Fiscally Sponsored Programs</i>	<i>Fiscal Sponsorship Services</i>	<i>Mission Effectiveness Program</i>	<i>NonProfit Center</i>	<i>Administrative and General</i>	<i>Total</i>
Salaries and wages	\$ 4,959,483	\$ 833,309	\$ 1,024,513	\$ 93,624	\$ 1,318,422	\$ 8,229,351
Grants, awards and contributions	1,282,889	-	337,600	-	1,000	1,621,489
Professional fees	2,318,532	9,775	414,688	60,845	112,935	2,916,775
Employee benefits	1,342,400	243,875	299,539	28,087	413,409	2,327,310
Occupancy	383,964	-	-	-	-	383,964
Supplies	410,650	2,532	9,550	5,466	67,728	495,926
Travel	566,852	2,949	15,705	1,157	3,033	589,696
Printing	106,377	1,544	20,721	-	14,186	142,828
Conference expense	356,253	1,720	15,792	5,680	34,584	414,029
Contract expense	147,320	-	2,388	-	-	149,708
Other expense	44,736	24,111	40,337	4,447	(28,079)	85,552
Telephone/communications expense	125,911	289	3,823	3,575	35,089	168,687
Training	19,878	1,189	3,206	360	4,443	29,076
Depreciation and amortization	1,155	23,088	-	943,692	37,443	1,005,378
Equipment	62,737	10,529	2,409	9,166	27,599	112,440
Accounting and legal expense	9,447	65,369	14,615	193	105,940	195,564
Insurance expense	16,453	29,725	-	24,797	37,694	108,669
Facility expenses	-	-	-	1,237,057	-	1,237,057
Debt service	1,883	-	-	660,221	-	662,104
Total expenses	\$ <u>12,156,920</u>	\$ <u>1,250,004</u>	\$ <u>2,204,886</u>	\$ <u>3,078,367</u>	\$ <u>2,185,426</u>	\$ <u>20,875,603</u>

See accompanying notes to the financial statements.

THIRD SECTOR NEW ENGLAND, INC. AND AFFILIATE

Statements of Cash Flows

	<i>Years Ended June 30,</i>	
	2012	2011
Cash flows from operating activities:		
Change in net assets	\$ (1,154,827)	\$ 2,245,991
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,015,863	1,005,378
Amortization of deferred bond issue costs	11,793	11,793
Net realized and unrealized (gain) loss on investments	819,469	(1,324,273)
Change in:		
Accounts receivable	(804,940)	(286,085)
Royalty fees receivable	2,163,826	59,253
Prepaid expenses and deposits	29,819	92,905
Accounts payable and accrued expenses	(172,429)	919,660
Deferred compensation agreement	-	(4,387)
Deferred revenue	(71,176)	(15,057)
Total adjustments	<u>2,992,225</u>	<u>459,187</u>
Net cash provided by operating activities	<u>1,837,398</u>	<u>2,705,178</u>
Cash flows from investing activities:		
Proceeds from sale of investments	2,616,250	593,188
Purchase of investments	(2,809,686)	(816,088)
Change in assets limited as to use	(17,280)	(26,842)
Purchase of property and equipment	(22,717)	(571,944)
Net cash used in investing activities	<u>(233,433)</u>	<u>(821,686)</u>
Cash flows from financing activities:		
Payments on bond payable	(300,000)	(300,000)
Cash used in financing activities	<u>(300,000)</u>	<u>(300,000)</u>
Net increase in cash and cash equivalents	1,303,965	1,583,492
Cash and cash equivalents, beginning	<u>8,397,907</u>	<u>6,814,415</u>
Cash and cash equivalents, ending	<u>\$ 9,701,872</u>	<u>\$ 8,397,907</u>

THIRD SECTOR NEW ENGLAND, INC.

Notes to Financial Statements

Note 1 - Nature of Operations and Summary of Significant Accounting Policies

Third Sector New England, Inc. (“TSNE”) is a nonprofit corporation, which offers programs and provides services for nonprofit organizations, foundations and other capacity builders involved in community activities. TSNE’s mission is to provide information and services to build the knowledge, power and effectiveness of nonprofit organizations that engage people in community and public life and to promote wider recognition of community-based organizations as the primary stewards of societal values. Operations include the NonProfit Center, fiscal sponsorship, consulting services and grant making programs. TSNE’s Fiscal Sponsorship program forms partnerships with community coalitions and grassroots organizations whose purposes are consistent with TSNE’s mission. These partnerships combine TSNE’s financial management and administrative expertise with the subject-matter knowledge of the community partner in furtherance of the mutual purposes.

The geographic area covered by TSNE is national with operations in 24 states. Primary operations are located in Massachusetts, with its main office in Boston. The Executive Director’s Guide is marketed to nonprofit agencies and leaders throughout the country.

The TSNE NonProfit Center is the first mission-based, multi-tenant center in Massachusetts created in 2004 exclusively to provide stable rents and collaborative opportunities for progressive social change organizations. Nonprofit organizations whose missions are aligned with that of TSNE are sought as tenants. The NonProfit Center provides programs, such as training and organizational development, to the tenants.

The cost of the property was apportioned between building and land in proportion to the assessment issued by the City of Boston. The property is exempt from property taxes, except to the extent that some taxes will be due for portions of the property rented to tenants who are not nonprofit organizations and who were occupying space in the building at the time of the purchase. These tenants maybe replaced by eligible nonprofit organizations as their leases expire.

