

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

Third Sector New England, Inc.

June 30, 2014 and 2013



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, 2014 and 2013, 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, 2014 and 2013, 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 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 October 31, 2014 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 Hoffmann McCann P.C.

October 31, 2014
Boston, Massachusetts

THIRD SECTOR NEW ENGLAND, INC.

Statements of Financial Position

	<i>June 30,</i>	
	<i>2014</i>	<i>2013</i>
Assets		
Cash and cash equivalents	\$ 16,646,085	\$ 14,137,490
Assets limited as to use	494,037	521,079
Accounts and notes receivable, net (allowance for doubtful accounts of \$57,815 for 2014 and 2013)	8,821,979	3,268,064
Royalty fees receivable	2,019,122	1,685,275
Prepaid expenses and deposits	177,343	132,605
Investments	13,838,763	12,033,756
Property and equipment, net	20,074,222	20,721,976
Deferred bond issuance costs, net	<u>301,705</u>	<u>313,498</u>
Total assets	<u>\$ 62,373,256</u>	<u>\$ 52,813,743</u>
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 4,208,452	\$ 3,536,385
Deferred revenue	517,059	206,832
Bond payable	<u>14,600,000</u>	<u>14,900,000</u>
Total liabilities	<u>19,325,511</u>	<u>18,643,217</u>
Net assets:		
Unrestricted net assets	<u>28,220,732</u>	<u>25,402,034</u>
Temporarily restricted:		
Temporarily restricted (TSNE)	283,049	425,756
Temporarily restricted (Fiscal Sponsorship)	<u>14,543,964</u>	<u>8,342,736</u>
Total temporarily restricted net assets	<u>14,827,013</u>	<u>8,768,492</u>
Total net assets	<u>43,047,745</u>	<u>34,170,526</u>
Total liabilities and net assets	<u>\$ 62,373,256</u>	<u>\$ 52,813,743</u>

THIRD SECTOR NEW ENGLAND, INC.

Statements of Activities

Years Ended June 30,

	2014					2013
	TSNE Unrestricted	Fiscal Sponsorship Programs Unrestricted	Total Unrestricted	Temporarily Restricted	Total	Total
Revenue:						
Contributions and grants - fiscal sponsorship programs	\$ -	\$ -	\$ -	\$ 19,711,621	\$ 19,711,621	\$ 12,953,743
Contributions and grants - other	-	-	-	38,500	38,500	285,041
Royalty income	3,369,789	28,623	3,398,412	-	3,398,412	7,161,975
Consulting fees	171,678	1,073,215	1,244,893	-	1,244,893	713,739
Contract revenue	888,198	4,211,672	5,099,870	-	5,099,870	4,400,530
Interest income	18,229	16,564	34,793	-	34,793	32,881
Publication revenue excluding grant support	4,251	38,500	42,751	-	42,751	43,616
Conference revenue	70,408	619,464	689,872	-	689,872	531,950
Membership dues	-	121,125	121,125	-	121,125	123,197
Rental income	2,779,520	-	2,779,520	-	2,779,520	2,614,678
Other income	266	136,094	136,360	-	136,360	382,670
Net assets released from restrictions	181,203	13,510,397	13,691,600	(13,691,600)	-	-
Total revenue	7,483,542	19,755,654	27,239,196	6,058,521	33,297,717	29,244,020
Expenses:						
Fiscally sponsored programs	-	18,068,519	18,068,519	-	18,068,519	15,885,901
Fiscal sponsorship services	-	1,690,595	1,690,595	-	1,690,595	1,557,403
Mission effectiveness programs	2,201,366	-	2,201,366	-	2,201,366	1,747,038
NonProfit Center	2,890,993	-	2,890,993	-	2,890,993	2,766,785
Administrative and general	1,471,495	-	1,471,495	-	1,471,495	1,686,981
Total expenses	6,563,854	19,759,114	26,322,968	-	26,322,968	23,644,108
Change in net assets from operations	919,688	(3,460)	916,228	6,058,521	6,974,749	5,599,912
Nonoperating:						
Investment income	279,434	-	279,434	-	279,434	257,605
Net realized and unrealized gain on investments	1,619,576	3,460	1,623,036	-	1,623,036	314,884
Change in net assets from nonoperating activities	1,899,010	3,460	1,902,470	-	1,902,470	572,489
Total changes in net assets	2,818,698	-	2,818,698	6,058,521	8,877,219	6,172,401
Net assets, beginning	25,402,034	-	25,402,034	8,768,492	34,170,526	27,998,125
Net assets, ending	\$ 28,220,732	\$ -	\$ 28,220,732	\$ 14,827,013	\$ 43,047,745	\$ 34,170,526

THIRD SECTOR NEW ENGLAND, INC.

