

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

Third Sector New England, Inc.

June 30, 2015 and 2014



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

THIRD SECTOR NEW ENGLAND, INC.

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

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Third Sector New England, Inc. ("TSNE"), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TSNE as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Supplemental Schedule of Activities for Fiscal Sponsorship Programs and Services, are presented for purposes of additional analysis and are 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 auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2015 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering TSNE's internal control over financial reporting and compliance.

Mayer Heffman McCann P.C.

November 9, 2015
Boston, Massachusetts

THIRD SECTOR NEW ENGLAND, INC.

Statements of Financial Position

	<i>June 30,</i>	
	<i>2015</i>	<i>2014</i>
Assets		
Cash and cash equivalents	\$ 14,290,590	\$ 16,646,085
Assets limited as to use	701,834	494,037
Accounts and notes receivable, net (allowance for doubtful accounts of \$60,877 and \$57,815 for 2015 and 2014, respectively)	8,121,063	8,821,979
Royalty fees receivable	1,437,745	2,019,122
Prepaid expenses and deposits	115,374	177,343
Investments	19,575,821	13,838,763
Property and equipment, net	21,376,493	20,074,222
Deferred costs, net	<u>606,854</u>	<u>301,705</u>
Total assets	<u>\$ 66,225,774</u>	<u>\$ 62,373,256</u>
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 5,563,205	\$ 4,208,452
Deferred revenue	801,533	517,059
Bond payable	<u>14,290,000</u>	<u>14,600,000</u>
Total liabilities	<u>20,654,738</u>	<u>19,325,511</u>
Net assets:		
Unrestricted net assets	<u>28,448,012</u>	<u>28,220,732</u>
Temporarily restricted:		
Temporarily restricted (TSNE)	137,438	283,049
Temporarily restricted (Fiscal Sponsorship)	<u>16,985,586</u>	<u>14,543,964</u>
Total temporarily restricted net assets	<u>17,123,024</u>	<u>14,827,013</u>
Total net assets	<u>45,571,036</u>	<u>43,047,745</u>
Total liabilities and net assets	<u>\$ 66,225,774</u>	<u>\$ 62,373,256</u>

THIRD SECTOR NEW ENGLAND, INC.

Statements of Activities

Years Ended June 30,

	2015					2014
	TSNE Unrestricted	Fiscal Sponsorship Programs Unrestricted	Total Unrestricted	Temporarily Restricted	Total	Total
Revenue:						
Contributions and grants - fiscal sponsorship programs	\$ -	\$ -	\$ -	\$ 19,825,118	\$ 19,825,118	\$ 19,711,621
Contributions and grants - other	-	-	-	145,660	145,660	38,500
Royalty income	3,122,904	54,084	3,176,988	-	3,176,988	3,398,412
Consulting fees	172,508	1,755,723	1,928,231	-	1,928,231	1,244,893
Contract revenue	1,072,531	6,167,134	7,239,665	-	7,239,665	5,099,870
Interest income	37,070	24,914	61,984	-	61,984	34,793
Publication revenue excluding grant support	3,015	52,505	55,520	-	55,520	42,751
Conference revenue	109,214	1,267,344	1,376,558	-	1,376,558	689,872
Membership dues	-	221,752	221,752	-	221,752	121,125
Rental income	2,648,618	5,850	2,654,468	-	2,654,468	2,779,520
Other income	14,507	264,846	279,353	-	279,353	136,360
Net assets released from restrictions	291,271	17,383,496	17,674,767	(17,674,767)	-	-
Total revenue	7,471,638	27,197,648	34,669,286	2,296,011	36,965,297	33,297,717
Expenses:						
Fiscally sponsored programs	-	24,893,132	24,893,132	-	24,893,132	18,068,519
Fiscal sponsorship services	-	2,304,194	2,304,194	-	2,304,194	1,690,595
Mission effectiveness programs	2,927,081	-	2,927,081	-	2,927,081	2,201,366
NonProfit Center	2,913,758	-	2,913,758	-	2,913,758	2,890,993
Administrative and general	1,140,576	-	1,140,576	-	1,140,576	1,396,744
Total expenses	6,981,415	27,197,326	34,178,741	-	34,178,741	26,248,217
Change in net assets from operations	490,223	322	490,545	2,296,011	2,786,556	7,049,500
Nonoperating:						
Investment income, net of fees	206,545	-	206,545	-	206,545	204,683
Net realized and unrealized gain (loss) on investments	(469,488)	(322)	(469,810)	-	(469,810)	1,623,036
Change in net assets from nonoperating activities	(262,943)	(322)	(263,265)	-	(263,265)	1,827,719
Total changes in net assets	227,280	-	227,280	2,296,011	2,523,291	8,877,219
Net assets, beginning	28,220,732	-	28,220,732	14,827,013	43,047,745	34,170,526
Net assets, ending	\$ 28,448,012	\$ -	\$ 28,448,012	\$ 17,123,024	\$ 45,571,036	\$ 43,047,745

See accompanying notes to the financial statements.

THIRD SECTOR NEW ENGLAND, INC.