A summary of significant accounting policies follows:

Financial Statement Preparation

The accompanying financial statements are presented on the accrual basis of accounting and have been prepared to focus on TSNE as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

THIRD SECTOR NEW ENGLAND, INC.

Notes to Financial Statements

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)

Financial Statement Preparation (Continued)

A description of the three net asset classes is as follows:

- *Unrestricted net assets* represent the portion of net assets that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations.
- *Temporarily restricted net assets* represent contributions and other inflows of assets whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of TSNE pursuant to those stipulations. The majority of temporarily restricted net assets relate to Fiscal Sponsorship programs. Revenues resulting from the operation of each program by agreement are restricted to that program's use and cannot be redirected to other programs. All other TSNE temporarily restricted net assets are restricted by time and/or purpose.
- *Permanently restricted net assets* represent contributions and other inflows of assets whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of TSNE. No permanently restricted net assets exist at June 30, 2012 and 2011.

Cash and Cash Equivalents

TSNE maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. TSNE monitors its exposure associated with cash and cash equivalents and has not experienced any losses in such accounts. TSNE considers all highly liquid investments with an original maturity of ninety days or less to be cash equivalents. Cash equivalents transferred to investment managers are considered part of investments.

Included in cash and cash equivalents is \$6,848,487 and \$5,551,243 for the years ended June 30, 2012 and 2011, respectively, related to funds held for fiscally sponsored programs.

Assets Limited as to Use

Assets whose use is limited consist of assets held by banks as collateral for TSNE's microloan funds (see Note 2).

THIRD SECTOR NEW ENGLAND, INC.

Notes to Financial Statements

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)

Accounts Receivable and Notes Receivable

Accounts receivable are carried at original invoice amount less an estimate made for doubtful accounts based on a monthly review of all outstanding amounts. Management determines potential allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Accounts receivable are written off when deemed uncollectible. Recoveries previously written off are recorded when received.

An account receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 90 days.

During 2006, TSNE transferred certain of its assets and liabilities comprising the operations of *The Nonprofit Quarterly* to the Nonprofit Information Networking Association ("NINA"). TSNE received a \$95,000 Promissory Note of which NINA paid \$37,686 through June 30, 2009. TSNE has recorded an allowance for the full amount outstanding on the note of \$57,314.

Royalty Income

TSNE owns certain intellectual property rights that it licensed to a pharmaceutical company. The royalty income resulting from this licensing agreement is shared among individual inventors, the Commonwealth of Massachusetts and TSNE. (See subsequent event Note 12.)

Property and Equipment

Property and equipment acquisitions are recorded at cost. Depreciation of property and equipment is provided by the straight-line method over the following estimated useful lives:

Building	40 years
Building improvements	10 - 40 years
Furnishings and equipment	3 - 5 years
Software	5 years

Expenditures for major renewals and improvements are capitalized, while expenditures for maintenance and repairs are expensed as incurred.

THIRD SECTOR NEW ENGLAND, INC.

Notes to Financial Statements

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)

Deferred Bond Issuance Costs

TSNE incurred certain costs related to the issuance of debt, which have been classified as deferred bond issuance costs and are being amortized on the straight-line basis over the term of the bonds.

Revenue Recognition and Deferred Revenue

TSNE administers community projects under contracts and grants with the United States Government and other non-governmental organizations. Amounts paid under these contracts and grants are subject to review and adjustment after performance. In addition, TSNE administers projects with various organizations under individual agreements. Revenue earned under consulting agreements is recorded as earned as the services are performed and billed based on the terms of the contracts. Conference revenue is recognized when the conference occurs. Royalty income is recognized when earned.

Funds received in excess of amounts expended or before revenue is recognized are classified as deferred revenue. Unbilled receivables represent expenditures in excess of amounts billed under contracts, grants and special funds.

Grants and Contributions

Grants and contributions, including unconditional promises to give, are recognized as revenues in the period verifiably committed. Contributions of assets other than cash are recorded at fair value at the original date of recognition using fair value methods as later described in these notes. Conditional contributions and intentions to give are recorded as revenue when the conditions have been met. Contributions are reflected as unrestricted, temporarily restricted or permanently restricted based on the existence or absence of donor restrictions. Amounts received with donor-imposed restrictions that are recorded as temporarily restricted revenues are reclassified to unrestricted net assets when the time or purpose restriction has been satisfied.

Grants and contributions to be received after one year are initially recorded at fair value based on the present value using a risk adjusted discount rate taking into account expected collections. Management revises its estimates of the allowance for doubtful accounts based on history of collections and knowledge acquired about specific facts relating to outstanding items while the initial discount rate is used over the life of the related pledge. The initially recorded fair value is considered a Level 2 fair value approach. Adjustments to the allowance are charged to bad debt expense. Uncollectible accounts are written off against the allowance. An account is considered uncollectible when all collection efforts have been exhausted.

Grants and contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the unrestricted net assets class. Grants and contributions received for which donor-imposed restrictions will be met in future periods are recorded as temporarily restricted and are released from restrictions as conditions are met.

Included in expenses for fiscal sponsorship programs are approximately \$261,424 and \$381,644 of fundraising expenses for the years ended June 30, 2012 and 2011, respectively.

