

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

**Third Sector New England, Inc.
and Affiliate**

June 30, 2011 and 2010



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

THIRD SECTOR NEW ENGLAND, INC. AND AFFILIATE

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

Table of Contents

Consolidated Financial Statements:

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

Supplemental Information:

Independent Auditors' Report on Supplemental Information	20
Supplemental Schedule of Activities for Fiscally Sponsored Programs and Services	21-24
Schedule of Expenditures of Federal Awards	25
Note to Schedule of Expenditures of Federal Awards	26

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>	27-28
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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	29-30
Schedule of Findings and Questioned Costs	31-32



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Independent Auditors' Report

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

We have audited the accompanying consolidated statements of financial position of Third Sector New England, Inc. and Affiliate ("TSNE") as of June 30, 2011 and 2010, and the related consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Third Sector New England, Inc. and Affiliate at June 30, 2011 and 2010 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 October 26, 2011 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 basic consolidated 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 basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the consolidated basic financial statements taken as a whole.

Mayer Hoffman McCann P.C.

October 26, 2011
Boston, Massachusetts

THIRD SECTOR NEW ENGLAND, INC. AND AFFILIATE

Consolidated Statements of Financial Position

	<i>June 30,</i>	
	<i>2011</i>	<i>2010</i>
Assets		
Cash and cash equivalents	\$ 8,397,907	\$ 6,814,415
Assets limited as to use	150,366	123,524
Accounts and notes receivable, net (allowance for doubtful accounts of \$57,815 for 2011 and \$65,875 for 2010)	2,296,646	2,010,561
Royalty fees receivable	2,390,116	2,449,369
Prepaid expenses and deposits	154,978	247,883
Investments	12,128,523	10,576,963
Cash surrender value on life insurance policy	32,281	27,894
Property and equipment, net	22,461,078	22,894,512
Deferred bond issuance costs, net	337,084	348,877
Total assets	\$ 48,348,979	\$ 45,493,998
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 3,295,959	\$ 2,376,299
Deferred revenue	367,787	382,844
Deferred compensation agreement	32,281	27,894
Bonds payable	15,500,000	15,800,000
Total liabilities	19,196,027	18,587,037
Net assets:		
Unrestricted net assets	22,427,780	21,278,900
Temporarily restricted:		
Temporarily restricted (TSNE)	246,371	246,110
Temporarily restricted (Fiscal Sponsorship)	6,478,801	5,381,951
Total temporarily restricted net assets	6,725,172	5,628,061
Total net assets	29,152,952	26,906,961
Total liabilities and net assets	\$ 48,348,979	\$ 45,493,998

See accompanying notes to the consolidated financial statements.

THIRD SECTOR NEW ENGLAND, INC. AND AFFILIATE

Consolidated Statements of Activities

Years Ended June 30,

	2011					2010
	TSNE Unrestricted	Fiscal Sponsorship Programs Unrestricted	Total Unrestricted	Temporarily Restricted	Total	Total
Revenue and gains:						
Contributions and grants	\$ -	\$ -	\$ -	\$ 11,292,917	\$ 11,292,917	\$ 12,676,668
Royalty income	3,842,930	-	3,842,930	-	3,842,930	3,588,874
Consulting fees	249,062	386,015	635,077	-	635,077	344,277
Contract revenue	249,978	2,163,478	2,413,456	-	2,413,456	2,002,798
Interest income	13,975	12,284	26,259	-	26,259	3,857
Publication revenue excluding grant support	6,580	3,208	9,788	-	9,788	10,868
Conference revenue	38,345	394,625	432,970	-	432,970	271,925
Membership dues	-	116,887	116,887	-	116,887	70,667
Rental income	2,627,433	-	2,627,433	-	2,627,433	2,490,002
Other income	-	111,727	111,727	-	111,727	151,781
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	21,611,717
Expenses and losses:						
Fiscally sponsored programs	-	12,156,920	12,156,920	-	12,156,920	11,020,478
Fiscal sponsorship services	147,212	1,102,792	1,250,004	-	1,250,004	1,173,199
Mission effectiveness programs	2,204,886	-	2,204,886	-	2,204,886	1,960,873
NonProfit Center	3,078,367	-	3,078,367	-	3,078,367	3,573,661
Administrative and general	2,185,426	-	2,185,426	-	2,185,426	1,923,462
Total expenses and losses	7,615,891	13,259,712	20,875,603	-	20,875,603	19,651,673
Change in net assets from operations	(463,270)	-	(463,270)	1,097,111	633,841	1,960,044
Nonoperating:						
Investment income	287,877	-	287,877	-	287,877	216,828
Net realized and unrealized (loss) gain on investments	1,324,273	-	1,324,273	-	1,324,273	873,342
Realized gain on swap agreement	-	-	-	-	-	474,843
Unrealized loss on swap agreement	-	-	-	-	-	-
Change in net assets from nonoperating activities	1,612,150	-	1,612,150	-	1,612,150	1,565,013
Total changes in net assets	1,148,880	-	1,148,880	1,097,111	2,245,991	3,525,057
Net assets, beginning	21,278,900	-	21,278,900	5,628,061	26,906,961	23,381,904
Net assets, ending	\$ 22,427,780	\$ -	\$ 22,427,780	\$ 6,725,172	\$ 29,152,952	\$ 26,906,961

See accompanying notes to the consolidated financial statements.