Statement of Activities

Year Ended June 30, 2014

	<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>	
Revenue:					
Contributions and grants - fiscal sponsorship programs	\$ -	\$ -	\$ -	\$ 19,711,621	\$ 19,711,621
Contributions and grants - other	-	-	-	38,500	38,500
Royalty income	3,369,789	28,623	3,398,412	-	3,398,412
Consulting fees	171,678	1,073,215	1,244,893	-	1,244,893
Contract revenue	888,198	4,211,672	5,099,870	-	5,099,870
Interest income	18,229	16,564	34,793	-	34,793
Publication revenue excluding grant support	4,251	38,500	42,751	-	42,751
Conference revenue	70,408	619,464	689,872	-	689,872
Membership dues	-	121,125	121,125	-	121,125
Rental income	2,779,520	-	2,779,520	-	2,779,520
Other income	266	136,094	136,360	-	136,360
Net assets released from restrictions	181,203	13,510,397	13,691,600	(13,691,600)	-
	<u>7,483,542</u>	<u>19,755,654</u>	<u>27,239,196</u>	<u>6,058,521</u>	<u>33,297,717</u>
Total revenue					
Expenses:					
Fiscally sponsored programs	-	18,068,519	18,068,519	-	18,068,519
Fiscal sponsorship services	-	1,690,595	1,690,595	-	1,690,595
Mission effectiveness programs	2,201,366	-	2,201,366	-	2,201,366
NonProfit Center	2,890,993	-	2,890,993	-	2,890,993
Administrative and general	1,396,744	-	1,396,744	-	1,396,744
	<u>6,489,103</u>	<u>19,759,114</u>	<u>26,248,217</u>	<u>-</u>	<u>26,248,217</u>
Total expenses					
Change in net assets from operations	<u>994,439</u>	<u>(3,460)</u>	<u>990,979</u>	<u>6,058,521</u>	<u>7,049,500</u>
Nonoperating:					
Investment income, net of fees	204,683	-	204,683	-	204,683
Net realized and unrealized gain on investments	1,619,576	3,460	1,623,036	-	1,623,036
	<u>1,824,259</u>	<u>3,460</u>	<u>1,827,719</u>	<u>-</u>	<u>1,827,719</u>
Change in net assets from nonoperating activities					
Total changes in net assets	<u>2,818,698</u>	<u>-</u>	<u>2,818,698</u>	<u>6,058,521</u>	<u>8,877,219</u>
Net assets, beginning	25,402,034	-	25,402,034	8,768,492	34,170,526
Net assets, ending	<u>\$ 28,220,732</u>	<u>\$ -</u>	<u>\$ 28,220,732</u>	<u>\$ 14,827,013</u>	<u>\$ 43,047,745</u>

See accompanying notes to the financial statements.

THIRD SECTOR NEW ENGLAND, INC.

Statements of Functional Expenses

Years Ended June 30,

	<i>2015</i>					<i>2014</i>	
	<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 Expenses</i>	<i>Total Expenses</i>
Salaries and wages	\$ 9,767,296	\$ 1,285,222	\$ 1,074,911	\$ 107,474	\$ 799,727	\$ 13,034,630	\$ 10,527,924
Grants, awards and contributions	1,889,730	-	249,900	-	250	2,139,880	1,289,193
Professional fees	5,833,754	27,920	1,002,018	57,145	169,009	7,089,846	4,915,683
Employee benefits	2,601,237	394,844	321,130	33,317	186,014	3,536,542	2,853,098
Occupancy	608,663	-	-	-	8,957	617,620	397,589
Supplies	487,357	507	4,547	2,532	47,610	542,553	349,694
Travel	1,174,372	11,533	34,878	-	7,306	1,228,089	874,899
Printing	192,141	-	19,755	584	15,326	227,806	184,066
Conference expense	1,470,057	4,293	43,115	29,866	21,738	1,569,069	971,568
Contract expense	29,677	255,249	975	-	(251,569)	34,332	62,185
Other expense	373,850	56,622	158,541	3,809	(64,158)	528,664	351,458
Telephone/communications expense	198,472	3,428	4,323	10,987	19,508	236,718	216,877
Training	75,911	2,353	12,965	-	1,197	92,426	61,850
Depreciation and amortization	4,778	-	-	956,686	20,474	981,938	989,433
Equipment	107,284	36,839	-	11,086	30,461	185,670	108,965
Accounting and legal expense	42,154	144,088	23	-	84,576	270,841	248,815
Insurance expense	22,007	81,296	-	38,334	35,700	177,337	153,068
Facility expenses	-	-	-	1,048,095	8,450	1,056,545	1,055,546
Debt service	14,392	-	-	613,843	-	628,235	636,306
Total expenses	\$ 24,893,132	\$ 2,304,194	\$ 2,927,081	\$ 2,913,758	\$ 1,140,576	\$ 34,178,741	\$ 26,248,217

See accompanying notes to the financial statements.

THIRD SECTOR NEW ENGLAND, INC.

Statement of Functional Expenses

Year Ended June 30, 2014

	<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 Expenses</i>
Salaries and wages	\$ 7,697,400	\$ 1,031,659	\$ 859,059	\$ 78,727	\$ 861,079	\$ 10,527,924
Grants, awards and contributions	1,089,443	-	199,500	-	250	1,289,193
Professional fees	4,057,433	29,218	691,503	56,361	81,168	4,915,683
Employee benefits	2,022,209	318,720	257,023	24,405	230,741	2,853,098
Occupancy	397,589	-	-	-	-	397,589
Supplies	276,574	3,043	1,568	3,312	65,197	349,694
Travel	822,353	3,977	41,516	35	7,018	874,899
Printing	153,683	89	16,495	-	13,799	184,066
Conference expense	928,490	2,511	18,752	4,215	17,600	971,568
Contract expense	55,939	100,180	-	-	(93,934)	62,185
Other expense	210,407	63,891	106,398	5,987	(35,225)	351,458
Telephone/communications expense	178,078	997	2,632	11,245	23,925	216,877
Training	48,719	2,789	6,918	-	3,424	61,850
Depreciation and amortization	4,777	-	-	964,991	19,665	989,433
Equipment	54,415	15,620	-	14,541	24,389	108,965
Accounting and legal expense	31,117	117,901	2	3,300	96,495	248,815
Insurance expense	26,576	-	-	45,339	81,153	153,068
Facility expenses	-	-	-	1,055,546	-	1,055,546
Debt service	13,317	-	-	622,989	-	636,306
	<u>13,317</u>	<u>-</u>	<u>-</u>	<u>622,989</u>	<u>-</u>	<u>636,306</u>
Total expenses	\$ <u>18,068,519</u>	\$ <u>1,690,595</u>	\$ <u>2,201,366</u>	\$ <u>2,890,993</u>	\$ <u>1,396,744</u>	\$ <u>26,248,217</u>

See accompanying notes to the financial statements.

THIRD SECTOR NEW ENGLAND, INC.