THIRD SECTOR NEW ENGLAND, INC.

Notes to Financial Statements

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)

Income Tax Status

TSNE is recognized by the Internal Revenue Service as an organization described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is generally exempt from Federal and state income taxes on related income. Accordingly, no provision for income taxes is made in the financial statements. TSNE is subject to unrelated business income tax for certain rental income generated by the NonProfit Center.

Uncertain Tax Positions

TSNE accounts for the effect of any uncertain tax positions based on a “more likely than not” threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a “cumulative probability assessment” that aggregates the estimated tax liability for all uncertain tax positions. TSNE has identified its tax status as a tax exempt entity as a tax position; however, TSNE has determined that such tax position does not result in an uncertainty requiring recognition. TSNE is not currently under examination by any taxing jurisdictions. TSNE’s Federal and state tax returns are generally open for examination for three years following the date filed.

Advertising

TSNE expenses advertising costs as incurred. Total advertising expense for the years ended June 30, 2012 and 2011 was \$5,756 and \$14,362, respectively.

Use of Estimates

In preparing financial statements in conformity with U.S. generally accepted accounting principles (GAAP), management is required to make estimates and assumptions that affect the amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant management estimates included in the financial statements relate to the allowance for doubtful accounts and loans, useful lives of depreciable assets, allowable costs charged to cost reimbursement contracts, self insurance liabilities and the allocation of common expenses over program functions.

THIRD SECTOR NEW ENGLAND, INC.

Notes to Financial Statements

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)

Fair Value Measurements

TSNE reports required types of financial instruments in accordance with the fair value standards. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. Fair value standards also require TSNE to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules, which allow for either Level 2 or Level 3, depending on lock up and notice periods associated with the underlying funds. At June 30, 2012 and 2011, TSNE does not have any investments valued at net asset value. Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments which are generally included in this category include listed equity and debt securities publicly traded on a stock exchange.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Financial instruments which are generally included in this category include less liquid and restricted equity securities and over-the-counter derivatives. Level 2 also includes investments reported at net asset value per share with lock up periods of 90 days or less.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation. Financial instruments that are included in this category generally include limited partnerships, investments in private equity, real estate, natural resources and hedge funds. Level 3 also includes investments reported at net assets value per share with lock up periods in excess of 90 days.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that changes in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. For more information on the fair value of TSNE's financial instruments, see Note 4 - Fair Values of Financial Instruments.

Investments are stated at fair value. The estimated fair value of investments is based on quoted market prices. Management is responsible for the fair value measurements reported in the financial statements. TSNE has implemented policies and procedures to assess the reasonableness of the fair values provided and believes that the reported fair values as of the Statements of Financial Position dates are reasonable.

THIRD SECTOR NEW ENGLAND, INC.

Notes to Financial Statements

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)

Reclassification

Certain reclassifications have been made to the prior year financial statements in order to conform with the current year presentation.

Note 2 - Assets Limited as to Use

Assets limited as to use is the microloan fund, with a balance of \$167,646 and \$150,366 as of June 30, 2012 and 2011, respectively. The funds are invested in certificates of deposit. The microloan collateral funds are amounts pledged as collateral against loans made by two banks to New England farmers as part of the fiscally sponsored Carrot Project.

Note 3 - Investments

Investments consisted of the following at June 30:

	2012	2011
Cash equivalents	\$ 2,796,319	\$ 1,026,828
Corporate bonds	1,527,985	835,247
U.S. Government and Agency Notes	105,250	110,386
Common stock - domestic	5,141,509	6,618,592
Common stock - foreign	787,423	1,684,447
Equity mutual funds - domestic	-	93,240
Equity mutual funds - foreign	-	308,723
Fixed income mutual funds - domestic	755,309	1,155,498
Fixed income mutual funds - foreign	152,030	149,560
Commodities	236,665	146,002
	<u>\$ 11,502,490</u>	<u>\$ 12,128,523</u>

THIRD SECTOR NEW ENGLAND, INC.

Notes to Financial Statements

Note 3 - Investments (Continued)

Investment income consisted of the following for the years ended June 30:

	<i>2012</i>	<i>2011</i>
Unrealized gain/(loss) on investments	\$ (1,849,906)	\$ 605,543
Realized gains on investments	<u>1,030,437</u>	<u>718,730</u>
Total gain/(loss)	(819,469)	1,324,273
Interest and dividend income	252,415	287,877
Management fees*	<u>(58,902)</u>	<u>(60,095)</u>
Total investment income	\$ <u>(625,956)</u>	\$ <u>1,552,055</u>

** Management fees are included in Administrative and general expenses in the Statement of Activities*

THIRD SECTOR NEW ENGLAND, INC.