THIRD SECTOR NEW ENGLAND, INC. AND AFFILIATE

Consolidated Statement of Activities

Year Ended June 30, 2010

	TSNE Unrestricted	Fiscal Sponsorship Programs Unrestricted	Total Unrestricted	Temporarily Restricted	Total
Revenue and gains:					
Contributions and grants	\$ -	\$ -	\$ -	\$ 12,676,668	\$ 12,676,668
Royalty income	3,588,874	-	3,588,874	-	3,588,874
Consulting fees	217,088	127,189	344,277	-	344,277
Contract revenue	346,020	1,656,778	2,002,798	-	2,002,798
Interest income	-	3,857	3,857	-	3,857
Publication revenue excluding grant support	9,741	1,127	10,868	-	10,868
Conference revenue	17,967	253,958	271,925	-	271,925
Membership dues	-	70,667	70,667	-	70,667
Rental income	2,490,002	-	2,490,002	-	2,490,002
Other income	3,950	147,831	151,781	-	151,781
Net assets released from restrictions	(46,263)	9,744,495	9,698,232	(9,698,232)	-
Total revenue and gains	6,627,379	12,005,902	18,633,281	2,978,436	21,611,717
Expenses and losses:					
Fiscally sponsored programs	-	11,020,478	11,020,478	-	11,020,478
Fiscal sponsorship services	187,990	985,209	1,173,199	-	1,173,199
Mission effectiveness programs	1,960,873	-	1,960,873	-	1,960,873
NonProfit Center	3,573,661	-	3,573,661	-	3,573,661
NonProfit workout conference	-	-	-	-	-
Administrative and general	1,923,462	-	1,923,462	-	1,923,462
Total expenses and losses	7,645,986	12,005,687	19,651,673	-	19,651,673
Change in net assets from operations	(1,018,607)	215	(1,018,392)	2,978,436	1,960,044
Nonoperating:					
Investment income	216,828	-	216,828	-	216,828
Net realized and unrealized (loss) gain on investments	873,557	(215)	873,342	-	873,342
Realized gain on swap agreement	474,843	-	474,843	-	474,843
Unrealized loss on swap agreement	-	-	-	-	-
Change in net assets from nonoperating activities	1,565,228	(215)	1,565,013	-	1,565,013
Total changes in net assets	546,621	-	546,621	2,978,436	3,525,057
Net assets, beginning	20,732,279	-	20,732,279	2,649,625	23,381,904
Net assets, ending	\$ 21,278,900	\$ -	\$ 21,278,900	\$ 5,628,061	\$ 26,906,961

See accompanying notes to the consolidated financial statements.

THIRD SECTOR NEW ENGLAND, INC. AND AFFILIATE

Consolidated Statements of Functional Expenses

Years Ended June 30,

	2011						2010
	<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	\$ 4,959,483	\$ 833,309	\$ 1,024,513	\$ 93,624	\$ 1,318,422	\$ 8,229,351	\$ 7,690,328
Grants, awards and contributions	1,282,889	-	337,600	-	1,000	1,621,489	1,110,296
Professional fees	2,318,532	9,775	414,688	60,845	112,935	2,916,775	2,259,559
Employee benefits	1,342,400	243,875	299,539	28,087	413,409	2,327,310	2,209,698
Occupancy	383,964	-	-	-	-	383,964	339,260
Supplies	410,650	2,532	9,550	5,466	67,728	495,926	516,598
Travel	566,852	2,949	15,705	1,157	3,033	589,696	542,848
Printing	106,377	1,544	20,721	-	14,186	142,828	112,337
Conference expense	356,253	1,720	15,792	5,680	34,584	414,029	442,295
Contract expense	147,320	-	2,388	-	-	149,708	109,510
Other expense	44,736	24,111	40,337	4,447	(28,079)	85,552	300,610
Telephone/communications expense	125,911	289	3,823	3,575	35,089	168,687	165,984
Training	19,878	1,189	3,206	360	4,443	29,076	73,344
Depreciation and amortization	1,155	23,088	-	943,692	37,443	1,005,378	1,004,942
Equipment	62,737	10,529	2,409	9,166	27,599	112,440	166,592
Accounting and legal expense	9,447	65,369	14,615	193	105,940	195,565	163,257
Insurance expense	16,453	29,725	-	24,797	37,694	108,669	79,110
Facility expenses	-	-	-	1,237,057	-	1,237,057	1,300,402
Debt service	1,883	-	-	660,221	-	662,104	1,064,703
Total expenses	\$ 12,156,920	\$ 1,250,004	\$ 2,204,886	\$ 3,078,367	\$ 2,185,426	\$ 20,875,603	\$ 19,651,673

See accompanying notes to the consolidated financial statements.