Statements of Cash Flows

	<i>Years Ended June 30,</i>	
	2015	2014
Cash flows from operating activities:		
Change in net assets	\$ <u>2,523,291</u>	\$ <u>8,877,219</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	993,731	1,001,226
Net realized and unrealized (gain) loss on investments	469,810	(1,623,036)
Change in:		
Accounts receivable	700,916	(5,553,915)
Royalty fees receivable	581,377	(333,847)
Prepaid expenses and deposits	61,969	(44,738)
Accounts payable and accrued expenses	1,354,753	672,067
Deferred revenue	284,474	310,227
Total adjustments	<u>4,447,030</u>	<u>(5,572,016)</u>
Net cash provided by operating activities	<u>6,970,321</u>	<u>3,305,203</u>
Cash flows from investing activities:		
Proceeds from sale of investments	1,201,456	3,171,368
Purchase of investments	(7,408,324)	(3,353,339)
Change in assets limited as to use	(207,797)	27,042
Additions to deferred costs	(342,640)	-
Purchase of property and equipment	(2,258,511)	(341,679)
Net cash used in investing activities	<u>(9,015,816)</u>	<u>(496,608)</u>
Cash flows from financing activities:		
Payments on bond payable	(310,000)	(300,000)
Cash used in financing activities	<u>(310,000)</u>	<u>(300,000)</u>
Net increase in cash and cash equivalents	(2,355,495)	2,508,595
Cash and cash equivalents, beginning	<u>16,646,085</u>	<u>14,137,490</u>
Cash and cash equivalents, ending	\$ <u>14,290,590</u>	\$ <u>16,646,085</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 20 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 may be 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:

- *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.

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)

- *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, 2015.

Operations

The statements of activities include both operating and nonoperating activities. Revenues and expenses incurred in conducting the programs and services of TSNE are presented in the financial statements as operating activities. Investment income and realized and unrealized gains and losses on investments are presented in the financial statements as nonoperating activities.

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 \$12,849,416 and \$9,114,679 for the years ended June 30, 2015 and 2014, 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).

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.

Royalty Income

TSNE owns certain intellectual property rights that it licensed to two pharmaceutical companies. The royalty income resulting from these licensing agreements is shared among individual inventors, the Commonwealth of Massachusetts and TSNE.

THIRD SECTOR NEW ENGLAND, INC.

Notes to Financial Statements

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

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.

Deferred Leasing Costs

TSNE incurs leasing commissions associated with the successful negotiation of certain leases, including legal and other costs. The costs are capitalized and amortized on a straight-line method over the period of the respective leases. These costs are included in deferred costs, net on the statements of financial position.

Deferred Bond Issuance Costs

TSNE incurred certain costs related to the issuance of debt, which are being amortized on the straight-line basis over the term of the bonds. These costs are included in deferred costs, net on the statements of financial position.

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.

THIRD SECTOR NEW ENGLAND, INC.

Notes to Financial Statements

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

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 \$432,431 and \$546,150 of fundraising expenses for the years ended June 30, 2015 and 2014, 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.

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.

THIRD SECTOR NEW ENGLAND, INC.

Notes to Financial Statements

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

Uncertain Tax Positions (Continued)

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, 2015 and 2014 was \$44,614 and \$7,068, respectively.

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America ("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 notes receivable, useful lives of depreciable assets, allowable costs charged to cost reimbursement contracts, self insurance liabilities 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. At June 30, 2015 and 2014, TSNE does not have any investments valued at net asset value. The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted or quoted prices for identical assets and liabilities in active markets that TSNE has the ability to access. Instruments which are generally included in this category include listed equity and debt securities publicly traded on a stock exchange.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in inactive markets; inputs other than quoted market prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability. 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.

THIRD SECTOR NEW ENGLAND, INC.

Notes to Financial Statements

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

Fair Value Measurements (Continued)

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. 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. The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs to minimize the use of unobservable inputs.

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.

Reclassifications

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 \$701,834 and \$494,037 as of June 30, 2015 and 2014, respectively. The funds are invested in certificates of deposit. The microloan collateral funds are amounts pledged as collateral against loans made by three banks to New England farmers as part of the fiscally sponsored Carrot Project.

THIRD SECTOR NEW ENGLAND, INC.

Notes to Financial Statements

Note 3 - Accounts and Notes Receivable

Accounts and notes receivable consisted of the following for the years ended June 30:

	<i>2015</i>	<i>2014</i>
Grants and contracts receivable:		
Due in one year or less	\$ 6,630,384	\$ 6,772,924
Between one year and five years	<u>922,174</u>	<u>1,573,910</u>
	7,552,558	8,346,834
Notes receivable	604,800	500,000
Other receivables	24,582	32,960
Less: allowance for doubtful accounts	<u>(60,877)</u>	<u>(57,815)</u>
Accounts and notes receivable, net	<u>\$ 8,121,063</u>	<u>\$ 8,821,979</u>

At June 30, 2015 and 2014, all financing receivables are current.

Note 4 - Investment Income

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

	<i>2015</i>	<i>2014</i>
Unrealized gain (loss) on investments	\$ (763,611)	\$ 1,257,605
Realized gain on investments	<u>293,801</u>	<u>365,431</u>
Total gain (loss)	(469,810)	1,623,036
Interest and dividend income	<u>206,545</u>	<u>204,683</u>
Total investment income	<u>\$ (263,265)</u>	<u>\$ 1,827,719</u>

THIRD SECTOR NEW ENGLAND, INC.

Notes to Financial Statements

Note 5 - Fair Values of Financial Instruments

The following table represents TSNE's financial assets at June 30, 2015 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	\$ 4,005,869	\$ 4,005,869	\$ -	\$ -
Corporate bonds	1,910,701	-	1,910,701	-
Common stock - domestic	11,523,285	11,523,285	-	-
Common stock - foreign	1,467,347	1,467,347	-	-
Fixed income mutual funds - domestic	143,525	143,525	-	-
Fixed income mutual funds - foreign	489,878	489,878	-	-
Other	35,216	35,216	-	-
	<u>4,005,869</u>	<u>17,665,120</u>	<u>1,910,701</u>	<u>-</u>
Total assets at fair value	\$ <u>19,575,821</u>	\$ <u>17,665,120</u>	\$ <u>1,910,701</u>	\$ <u>-</u>

The following table represents TSNE's financial assets at June 30, 2014 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	\$ 2,831,203	\$ 2,831,203	\$ -	\$ -
Corporate bonds	1,639,982	-	1,639,982	-
Common stock - domestic	7,446,434	7,446,434	-	-
Common stock - foreign	1,139,640	1,139,640	-	-
Fixed income mutual funds - domestic	249,245	249,245	-	-
Fixed income mutual funds - foreign	409,339	409,339	-	-
Other	122,920	122,920	-	-
	<u>2,831,203</u>	<u>12,198,781</u>	<u>1,639,982</u>	<u>-</u>
Total assets at fair value	\$ <u>13,838,763</u>	\$ <u>12,198,781</u>	\$ <u>1,639,982</u>	\$ <u>-</u>

THIRD SECTOR NEW ENGLAND, INC.