Notes to Financial Statements

Note 4 - Fair Values of Financial Instruments

The following table represents TSNE's financial assets at June 30, 2012 by the level within the fair value hierarchy:

	<i>Total</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
Investments:				
Cash equivalents	\$ 2,796,319	\$ 2,796,319	\$ -	\$ -
Corporate bonds	1,527,985	-	1,527,985	-
U.S. Government and Agency Notes	105,250	-	105,250	-
Common stock - domestic	5,141,509	5,141,509	-	-
Common stock - foreign	787,423	787,423	-	-
Fixed income mutual funds - domestic	755,309	755,309	-	-
Fixed income mutual funds - foreign	152,030	152,030	-	-
Commodities	236,665	236,665	-	-
	<u>11,502,490</u>	<u>9,869,255</u>	<u>1,633,235</u>	<u>-</u>
Assets limited as to use	<u>167,646</u>	<u>-</u>	<u>167,646</u>	<u>-</u>
Total assets at fair value	<u>\$ 11,670,136</u>	<u>\$ 9,869,255</u>	<u>\$ 1,800,881</u>	<u>\$ -</u>

The following table represents TSNE's financial assets at June 30, 2011 by the level within the fair value hierarchy:

	<i>Total</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
Investments:				
Cash equivalents	\$ 1,026,828	\$ 1,026,828	\$ -	\$ -
Corporate bonds	835,247	-	835,247	-
U.S. Government and Agency Notes	110,386	-	110,386	-
Common stock - domestic	6,618,592	6,618,592	-	-
Common stock - foreign	1,684,447	1,684,447	-	-
Equity mutual funds - domestic	93,240	93,240	-	-
Equity mutual funds - foreign	308,723	308,723	-	-
Fixed income mutual funds - domestic	1,155,498	1,155,498	-	-
Fixed income mutual funds - foreign	149,560	149,560	-	-
Commodities	146,002	146,002	-	-
	<u>12,128,523</u>	<u>11,182,890</u>	<u>945,633</u>	<u>-</u>
Assets limited as to use	<u>150,366</u>	<u>-</u>	<u>150,366</u>	<u>-</u>
Total assets at fair value	<u>\$ 12,278,889</u>	<u>\$ 11,182,890</u>	<u>\$ 1,095,999</u>	<u>\$ -</u>

THIRD SECTOR NEW ENGLAND, INC.

Notes to Financial Statements

Note 5 - Property and Equipment

The following is a summary of property and equipment at June 30:

	<i>2012</i>	<i>2011</i>
Land	\$ 5,574,238	\$ 5,574,238
Building	9,559,539	9,559,539
Building improvements	11,803,454	11,787,560
Furnishings and equipment	226,737	668,356
Software	448,982	442,159
	<u>27,612,950</u>	<u>28,031,852</u>
Less accumulated depreciation and amortization	<u>(6,145,018)</u>	<u>(5,570,774)</u>
Property and equipment, net	<u>\$ 21,467,932</u>	<u>\$ 22,461,078</u>

Note 6 - Bond Payable

	<i>2012</i>	<i>2011</i>
Massachusetts Development Finance Agency Revenue Bond		
Third Sector New England Issue, Series 2010	<u>\$ 15,200,000</u>	<u>\$ 15,500,000</u>

Maturities of bond payable are as follows:

2013	\$	300,000
2014		300,000
2015		310,000
2016		360,000
2017		360,000
Thereafter		<u>13,570,000</u>
		<u>\$ 15,200,000</u>

In February 2010, TSNE issued Series 2010 bond for \$15,885,000. The proceeds were used to advance refund the Series A bond. The advanced refunding resulted in the payment of \$1,328,000 to close the swap agreement, resulting in a gain of \$474,843 and the write off of prior bond issuance costs of \$418,639. The bond consists of Series A variable instruments due February 1, 2040. The bond bears interest at the adjustable rate, initially 4.14% with adjustments due on February 1, 2020 and February 1, 2030. Principal and interest payments are made monthly. The bond is secured by a mortgage on TSNE's land and building and collateralized by an assignment of rents and leases. The bond is subject to certain financial and operating covenants.

THIRD SECTOR NEW ENGLAND, INC.

Notes to Financial Statements

Note 6 - Bond Payable (Continued)

Interest expense and fees related to the bond payable amounted to \$650,045 and \$662,104 for the years ended June 30, 2012 and 2011, respectively.

Note 7 - Self Insurance Plans

TSNE has elected to finance the cost of unemployment compensation by reimbursing the Commonwealth of Massachusetts for actual unemployment compensation paid. At June 30, 2012 and 2011, TSNE has accrued \$176,405 and \$31,960, respectively, for estimated claims incurred but not paid at the balance sheet date.

Note 8 - Operating Leases

TSNE occupies office space and leases office equipment under various leases and tenant-at-will agreements. Total rent expense under these agreements was \$434,197 and \$383,964 for the years ended June 30, 2012 and 2011, respectively.

The following is the schedule of future minimum lease payments for the above leases:

2013	\$	84,988
2014		5,007
2015		<u>184</u>
	\$	<u><u>90,179</u></u>

Note 9 - Retirement Benefits

TSNE has a defined contribution retirement plan covering all employees with one or more years of service. Employer contributions vary with length of service and can amount up to 5% of total compensation for plan participants. During the years ended June 30, 2012 and 2011, contributions incurred under the plan were \$274,377 and \$360,824, respectively. Effective January 1, 2012, TSNE amended the plan to change the length of service and corresponding employer contribution percentages which resulted in decreased employer contributions for the year ended June 30, 2012.

THIRD SECTOR NEW ENGLAND, INC.

Notes to Financial Statements

Note 10 - Rental Income

TSNE rents certain office space in the building to various organizations. The building is operated by an unrelated management company for which it pays a building management fee. Building management fees for both of the years ended June 30, 2012 and 2011 were \$55,800. TSNE's arrangement with this management company is at will and renews annually until cancelled. Rental income for the years ended June 30, 2012 and 2011 was \$2,736,114 and \$2,627,433, respectively.