THIRD SECTOR NEW ENGLAND, INC. AND AFFILIATE

Consolidated Statement of Functional Expenses

Year Ended June 30, 2010

	<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	\$ 4,845,839	\$ 754,220	\$ 956,533	\$ 82,966	\$ 1,050,770	\$ 7,690,328
Grants, awards and contributions	825,796	-	284,000	-	500	1,110,296
Professional fees	1,652,114	19,277	353,522	62,401	172,245	2,259,559
Employee benefits	1,308,893	222,489	280,521	24,890	372,905	2,209,698
Occupancy	339,260	-	-	-	-	339,260
Supplies	465,704	220	6,804	3,712	40,158	516,598
Travel	516,682	1,748	17,594	773	6,051	542,848
Printing	92,028	-	14,329	-	5,980	112,337
Conference expense	409,006	712	13,713	3,831	15,033	442,295
Contract expense	106,005	-	3,505	-	-	109,510
Other expense	164,004	74,812	16,090	11,017	34,687	300,610
Telephone/communications expense	118,374	2,703	9,478	923	34,506	165,984
Training	61,670	3,016	4,379	75	4,204	73,344
Depreciation and amortization	-	22,268	-	940,421	42,253	1,004,942
Equipment	93,841	12,246	311	8,519	51,675	166,592
Accounting and legal expense	11,666	35,381	94	47,131	68,985	163,257
Insurance expense	8,579	24,107	-	22,914	23,510	79,110
Facility expenses	-	-	-	1,300,402	-	1,300,402
Debt service	1,017	-	-	1,063,686	-	1,064,703
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Total expenses	\$ 11,020,478	\$ 1,173,199	\$ 1,960,873	\$ 3,573,661	\$ 1,923,462	\$ 19,651,673

See accompanying notes to the consolidated financial statements.

THIRD SECTOR NEW ENGLAND, INC. AND AFFILIATE

Consolidated Statements of Cash Flows

	<i>Years Ended June 30,</i>	
	<i>2011</i>	<i>2010</i>
Cash flows from operating activities:		
Change in net assets	\$ 2,245,991	\$ 3,525,057
Adjustments to reconcile net assets to net cash provided by operating activities:		
Depreciation and amortization	1,005,378	1,004,942
Amortization of deferred bond issue costs	11,793	4,913
Net realized and unrealized gain on investments	(1,324,273)	(873,342)
Unrealized loss (realized gain) on swap agreement	-	(474,843)
Change in:		
Accounts receivable	(286,085)	400,062
Royalty fees receivable	59,253	265,144
Prepaid expenses and deposits	92,905	(197,041)
Accounts payable and accrued expenses	919,660	97,825
Deferred compensation agreement	(4,387)	(3,348)
Deferred revenue	(15,057)	(2,111,752)
Total adjustments	459,187	(1,887,440)
Net cash provided by operating activities	2,705,177	1,637,617
Cash flows from investing activities:		
Proceeds from sale of investments	593,188	5,082,380
Purchase of investments	(816,088)	(2,263,563)
Change in assets limited as to use	(26,842)	2,527,314
Purchase of property and equipment	(571,944)	(122,782)
Net cash provided by (used in) investing activities	(821,686)	5,223,349
Cash flows from financing activities:		
Proceeds from issuance of bonds payable	-	15,885,000
Purchase of interest rate swap obligation	-	(1,328,000)
Bond issuance costs, net	-	64,849
Payments on bonds payable	(300,000)	(17,935,000)
Net cash used in financing activities	(300,000)	(3,313,151)
Net increase in cash and cash equivalents	1,583,491	3,547,815
Cash and cash equivalents, beginning	6,814,415	3,266,600
Cash and cash equivalents, ending	\$ 8,397,906	\$ 6,814,415

THIRD SECTOR NEW ENGLAND, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

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

Third Sector New England, Inc. and Affiliate (“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, consulting services, and two 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 consists of New England, California, District of Columbia, Maryland and New York. 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.

TSNE Nonprofit Center, LLC (“NonProfit Center”) is the first mission-based, multi-tenant center in Massachusetts created exclusively to house progressive social change organizations. The NonProfit Center was organized in 2004 to purchase property in Boston. 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. In addition, the NonProfit Center offers below-market rental rates to some early-stage organizations and provides incubator-type services for these organizations.

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 will be replaced by eligible nonprofit organizations as their leases expire.

A summary of significant accounting policies follows:

Financial Statement Preparation

The preparation of TSNE’s consolidated financial statements in conformity with U.S. generally accepted accounting principles 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 consolidated financial statements. Estimates include allowances for doubtful accounts related to accounts receivable, useful lives of fixed assets and related depreciation and allocation of common expenses over program functions. Actual results could differ from those estimates.