Notes to Financial Statements

Note 6 - Property and Equipment

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

	2015	2014
Land	\$ 6,178,688	\$ 5,574,238
Building	9,939,539	9,559,539
Building improvements	13,552,744	12,324,152
Furnishings and equipment	292,926	250,622
Software	462,168	462,168
Construction in progress	3,165	-
	30,429,230	28,170,719
Less accumulated depreciation and amortization	(9,052,737)	(8,096,497)
Property and equipment, net	\$ 21,376,493	\$ 20,074,222

Depreciation expense was \$956,240 and \$989,433 for the years ended June 30, 2015 and 2014, respectively.

Note 7 - Deferred Costs, Net

Deferred costs, net consisted of the following at June 30:

	2015	2014
Bond issuance costs	\$ 353,791	\$ 353,791
Leasing costs	342,640	-
	696,431	353,791
Less accumulated amortization	(89,577)	(52,086)
Deferred costs, net	\$ 606,854	\$ 301,705

Amortization of deferred bond issuance costs was \$11,793 for the years ended June 30, 2015 and 2014. Amortization of deferred leasing costs was \$25,698 for the year ended June 30, 2015.

THIRD SECTOR NEW ENGLAND, INC.

Notes to Financial Statements

Note 8 - Bond Payable

The bond payable consists of a Massachusetts Development Finance Agency 2010 Series A Revenue Bond which is a variable instrument 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 outstanding principal of the bond was \$14,290,000 and \$14,600,000 as of June 30, 2015 and 2014, respectively. The bond is subject to certain financial and operating covenants which TSNE is in compliance with as of June 30, 2015.

Maturities of bond payable are as follows:

2016	\$	360,000
2017		360,000
2018		360,000
2019		375,000
2020		420,000
Thereafter		<u>12,415,000</u>
	\$	<u><u>14,290,000</u></u>

Interest expense and fees related to the bond payable amounted to \$602,050 and \$611,196 for the years ended June 30, 2015 and 2014, respectively.

Note 9 - 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, 2015 and 2014, TSNE has accrued \$31,960 for estimated claims incurred but not paid at the balance sheet date.

Note 10 - Operating Leases

TSNE occupies office space and leases office equipment under various leases and tenant-at-will agreements through August 2020. Total rent expense under these agreements was \$566,868 and \$375,869 for the years ended June 30, 2015 and 2014, respectively.

THIRD SECTOR NEW ENGLAND, INC.

Notes to Financial Statements

Note 10 - Operating Leases (Continued)

The following is the schedule of approximate future minimum lease payments for the above leases as of June 30:

2016	\$	366,964
2017		256,721
2018		145,137
2019		132,009
2020		136,548
Thereafter		<u>23,073</u>
	\$	<u><u>1,060,452</u></u>

Note 11 - 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 10% of total compensation for plan participants. During the years ended June 30, 2015 and 2014, contributions incurred under the plan were \$474,535 and \$396,721, respectively.

Note 12 - Rental Income

TSNE rents certain office space in the building which it owns to various organizations through September 2025. 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, 2015 and 2014 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, 2015 and 2014 was \$2,654,468 and \$2,779,520, respectively.

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

2016	\$	2,394,901
2017		1,954,673
2018		1,804,613
2019		1,552,818
2020		919,609
Thereafter		<u>3,944,738</u>
	\$	<u><u>12,571,352</u></u>

THIRD SECTOR NEW ENGLAND, INC.

Notes to Financial Statements

Note 13 - Net Assets

Net assets are comprised of the following at June 30, 2015 and 2014:

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.

Releases from temporarily restricted net assets represent expenses incurred for the operation of Fiscal Sponsorship programs.

Note 14 - Subsequent Events

TSNE has evaluated subsequent events through November 9, 2015, the date the financial statements were authorized to be issued. There were no subsequent events through this period.

Note 15 - Concentrations of Credit Risk

As of June 30, 2015 and 2014, 10% and 31%, respectively, of gross accounts receivable consisted of grants from one grantor. For the years ended June 30, 2015 and 2014, this grantor made up approximately 6% and 13%, respectively, of grants revenue.

Supplemental Information

THIRD SECTOR NEW ENGLAND, INC.

Supplemental Schedule of Activities for Fiscal Sponsorship Programs and Services

Year Ended June 30, 2015

	Active Living By Design	ADA Developers Academy	Anansi Health	Blue Butterfly Collaborative	Boston Collaborative for Food and Fitness	The BUILD Initiative	Campaign for a Commercial-Free Childhood	The Carrot Project	Center for Public Health Quality
Revenue:									
Federal grants and contracts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 613,143	\$ -	\$ 9,815	\$ 312,799
State and local grants and contracts	-	169,167	19,868	-	63,454	420,404	-	9,840	56,319
Foundation and corporate grants and contracts	965,570	66,250	252,371	301,160	225,030	2,986,006	412,389	227,275	998,389
Contributions	-	181,085	-	500	-	450	360,641	57,906	1,000
Consultant fees	378,280	-	-	18,900	-	203,466	-	4,429	1,280
Publication and advertising revenue	-	-	-	-	-	-	-	-	-
Membership dues and fees	-	-	21,841	-	7,500	331,890	-	-	-
Interest earned	-	-	-	-	-	-	-	20,534	-
Other revenue	7,495	708	-	-	-	7,142	4,195	81	14,425
Total revenue	1,351,345	417,210	294,080	320,560	295,984	4,562,501	777,225	329,880	1,384,212
Expenses:									
Personnel (salaries and benefits)	1,155,039	145,162	-	26,222	67,927	963,452	296,626	242,580	335,129
Grants, awards, contributions	70,000	-	-	-	-	299,125	-	-	27,000
Professional and contract expense	37,105	6,442	157,929	68,687	136,093	1,589,620	93,399	40,851	191,007
Equipment/rental/maintenance	7,057	4,971	-	-	-	-	-	205	4,658
Postage and supplies	11,906	2,810	-	807	710	9,507	7,066	1,840	3,278
Telephone/communications/internet	10,966	661	-	699	656	39,831	2,880	4,782	5,269
Printing and publications	12,743	-	-	142	1,985	11,733	6,783	830	918
Occupancy	104,131	1,335	-	-	188	-	26,927	4,200	-
Travel and meeting expenses	80,260	7,601	705	22,437	15,144	1,089,309	46,115	26,485	32,061
Other expenses	3,166	349	160	1,239	4,035	1,034	9,828	25,477	4,250
Administrative fee to TSNE	145,038	16,933	11,155	16,833	29,692	263,769	53,233	48,615	57,436
Total expenses	1,637,411	186,264	169,949	137,066	256,430	4,267,380	542,857	395,865	661,006
Change in net assets	(286,066)	230,946	124,131	183,494	39,554	295,121	234,368	(65,985)	723,206
Net assets, beginning	3,057,122	-	-	9,105	150,660	1,473,043	298,136	100,110	-
Net assets, ending	\$ 2,771,056	\$ 230,946	\$ 124,131	\$ 192,599	\$ 190,214	\$ 1,768,164	\$ 532,504	\$ 34,125	\$ 723,206

THIRD SECTOR NEW ENGLAND, INC.