The following is a schedule by years of the future minimum lease revenue under the non-cancelable leases as of June 30, 2012:

2013	\$ 2,191,425
2014	1,532,368
2015	1,075,350
2016	844,050
2017	785,865
Thereafter	<u>928,952</u>
	<u><u>\$ 7,358,010</u></u>

Note 11 - Net Assets

Net assets are comprised of the following:

Unrestricted net assets are represented by TSNE's net investment in property and equipment, net and remaining net assets available for operations.

Temporarily restricted net assets are mainly restricted as increases in net assets from year to year for the Fiscal Sponsorship programs. These net assets can only be used specifically for the corresponding Fiscal Sponsorship program.

Note 12 - Subsequent Events

TSNE has evaluated subsequent events through November 15, 2012, the date the financial statements were authorized to be issued.

On September 2, 2011, TSNE was served with a complaint in a civil action, in which Medimmune, LLC as plaintiff was seeking a declaration on various grounds that it was no longer bound by a license agreement under which Third Sector New England was entitled to certain royalty payments. On October 9, 2012, the case was settled and, as a result, Third Sector New England will again be receiving royalties at a reduced level.

Supplemental Information



Mayer Hoffman McCann P.C.
Tofias New England Division
An Independent CPA Firm

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Independent Auditors' Report on Supplemental Information

Board of Directors
Third Sector New England, Inc.
Boston, Massachusetts

Our audits of the financial statements of Third Sector New England, Inc. ("TSNE") as of and for the years ended June 30, 2012 and 2011, were made for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Mayer Hoffman McCann P.C.

November 15, 2012
Boston, Massachusetts

THIRD SECTOR NEW ENGLAND, INC. AND AFFILIATE

Supplemental Schedule of Activities for Fiscal Sponsorship Programs and Services

Year Ended June 30, 2012

	<i>Access Project</i>	<i>Boston Family Boatbuilding</i>	<i>Boston Youth Organizing Project</i>	<i>The BUILD Initiative</i>	<i>Campaign for a Commercial-Free Childhood</i>	<i>Carrot Project</i>	<i>Center to Support Immigrant Organizing</i>	<i>Commonwealth Seminar</i>	<i>Communities for Restorative Justice</i>
Revenue:									
Federal grants and contracts	\$ -	\$ -	\$ -	\$ 40,000	\$ -	\$ 10,109	\$ -	\$ -	\$ -
State and local grants and contracts	-	-	33,000	125,000	-	30,000	-	-	-
Foundation and corporate grants and contracts	-	99,000	125,080	2,854,671	188,195	125,836	156,550	74,000	(173,606)
Contributions	-	3,600	125	-	183,654	36,654	800	-	154,264
Consultant fees	21,000	-	11,000	-	-	2,881	63,113	-	3,915
Publication and advertising revenue	-	-	-	-	-	94	-	-	-
Membership dues and fees	-	-	-	-	-	-	1,225	6,190	-
Interest earned	-	-	-	-	-	4,820	-	-	-
Other revenue	-	1,529	7,098	1,178	295	538	6,581	-	180
Total revenue	21,000	104,129	176,303	3,020,849	372,144	210,932	228,269	80,190	(15,247)
Expenses:									
Personnel (salaries and benefits)	36,138	6,630	143,462	617,641	203,943	134,298	152,433	54,853	37,221
Grants, awards, contributions	-	-	-	516,500	-	-	-	-	-
Professional and contract expense	-	12,787	13,195	1,450,407	24,762	16,308	13,105	3,937	5,056
Equipment/rental/maintenance	-	2,210	-	830	-	-	-	-	-
Postage and supplies	-	9,179	3,658	16,705	3,564	837	51	887	6,339
Telephone/communications/internet	119	374	2,677	17,691	1,162	631	103	2,531	640
Printing and publications	-	657	3,643	1,648	4,147	117	-	395	3,674
Occupancy	-	4,950	22,800	-	25,287	-	-	-	-
Travel and meeting expenses	758	18,078	28,951	246,493	9,325	8,871	8,664	7,927	1,254
Other expenses	-	6,858	-	2,738	5,940	2,765	175	-	905
Administrative fee to TSNE	3,702	8,641	30,574	175,375	33,376	22,901	6,981	6,736	5,500
Total expenses	40,717	70,364	248,960	3,046,028	311,506	186,728	181,512	77,266	60,589
Change in net assets	(19,717)	33,765	(72,657)	(25,179)	60,638	24,204	46,757	2,924	(75,836)
Net assets, beginning	19,717	25,115	98,834	1,976,883	88,236	80,450	(6,600)	40,795	75,836
Net assets, ending	\$ -	\$ 58,880	\$ 26,177	\$ 1,951,704	\$ 148,874	\$ 104,654	\$ 40,157	\$ 43,719	\$ -