Statement of Activities

Year Ended June 30, 2013

	<i>TSNE</i>	<i>Fiscal Sponsorship</i>	<i>Total</i>	<i>Temporarily</i>	<i>Total</i>
	<i>Unrestricted</i>	<i>Programs</i>	<i>Unrestricted</i>	<i>Restricted</i>	
		<i>Unrestricted</i>			
Revenue:					
Contributions and grants - fiscal sponsorship programs	\$ -	\$ -	\$ -	\$ 12,953,743	\$ 12,953,743
Contributions and grants - other	-	-	-	285,041	285,041
Royalty income	7,136,150	25,825	7,161,975	-	7,161,975
Consulting fees	163,675	550,064	713,739	-	713,739
Contract revenue	991,428	3,409,102	4,400,530	-	4,400,530
Interest income	16,050	16,831	32,881	-	32,881
Publication revenue excluding grant support	5,992	37,624	43,616	-	43,616
Conference revenue	38,068	493,882	531,950	-	531,950
Membership dues	-	123,197	123,197	-	123,197
Rental income	2,614,678	-	2,614,678	-	2,614,678
Other income	3,434	379,236	382,670	-	382,670
Net assets released from restrictions	135,688	12,407,373	12,543,061	(12,543,061)	-
Total revenue	11,105,163	17,443,134	28,548,297	695,723	29,244,020
Expenses:					
Fiscally sponsored programs	-	15,885,901	15,885,901	-	15,885,901
Fiscal sponsorship services	-	1,557,403	1,557,403	-	1,557,403
Mission effectiveness programs	1,747,038	-	1,747,038	-	1,747,038
NonProfit Center	2,766,785	-	2,766,785	-	2,766,785
Administrative and general	1,686,981	-	1,686,981	-	1,686,981
Total expenses	6,200,804	17,443,304	23,644,108	-	23,644,108
Change in net assets from operations	4,904,359	(170)	4,904,189	695,723	5,599,912
Nonoperating:					
Investment income	257,605	-	257,605	-	257,605
Net realized and unrealized gain on investments	314,714	170	314,884	-	314,884
Change in net assets from nonoperating activities	572,319	170	572,489	-	572,489
Total changes in net assets	5,476,678	-	5,476,678	695,723	6,172,401
Net assets, beginning	19,925,356	-	19,925,356	8,072,769	27,998,125
Net assets, ending	\$ 25,402,034	\$ -	\$ 25,402,034	\$ 8,768,492	\$ 34,170,526

See accompanying notes to the financial statements.

THIRD SECTOR NEW ENGLAND, INC.

Statements of Functional Expenses

Years Ended June 30,

	<i>2014</i>					<i>2013</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	\$ 7,697,400	\$ 1,031,659	\$ 859,059	\$ 78,727	\$ 861,079	\$ 10,527,924	\$ 9,451,574
Grants, awards and contributions	1,089,443	-	199,500	-	250	1,289,193	1,092,763
Professional fees	4,057,433	29,218	691,503	56,361	155,919	4,990,434	3,818,213
Employee benefits	2,022,209	318,720	257,023	24,405	230,741	2,853,098	2,706,334
Occupancy	397,589	-	-	-	-	397,589	405,171
Supplies	276,574	3,043	1,568	3,312	65,197	349,694	328,594
Travel	822,353	3,977	41,516	35	7,018	874,899	932,830
Printing	153,683	89	16,495	-	13,799	184,066	181,133
Conference expense	928,490	2,511	18,752	4,215	17,600	971,568	689,536
Contract expense	55,939	100,180	-	-	(93,934)	62,185	130,229
Other expense	210,407	63,891	106,398	5,987	(35,225)	351,458	302,865
Telephone/communications expense	178,078	997	2,632	11,245	23,925	216,877	156,847
Training	48,719	2,789	6,918	-	3,424	61,850	19,871
Depreciation and amortization	4,777	-	-	964,991	19,665	989,433	962,046
Equipment	54,415	15,620	-	14,541	24,389	108,965	149,846
Accounting and legal expense	31,117	117,901	2	3,300	96,495	248,815	535,674
Insurance expense	26,576	-	-	45,339	81,153	153,068	145,322
Facility expenses	-	-	-	1,055,546	-	1,055,546	991,518
Debt service	13,317	-	-	622,989	-	636,306	643,742
Total expenses	\$ 18,068,519	\$ 1,690,595	\$ 2,201,366	\$ 2,890,993	\$ 1,471,495	\$ 26,322,968	\$ 23,644,108

See accompanying notes to the financial statements.

THIRD SECTOR NEW ENGLAND, INC.