THIRD SECTOR NEW ENGLAND, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

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

Financial Statement Preparation (Continued)

The accompanying consolidated 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:

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, 2011 or 2010.

Principles of Consolidation

The consolidated financial statements for the years ended June 30, 2011 and 2010 include the accounts of Third Sector New England, Inc. and TSNE Nonprofit Center, LLC ("Nonprofit Center"). TSNE is the sole member of the NonProfit Center and, as such, has economic interest in and control over its operations. All significant intercompany account balances and transactions have been eliminated in consolidation.

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 \$5,551,243 and \$4,308,988 for the years ended June 30, 2011 and 2010, respectively, related to funds held for fiscally sponsored programs.

THIRD SECTOR NEW ENGLAND, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

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

Assets Limited as to Use

Assets whose use is limited consist of assets held by trustees or the bank pursuant to TSNE's Bond Agreement (see Notes 2 and 6) and funds received related to grants for use in future fiscal periods.

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 made 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 footnote 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. AND AFFILIATE

Notes to Consolidated 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 a 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. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

Grants and contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved. Amortization of discount is recorded as additional revenue in accordance with donor-imposed restrictions, if any, on the funds.

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 asset 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 \$381,644 and \$444,862 of fundraising expenses for the years ended June 30, 2011 and 2010, respectively.

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.

THIRD SECTOR NEW ENGLAND, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

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

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, 2011 and 2010 was \$14,362 and \$29,691, 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, useful lives of depreciable assets, allowable costs charged to cost reimbursement contracts and the allocation of common expenses over program functions.

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. 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.

THIRD SECTOR NEW ENGLAND, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

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

Fair Value Measurements (Continued)

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.

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.

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.

Reclassification

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

Subsequent Events

TSNE has evaluated subsequent events through October 26, 2011, the date the Board of Directors approved and authorized the financial statements to be issued.

Note 2 - Assets Limited as to Use

Assets limited as to use is the microloan fund, balance of \$150,366 and \$123,524, as of June 30, 2011 and 2010, respectively. The funds are invested in certificates of deposit. The microloan collateral fund are amounts pledged as collateral against loans made by two banks to New England farmers as part of the fiscally sponsored Carrot Project.

THIRD SECTOR NEW ENGLAND, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

Note 3 - Investments

Investments consist of the following at June 30:

	<i>2011</i>	<i>2010</i>
Cash equivalents	\$ 1,026,828	\$ 1,238,154
Corporate bonds	835,247	947,999
U.S. Government and Agency Notes	110,386	113,865
Common stock - domestic	6,618,592	5,642,822
Common stock - foreign	1,684,447	1,427,704
Equity mutual funds - domestic	93,240	138,751
Equity mutual funds - foreign	308,723	131,056
Fixed income mutual funds - domestic	1,155,498	652,612
Fixed income mutual funds - foreign	149,560	162,320
Commodities	146,002	121,680
	\$ 12,128,523	\$ 10,576,963

Investment income consisted of the following at June 30:

	<i>2011</i>	<i>2010</i>
Unrealized gains on investments	\$ 605,543	\$ 647,182
Realized gains on investments	718,730	226,160
Total gain	1,324,273	873,342
Interest and dividend income	347,972	263,081
Management fees	(60,095)	(46,253)
Total investment income	\$ 1,612,150	\$ 1,090,170

THIRD SECTOR NEW ENGLAND, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

Note 4 - Fair Values of Financial Instruments

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

	<i>Total</i>	<i>Quoted Prices in Active Markets Level 1</i>	<i>Significant Observable Inputs Level 2</i>	<i>Significant Unobservable Inputs 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	-	-
Assets limited as to use	150,366	150,366	-	-
Cash surrender value of life insurance policy	32,281	32,281	-	-
Total assets at fair value	\$ 12,311,170	\$ 12,311,170	\$ -	\$ -

THIRD SECTOR NEW ENGLAND, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

Note 4 - Fair Values of Financial Instruments (Continued)

The following table represents TSNE's financial assets at June 30, 2010 by the level within the fair value hierarchy:

	<i>Total</i>	<i>Quoted Prices in Active Markets Level 1</i>	<i>Significant Observable Inputs Level 2</i>	<i>Significant Unobservable Inputs Level 3</i>
Investments:				
Cash equivalents	\$ 1,238,152	\$ 1,238,152	\$ -	\$ -
Corporate bonds	947,999	947,999	-	-
U.S. Government and Agency Notes	113,865	113,865	-	-
Common stock - domestic	5,642,822	5,642,822	-	-
Common stock - foreign	1,427,704	1,427,704	-	-
Equity mutual funds - domestic	138,751	138,751	-	-
Equity mutual funds - foreign	131,056	131,056	-	-
Fixed income mutual funds - domestic	652,612	652,612	-	-
Fixed income mutual funds - foreign	162,320	162,320	-	-
Commodities	121,680	121,680	-	-
Assets limited as to use	123,524	123,524	-	-
Cash surrender value of life insurance policy	27,894	27,894	-	-
Total assets at fair value	\$ 10,728,379	\$ 10,728,379	\$ -	\$ -

