

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

**Third Sector New England, Inc.**

**June 30, 2013 and 2012**



**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*

### *Table of Contents*

#### ***Financial Statements:***

Independent Auditors' Report	1-2
Statements of Financial Position	3
Statements of Activities	4-5
Statements of Functional Expenses	6-7
Statements of Cash Flows	8
Notes to Financial Statements	9-19

#### ***Supplemental Information:***

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

#### ***Reporting Under Government Auditing Standards:***

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 <i>Government Auditing Standards</i>	28-29
---	-------

#### ***Reporting Under OMB Circular A-133:***

Independent Auditors' Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance in Accordance with <i>OMB Circular A-133</i>	30-31
Schedule of Findings and Questioned Costs	32-33



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

500 Boylston Street ■ Boston, MA 02116  
Tel: 617.761.0600 ■ Fax: 617.761.0601 ■ [www.cbiztofias.com](http://www.cbiztofias.com)

## *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, 2013 and 2012, 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, 2013 and 2012, 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*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the 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 December 2, 2013 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 Hoffman McCann P.C.*

December 2, 2013  
Boston, Massachusetts

**THIRD SECTOR NEW ENGLAND, INC.**

*Statements of Financial Position*

	<i>June 30,</i>	
	<i>2013</i>	<i>2012</i>
<b>Assets</b>		
Cash and cash equivalents	\$ 14,190,366	\$ 9,701,872
Assets limited as to use	468,203	167,646
Accounts and notes receivable, net (allowance for doubtful accounts of \$57,815 for 2013 and 2012)	3,268,064	3,101,586
Royalty fees receivable	1,685,275	226,290
Prepaid expenses and deposits	132,605	125,159
Investments	12,033,756	11,502,490
Property and equipment, net	20,721,976	21,467,932
Deferred bond issuance costs, net	<u>313,498</u>	<u>325,291</u>
<b>Total assets</b>	<b><u>\$ 52,813,743</u></b>	<b><u>\$ 46,618,266</u></b>
<b>Liabilities and Net Assets</b>		
Accounts payable and accrued expenses	\$ 3,536,385	\$ 3,123,530
Deferred revenue	206,832	296,611
Bond payable	<u>14,900,000</u>	<u>15,200,000</u>
<b>Total liabilities</b>	<b><u>18,643,217</u></b>	<b><u>18,620,141</u></b>
Net assets:		
Unrestricted net assets	<u>25,402,034</u>	<u>19,925,356</u>
Temporarily restricted:		
Temporarily restricted (TSNE)	425,756	276,403
Temporarily restricted (Fiscal Sponsorship)	<u>8,342,736</u>	<u>7,796,366</u>
Total temporarily restricted net assets	<u>8,768,492</u>	<u>8,072,769</u>
<b>Total net assets</b>	<b><u>34,170,526</u></b>	<b><u>27,998,125</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 52,813,743</u></b>	<b><u>\$ 46,618,266</u></b>

THIRD SECTOR NEW ENGLAND, INC.