THIRD SECTOR NEW ENGLAND, INC. AND AFFILIATE

Supplemental Schedule of Activities for Fiscal Sponsorship Programs and Services

Year Ended June 30, 2012

	<i>CT Network to Abolish the Death Penalty</i>	<i>Diploma Plus</i>	<i>Design Studio for Social Intervention</i>	<i>Early Childhood Funders Collaborative</i>	<i>Fit Kidz</i>	<i>Future Chefs</i>	<i>FRESH New London</i>	<i>Free Speech for People</i>	<i>Gardening the Community</i>
Revenue:									
Federal grants and contracts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	136	\$ -	\$ -
State and local grants and contracts	245,000	1,383,005	-	-	34,650	10,000	10,054	-	9,294
Foundation and corporate grants and contracts	103,417	2,136,565	210,395	133,500	34,500	352,794	75,525	295,934	49,690
Contributions	19,992	900	1,150	-	1,504	33,246	17,300	215,899	2,250
Consultant fees	-	-	9,000	-	-	-	-	-	1,086
Publication and advertising revenue	-	-	-	-	-	141	-	-	-
Membership dues and fees	-	-	-	21,500	9,305	4,620	455	-	-
Interest earned	-	6,191	-	-	-	-	-	-	-
Other revenue	61	400	-	-	-	5,604	37,956	1,013	28,977
Total revenue	368,470	3,527,061	220,545	155,000	79,959	406,405	141,426	512,846	91,297
Expenses:									
Personnel (salaries and benefits)	216,580	1,464,337	101,629	54,907	55,796	199,259	169,299	222,587	14,107
Grants, awards, contributions	-	337,327	-	-	-	-	-	-	-
Professional and contract expense	89,613	781,788	15,400	26,728	2,388	9,127	11,001	87,015	4,127
Equipment/rental/maintenance	1,060	78,545	1,578	-	730	13,473	15,069	-	1,303
Postage and supplies	5,550	146,996	6,670	70	165	4,971	11,277	6,696	998
Telephone/communications/internet	2,945	35,086	4,372	393	-	2,037	1,722	9,679	263
Printing and publications	4,450	19,767	13	77	-	2,344	-	8,722	183
Occupancy	6,600	101,394	17,060	-	32,050	22,439	2,482	9,230	-
Travel and meeting expenses	7,583	293,774	13,226	21,946	-	4,578	3,560	28,409	1,110
Other expenses	3,456	9,542	394	450	3,625	3,818	7,202	2,021	984
Administrative fee to TSNE	33,784	236,732	16,084	9,411	11,025	31,162	23,651	54,910	3,230
Total expenses	371,621	3,505,288	176,426	113,982	105,779	293,208	245,263	429,269	26,305
Change in net assets	(3,151)	21,773	44,119	41,018	(25,820)	113,197	(103,837)	83,577	64,992
Net assets, beginning	45,871	2,120,841	48,320	58,083	27,525	47,002	157,702	-	-
Net assets, ending	\$ 42,720	\$ 2,142,614	\$ 92,439	\$ 99,101	\$ 1,705	\$ 160,199	\$ 53,865	\$ 83,577	\$ 64,992

THIRD SECTOR NEW ENGLAND, INC. AND AFFILIATE

Supplemental Schedule of Activities for Fiscal Sponsorship Programs and Services

Year Ended June 30, 2012

	Healing Arts	LGBT Aging Project	MadSci Network	Massachusetts Census Equity Fund	Mass Organization for Addiction Recovery	Massachusetts Voter Table	Massachusetts Worker Education Roundtable	Matahari - Eye of the Day	MissionSAFE
Revenue:									
Federal grants and contracts	\$ -	\$ -	\$ -	\$ -	\$ 14,841	\$ -	\$ -	\$ -	\$ -
State and local grants and contracts	-	161,718	-	-	275,099	-	-	41,971	134,498
Foundation and corporate grants and contracts	-	62,787	-	13,090	9,327	138,000	48,469	58,050	95,800
Contributions	-	64,462	-	(1,000)	6,605	-	-	2,636	145,665
Consultant fees	61,360	2,242	-	-	8,617	-	3,735	2,500	-
Publication and advertising revenue	-	-	1,376	-	-	-	-	-	-
Membership dues and fees	-	-	-	-	24,375	-	-	250	-
Interest earned	-	-	-	-	-	-	-	-	-
Other revenue	194	140	19	1,000	1,000	-	-	-	-
Total revenue	61,554	291,349	1,395	13,090	339,864	138,000	52,204	105,407	375,963
Expenses:									
Personnel (salaries and benefits)	26,634	152,219	-	-	198,703	15,508	40,171	78,741	289,607
Grants, awards, contributions	-	-	-	25,000	-	-	-	-	14,478
Professional and contract expense	14,725	41,246	2	29,015	5,204	-	550	3,756	6,776
Equipment/rental/maintenance	-	459	-	-	2,692	-	-	674	1,915
Postage and supplies	617	3,566	-	-	8,301	-	-	444	7,374
Telephone/communications/internet	-	3,542	-	-	4,469	-	-	-	10,113
Printing and publications	-	6,418	-	497	15,499	-	-	402	236
Occupancy	-	6,120	-	-	11,188	-	-	4,518	1,825
Travel and meeting expenses	14,580	15,574	-	5,113	41,237	-	338	4,639	12,676
Other expenses	-	1,575	-	250	3,996	-	-	-	22,843
Administrative fee to TSNE	6,787	32,300	500	4,810	40,935	1,861	5,748	13,044	44,608
Total expenses	63,343	263,019	502	64,685	332,224	17,369	46,807	106,218	412,451
Change in net assets	(1,789)	28,330	893	(51,595)	7,640	120,631	5,397	(811)	(36,488)
Net assets, beginning	10,885	32,721	79,038	52,434	22,773	-	-	49,277	53,464
Net assets, ending	\$ 9,096	\$ 61,051	\$ 79,931	\$ 839	\$ 30,413	\$ 120,631	\$ 5,397	\$ 48,466	\$ 16,976