Statement of Functional Expenses

Year Ended June 30, 2013

	<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	\$ 6,919,356	\$ 856,861	\$ 690,228	\$ 85,055	\$ 900,074	\$ 9,451,574
Grants, awards and contributions	1,093,013	-	-	-	(250)	1,092,763
Professional fees	2,926,523	2,550	734,393	56,869	97,878	3,818,213
Employee benefits	1,911,340	250,923	198,289	25,262	320,520	2,706,334
Occupancy	405,171	-	-	-	-	405,171
Supplies	274,044	3,269	6,610	2,030	42,641	328,594
Travel	892,353	2,534	31,488	1,301	5,154	932,830
Printing	157,093	-	10,394	157	13,489	181,133
Conference expense	663,488	1,885	9,870	785	13,508	689,536
Contract expense	130,229	286,989	-	-	(286,989)	130,229
Other expense	228,896	35,625	59,563	6,526	(27,745)	302,865
Telephone/communications expense	109,788	682	3,014	18,099	25,264	156,847
Training	14,653	292	3,189	505	1,232	19,871
Depreciation and amortization	2,389	-	-	932,509	27,148	962,046
Equipment	92,198	6,055	-	8,362	43,231	149,846
Accounting and legal expense	24,609	102,897	-	3,475	404,693	535,674
Insurance expense	32,422	6,841	-	(1,069)	107,128	145,322
Facility expenses	-	-	-	991,518	-	991,518
Debt service	8,336	-	-	635,401	5	643,742
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	\$ 15,885,901	\$ 1,557,403	\$ 1,747,038	\$ 2,766,785	\$ 1,686,981	\$ 23,644,108

See accompanying notes to the financial statements.

THIRD SECTOR NEW ENGLAND, INC.

Statements of Cash Flows

	<i>Years Ended June 30,</i>	
	2014	2013
Cash flows from operating activities:		
Change in net assets	\$ 8,877,219	\$ 6,172,401
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	989,433	962,046
Amortization of deferred bond issue costs	11,793	11,793
Net realized and unrealized gain on investments	(1,623,036)	(314,884)
Change in:		
Accounts receivable	(5,553,915)	(166,478)
Royalty fees receivable	(333,847)	(1,458,985)
Prepaid expenses and deposits	(44,738)	(7,446)
Accounts payable and accrued expenses	672,067	412,855
Deferred revenue	310,227	(89,779)
Total adjustments	(5,572,016)	(650,878)
Net cash provided by operating activities	3,305,203	5,521,523
Cash flows from investing activities:		
Proceeds from sale of investments	3,171,368	1,895,649
Purchase of investments	(3,353,339)	(2,112,031)
Change in assets limited as to use	27,042	(353,433)
Purchase of property and equipment	(341,679)	(216,090)
Net cash used in investing activities	(496,608)	(785,905)
Cash flows from financing activities:		
Payments on bond payable	(300,000)	(300,000)
Cash used in financing activities	(300,000)	(300,000)
Net increase in cash and cash equivalents	2,508,595	4,435,618
Cash and cash equivalents, beginning	14,137,490	9,701,872
Cash and cash equivalents, ending	\$ 16,646,085	\$ 14,137,490

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:

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)

- *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, 2014 and 2013.

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 \$9,114,679 and \$7,550,410 for the years ended June 30, 2014 and 2013, respectively, related to funds held for fiscally sponsored programs.

Assets Limited as to Use

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

THIRD SECTOR NEW ENGLAND, INC.

Notes to Financial Statements

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

Accounts Receivable and Notes Receivable

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

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

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.

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 Bond Issuance Costs

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

THIRD SECTOR NEW ENGLAND, INC.

Notes to Financial Statements

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

Revenue Recognition and Deferred Revenue

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

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

Grants and Contributions

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

Grants and contributions to be received after one year are initially recorded at fair value based on the present value using a risk adjusted discount rate taking into account expected collections. At June 30, 2014 and 2013, grants and contributions to be received between one and five years totaled \$1,573,909 and \$236,000, respectively.

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 \$546,150 and \$513,356 of fundraising expenses for the years ended June 30, 2014 and 2013, respectively.

THIRD SECTOR NEW ENGLAND, INC.

Notes to Financial Statements

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

Income Tax Status

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

Uncertain Tax Positions

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

Advertising

TSNE expenses advertising costs as incurred. Total advertising expense for the years ended June 30, 2014 and 2013 was \$7,068 and \$11,449, 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 loans, useful lives of depreciable assets, allowable costs charged to cost reimbursement contracts, self insurance liabilities and the allocation of common expenses over program functions.

THIRD SECTOR NEW ENGLAND, INC.

Notes to Financial Statements

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

Fair Value Measurements

TSNE reports required types of financial instruments in accordance with the fair value standards. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. Fair value standards also require TSNE to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules, which allow for either Level 2 or Level 3, depending on lock up and notice periods associated with the underlying funds. At June 30, 2014 and 2013, 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.

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.

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)

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 \$494,037 and \$521,079 as of June 30, 2014 and 2013, 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.

Note 3 - Investment Income

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

	<i>2014</i>	<i>2013</i>
Unrealized gain on investments	\$ 1,257,605	\$ 265,136
Realized gain on investments	<u>365,431</u>	<u>49,748</u>
Total gain	1,623,036	314,884
Interest and dividend income	279,434	257,605
Management fees*	<u>(81,411)</u>	<u>(60,304)</u>
Total investment income	\$ <u>1,821,059</u>	\$ <u>512,185</u>

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

THIRD SECTOR NEW ENGLAND, INC.