Statements of Activities

Years Ended June 30,

	2013				2012	
	TSNE Unrestricted	Fiscal Sponsorship Programs Unrestricted	Total Unrestricted	Temporarily Restricted	Total	Total
Revenue:						
Contributions and grants - fiscal sponsorship programs	\$ -	\$ -	\$ -	\$ 12,953,743	\$ 12,953,743	\$ 13,573,140
Contributions and grants - other	-	-	-	285,041	285,041	-
Royalty income	7,136,150	25,825	7,161,975	-	7,161,975	516,366
Consulting fees	163,675	550,064	713,739	-	713,739	1,851,042
Contract revenue	991,428	3,409,102	4,400,530	-	4,400,530	3,875,724
Interest income	16,050	16,831	32,881	-	32,881	29,159
Publication revenue excluding grant support	5,992	37,624	43,616	-	43,616	16,012
Conference revenue	38,068	493,882	531,950	-	531,950	205,665
Membership dues	-	123,197	123,197	-	123,197	31,458
Rental income	2,614,678	-	2,614,678	-	2,614,678	2,736,114
Other income	3,434	379,236	382,670	-	382,670	154,864
Net assets released from restrictions	135,688	12,407,373	12,543,061	(12,543,061)	-	-
<b>Total revenue and gains</b>	<b>11,105,163</b>	<b>17,443,134</b>	<b>28,548,297</b>	<b>695,723</b>	<b>29,244,020</b>	<b>22,989,544</b>
Expenses:						
Fiscally sponsored programs	-	15,885,901	15,885,901	-	15,885,901	16,079,135
Fiscal sponsorship services	-	1,557,403	1,557,403	-	1,557,403	1,462,035
Mission effectiveness programs	1,747,038	-	1,747,038	-	1,747,038	1,578,153
NonProfit Center	2,766,785	-	2,766,785	-	2,766,785	2,883,437
Administrative and general	1,686,981	-	1,686,981	-	1,686,981	1,574,557
<b>Total expenses and losses</b>	<b>6,200,804</b>	<b>17,443,304</b>	<b>23,644,108</b>	<b>-</b>	<b>23,644,108</b>	<b>23,577,317</b>
<b>Change in net assets from operations</b>	<b>4,904,359</b>	<b>(170)</b>	<b>4,904,189</b>	<b>695,723</b>	<b>5,599,912</b>	<b>(587,773)</b>
Nonoperating:						
Investment income	257,605	-	257,605	-	257,605	252,415
Net realized and unrealized (loss) gain on investments	314,714	170	314,884	-	314,884	(819,469)
<b>Change in net assets from nonoperating activities</b>	<b>572,319</b>	<b>170</b>	<b>572,489</b>	<b>-</b>	<b>572,489</b>	<b>(567,054)</b>
<b>Total changes in net assets</b>	<b>5,476,678</b>	<b>-</b>	<b>5,476,678</b>	<b>695,723</b>	<b>6,172,401</b>	<b>(1,154,827)</b>
Net assets, beginning	19,925,356	-	19,925,356	8,072,769	27,998,125	29,152,952
<b>Net assets, ending</b>	<b>\$ 25,402,034</b>	<b>\$ -</b>	<b>\$ 25,402,034</b>	<b>\$ 8,768,492</b>	<b>\$ 34,170,526</b>	<b>\$ 27,998,125</b>

**THIRD SECTOR NEW ENGLAND, INC.**

*Statement of Activities*

*Year Ended June 30, 2012*

	<i>TSNE</i>	<i>Fiscal Sponsorship</i>	<i>Total</i>	<i>Temporarily</i>	<i>Total</i>
	<i>Unrestricted</i>	<i>Programs</i>	<i>Unrestricted</i>	<i>Restricted</i>	<i>Total</i>
Revenue:					
Contributions and grants	\$ -	\$ -	\$ -	\$ 13,573,140	\$ 13,573,140
Royalty income	498,751	17,615	516,366	-	516,366
Consulting fees	228,988	1,622,054	1,851,042	-	1,851,042
Contract revenue	574,988	3,300,736	3,875,724	-	3,875,724
Interest income	11,794	17,365	29,159	-	29,159
Publication revenue excluding grant support	3,869	12,143	16,012	-	16,012
Conference revenue	37,964	167,701	205,665	-	205,665
Membership dues	-	31,458	31,458	-	31,458
Rental income	2,736,114	-	2,736,114	-	2,736,114
Other income	4,416	150,448	154,864	-	154,864
Net assets released from restrictions	3,893	12,221,650	12,225,543	(12,225,543)	-
	<u>4,100,777</u>	<u>17,541,170</u>	<u>21,641,947</u>	<u>1,347,597</u>	<u>22,989,544</u>
<b>Total revenue and gains</b>					
Expenses:					
Fiscally sponsored programs	-	16,079,135	16,079,135	-	16,079,135
Fiscal sponsorship services	-	1,462,035	1,462,035	-	1,462,035
Mission effectiveness programs	1,578,153	-	1,578,153	-	1,578,153
NonProfit Center	2,883,437	-	2,883,437	-	2,883,437
Administrative and general	1,574,557	-	1,574,557	-	1,574,557
	<u>6,036,147</u>	<u>17,541,170</u>	<u>23,577,317</u>	<u>-</u>	<u>23,577,317</u>
<b>Total expenses and losses</b>					
<b>Change in net assets from operations</b>	<u>(1,935,370)</u>	<u>-</u>	<u>(1,935,370)</u>	<u>1,347,597</u>	<u>(587,773)</u>
Nonoperating:					
Investment income	252,415	-	252,415	-	252,415
Net realized and unrealized loss on investments	(819,469)	-	(819,469)	-	(819,469)
	<u>(567,054)</u>	<u>-</u>	<u>(567,054)</u>	<u>-</u>	<u>(567,054)</u>
<b>Change in net assets from nonoperating activities</b>					
<b>Total changes in net assets</b>	<u>(2,502,424)</u>	<u>-</u>	<u>(2,502,424)</u>	<u>1,347,597</u>	<u>(1,154,827)</u>
Net assets, beginning	22,427,780	-	22,427,780	6,725,172	29,152,952
<b>Net assets, ending</b>	<u>\$ 19,925,356</u>	<u>\$ -</u>	<u>\$ 19,925,356</u>	<u>\$ 8,072,769</u>	<u>\$ 27,998,125</u>