THIRD SECTOR NEW ENGLAND, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

Note 5 - Property and Equipment

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

	2011	2010
Land	\$ 5,574,238	\$ 5,574,238
Building	9,559,539	9,559,539
Building improvements	11,787,560	11,269,565
Furnishings and equipment	668,356	655,262
Software	442,159	401,304
	28,031,852	27,459,908
Less accumulated depreciation and amortization	(5,570,774)	(4,565,396)
Property and equipment, net	\$ 22,461,078	\$ 22,894,512

Note 6 - Bond Payable

Massachusetts Development Finance Agency	
Revenue Bonds	
Third Sector New England Issue, Series 2010	\$ 15,500,000

Maturities of bonds payable are as follows:

2012	\$ 300,000
2013	300,000
2014	300,000
2015	310,000
2016	360,000
Thereafter	13,930,000
	\$ 15,500,000

In February 2010, TSNE issued Series 2010 bonds 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 bonds bear 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.

THIRD SECTOR NEW ENGLAND, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

Note 6 - Bond Payable (Continued)

The bond is subject to certain financial and operating covenants which TSNE was in compliance with at June 30, 2011 and 2010.

Interest expense and fees related to the underlying letter of credit amounted to \$662,103 and \$1,064,703 for the years ended June 30, 2011 and 2010, 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. TSNE has accrued \$31,960 for estimated claims incurred prior to June 30, 2011 and 2010 but not paid at that 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 \$383,964 and \$339,260 for the years ended June 30, 2011 and 2010, respectively.

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

2012	\$	107,584
2013		<u>42,638</u>
	\$	<u><u>150,222</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 age and can amount up to 12.5% of total compensation for plan participants. During the years ended June 30, 2011 and 2010, contributions incurred under the plan were \$360,824 and \$360,363, respectively.

TSNE also has a nonqualified deferred compensation plan for the executive director whereby he has the right to a life insurance policy paid for by TSNE at the time of his retirement.

THIRD SECTOR NEW ENGLAND, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

Note 10 - Rental Income

TSNE rents certain office space in the building to various organizations. The building is operated by an independent management company. Rental income for the years ended June 30, 2011 and 2010 was \$2,627,433 and \$2,490,002, respectively.

The following is a schedule by years of the future minimum lease revenue under the non-cancelable leases as of June 30, 2011:

2012	\$	2,278,871
2013		1,788,155
2014		1,237,292
2015		822,621
2016		707,650
Thereafter		<u>1,543,347</u>
	\$	<u><u>8,377,936</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 Event

On September 2, 2011, the Company was served with a complaint in a civil action, in which Medimmune, LLC as plaintiff seeks a declaration on various grounds that it is no longer bound by a license agreement under which Third Sector New England is entitled to certain royalty payments. Third Sector New England will vigorously defend its rights under the license agreement but may experience an interruption of royalty payments pending resolution of the complaint.

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. and Affiliate
Boston, Massachusetts

Our audits of the consolidated financial statements of Third Sector New England, Inc. and Affiliate ("TSNE") as of and for the years ended June 30, 2011 and 2010, were made for the purpose of forming an opinion on the basic 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 basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

Mayer Hoffman McCann P.C.