Supplemental Schedule of Activities for Fiscal Sponsorship Programs and Services (Continued)

Year Ended June 30, 2015

	<i>Center to Support Immigrant Organizing</i>	<i>Commonwealth Seminar</i>	<i>Community Boat Building</i>	<i>Community Votes</i>	<i>CT Health Disparities Project</i>	<i>CT Network to Abolish the Death Penalty</i>	<i>The Connecticut School Finance Project</i>	<i>Design Studio for Social Intervention</i>	<i>Early Childhood Funders Collaborative</i>
Revenue:									
Federal grants and contracts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State and local grants and contracts	-	-	27,060	-	-	-	-	-	-
Foundation and corporate grants and contracts	52,500	75,000	130,605	60,921	-	5,365	530,000	140,870	64,338
Contributions	3,050	-	48,090	-	-	5,248	-	5,000	-
Consultant fees	36,398	-	-	4,030	-	-	-	366,095	12,000
Publication and advertising revenue	-	-	-	-	-	-	-	-	-
Membership dues and fees	350	340	10,766	-	-	-	-	2,423	116,000
Interest earned	-	-	-	-	-	-	-	-	-
Other revenue	7,224	-	239,930	-	-	-	-	29,490	-
Total revenue	99,522	75,340	456,451	64,951	-	10,613	530,000	543,878	192,338
Expenses:									
Personnel (salaries and benefits)	154,561	39,839	99,522	16,246	-	-	27,557	196,430	50,401
Grants, awards, contributions	-	-	-	-	-	-	-	-	445,000
Professional and contract expense	14,430	625	6,384	305	22,500	7	4,451	100,805	51,415
Equipment/rental/maintenance	-	-	7,588	-	-	-	5,309	-	-
Postage and supplies	292	724	12,392	104	-	2,161	756	32,461	203
Telephone/communications/internet	-	493	1,890	-	-	1,230	493	3,433	839
Printing and publications	-	-	518	-	-	230	269	2,857	419
Occupancy	12,000	-	43,904	-	-	-	-	23,621	-
Travel and meeting expenses	8,270	2,432	7,610	120	-	896	1,411	21,520	77,291
Other expenses	1,255	-	246,868	-	-	400	365	2,500	12
Administrative fee to TSNE	26,538	4,411	26,201	2,349	4,000	986	4,061	38,438	20,702
Total expenses	217,346	48,524	452,877	19,124	26,500	5,910	44,672	422,065	646,282
Change in net assets	(117,824)	26,816	3,574	45,827	(26,500)	4,703	485,328	121,813	(453,944)
Net assets, beginning	218,870	62,844	13,201	-	26,500	2,819	-	87,084	599,639
Net assets, ending	\$ 101,046	\$ 89,660	\$ 16,775	\$ 45,827	\$ -	\$ 7,522	\$ 485,328	\$ 208,897	\$ 145,695

THIRD SECTOR NEW ENGLAND, INC.

Supplemental Schedule of Activities for Fiscal Sponsorship Programs and Services (Continued)

Year Ended June 30, 2015

	<i>Early Childhood Philanthropist Group</i>	<i>First Teacher</i>	<i>FRESH New London</i>	<i>Future Chefs</i>	<i>Gardening the Community</i>	<i>Hispanic Black Gay Coalition</i>	<i>ISED Solutions</i>	<i>MadSci Network</i>	<i>Massachusetts Worker Education Roundtable</i>
Revenue:									
Federal grants and contracts	\$ -	\$ -	\$ 20,000	\$ -	\$ 18,818	\$ 44,502	\$ 73,085	\$ -	\$ -
State and local grants and contracts	-	-	7,295	48,101	46,862	14,862	-	-	-
Foundation and corporate grants and contracts	155,000	10,000	128,590	737,984	207,395	85,205	-	-	25
Contributions	35,000	200	25,408	88,244	27,820	3,335	-	-	-
Consultant fees	-	-	-	-	-	2,240	-	-	-
Publication and advertising revenue	-	-	-	-	-	-	-	-	-
Membership dues and fees	-	-	4,527	-	38,940	25,640	-	-	-
Interest earned	-	-	-	-	-	-	-	-	-
Other revenue	-	-	-	2,512	1,389	10,016	-	-	-
Total revenue	190,000	10,200	185,820	876,841	341,224	185,800	73,085	-	25
Expenses:									
Personnel (salaries and benefits)	9,977	-	126,101	462,133	162,686	93,003	78,835	-	-
Grants, awards, contributions	-	-	-	-	-	-	7,821	-	-
Professional and contract expense	101,098	-	16,455	42,566	49,824	16,068	4,390	-	1
Equipment/rental/maintenance	-	-	1,169	1,887	3,261	450	-	-	-
Postage and supplies	32	-	3,378	21,774	9,584	4,037	5,638	-	-
Telephone/communications/internet	-	-	4,094	1,540	3,168	2,005	1,172	-	-
Printing and publications	-	-	-	525	1,970	2,544	-	-	-
Occupancy	-	-	8,241	49,643	9,995	1,000	-	-	-
Travel and meeting expenses	1,261	-	2,725	10,261	5,160	18,695	13,440	-	-
Other expenses	-	-	4,570	8,682	33,305	3,482	700	-	-
Administrative fee to TSNE	11,237	-	16,673	71,881	39,079	19,805	12,912	1,000	546
Total expenses	123,605	-	183,406	670,892	318,032	161,089	124,908	1,000	547
Change in net assets	66,395	10,200	2,414	205,949	23,192	24,711	(51,823)	(1,000)	(522)
Net assets, beginning	-	-	18,271	325,542	185,154	25,000	155,100	78,334	522
Net assets, ending	\$ 66,395	\$ 10,200	\$ 20,685	\$ 531,491	\$ 208,346	\$ 49,711	\$ 103,277	\$ 77,334	\$ -

THIRD SECTOR NEW ENGLAND, INC.