See accompanying notes to the financial statements.

**THIRD SECTOR NEW ENGLAND, INC.**

*Statements of Functional Expenses*

*Years Ended June 30,*

	<b>2013</b>					<b>2012</b>	
	<i>Fiscally Sponsored Programs</i>	<i>Fiscal Sponsorship Services</i>	<i>Mission Effectiveness Program</i>	<i>NonProfit Center</i>	<i>Administrative and General</i>	<i>Total</i>	<i>Total</i>
Salaries and wages	\$ 6,919,356	\$ 856,861	\$ 690,228	\$ 85,055	\$ 900,074	\$ 9,451,574	\$ 8,802,111
Grants, awards and contributions	1,093,013	-	-	-	(250)	1,092,763	917,873
Professional fees	2,926,523	2,550	734,393	56,869	97,878	3,818,213	4,561,130
Employee benefits	1,911,340	250,923	198,289	25,262	320,520	2,706,334	2,567,893
Occupancy	405,171	-	-	-	-	405,171	434,197
Supplies	274,044	3,269	6,610	2,030	42,641	328,594	632,453
Travel	892,353	2,534	31,488	1,301	5,154	932,830	975,964
Printing	157,093	-	10,394	157	13,489	181,133	147,143
Conference expense	663,488	1,885	9,870	785	13,508	689,536	435,071
Contract expense	130,229	286,989	-	-	(286,989)	130,229	68,946
Other expense	228,896	35,625	59,563	6,526	(27,745)	302,865	87,534
Telephone/communications expense	109,788	682	3,014	18,099	25,264	156,847	197,804
Training	14,653	292	3,189	505	1,232	19,871	21,978
Depreciation and amortization	2,389	-	-	932,509	27,148	962,046	1,015,863
Equipment	92,198	6,055	-	8,362	43,231	149,846	227,821
Accounting and legal expense	24,609	102,897	-	3,475	404,693	535,674	578,066
Insurance expense	32,422	6,841	-	(1,069)	107,128	145,322	193,233
Facility expenses	-	-	-	991,518	-	991,518	1,062,192
Debt service	8,336	-	-	635,401	5	643,742	650,045
<b>Total expenses</b>	<b>\$ 15,885,901</b>	<b>\$ 1,557,403</b>	<b>\$ 1,747,038</b>	<b>\$ 2,766,785</b>	<b>\$ 1,686,981</b>	<b>\$ 23,644,108</b>	<b>\$ 23,577,317</b>

See accompanying notes to the financial statements.



**THIRD SECTOR NEW ENGLAND, INC.**

*Statement of Functional Expenses*

*Year Ended June 30, 2012*

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

See accompanying notes to the financial statements.