Notes to Financial Statements

Note 4 - Fair Values of Financial Instruments

The following table represents TSNE's financial assets at June 30, 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> </u>	<u> </u>	<u> </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>

The following table represents TSNE's financial assets at June 30, 2013 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	\$ 2,606,984	\$ 2,606,984	\$ -	\$ -
Corporate bonds	1,670,843	-	1,670,843	-
Common stock - domestic	6,037,911	6,037,911	-	-
Common stock - foreign	744,065	744,065	-	-
Fixed income mutual funds - domestic	675,779	675,779	-	-
Fixed income mutual funds - foreign	62,000	62,000	-	-
Commodities	236,174	236,174	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets at fair value	\$ <u>12,033,756</u>	\$ <u>10,362,913</u>	\$ <u>1,670,843</u>	\$ <u>-</u>

THIRD SECTOR NEW ENGLAND, INC.

Notes to Financial Statements

Note 5 - Property and Equipment

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

	2014	2013
Land	\$ 5,574,238	\$ 5,574,238
Building	9,559,539	9,559,539
Building improvements	12,324,152	11,986,909
Furnishings and equipment	250,622	250,622
Software	462,168	457,732
	<u>28,170,719</u>	<u>27,829,040</u>
Less accumulated depreciation and amortization	<u>(8,096,497)</u>	<u>(7,107,064)</u>
Property and equipment, net	<u>\$ 20,074,222</u>	<u>\$ 20,721,976</u>

Note 6 - 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 \$14,600,000 and \$14,900,000 as of June 30, 2014 and 2013, respectively. The bond is subject to certain financial and operating covenants which TSNE is in compliance with as of June 30, 2014.

Maturities of bond payable are as follows:

2015	\$	310,000
2016		360,000
2017		360,000
2018		360,000
2019		370,000
Thereafter		<u>12,840,000</u>
	\$	<u>14,600,000</u>

Interest expense and fees related to the bond payable amounted to \$611,196 and \$623,608 for the years ended June 30, 2014 and 2013, respectively.

THIRD SECTOR NEW ENGLAND, INC.

Notes to Financial Statements

Note 7 - Self Insurance Plans

TSNE has elected to finance the cost of unemployment compensation by reimbursing the Commonwealth of Massachusetts for actual unemployment compensation paid. At June 30, 2014 and 2013, TSNE has accrued \$31,960 for estimated claims incurred but not paid at the balance sheet date.

Note 8 - Operating Leases

TSNE occupies office space and leases office equipment under various leases and tenant-at-will agreements through November 2017. Total rent expense under these agreements was \$375,869 and \$370,522 for the years ended June 30, 2014 and 2013, respectively.

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

2015	\$	139,000
2016		54,500
2017		12,700
2018		<u>5,300</u>
	\$	<u><u>211,500</u></u>

Note 9 - Retirement Benefits

TSNE has a defined contribution retirement plan covering all employees with one or more years of service. Employer contributions vary with length of service and can amount up to 5% of total compensation for plan participants. During the years ended June 30, 2014 and 2013, contributions incurred under the plan were \$396,721 and \$356,729, respectively.

THIRD SECTOR NEW ENGLAND, INC.

Notes to Financial Statements

Note 10 - Rental Income

TSNE rents certain office space in the building to various organizations through November 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, 2014 and 2013 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, 2014 and 2013 was \$2,779,520 and \$2,614,678, respectively.

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

2015	\$	2,305,770
2016		2,025,459
2017		1,866,793
2018		1,716,756
2019		1,517,601
Thereafter		<u>4,828,012</u>
	\$	<u><u>14,260,391</u></u>

Note 11 - Net Assets

Net assets are comprised of the following:

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

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

Note 12 - Subsequent Events

TSNE has evaluated subsequent events through October 31, 2014, the date the financial statements were authorized to be issued. Subsequent to year end, TSNE entered into a purchase and sale agreement to purchase a building located in Boston, Massachusetts for \$975,000.

Note 13 - Concentrations of Credit Risk

As of June 30, 2014 and 2013, 31% and 0%, respectively, of gross accounts receivable consisted of grants from one grantor. For the years ended June 30, 2014 and 2013, this grantor made up approximately 13% and 0%, 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, 2014