Supplemental Schedule of Activities for Fiscal Sponsorship Programs and Services (Continued)

Year Ended June 30, 2015

	Mass Organization for Addiction Recovery	MA Voter Table	Matahari - Eye of the day	MEDICAL-LEGAL PARTNERSHIP Boston	Mina's List	MissionSAFE	My Sister's Keeper	National Network of Fiscal Sponsors	Neighbors United for a Better East Boston
Revenue:									
Federal grants and contracts	\$ 57,836	\$ -	\$ -	\$ -	\$ -	\$ 4,500	\$ -	\$ -	\$ -
State and local grants and contracts	456,048	-	39,074	528,434	-	132,045	2,250	-	-
Foundation and corporate grants and contracts	3,584	93,000	46,005	40,925	38,906	226,000	4,150	-	145,234
Contributions	2,015	-	975	17,550	59,330	63,295	2,095	-	2,821
Consultant fees	28,532	-	1,000	65,910	-	-	-	-	-
Publication and advertising revenue	-	-	-	-	-	-	-	-	-
Membership dues and fees	43,379	-	146	2,000	1,458	193,177	-	45,954	335
Interest earned	-	-	-	-	-	-	-	-	-
Other revenue	3,600	983	570	2,925	5,000	29,000	-	(16,222)	(3,200)
Total revenue	594,994	93,983	87,770	657,744	104,694	648,017	8,495	29,732	145,190
Expenses:									
Personnel (salaries and benefits)	320,625	103,165	110,354	430,331	35,729	288,003	2,148	19,276	43,101
Grants, awards, contributions	-	12,781	-	-	-	-	-	-	10,000
Professional and contract expense	42,920	39,245	915	88,499	22,106	133,286	-	2,029	10,209
Equipment/rental/maintenance	2,592	-	-	3,896	-	3,312	-	-	-
Postage and supplies	36,256	970	-	7,958	907	13,770	-	-	843
Telephone/communications/internet	9,404	16	-	1,580	348	9,368	3,080	259	190
Printing and publications	21,322	12,481	-	1,741	72	2,925	-	-	270
Occupancy	13,782	4,550	4,750	-	-	15,750	-	-	800
Travel and meeting expenses	45,775	1,262	2,039	21,380	25,919	66,370	399	4,873	4,523
Other expenses	6,006	80	1,050	4,535	150	14,315	(233)	-	1,375
Administrative fee to TSNE	69,816	20,946	16,675	63,139	11,932	64,008	753	-	4,292
Total expenses	568,498	195,496	135,783	623,059	97,163	611,107	6,147	26,437	75,603
Change in net assets	26,496	(101,513)	(48,013)	34,685	7,531	36,910	2,348	3,295	69,587
Net assets, beginning	18,633	176,468	116,055	90,799	-	85,457	18,633	62,346	-
Net assets, ending	\$ 45,129	\$ 74,955	\$ 68,042	\$ 125,484	\$ 7,531	\$ 122,367	\$ 20,981	\$ 65,641	\$ 69,587

THIRD SECTOR NEW ENGLAND, INC.

Supplemental Schedule of Activities for Fiscal Sponsorship Programs and Services (Continued)

Year Ended June 30, 2015

	<i>New Entry Sustainable Farming Project</i>	<i>Nonprofit Centers Network</i>	<i>Northeast Regional Ocean Council</i>	<i>Opportunities Exchange</i>	<i>Project Citizenship</i>	<i>Real Food Generation or Real Food Challenge</i>	<i>Resource Generation</i>	<i>Rhode Island Land Trust Council</i>	<i>RI Food Policy Council</i>
Revenue:									
Federal grants and contracts	\$ 50,749	\$ -	\$ 139,372	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State and local grants and contracts	-	-	-	-	3,000	49,835	-	6,000	82,000
Foundation and corporate grants and contracts	400,870	78,000	1,474,395	525,000	254,420	605,760	421,280	97,950	270,720
Contributions	301	19,875	-	-	7,460	43,482	513,926	10,625	460
Consultant fees	3,971	61,320	-	343,831	-	5,990	-	-	-
Publication and advertising revenue	-	745	-	-	-	-	2,048	-	-
Membership dues and fees	87,507	138,581	-	126,725	300	14,455	245,932	15,559	-
Interest earned	-	-	2,555	-	-	-	-	-	-
Other revenue	877	7,386	-	8,248	-	550	(18,905)	10,460	801
Total revenue	544,275	305,907	1,616,322	1,003,804	265,180	720,072	1,164,281	140,594	353,981
Expenses:									
Personnel (salaries and benefits)	71,652	313,131	379,526	146,623	181,502	463,692	696,438	90,948	45,870
Grants, awards, contributions	9,210	-	-	-	-	-	-	-	-
Professional and contract expense	8,428	22,704	871,004	280,093	19	74,553	90,537	15,464	62,294
Equipment/rental/maintenance	15,325	6,000	-	-	-	1,548	-	-	-
Postage and supplies	33,646	1,305	463	3,391	-	6,073	18,553	5,188	255
Telephone/communications/internet	1,791	7,234	10,886	1,245	-	1,714	9,087	918	349
Printing and publications	95	1,997	462	3,977	-	2,761	1,206	-	1,061
Occupancy	4,946	21,360	-	14,616	-	3,000	74,250	3,300	-
Travel and meeting expenses	6,971	34,263	21,599	222,946	-	67,289	156,558	1,096	7,576
Other expenses	472	5,681	-	-	-	3,019	18,024	7,093	25
Administrative fee to TSNE	15,251	24,611	76,307	70,558	21,783	68,601	106,422	13,692	15,775
Total expenses	167,787	438,286	1,360,247	743,449	203,304	692,250	1,171,075	137,699	133,205
Change in net assets	376,488	(132,379)	256,075	260,355	61,876	27,822	(6,794)	2,895	220,776
Net assets, beginning	-	402,223	995,791	141,924	-	313,939	700,473	150,452	101,457
Net assets, ending	\$ 376,488	\$ 269,844	\$ 1,251,866	\$ 402,279	\$ 61,876	\$ 341,761	\$ 693,679	\$ 153,347	\$ 322,233

THIRD SECTOR NEW ENGLAND, INC.