**THIRD SECTOR NEW ENGLAND, INC.**

*Statements of Cash Flows*

	<i>Years Ended June 30,</i>	
	<b>2013</b>	<b>2012</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 6,172,401	\$ (1,154,827)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	962,046	1,015,863
Amortization of deferred bond issue costs	11,793	11,793
Net realized and unrealized (gain) loss on investments	(314,884)	819,469
Change in:		
Accounts receivable	(166,478)	(804,940)
Royalty fees receivable	(1,458,985)	2,163,826
Prepaid expenses and deposits	(7,446)	29,819
Accounts payable and accrued expenses	412,855	(172,429)
Deferred compensation agreement	-	-
Deferred revenue	(89,779)	(71,176)
Total adjustments	(650,878)	2,992,225
<b>Net cash provided by operating activities</b>	<b>5,521,523</b>	<b>1,837,398</b>
<b>Cash flows from investing activities:</b>		
Proceeds from sale of investments	1,895,649	2,616,250
Purchase of investments	(2,112,031)	(2,809,686)
Change in assets limited as to use	(300,557)	(17,280)
Purchase of property and equipment	(216,090)	(22,717)
<b>Net cash used in investing activities</b>	<b>(733,029)</b>	<b>(233,433)</b>
<b>Cash flows from financing activities:</b>		
Payments on bond payable	(300,000)	(300,000)
<b>Cash used in financing activities</b>	<b>(300,000)</b>	<b>(300,000)</b>
<b>Net increase in cash and cash equivalents</b>	<b>4,488,494</b>	<b>1,303,965</b>
Cash and cash equivalents, beginning	9,701,872	8,397,907
<b>Cash and cash equivalents, ending</b>	<b>\$ 14,190,366</b>	<b>\$ 9,701,872</b>

# THIRD SECTOR NEW ENGLAND, INC.

## *Notes to Financial Statements*

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

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

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

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

The cost of the property was apportioned between building and land in proportion to the assessment issued by the City of Boston. The property is exempt from property taxes, except to the extent that some taxes will be due for portions of the property rented to tenants who are not nonprofit organizations and who were occupying space in the building at the time of the purchase. These tenants 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, 2013 and 2012.

#### *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 \$7,550,410 and \$6,848,487 for the years ended June 30, 2013 and 2012, respectively, related to funds held for fiscally sponsored programs.

#### *Assets Limited as to Use*

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

# THIRD SECTOR NEW ENGLAND, INC.

## *Notes to Financial Statements*

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

#### *Accounts Receivable and Notes Receivable*

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

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

During 2006, TSNE transferred certain of its assets and liabilities comprising the operations of *The Nonprofit Quarterly* to the Nonprofit Information Networking Association ("NINA"). TSNE received a \$95,000 Promissory Note of which NINA paid \$37,686 through June 30, 2009. TSNE has recorded an allowance for the full amount outstanding on the note of \$57,314 at June 30, 2013 and 2012.

#### *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.

# THIRD SECTOR NEW ENGLAND, INC.

## *Notes to Financial Statements*

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

#### *Deferred Bond Issuance Costs*

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

#### *Revenue Recognition and Deferred Revenue*

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

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

#### *Grants and Contributions*

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

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

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

Included in expenses for fiscal sponsorship programs are approximately \$513,356 and \$261,424 of fundraising expenses for the years ended June 30, 2013 and 2012, 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, 2013 and 2012 was \$11,449 and \$5,756, 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, 2013 and 2012, 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's 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 \$468,203 and \$167,646 as of June 30, 2013 and 2012, 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>2013</i>	<i>2012</i>
Unrealized gain/(loss) on investments	\$ 265,136	\$ (1,849,906)
Realized gains on investments	<u>49,748</u>	<u>1,030,437</u>
<b>Total gain/(loss)</b>	<b>314,884</b>	<b>(819,469)</b>
Interest and dividend income	257,605	252,415
Management fees*	<u>(60,304)</u>	<u>(58,902)</u>
<b>Total investment income</b>	<b>\$ <u>512,185</u></b>	<b>\$ <u>(625,956)</u></b>

\* 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, 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>12,033,756</u>	<u>10,362,913</u>	<u>1,670,843</u>	<u>-</u>
Assets limited as to use*	<u>468,203</u>	<u>-</u>	<u>468,203</u>	<u>-</u>
<b>Total assets at fair value</b>	<b>\$ <u>12,501,959</u></b>	<b>\$ <u>10,362,913</u></b>	<b>\$ <u>2,139,046</u></b>	<b>\$ <u>-</u></b>

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

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

\*Assets limited as to use are invested in certificates of deposit with financial institutions.