October 26, 2011
Boston, Massachusetts

THIRD SECTOR NEW ENGLAND, INC. AND AFFILIATE

Supplemental Schedule of Activities for Fiscal Sponsorship Programs and Services

Year Ended June 30, 2011

	Access Project	Association for High School Innovation	Boston Family Boatbuilding	Boston Youth Organizing Project	The BUILD Initiative	Campaign for a Commercial- Free Childhood	Carrot Project	Center to Support Immigrant Organizing	Commonwealth Seminar	Communities for Restorative Justice
Revenue:										
Federal grants and contracts	\$ -	\$ 21,657	\$ -	\$ -	\$ -	\$ -	\$ 3,859	\$ -	\$ -	\$ -
State and local grants and contracts	-	92,648	-	-	-	-	27,929	(600)	-	-
Foundation and corporate grants and contracts	19,200	-	60,410	218,050	3,796,421	84,120	83,433	132,500	65,000	61,395
Contributions	-	-	5,783	110	-	126,025	37,501	-	100	81,040
Consultant fees	37,500	-	-	53,156	31,975	-	675	36,578	-	20,450
Publication and advertising revenue	-	-	-	-	-	-	-	-	-	-
Membership dues and fees	-	82,814	2,550	-	600	-	-	-	2,395	-
Interest earned	-	-	-	-	-	-	4,402	-	-	-
Other revenue	-	203	405	4,177	31,155	7,890	1,079	6,300	-	806
Total revenue	56,700	197,322	69,148	275,493	3,860,151	218,035	158,878	174,778	67,495	163,691
Expenses:										
Personnel (salaries and benefits)	148,611	53,923	-	161,832	539,419	185,952	77,670	132,050	43,903	106,992
Grants, awards, contributions	-	-	-	-	498,500	-	-	15,000	-	-
Professional and contract expense	356	102,367	14,564	2,710	579,968	14,028	17,663	21,316	16,370	6,253
Equipment/rental/maintenance	-	-	3,541	-	-	233	150	-	-	-
Postage and supplies	29	181	10,724	5,029	1,207	4,122	649	39	1,172	3,840
Telephone/communications/internet	1,568	479	631	2,227	16,604	1,970	400	124	1,700	1,481
Printing and publications	319	8	1,266	5,100	3,032	8,501	290	-	233	5,852
Occupancy	-	-	8,841	22,800	-	20,408	-	10,200	756	-
Travel and meeting expenses	2,760	22,426	4,162	38,154	139,465	6,095	6,830	5,328	5,654	3,136
Other expenses	-	-	7,531	2,940	535	6,423	1,833	315	250	1,966
Administrative fee to TSNE	15,060	17,938	7,176	33,711	104,538	29,728	14,768	23,712	6,303	12,312
Total expenses	168,703	197,322	58,436	274,503	1,883,268	277,460	120,253	208,084	76,341	141,832
Change in net assets	(112,003)	-	10,712	990	1,976,883	(59,425)	38,625	(33,306)	(8,846)	21,859
Net assets, beginning	131,720	-	14,403	97,844	-	147,661	41,825	26,706	49,641	53,977
Net assets, ending	\$ 19,717	\$ -	\$ 25,115	\$ 98,834	\$ 1,976,883	\$ 88,236	\$ 80,450	\$ (6,600)	\$ 40,795	\$ 75,836

THIRD SECTOR NEW ENGLAND, INC. AND AFFILIATE

Supplemental Schedule of Activities for Fiscal Sponsorship Programs and Services

Year Ended June 30, 2011

	<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>Healing Arts</i>	<i>LGBT Aging Project</i>
Revenue:									
Federal grants and contracts	\$ -	\$ 269,458	\$ -	\$ -	\$ -	\$ -	\$ 8,915	\$ -	\$ -
State and local grants and contracts	13,500	863,514	-	-	63,105	3,000	159,891	-	188,886
Foundation and corporate grants and contracts	37,875	1,398,232	135,585	147,608	125,000	159,790	79,550	70,000	12,195
Contributions	26,651	900	3,200	-	4,923	21,899	27,721	-	7,685
Consultant fees	1,200	9,934	35,500	-	-	-	-	66,708	7,809
Publication and advertising revenue	-	-	-	-	-	-	-	-	-
Membership dues and fees	-	4,426	1,000	30,000	23,110	4,918	-	-	11,326
Interest earned	-	7,882	-	-	-	-	-	-	-
Other revenue	695	-	5,437	-	-	-	14,640	262	5,182
Total revenue	79,921	2,554,346	180,722	177,608	216,138	189,607	290,717	136,970	233,083
Expenses:									
Personnel (salaries and benefits)	114,510	1,469,866	96,879	54,831	130,875	121,788	163,717	90,067	149,791
Grants, awards, contributions	-	352,080	-	-	-	-	1,000	-	-
Professional and contract expense	95,465	803,882	7,051	30,959	7,602	5,648	3,638	12,100	22,465
Equipment/rental/maintenance	507	4,068	-	-	7,081	-	13,025	-	300
Postage and supplies	3,970	285,960	2,910	357	5,393	922	6,291	26	3,259
Telephone/communications/internet	1,800	21,550	3,022	1,737	-	2,266	2,901	174	3,204
Printing and publications	7,299	22,829	305	199	300	497	-	-	412
Occupancy	6,100	93,672	17,468	21,573	51,150	5,703	3,142	-	6,120
Travel and meeting expenses	8,202	243,565	9,324	-	6,207	1,592	3,266	10,209	4,417
Other expenses	2,405	22,032	300	-	2,019	4,489	10,185	-	1,116
Administrative fee to TSNE	24,026	227,840	13,726	9,869	22,046	16,662	18,784	13,509	26,751
Total expenses	264,284	3,547,344	150,985	119,525	232,673	159,567	225,949	126,085	217,835
Change in net assets	(184,363)	(992,998)	29,737	58,083	(16,535)	30,040	64,768	10,885	15,248
Net assets, beginning	230,234	3,113,839	18,583	-	44,060	16,962	92,934	-	17,473
Net assets, ending	\$ 45,871	\$ 2,120,841	\$ 48,320	\$ 58,083	\$ 27,525	\$ 47,002	\$ 157,702	\$ 10,885	\$ 32,721