Supplemental Schedule of Activities for Fiscal Sponsorship Programs and Services (Continued)

Year Ended June 30, 2015

	Safe Havens	SeaPlan	Sustainability Guild International	Tools of the Mind	Trust for Learning	Tutors for All	Union & Fifth	Voices From Inside	Wells Center
Revenue:									
Federal grants and contracts	\$ 162,307	\$ 109,526	\$ -	\$ 20,829	\$ -	\$ -	\$ -	\$ -	\$ -
State and local grants and contracts	-	-	21,068	2,503,134	-	265,107	-	1,480	-
Foundation and corporate grants and contracts	98,425	-	18,500	520,000	506,100	4,490	-	22,079	-
Contributions	15,618	-	1,000	100	289,227	28,799	900,651	8,339	4,340
Consultant fees	4,265	116,341	-	10,327	-	-	-	3,200	-
Publication and advertising revenue	-	-	-	49,644	-	-	-	68	-
Membership dues and fees	-	-	-	-	42,344	2,570	26,895	579	25
Interest earned	-	1,412	-	-	-	-	-	-	-
Other revenue	642	-	680	47,878	(3,000)	-	10,000	-	-
Total revenue	281,257	227,279	41,248	3,151,912	834,671	300,966	937,546	35,745	4,365
Expenses:									
Personnel (salaries and benefits)	214,472	876,522	19,143	1,862,673	144,969	180,430	358,697	34,245	-
Grants, awards, contributions	-	-	-	-	308,985	-	19,974	-	-
Professional and contract expense	18,543	109,088	2,255	111,805	74,352	37,375	252,740	1,201	2,519
Equipment/rental/maintenance	-	11,984	-	5,233	-	-	20,839	-	-
Postage and supplies	2,796	8,711	1,333	145,158	484	6,034	55,753	3,536	-
Telephone/communications/internet	3,051	22,129	-	17,404	1,330	67	7,097	638	-
Printing and publications	2,970	3,062	-	65,159	-	596	19,071	2,422	-
Occupancy	18,700	40,837	239	28,031	-	15,646	49,723	-	-
Travel and meeting expenses	18,233	24,137	25	310,476	47,816	11,810	23,119	8,608	-
Other expenses	1,135	2,033	-	31,395	-	1,815	39,002	522	-
Administrative fee to TSNE	33,952	104,131	2,470	257,735	34,607	38,066	90,783	5,117	353
Total expenses	313,852	1,202,634	25,465	2,835,069	612,543	291,839	936,798	56,289	2,872
Change in net assets	(32,595)	(975,355)	15,783	316,843	222,128	9,127	748	(20,544)	1,493
Net assets, beginning	52,305	2,027,642	1,373	1,133,760	102,099	-	-	25,762	-
Net assets, ending	\$ 19,710	\$ 1,052,287	\$ 17,156	\$ 1,450,603	\$ 324,227	\$ 9,127	\$ 748	\$ 5,218	\$ 1,493

THIRD SECTOR NEW ENGLAND, INC.

Supplemental Schedule of Activities for Fiscal Sponsorship Programs and Services (Continued)

Year Ended June 30, 2015

	<i>Workers Justice Group</i>	<i>The Workforce Solutions Group</i>	<i>Yoga Hope</i>	<i>Youth Hub</i>	<i>Other</i>	<i>Total</i>
Revenue:						
Federal grants and contracts	\$ -	\$ -	\$ -	\$ -	\$ -	1,637,281
State and local grants and contracts	-	-	-	-	-	4,972,707
Foundation and corporate grants and contracts	157,003	167,230	34,050	39,500	905,411	16,017,225
Contributions	-	-	2,476	-	246,005	3,083,742
Consultant fees	33,547	-	43,497	5,000	1,875	1,755,724
Publication and advertising revenue	-	-	-	-	-	52,505
Membership dues and fees	-	28,165	70,222	-	1,000	1,647,525
Interest earned	-	-	-	-	412	24,913
Other revenue	-	176	10,513	19,543	4,214	447,326
Total revenue	190,550	195,571	160,758	64,043	1,158,917	29,638,948
Expenses:						
Personnel (salaries and benefits)	38,873	-	116,725	30,242	-	12,368,533
Grants, awards, contributions	-	-	-	-	679,834	1,889,730
Professional and contract expense	875	181,640	2,523	3,899	590,008	5,905,585
Equipment/rental/maintenance	-	-	-	-	-	107,284
Postage and supplies	-	604	1,428	482	-	487,357
Telephone/communications/internet	-	903	2,283	-	-	198,472
Printing and publications	-	1,218	2,807	-	-	192,141
Occupancy	2,000	-	4,800	2,398	-	608,663
Travel and meeting expenses	-	1,846	7,521	231	8,560	2,644,429
Other expenses	-	400	1,367	-	-	490,938
Administrative fee to TSNE	5,845	5,834	16,823	2,602	97,792	2,304,194
Total expenses	47,593	192,445	156,277	39,854	1,376,194	27,197,326
Change in net assets	142,957	3,126	4,481	24,189	(217,277)	2,441,622
Net assets, beginning	-	99,616	36,013	-	803,688	14,543,964
Net assets, ending	\$ 142,957	\$ 102,742	\$ 40,494	\$ 24,189	\$ 586,411	\$ 16,985,586

THIRD SECTOR NEW ENGLAND, INC.