## 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:

	<b>2013</b>	<b>2012</b>
Land	\$ 5,574,238	\$ 5,574,238
Building	9,559,539	9,559,539
Building improvements	11,986,909	11,803,454
Furnishings and equipment	250,622	226,737
Software	457,732	448,982
	27,829,040	27,612,950
Less accumulated depreciation and amortization	(7,107,064)	(6,145,018)
<b>Property and equipment, net</b>	<b>\$ 20,721,976</b>	<b>\$ 21,467,932</b>

#### *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 \$14,900,000 and \$15,200,000 as of June 30, 2013 and 2012, respectively. The bond is subject to certain financial and operating covenants which TSNE is in compliance with as of June 30, 2013.

Maturities of bond payable are as follows:

2014	\$	300,000
2015		310,000
2016		360,000
2017		360,000
2018		360,000
Thereafter		13,210,000
	<b>\$</b>	<b>14,900,000</b>

Interest expense and fees related to the bond payable amounted to \$623,608 and \$650,045 for the years ended June 30, 2013 and 2012, 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, 2013 and 2012, 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. Total rent expense under these agreements was \$397,310 and \$434,197 for the years ended June 30, 2013 and 2012, respectively.

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

2014	\$	115,500
2015		48,600
2016		45,300
2017		12,700
2018		<u>5,300</u>
	\$	<u><u>227,400</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, 2013 and 2012, contributions incurred under the plan were \$356,729 and \$274,377, respectively. Effective January 1, 2012, TSNE amended the plan to change the length of service and corresponding employer contribution percentages which resulted in decreased employer contributions for the year ended June 30, 2012.

# THIRD SECTOR NEW ENGLAND, INC.

## *Notes to Financial Statements*

### *Note 10 - Rental Income*

TSNE rents certain office space in the building to various organizations through November 2019. 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, 2013 and 2012 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, 2013 and 2012 was \$2,614,678 and \$2,736,114, respectively.

The following is a schedule by years of the future minimum lease revenue under the non-cancelable leases as of June 30, 2013:

2014	\$	2,329,323
2015		1,365,641
2016		1,045,075
2017		940,341
2018		629,556
Thereafter		394,893
	\$	<u><u>6,704,829</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 December 2, 2013, the date the financial statements were authorized to be issued. No significant matters were identified for disclosure during this evaluation.

*Supplemental Information*



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

500 Boylston Street ■ Boston, MA 02116  
Tel: 617.761.0600 ■ Fax: 617.761.0601 ■ [www.cbiztofias.com](http://www.cbiztofias.com)

*Independent Auditors' Report on Supplemental Information*

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

We have audited the financial statements of Third Sector New England, Inc. ("TSNE") as of and for the years ended June, 30, 2013 and 2012, and have issued our report thereon dated December 2, 2013 which contained an unmodified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The supplemental information, as listed in the table of contents, is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with 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.

*Mayer Hoffman McCann P.C.*

December 2, 2013  
Boston, Massachusetts

THIRD SECTOR NEW ENGLAND, INC.