	Active Living By Design	Blue Butterfly Collaborative	Boston Collaborative for Food and Fitness	Community Boat Building	The BUILD Initiative	Campaign for a Commercial-Free Childhood	Ct Health Disparities Project	CT Network to Abolish the Death Penalty	The Carrot Project
Revenue:									
Federal grants and contracts	\$ -	\$ -	\$ -	\$ -	\$ 268,931	\$ -	\$ -	\$ -	\$ 11,296
State and local grants and contracts	-	-	87,942	4,000	100,000	-	-	-	5,000
Foundation and corporate grants and contracts	3,554,015	-	3,500	149,310	3,081,750	308,039	-	415	275,350
Contributions	-	15,000	-	34,134	-	188,297	-	4,358	41,967
Consultant fees	155,405	-	-	13,153	352,625	-	-	-	3,330
Publication and advertising revenue	-	-	-	-	-	-	-	-	-
Membership dues and fees	-	-	4,617	12,296	70,750	-	-	405	-
Interest earned	-	-	-	-	-	-	-	-	12,219
Other revenue	-	-	-	98,043	3,303	936	-	-	520
Total revenue	3,709,420	15,000	96,059	310,936	3,877,359	497,272	-	5,178	349,682
Expenses:									
Personnel (salaries and benefits)	438,852	-	120,789	121,651	903,357	254,653	-	11,438	208,936
Grants, awards, contributions	-	-	-	-	569,375	-	(25,000)	-	-
Professional and contract expense	67,535	3,083	138,190	17,956	1,293,091	11,555	127,500	-	32,406
Equipment/rental/maintenance	8,508	-	262	1,005	-	-	-	-	-
Postage and supplies	6,263	326	2,303	18,342	2,038	5,933	-	508	2,014
Telephone/communications/internet	3,971	-	1,193	1,544	49,536	1,948	-	912	3,568
Printing and publications	1,584	263	9,767	2,751	2,389	5,077	-	1,089	877
Occupancy	43,388	-	750	15,844	-	26,219	-	1,250	1,050
Travel and meeting expenses	22,453	1,444	15,952	8,607	773,492	9,994	-	165	14,857
Other expenses	444	55	(521)	103,076	295	9,420	-	455	14,447
Administrative fee to TSNE	59,300	724	40,416	27,499	233,784	38,477	15,000	1,898	38,942
Total expenses	652,298	5,895	329,101	318,275	3,827,357	363,276	117,500	17,715	317,097
Change in net assets	3,057,122	9,105	(233,042)	(7,339)	50,002	133,996	(117,500)	(12,537)	32,585
Net assets, beginning	-	-	383,702	20,540	1,423,041	164,140	144,000	15,356	67,525
Net assets, ending	\$ 3,057,122	\$ 9,105	\$ 150,660	\$ 13,201	\$ 1,473,043	\$ 298,136	\$ 26,500	\$ 2,819	\$ 100,110

THIRD SECTOR NEW ENGLAND, INC.

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

Year Ended June 30, 2014

	Commonwealth Seminar	Center to Support Immigrant Organizing	Diploma Plus	Design Studio for Social Intervention	Early Childhood Funders Collaborative	Future Chefs	FRESH New London	Free Speech For People	Gardening the Community
Revenue:									
Federal grants and contracts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,000	\$ -	\$ 32,231
State and local grants and contracts	-	-	-	10,000	-	72,680	9,525	-	38,284
Foundation and corporate grants and contracts	75,000	282,000	-	76,474	666,500	544,350	145,266	(76,372)	192,569
Contributions	40	1,695	-	36,350	-	81,019	24,352	12,958	7,558
Consultant fees	-	52,688	-	71,300	-	-	-	-	-
Publication and advertising revenue	-	-	-	-	-	-	-	-	-
Membership dues and fees	760	595	-	-	54,500	10,942	23,936	-	26,987
Interest earned	-	-	1,242	-	-	-	-	-	-
Other revenue	-	6,489	-	3,824	-	3,580	-	693	600
Total revenue	75,800	343,467	1,242	197,948	721,000	712,571	213,079	(62,721)	298,229
Expenses:									
Personnel (salaries and benefits)	50,967	155,313	-	122,719	81,139	314,477	166,148	125,895	129,224
Grants, awards, contributions	-	-	-	-	95,000	-	-	-	-
Professional and contract expense	1,794	4,130	-	14,750	58,033	31,990	22,172	7,964	23,070
Equipment/rental/maintenance	-	-	-	-	-	7,103	4,775	-	4,380
Postage and supplies	725	670	-	6,206	113	26,648	6,657	3,114	3,050
Telephone/communications/internet	1,490	105	-	3,879	1,616	1,661	4,196	5,461	1,884
Printing and publications	-	97	-	608	-	-	-	1,375	1,904
Occupancy	-	12,000	-	21,515	-	49,347	2,183	4,691	9,081
Travel and meeting expenses	4,775	9,910	-	18,828	41,119	3,435	5,900	1,492	6,619
Other expenses	-	-	-	192	6	6,302	15,750	9,395	25,903
Administrative fee to TSNE	5,975	25,512	(1,600)	18,970	17,332	52,845	22,778	15,964	28,646
Total expenses	65,726	207,737	(1,600)	207,667	294,358	493,808	250,559	175,351	233,761
Change in net assets	10,074	135,730	2,842	(9,719)	426,642	218,763	(37,480)	(238,072)	64,468
Net assets, beginning	52,770	83,140	614,987	96,803	172,997	106,779	55,751	238,072	120,686
Net assets, ending	\$ 62,844	\$ 218,870	\$ 617,829	\$ 87,084	\$ 599,639	\$ 325,542	\$ 18,271	\$ -	\$ 185,154

THIRD SECTOR NEW ENGLAND, INC.