THIRD SECTOR NEW ENGLAND, INC. AND AFFILIATE

Supplemental Schedule of Activities for Fiscal Sponsorship Programs and Services

Year Ended June 30, 2011

	<i>MadSci Network</i>	<i>Massachusetts Census Equity Fund</i>	<i>Massachusetts Ocean Partnership</i>	<i>Mass Organization for Addiction Recovery</i>	<i>Matahari - Eye of the day</i>	<i>MissionSAFE</i>	<i>My Sister's Keeper</i>	<i>Opportunities Exchange</i>	<i>Our Transportation Future</i>
Revenue:									
Federal grants and contracts	\$ -	\$ -	\$ 30,834	\$ 3,000	\$ -	\$ -	\$ -	\$ -	\$ -
State and local grants and contracts	-	-	409,320	268,861	39,315	2,371	-	69,614	-
Foundation and corporate grants and contracts	-	241,945	1,090,647	7,935	65,050	229,715	177,700	175,421	25,240
Contributions	-	380	-	5,442	4,534	15,385	75,389	-	-
Consultant fees	-	-	-	10,901	2,400	-	-	57,393	-
Publication and advertising revenue	2,928	-	-	-	-	-	-	-	-
Membership dues and fees	-	-	-	19,990	100	-	267,320	-	-
Interest earned	-	-	-	-	-	-	-	-	-
Other revenue	20	-	650	35	2,044	-	37,517	-	-
Total revenue	2,948	242,325	1,531,451	316,164	113,443	247,471	557,926	302,428	25,240
Expenses:									
Personnel (salaries and benefits)	-	-	504,378	181,108	49,637	132,840	334,490	150,175	-
Grants, awards, contributions	-	170,000	-	-	-	18,000	-	225,000	-
Professional and contract expense	1,188	87,460	184,803	10,222	26,093	2,463	18,205	229,683	19,522
Equipment/rental/maintenance	-	-	15,644	2,296	-	1,472	2,733	4,191	-
Postage and supplies	-	9,131	11,568	5,098	121	2,096	21,563	1,202	64
Telephone/communications/internet	-	-	21,114	3,770	20	6,426	8,586	6,505	700
Printing and publications	-	680	568	22,077	90	209	6,573	606	11
Occupancy	-	-	20,523	10,592	-	2,471	17,057	8,077	-
Travel and meeting expenses	-	3,641	38,435	32,557	2,190	3,418	200,805	47,029	840
Other expenses	-	1,238	9,063	7,307	40	4,386	(30,122)	-	-
Administrative fee to TSNE	107	17,060	94,494	38,504	10,947	20,226	35,940	70,045	2,111
Total expenses	1,295	289,210	900,590	313,531	89,138	194,007	615,830	742,513	23,248
Change in net assets	1,653	(46,885)	630,861	2,633	24,305	53,464	(57,904)	(440,085)	1,992
Net assets, beginning	77,385	99,319	(18,327)	20,140	24,972	-	207,800	568,808	48,659
Net assets, ending	\$ 79,038	\$ 52,434	\$ 612,534	\$ 22,773	\$ 49,277	\$ 53,464	\$ 149,896	\$ 128,723	\$ 50,651