Supplemental Schedule of Activities for Fiscal Sponsorship Programs and Services

Year Ended June 30, 2013

	<i>Boston Collaborative for Food and Fitness</i>	<i>Boston Family Boatbuilding</i>	<i>The BUILD Initiative</i>	<i>Boston Youth Organizing Project</i>	<i>Campaign for a Commercial-Free Childhood</i>	<i>Ct Health Disparities Project</i>	<i>CT Network to Abolish the Death Penalty</i>	<i>Carrot Project</i>	<i>Commonwealth Seminar</i>	<i>Center to Support Immigrant Organizing</i>
Revenue:										
Federal grants and contracts	\$ -	\$ -	\$ 269,167	\$ -	\$ -	\$ -	\$ -	\$ 16,560	\$ -	\$ -
State and local grants and contracts	9,300	-	265,000	35,000	-	-	-	25,000	-	-
Foundation and corporate grants and contracts	523,500	117,818	2,227,919	(4,354)	159,950	200,000	30,400	120,985	75,000	196,405
Contributions	-	530	-	8,000	151,162	-	925	40,207	-	2,495
Consultant fees	-	-	106,318	-	-	-	300	18,128	-	40,888
Publication and advertising revenue	-	-	-	-	416	-	900	-	-	-
Membership dues and fees	-	2,905	11,500	-	16,301	-	-	-	4,110	980
Interest earned	-	-	-	-	-	-	-	11,322	-	-
Other revenue	-	2,800	3,000	-	-	-	-	1,189	-	6,755
<b>Total revenue</b>	<b>532,800</b>	<b>124,053</b>	<b>2,882,904</b>	<b>38,646</b>	<b>327,829</b>	<b>200,000</b>	<b>32,525</b>	<b>233,391</b>	<b>79,110</b>	<b>247,523</b>
Expenses:										
Personnel (salaries and benefits)	79,483	50,119	845,213	30,459	200,812	-	39,638	159,908	51,182	155,504
Grants, awards, contributions	-	-	833,000	-	-	25,000	-	-	-	-
Professional and contract expense	31,663	27,958	1,040,259	5,684	21,401	31,000	-	45,871	2,156	4,670
Equipment/rental/maintenance	1,306	11,001	-	-	-	-	-	-	-	-
Postage and supplies	936	20,396	6,509	230	3,846	-	1,081	3,976	5,050	421
Telephone/communications/internet	890	923	28,763	1,244	1,555	-	1,374	2,046	1,770	160
Printing and publications	214	967	4,524	140	7,189	-	228	1,160	14	-
Occupancy	-	11,898	-	11,350	25,412	-	5,950	938	-	12,000
Travel and meeting expenses	13,085	8,578	471,326	7,516	12,793	-	3,837	14,833	3,465	6,590
Other expenses	3,211	10,610	(212)	217	6,067	-	1,871	8,566	7	75
Administrative fee to TSNE	18,310	19,943	182,184	7,983	33,489	-	5,911	33,222	6,415	25,119
<b>Total expenses</b>	<b>149,098</b>	<b>162,393</b>	<b>3,411,566</b>	<b>64,823</b>	<b>312,564</b>	<b>56,000</b>	<b>59,890</b>	<b>270,520</b>	<b>70,059</b>	<b>204,539</b>
<b>Change in net assets</b>	<b>383,702</b>	<b>(38,340)</b>	<b>(528,662)</b>	<b>(26,177)</b>	<b>15,265</b>	<b>144,000</b>	<b>(27,365)</b>	<b>(37,129)</b>	<b>9,051</b>	<b>42,984</b>
Net assets, beginning	-	58,880	1,951,703	26,177	148,875	-	42,721	104,654	43,719	40,156
<b>Net assets, ending</b>	<b>\$ 383,702</b>	<b>\$ 20,540</b>	<b>\$ 1,423,041</b>	<b>\$ -</b>	<b>\$ 164,140</b>	<b>\$ 144,000</b>	<b>\$ 15,356</b>	<b>\$ 67,525</b>	<b>\$ 52,770</b>	<b>\$ 83,140</b>



THIRD SECTOR NEW ENGLAND, INC.