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

Year Ended June 30, 2014

	Hispanic Black Gay Coalition	ISED Solutions	LGBT Aging Project	Matahari - Eye of the day	MEDICAL-LEGAL PARTNERSHIP Boston	Mass Organization for Addiction Recovery	SeaPlan	MissionSAFE	My Sister's Keeper
Revenue:									
Federal grants and contracts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,571	\$ -	\$ -	\$ -
State and local grants and contracts	-	-	-	51,516	386,662	319,246	-	210,619	-
Foundation and corporate grants and contracts	25,000	237,329	(100,955)	65,389	63,243	1,130	2,838,956	232,454	6,200
Contributions	-	-	327	128	17,421	4,875	-	73,611	2,384
Consultant fees	-	805	-	-	85,190	3,000	106,433	-	-
Publication and advertising revenue	-	-	-	-	-	-	-	-	-
Membership dues and fees	-	4,075	-	1,734	1,700	26,975	-	180,400	47
Interest earned	-	-	-	-	-	-	1,042	-	-
Other revenue	-	-	180	1,891	748	4,256	13,803	14,310	-
Total revenue	25,000	242,209	(100,448)	120,658	554,964	375,053	2,960,234	711,394	8,631
Expenses:									
Personnel (salaries and benefits)	-	67,829	-	83,917	379,145	234,224	792,861	343,422	12,503
Grants, awards, contributions	-	-	-	-	-	-	-	-	-
Professional and contract expense	-	26,378	11	5,152	23,677	16,343	205,278	147,531	84
Equipment/rental/maintenance	-	-	-	-	-	2,565	5,959	3,236	-
Postage and supplies	-	746	10	-	8,230	9,198	9,445	4,530	-
Telephone/communications/internet	-	1,286	239	1,843	506	7,553	22,628	8,725	4,062
Printing and publications	-	1,249	-	-	1,658	13,357	12,515	1,767	-
Occupancy	-	-	-	6,798	433	12,750	38,466	19,769	-
Travel and meeting expenses	-	9,383	(449)	409	14,078	39,909	19,771	75,404	2,814
Other expenses	-	1,395	-	400	3,572	5,899	6,710	22,770	60
Administrative fee to TSNE	-	15,157	(26)	13,791	47,443	47,877	103,504	76,814	1,757
Total expenses	-	123,423	(215)	112,310	478,742	389,675	1,217,137	703,968	21,280
Change in net assets	25,000	118,786	(100,233)	8,348	76,222	(14,622)	1,743,097	7,426	(12,649)
Net assets, beginning	-	36,314	100,233	107,707	14,577	33,255	284,545	78,031	31,282
Net assets, ending	\$ 25,000	\$ 155,100	\$ -	\$ 116,055	\$ 90,799	\$ 18,633	\$ 2,027,642	\$ 85,457	\$ 18,633

THIRD SECTOR NEW ENGLAND, INC.

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

Year Ended June 30, 2014

	MadSci Network	Main Street Partners	MA Voter Table	Massachusetts Worker Education Roundtable	National Network of Fiscal Sponsors	Nonprofit Centers Network	Northeast Regional Ocean Council	Opportunities Exchange	Our Transportation Future
Revenue:									
Federal grants and contracts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 348,727	\$ -	\$ -
State and local grants and contracts	-	24,999	-	-	-	-	-	-	-
Foundation and corporate grants and contracts	-	22,740	200,500	-	-	664,207	1,150,222	61,050	(16,475)
Contributions	-	2,500	5,000	-	-	1,750	-	1,000	-
Consultant fees	-	-	5,000	-	-	76,440	-	130,289	-
Publication and advertising revenue	79	-	-	-	-	590	-	-	-
Membership dues and fees	-	-	-	-	46,942	33,239	-	-	-
Interest earned	-	-	-	-	-	-	2,061	-	-
Other revenue	-	-	-	-	17,022	32	-	4,554	(2,641)
Total revenue	79	50,239	210,500	-	63,964	776,258	1,501,010	196,893	(19,116)
Expenses:									
Personnel (salaries and benefits)	-	25,734	96,503	-	6,400	240,357	349,997	205,468	-
Grants, awards, contributions	-	24,389	25,840	-	-	-	-	-	-
Professional and contract expense	-	375	84	-	27,575	51,022	557,363	134,458	-
Equipment/rental/maintenance	-	-	-	-	-	15,453	-	-	-
Postage and supplies	-	587	-	-	-	2,158	1,779	548	-
Telephone/communications/internet	-	413	-	-	23	3,454	14,133	695	-
Printing and publications	-	109	8,176	-	37	1,133	73	-	-
Occupancy	-	690	-	-	-	5,366	-	18,864	-
Travel and meeting expenses	-	643	692	-	11,071	29,486	21,957	39,989	-
Other expenses	-	17	320	-	-	4,434	150	-	-
Administrative fee to TSNE	1,000	4,612	15,818	796	-	21,172	47,202	49,074	500
Total expenses	1,000	57,569	147,433	796	45,106	374,035	992,654	449,096	500
Change in net assets	(921)	(7,330)	63,067	(796)	18,858	402,223	508,356	(252,203)	(19,616)
Net assets, beginning	79,255	7,330	113,401	1,318	43,488	-	487,435	394,127	19,616
Net assets, ending	\$ 78,334	\$ -	\$ 176,468	\$ 522	\$ 62,346	\$ 402,223	\$ 995,791	\$ 141,924	\$ -