THIRD SECTOR NEW ENGLAND, INC. AND AFFILIATE

Supplemental Schedule of Activities for Fiscal Sponsorship Programs and Services

Year Ended June 30, 2012

	<i>My Sister's Keeper</i>	<i>Northeast Regional Ocean Council</i>	<i>Opportunities Exchange</i>	<i>Our Transportation Future</i>	<i>Resource Generation</i>	<i>Rhode Island Land Trust Council</i>	<i>Safe Havens</i>	<i>SeaPlan (formerly Massachusetts Ocean Partnership)</i>	<i>Sustainable Agriculture Credit Union</i>
Revenue:									
Federal grants and contracts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	292,195	\$ -	\$ -
State and local grants and contracts	-	-	96,754	-	-	2,250	-	(7,807)	-
Foundation and corporate grants and contracts	108,850	873,525	122,195	-	362,462	128,100	26,120	1,737,401	95,000
Contributions	176,799	-	-	-	267,621	2,620	6,159	1,000	-
Consultant fees	7,000	-	207,363	-	-	-	10,799	32,335	-
Publication and advertising revenue	-	-	-	-	1,792	-	-	-	-
Membership dues and fees	3,000	-	24,035	-	50,564	13,463	-	-	-
Interest earned	-	1,895	-	-	-	-	-	4,459	-
Other revenue	3,125	-	14,383	-	4,176	12,000	1,521	21,728	-
Total revenue	298,774	875,420	464,730	-	686,615	158,433	336,794	1,789,116	95,000
Expenses:									
Personnel (salaries and benefits)	266,617	198,727	179,501	-	339,601	91,899	229,701	592,668	48,621
Grants, awards, contributions	2,118	-	-	-	-	-	-	-	-
Professional and contract expense	15,801	13,427	128,816	3,983	47,407	3,060	15,478	828,441	2,500
Equipment/rental/maintenance	-	2,924	3,600	-	-	-	-	57,412	-
Postage and supplies	10,641	2,881	799	-	9,850	566	4,197	61,628	-
Telephone/communications/internet	8,560	3,993	5,620	960	4,369	624	1,495	17,058	-
Printing and publications	7,451	73	274	-	4,125	-	96	34,755	-
Occupancy	15,114	2,810	6,948	-	45,452	12,000	21,028	39,404	-
Travel and meeting expenses	82,162	8,406	81,894	362	55,630	903	21,499	24,624	9,483
Other expenses	(2,902)	-	2,149	1,250	11,329	718	2,153	5,371	-
Administrative fee to TSNE	32,459	27,989	57,344	1,000	51,802	11,732	32,891	118,855	6,060
Total expenses	438,021	261,230	466,945	7,555	569,565	121,502	328,538	1,780,216	66,664
Change in net assets	(139,247)	614,190	(2,215)	(7,555)	117,050	36,931	8,256	8,900	28,336
Net assets, beginning	149,896	-	128,723	50,651	147,383	72,175	14,672	612,534	-
Net assets, ending	\$ 10,649	\$ 614,190	\$ 126,508	\$ 43,096	\$ 264,433	\$ 109,106	\$ 22,928	\$ 621,434	\$ 28,336

THIRD SECTOR NEW ENGLAND, INC. AND AFFILIATE

Supplemental Schedule of Activities for Fiscal Sponsorship Programs and Services

Year Ended June 30, 2012

	<i>Teach our Children</i>	<i>The Purpose Project</i>	<i>Tools of the Mind</i>	<i>Tutors for All</i>	<i>Voices From Inside</i>	<i>The Workforce Solutions Group</i>	<i>Yoga Hope</i>	<i>Other</i>	<i>Total</i>
Revenue:									
Federal grants and contracts	\$ -	\$ -	\$ 568,380	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 925,661
State and local grants and contracts	-	-	166,340	486,258	5,277	-	-	-	3,242,361
Foundation and corporate grants and contracts	(264)	14,000	73,378	81,453	14,000	202,456	69,096	(2,362)	11,172,979
Contributions	8,381	2,848	-	25,869	11,033	-	94,588	-	1,486,624
Consultant fees	-	-	1,158,609	-	1,500	-	14,000	-	1,622,055
Publication and advertising revenue	-	-	9,420	-	695	-	-	-	13,518
Membership dues and fees	40	-	-	1,110	-	-	39,027	-	199,159
Interest earned	-	-	-	-	-	-	-	-	17,365
Other revenue	-	-	26,360	-	377	(500)	2,080	-	179,013
Total revenue	8,157	16,848	2,002,487	594,690	32,882	201,956	218,791	(2,362)	18,858,735
Expenses:									
Personnel (salaries and benefits)	12,383	24,345	1,120,630	370,361	27,541	-	84,419	-	8,273,717
Grants, awards, contributions	-	-	-	-	-	-	-	-	895,423
Professional and contract expense	1,030	25	50,518	47,145	26	107,725	18,349	-	3,951,749
Equipment/rental/maintenance	-	-	1,449	-	-	-	1,553	-	187,476
Postage and supplies	117	-	234,595	6,392	1,625	-	5,266	-	583,472
Telephone/communications/internet	682	-	5,429	3,404	45	-	568	-	153,356
Printing and publications	-	-	965	4,559	1,385	216	3,101	-	129,889
Occupancy	3,000	1,100	700	18,698	-	-	-	-	434,197
Travel and meeting expenses	793	-	259,318	7,596	469	-	14,113	-	1,365,916
Other expenses	7	-	510	3,541	168	109	-	-	103,940
Administrative fee to TSNE	1,621	3,056	167,412	62,137	3,126	4,899	15,284	-	1,462,035
Total expenses	19,633	28,526	1,841,526	523,833	34,385	112,949	142,653	-	17,541,170
Change in net assets	(11,476)	(11,678)	160,961	70,857	(1,503)	89,007	76,138	(2,362)	1,317,565
Net assets, beginning	11,476	19,387	-	766	11,837	-	36,626	17,473	6,478,801
Net assets, ending	\$ -	\$ 7,709	\$ 160,961	\$ 71,623	\$ 10,334	\$ 89,007	\$ 112,764	\$ 15,111	\$ 7,796,366