THIRD SECTOR NEW ENGLAND, INC. AND AFFILIATE

Supplemental Schedule of Activities for Fiscal Sponsorship Programs and Services

Year Ended June 30, 2011

	Resource Generation	Rhode Island Land Trust Council	Safe Havens	Sports Philanthropy Project	Teach our Children	The Purpose Project	Tutors for All	Voices From Inside	Yoga Hope	Other	Total
Revenue:											
Federal grants and contracts	\$ -	\$ -	\$ 152,520	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 490,243
State and local grants and contracts	5,000	15,000	-	73,733	47,500	-	467,132	2,974	-	-	2,812,693
Foundation and corporate grants and contracts	289,943	94,000	25,590	-	34,500	25,000	90,295	24,397	12,125	(52,263)	9,243,604
Contributions	197,036	1,050	5,413	-	20,569	24,725	550	15,232	44,466	-	753,709
Consultant fees	-	-	2,335	-	-	-	-	1,500	-	10,000	386,014
Publication and advertising revenue	1,955	-	-	-	-	-	-	1,252	-	-	6,135
Membership dues and fees	34,355	7,137	-	-	230	-	829	-	18,411	-	511,511
Interest earned	-	-	-	-	-	-	-	-	-	-	12,284
Other revenue	2,341	12,400	735	(111)	1,426	-	4,993	11	-	46	140,338
Total revenue	530,630	129,587	186,593	73,622	104,225	49,725	563,799	45,366	75,002	(42,217)	14,356,531
Expenses:											
Personnel (salaries and benefits)	- 243,426	- 92,847	- 136,363	- 54,455	- 57,618	- 24,727	- 394,827	- 34,630	- 58,554	- 9,133	- 6,301,884
Grants, awards, contributions	- -	- -	- -	- -	- 3,310	- -	- -	- -	- -	- -	- 1,282,890
Professional and contract expense	- 14,793	- 18,759	- 9,162	- 1,050	- 3,371	- 14,017	- 54,375	- 2,075	- 13,326	- 326	- 2,475,298
Equipment/rental/maintenance	- 2,275	- -	- -	- -	- 1,451	- -	- 3,769	- -	- -	- -	- 62,736
Postage and supplies	- 5,757	- 548	- 2,254	- 512	- 1,467	- -	- 11,849	- 517	- 696	- 126	- 410,649
Telephone/communications/interne	- 3,960	- 514	- 396	- 2,449	- 3,065	- -	- 3,104	- 216	- 1,085	- 162	- 125,910
Printing and publications	- 6,017	- 29	- 4,499	- -	- 59	- -	- 2,886	- 1,900	- 3,729	- -	- 106,375
Occupancy	- 40,586	- 12,000	- 12,144	- -	- 12,000	- 1,200	- 11,151	- -	- -	- -	- 415,734
Travel and meeting expenses	- 26,857	- 457	- 3,022	- 7,023	- 5,650	- -	- 5,868	- 355	- 2,568	- -	- 901,507
Other expenses	- 2,205	- 675	- (29)	- 80	- 577	- 500	- 13,372	- -	- 275	- -	- 73,906
Administrative fee to TSNE	- 34,588	- 13,660	- 23,493	- 5,901	- 7,674	- 4,853	- 70,168	- 3,969	- 9,629	- 964	- 1,102,792
Total expenses	380,464	139,489	191,304	71,470	96,242	45,297	571,369	43,662	89,862	10,711	13,259,681
Change in net assets	150,166	(9,902)	(4,711)	2,152	7,983	4,428	(7,570)	1,704	(14,860)	(52,928)	1,096,850
Net assets, beginning	(2,783)	82,077	19,383	(1,937)	3,493	14,959	8,336	10,133	51,486	70,186	5,381,951
Net assets, ending	\$ 147,383	\$ 72,175	\$ 14,672	\$ 215	\$ 11,476	\$ 19,387	\$ 766	\$ 11,837	\$ 36,626	\$ 17,258	\$ 6,478,801

THIRD SECTOR NEW ENGLAND, INC. AND AFFILIATE

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2011

<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:			
Maternal and Child Health Federal Consolidated Programs	93.110		\$ 197
National Family Caregiver Support, Title III, Part E	93.052		30,278
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243		1,708
Special Programs for the Aging Title IV and Title II Discretionary Projects	93.048		15,000
Pass-through program from the Commonwealth of Massachusetts Department of Public Health			
Substance Abuse Prevention and Treatment Block Grant	93.959	INTF2330M04801313078	<u>105,000</u>
Total U.S. Department of Health and Human Services			<u>152,183</u>
U.S. Department of Justice:			
OVW Technical Assistance Initiative	16.526		<u>152,277</u>
U.S. Department of Housing and Urban Development:			
CDBG - Entitlement Grants Cluster			
Community Development Block Grants/Entitlement Grants	14.218		<u>8,617</u>
U.S. Department of Education:			
Pass-through program from the Maryland State Department of Education			
Charter Schools	84.282	522064235	<u>293,518</u>
U.S. Department of Agriculture:			
Sustainable Agriculture Research and Education	10.215		<u>3,859</u>
Total Expenditures of Federal Awards			<u><u>\$ 610,454</u></u>

THIRD SECTOR NEW ENGLAND, INC. AND AFFILIATE

Note to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2011

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Third Sector New England, Inc. and Affiliate and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic consolidated financial statements.

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 consolidated financial statements of Third Sector New England, Inc. and Affiliate (“TSNE”) as of and for the year ended June 30, 2011, and have issued our report thereon dated October 26, 2011. 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

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 above.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether TSNE's consolidated 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 the management, the Board of Directors and 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.

October 26, 2011
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. and Affiliate'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, 2011. 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 on TSNE's compliance with those requirements.

In our opinion, TSNE complied, in all material respects, with the requirements referred to above that could have a direct and material effect on TSNE's major federal program for the year ended June 30, 2011.

Internal Control over Compliance

Management of TSNE is responsible for establishing and maintaining effective internal control over compliance with 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 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, the Board of Directors and 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 Hayman McCann P.C.

October 26, 2011
Boston, Massachusetts

THIRD SECTOR NEW ENGLAND, INC. AND AFFILIATE

Schedule of Findings and Questioned Costs

Year Ended June 30, 2011

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

Name of Federal Program

84.282

Charter Schools

- | | |
|---|-----------|
| 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, 2011

Section 2

Financial Statement Findings

None.

Section 3

Federal Award Findings and Questioned Costs

None.

Section 4

Summary Schedule of Prior Year Findings

None.