THIRD SECTOR NEW ENGLAND, INC.

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

Year Ended June 30, 2014

	Real Food Generation	Resource Generation	RI Food Policy Council	Rhode Island Land Trust Council	Safe Havens	Sustainability Guild International	Tools of the Mind	Trust for Learning	Tutors for All
Revenue:									
Federal grants and contracts	\$ -	\$ -	\$ -	\$ -	\$ 267,997	\$ -	\$ 202,884	\$ -	\$ -
State and local grants and contracts	19,030	5,000	85,080	-	4,500	16,893	1,946,114	-	265,825
Foundation and corporate grants and contracts	585,365	404,300	273,000	139,281	59,345	32,000	564,803	155,000	4,885
Contributions	111,255	468,741	500	6,750	25,775	500	-	75,000	28,133
Consultant fees	4,373	-	-	-	3,725	-	7,959	-	-
Publication and advertising revenue	-	3,065	-	-	-	-	34,800	-	-
Membership dues and fees	17,291	146,968	30	14,813	-	-	-	26,654	657
Interest earned	-	-	-	-	-	-	-	-	-
Other revenue	245	7,650	-	6,600	478	928	25,593	2,046	1,890
Total revenue	737,559	1,035,724	358,610	167,444	361,820	50,321	2,782,153	258,700	301,390
Expenses:									
Personnel (salaries and benefits)	473,246	489,918	22,692	90,268	242,235	40,170	1,853,667	133,744	174,785
Grants, awards, contributions	-	-	190,030	-	-	-	25,840	183,968	-
Professional and contract expense	40,058	90,949	27,970	9,128	19,926	550	150,443	168,490	65,083
Equipment/rental/maintenance	1,000	-	-	-	-	169	-	-	-
Postage and supplies	6,969	14,345	-	6,742	3,220	4,675	102,953	627	7,657
Telephone/communications/internet	2,585	8,923	70	830	2,394	50	9,637	509	430
Printing and publications	5,348	4,065	717	-	3,484	-	62,196	1,105	1,165
Occupancy	9,000	65,801	-	3,999	18,950	-	-	-	19,946
Travel and meeting expenses	77,637	108,334	4,258	1,582	8,989	2,412	263,840	40,153	5,750
Other expenses	35	33,336	-	1,395	640	124	22,162	500	1,756
Administrative fee to TSNE	67,772	80,068	11,416	12,881	39,809	3,728	246,379	40,507	41,486
Total expenses	683,650	895,739	257,153	126,825	339,647	51,878	2,737,117	569,603	318,058
Change in net assets	53,909	139,985	101,457	40,619	22,173	(1,557)	45,036	(310,903)	(16,668)
Net assets, beginning	260,030	560,488	-	109,833	30,132	2,930	1,088,724	413,002	16,668
Net assets, ending	\$ 313,939	\$ 700,473	\$ 101,457	\$ 150,452	\$ 52,305	\$ 1,373	\$ 1,133,760	\$ 102,099	\$ -

THIRD SECTOR NEW ENGLAND, INC.