THIRD SECTOR NEW ENGLAND, INC. AND AFFILIATE

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2012

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Federal Expenditures</i>
U.S. Department of Health and Human Services:			
National Family Caregiver Support, Title III, Part E Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.052		\$ 43,164
Special Programs for the Aging Title IV and Title II Discretionary Projects	93.243		4,633
	93.048		13,932
Pass-through program from the Commonwealth of Massachusetts Department of Public Health Substance Abuse Prevention and Treatment Block Grant	93.959	INTF2330M04801313078	15,000
Child Health and Human Development Extramural Research	93.865		<u>181,800</u>
Total U.S. Department of Health and Human Services			<u>258,529</u>
U.S. Department of Justice:			
OVW Technical Assistance Initiative	16.526		<u>292,195</u>
U.S. Department of Housing and Urban Development:			
CDBG - Entitlement Grants Cluster Community Development Block Grants/Entitlement Grants	14.218		<u>6,885</u>
U.S. Department of Education:			
Education Research, Development & Dissemination	84.305		<u>433,446</u>
U.S. Department of Agriculture:			
Sustainable Agriculture Research and Education	10.215		<u>10,110</u>
Total Expenditures of Federal Awards			\$ <u>1,001,165</u>

THIRD SECTOR NEW ENGLAND, INC. AND AFFILIATE

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2012

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of Third Sector New England, Inc. under programs of the federal government for the year ended June 30, 2012. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget ("OMB") Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of Third Sector New England, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of Third Sector New England, Inc.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations* wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Reporting Under Government Auditing Standards



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*Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed
in Accordance with Government Auditing Standards*

Board of Directors
Third Sector New England, Inc.
Boston, Massachusetts

We have audited the financial statements of Third Sector New England, Inc. (“TSNE”) as of and for the year ended June 30, 2012, and have issued our report thereon dated November 15, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the Organization is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered TSNE’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of TSNE’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of TSNE’s internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s consolidated financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether TSNE's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, and officials of the granting federal agencies as listed in the Schedule of Expenditures of Federal Awards, or their representatives, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Mayer Hoffman McCann P.C.

November 15, 2012
Boston, Massachusetts

Reporting Under OMB Circular A-133



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*Report on Compliance with Requirements That Could Have a Direct
and Material Effect on Each Major Program and on Internal Control
over Compliance in Accordance with OMB Circular A-133*

Board of Directors
Third Sector New England, Inc.
Boston, Massachusetts

Compliance

We have audited Third Sector New England, Inc.'s ("TSNE") compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on TSNE's major federal program for the year ended June 30, 2012. TSNE's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of TSNE's management. Our responsibility is to express an opinion on TSNE's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about TSNE's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of TSNE's compliance with those requirements.

In our opinion, TSNE complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2012.

Internal Control over Compliance

Management of TSNE is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered TSNE's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of TSNE's internal control over compliance.



A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, Board of Directors, others within the entity, and officials of the granting federal agencies as listed in the Schedule of Expenditures of Federal Awards, or their representatives and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Mayer Hayfman McCann P.C.

November 15, 2012
Boston, Massachusetts

THIRD SECTOR NEW ENGLAND, INC. AND AFFILIATE

Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

Section 1

Summary of Auditor's Results

Financial Statements

- | | |
|--|---------------|
| 1. Type of auditor's report issued: | Unqualified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified? | None Reported |
| 3. Noncompliance material to the financial statements noted? | No |

Federal Awards

- | | |
|---|---------------|
| 1. Internal control over major programs: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified? | None Reported |
| 2. Type of auditor's report issued on compliance for major programs: | Unqualified |
| 3. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? | No |

4. Identification of major programs:

CFDA Number

84.305

Name of Federal Program

Education Research,
Development & Dissemination

- | | |
|---|-----------|
| 5. Dollar threshold used to distinguish between Type A and Type B programs: | \$300,000 |
| 6. Auditee qualified as a low-risk auditee? | Yes |

THIRD SECTOR NEW ENGLAND, INC. AND AFFILIATE

Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

Section 2

Financial Statement Findings

None.

Section 3

Federal Award Findings and Questioned Costs

None.

Section 4

Summary Schedule of Prior Year Findings

None.