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2015

<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 Direct Program:			
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243		\$ <u>49,101</u>
Total U.S. Department of Health and Human Services Direct Programs			<u>49,101</u>
U.S. Department of Health and Human Services Pass-Through Programs:			
CCDF Cluster:			
Child Care and Development Block Grant			
Passed-through Bright from the Start-GA Dept of Early Care & Learning	93.575	46900-621-V13TSN020	181,470
Maternal and Child Health Federal Consolidated Program			
Passed-through Association of Maternal & Child Health Programs	93.110	U01MC00001	33,323
Passed-through The University of North Carolina at Chapel Hill	93.110	HRSA-13265	33,792
Substance Abuse and Mental Health Services_Projects of Regional and National Significance			
Passed-through Parent/Professional Advocacy League	93.243	SM-14-023	6,612
Centers for Disease Control and Prevention			
Passed-through Association of Schools and Programs of Public Health	93.283	00002909	75,768
Abandoned Infants			
Passed-through Boston Medical Center	93.551	90CB0186-02-01	12,178
Health Care Innovation Awards (HCIA)			
Passed-through ValueOptions, Incorporated	93.610	1C1CMS331059-03-00	8,494
Community Transformation Grants - Small Communities			
Passed-through Pioneer Valley Planning Commission	93.737	1H75DP004641-01	7,018
Child Health and Human Development Extramural Research			
Passed-through Trustees of the University of Pennsylvania	93.865	5-R01-HD-065436-04	20,829
Substance Abuse Prevention and Treatment Block Grant			
Passed-through the Massachusetts Department of Public Health	93.959	INTF2330M04801313078	23,122
Preventive Health Services_Sexually Transmitted Diseases Control Grants			
Passed-through The Regents of the University of California	93.977	1U62PS004583-01	28,186
Achieving Public Health Impact Through Research			
Passed-through Abt Associates Inc.	93.Unknown	HHSD20002013M5380B	<u>141,725</u>
Total U.S. Department of Health and Human Services Pass-Through Programs			<u>572,517</u>
Total U.S. Department of Health and Human Services			<u>621,618</u>
U.S. Department of Housing & Urban Development Pass-Through Program:			
Community Development Block Grants			
Passed-through City of Boston	14.218	31154-14	<u>1,969</u>
U.S. Department of Commerce Pass-Through Program:			
Coastal Services Center			
Passed-through Gulf of Maine Association	11.473	NA12NOS4730186	<u>206,953</u>
U.S. Department of Justice Direct Program:			
Office on Violence Against Women			
	16.526		<u>163,808</u>
Total U.S. Department of Justice Direct Programs			<u>163,808</u>
U.S. Department of Justice Pass-Through Programs:			
Office on Violence Against Women			
Passed-through Fenway Community Health Center, Inc.	16.016	OVW-2013-3406	<u>44,502</u>
Total U.S. Department of Justice Pass-Through Programs			<u>44,502</u>
Total U.S. Department of Justice			<u>208,310</u>
Balance Forward			\$ <u>1,038,850</u>

THIRD SECTOR NEW ENGLAND, INC.
Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2015

<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>
Balance Forward			\$ <u>1,038,850</u>
U.S. Department of Education Pass-Through Programs:			
Grants for Enhanced Assessment Instruments			
Passed-through Public Schools of North Carolina	84.368A	NC10126823	95,050
Race to the Top - Early Learning Challenge			
Passed-through The Illinois Department of Human Services	84.412	FCSTI03854	22,780
Passed-through State of Washington Department of Early Learning	84.412	14-1131	<u>10,913</u>
Total U.S. Department of Education Pass-Through Programs			<u>128,743</u>
U.S. Department of Agriculture Direct Program:			
Local Food Promotion Program	10.172		<u>13,611</u>
Total U.S. Department of Agriculture Direct Programs			<u>13,611</u>
U.S. Department of Agriculture Pass-Through Programs:			
Department of Agriculture-Agricultural Marketing Service			
Specialty Crop Block Grant Program - Farm Bill	10.170	86213-13982	31,579
Local Food Promotion Program			
Passed-through University of Vermont & State Agricultural College	10.172	00002990	11,804
Sustainable Agriculture Research and Education			
Passed-through University of Vermont & State Agricultural College	10.215	2011-38640-30418	8,074
Passed-through University of Vermont & State Agricultural College	10.215	2014-38640-22161	2,935
Passed-through Community Teamwork, Inc.	10.215	2013-38640-20895	5,113
Passed-through Community Teamwork, Inc.	10.215	2014-38640-22161	14,082
Community Food Projects			
Passed-through Community Teamwork, Inc.	10.225	2014-33800-22325	14,383
Beginning Farmer and Rancher Development Program	10.311	2015-70017-22886	73,085
Farm to School Grant Program			
Passed-through Ledge Light Health District	10.575	CN-FS2-SS-14-CT-01	<u>22,278</u>
Total U.S. Department of Agriculture Pass-Through Programs			<u>183,333</u>
Total U.S. Department of Agriculture			<u>196,944</u>
Corporation for National and Community Service Pass-Through Program:			
Volunteer Generation Fund			
Passed-through Massachusetts Service Alliance	94.021	14VGHMA001	<u>4,500</u>
National Endowment For The Humanities Pass-Through Program:			
Laura Bush 21st Century Librarian Program			
Passed-through Institute of Museum and Library Services	45.313	RE-00-14-0093-14	<u>264,774</u>
Total Expenditures of Federal Awards			\$ <u><u>1,633,811</u></u>

THIRD SECTOR NEW ENGLAND, INC.

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2015

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, 2015. 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, as applicable, the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, or the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* 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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*Independent Auditors' 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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Third Sector New England, Inc. ("TSNE"), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 9, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered TSNE's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of TSNE's internal control. Accordingly, we do not express an opinion on the effectiveness of TSNE's internal control.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether TSNE's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mayer Heffman McCann P.C.

November 9, 2015
Boston, Massachusetts

Reporting Under OMB Circular A-133



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*Independent Auditors' Report on Compliance For Each Major Federal Program
and Report on Internal Control Over Compliance in
Accordance with OMB Circular A-133*

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

Report on Compliance for Each Major Federal Program

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 programs for the year ended June 30, 2015. TSNE's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for TSNE's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 on compliance for the major federal programs. However, our audit does not provide a legal determination of TSNE's compliance.

Opinion on Each Major Federal Program

In our opinion, TSNE complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2015.



Report on Internal Control Over Compliance

Management of TSNE is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered TSNE's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal programs 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Maye Hoffmann McCann P.C.

November 9, 2015
Boston, Massachusetts

THIRD SECTOR NEW ENGLAND, INC.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

Section 1

Summary of Auditors' Results

Financial Statements

- | | |
|--|---------------|
| 1. Type of auditors' report issued: | Unmodified |
| 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 auditors' report issued on compliance for major programs: | Unmodified |
| 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

16.526

Office on Violence Against Women

45.313

Laura Bush 21st Century Librarian Program

- | | |
|---|-----------|
| 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.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

Section 2

Financial Statement Findings

None noted.

Section 3

Federal Award Findings and Questioned Costs

None noted.

Section 4

Summary Schedule of Prior Year Findings

None noted.