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

Year Ended June 30, 2014

	<i>The Purpose Project</i>	<i>Voices From Inside</i>	<i>The Workforce Solutions Group</i>	<i>Yoga Hope</i>	<i>Other</i>	<i>Total</i>
Revenue:						
Federal grants and contracts	\$ -	\$ -	\$ -	\$ -	\$ -	1,157,637
State and local grants and contracts	-	1,629	-	5,000	672	3,670,216
Foundation and corporate grants and contracts	-	40,142	150,000	46,500	481,992	17,665,769
Contributions	7,733	11,884	250	24,871	-	1,318,116
Consultant fees	-	1,500	-	-	-	1,073,215
Publication and advertising revenue	-	45	-	-	-	38,579
Membership dues and fees	-	1,000	21,000	64,124	-	793,437
Interest earned	-	-	-	-	-	16,564
Other revenue	-	4,157	2,764	7,427	(5,116)	226,805
Total revenue	7,733	60,357	174,014	147,922	477,548	25,960,338
Expenses:						
Personnel (salaries and benefits)	-	26,569	-	128,397	-	9,719,609
Grants, awards, contributions	-	-	-	-	-	1,089,442
Professional and contract expense	9,919	6,809	187,125	26,000	291,490	4,144,490
Equipment/rental/maintenance	-	-	-	-	-	54,415
Postage and supplies	-	3,074	16	4,153	-	276,572
Telephone/communications/internet	-	682	971	2,473	-	178,078
Printing and publications	-	3,478	-	4,270	-	153,683
Occupancy	-	-	-	1,440	-	409,590
Travel and meeting expenses	-	6,709	4,867	22,116	-	1,750,846
Other expenses	-	300	350	250	-	291,794
Administrative fee to TSNE	1,366	4,595	10,740	22,691	18,204	1,690,595
Total expenses	11,285	52,216	204,069	211,790	309,694	19,759,114
Change in net assets	(3,552)	8,141	(30,055)	(63,868)	167,854	6,201,224
Net assets, beginning	3,552	17,621	129,671	99,881	18,005	8,342,740
Net assets, ending	\$ -	\$ 25,762	\$ 99,616	\$ 36,013	\$ 185,859	\$ 14,543,964

THIRD SECTOR NEW ENGLAND, INC.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

<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:			
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	\$ 230,850
Maternal and Child Health Federal Consolidated Programs			
Passed-through Boston Medical Center	93.110	5r40 MC19928-03-00	25,000
Abandoned Infants			
Passed-through Boston Medical Center	93.551	90cb0186-02-01	15,615
Family Violence Prevention and Services/Discretionary Grant			
Passed-through John Snow, Incorporated	93.592	04-2578580	2,500
Health Care Innovation Awards (HCIA)			
Passed-through ValueOptions, Incorporated	93.610	1C1CMS331059-03-00	8,942
Community Transformation Grants - Small Communities			
Passed-through Pioneer Valley Planning Commission	93.737	1H75DP004641-01	33,066
Child Health and Human Development Extramural Research			
Passed-through Temple University of the Commonwealth System of Higher Education	93.865	SU01HD060296-06	6,861
Passed-through Trustees of the University of Pennsylvania	93.865	5-R01-HD-065436-04	74,322
Substance Abuse Prevention and Treatment Block Grant			
Passed-through the Massachusetts Department of Public Health	93.959	INTF2330M04801313078	<u>79,500</u>
Total U.S. Department of Health and Human Services			<u>476,656</u>
U.S. Department of Commerce:			
Coastal Services Center			
Passed-through Gulf of Maine Association	11.473	NA12NOS4730186	<u>364,129</u>
U.S. Department of Justice:			
Office on Violence Against Women	16.526		<u>270,497</u>
U.S. Department of Education:			
Education Research, Development & Dissemination			
Passed-through New York University	84.305A	R305A100058	121,701
Grants for Enhanced Assessment Instruments			
Passed-through Public Schools of North Carolina	84.368A	NC10126823	59,049
Race to the Top - Early Learning Challenge			
Passed-through State of Washington Department of Early Learning	84.412	14-1131	<u>74,186</u>
Total U.S. Department of Education			<u>254,936</u>
U.S. Department of Agriculture:			
Sustainable Agriculture Research and Education			
Passed-through University of Vermont & State Agricultural College	10.215	2011-38640-30418	11,296
Farm to School Grant Program			
Passed-through Ledge Light Health District	10.575	CN-FS2-SS-14-CT-01	<u>7,722</u>
Total U.S. Department of Agriculture			<u>19,018</u>
Balance Forward			\$ <u>1,385,236</u>

THIRD SECTOR NEW ENGLAND, INC.
Schedule of Expenditures of Federal Awards (Continued)
 Year Ended June 30, 2014

<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>1,385,236</u>
U.S. Department of Housing and Urban Development:			
CDBG - Entitlement Grants Cluster:			
Community Development Block Grants			
Passed-through City of Boston	14.218	31154-14	<u>7,168</u>
Institute of Museum and Library Services:			
Laura Bush 21st Century Librarian Program	45.313		<u>2,382</u>
Total Expenditures of Federal Awards			\$ <u><u>1,394,786</u></u>

THIRD SECTOR NEW ENGLAND, INC.

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2014

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, 2014. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget ("OMB") Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of Third Sector New England, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of Third Sector New England, Inc.

Note 2 - Summary of Significant Accounting Policies

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

Reporting Under Government Auditing Standards



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*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, 2014, 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 October 31, 2014.

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.

Maye Heffman McCann P.C.

October 31, 2014
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 program for the year ended June 30, 2014. TSNE's major federal program is 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 program 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 program. 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 program for the year ended June 30, 2014.



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 program 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.

October 31, 2014
Boston, Massachusetts

THIRD SECTOR NEW ENGLAND, INC.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

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

11.473

Coastal Services Center

- | | |
|---|-----------|
| 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, 2014

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.