Supplemental Schedule of Activities for Fiscal Sponsorship Programs and Services

Year Ended June 30, 2013

	Diploma Plus	Design Studio for Social Intervention	Early Childhood Funders Collaborative	Future Chefs	FRESH New London	Free Speech For People	Gardening the Community	Healing Arts	ISED Solutions	LGBT Aging Project
Revenue:										
Federal grants and contracts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,194	\$ -	\$ -	\$ 17,523
State and local grants and contracts	(497,986)	-	-	28,388	8,869	-	36,349	-	-	132,361
Foundation and corporate grants and contracts	-	190,525	108,020	276,000	114,529	553,501	164,236	-	40,000	74,341
Contributions	-	-	-	73,146	23,090	293,007	6,869	-	-	29,516
Consultant fees	-	5,000	-	-	-	8,250	3,081	-	-	4,835
Publication and advertising revenue	-	-	-	-	-	-	-	-	-	-
Membership dues and fees	-	-	77,000	20,050	30,891	-	21,861	-	-	3,345
Interest earned	2,695	-	-	-	-	-	-	-	-	-
Other revenue	(20,000)	659	-	68,699	2,531	1,795	2,634	6	-	24
<b>Total revenue</b>	<b>(515,291)</b>	<b>196,184</b>	<b>185,020</b>	<b>466,283</b>	<b>179,910</b>	<b>856,553</b>	<b>248,224</b>	<b>6</b>	<b>40,000</b>	<b>261,945</b>
Expenses:										
Personnel (salaries and benefits)	644,187	115,267	38,516	258,014	131,925	479,177	112,467	5,330	2,763	161,021
Grants, awards, contributions	-	-	-	-	-	-	-	-	-	-
Professional and contract expense	86,942	13,186	23,551	20,338	3,643	39,576	19,791	1,250	-	8,200
Equipment/rental/maintenance	-	-	-	52,984	1,036	2,501	2,614	-	-	1,745
Postage and supplies	7,019	3,450	475	16,405	5,458	13,120	4,198	-	-	3,358
Telephone/communications/internet	6,820	4,390	1,374	1,847	2,610	23,141	1,299	-	-	3,733
Printing and publications	29,199	1,095	697	2,217	-	8,071	2,105	-	-	564
Occupancy	36,567	19,809	-	44,396	2,580	18,257	2,777	-	-	6,110
Travel and meeting expenses	43,309	17,139	37,336	14,681	2,366	36,936	6,188	520	471	9,220
Other expenses	89,596	-	-	59,131	12,198	7,583	17,548	-	-	1,455
Administrative fee to TSNE	68,696	17,484	9,175	49,689	16,208	73,696	23,543	852	453	27,357
<b>Total expenses</b>	<b>1,012,335</b>	<b>191,820</b>	<b>111,124</b>	<b>519,702</b>	<b>178,024</b>	<b>702,058</b>	<b>192,530</b>	<b>7,952</b>	<b>3,687</b>	<b>222,763</b>
<b>Change in net assets</b>	<b>(1,527,626)</b>	<b>4,364</b>	<b>73,896</b>	<b>(53,419)</b>	<b>1,886</b>	<b>154,495</b>	<b>55,694</b>	<b>(7,946)</b>	<b>36,313</b>	<b>39,182</b>
Net assets, beginning	2,142,613	92,439	99,101	160,198	53,865	83,577	64,992	9,096	-	61,051
<b>Net assets, ending</b>	<b>\$ 614,987</b>	<b>\$ 96,803</b>	<b>\$ 172,997</b>	<b>\$ 106,779</b>	<b>\$ 55,751</b>	<b>\$ 238,072</b>	<b>\$ 120,686</b>	<b>\$ 1,150</b>	<b>\$ 36,313</b>	<b>\$ 100,233</b>

THIRD SECTOR NEW ENGLAND, INC.

Supplemental Schedule of Activities for Fiscal Sponsorship Programs and Services

Year Ended June 30, 2013

	Matahari - Eye of the day	MEDICAL-LEGAL PARTNERSHIP / Boston	Mass Organization for Addiction Recovery	MissionSAFE	My Sister's Keeper	MadSci Network	Main Street Partners	Massachusetts Voter Table	Massachusetts Worker Education Roundtable	National Network of Fiscal Sponsors
Revenue:										
Federal grants and contracts	\$ -	\$ -	\$ 10,911	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State and local grants and contracts	38,392	397,389	292,419	192,402	-	-	35,000	-	-	-
Foundation and corporate grants and contracts	129,140	84,049	1,110	236,398	20,000	-	20,000	209,000	-	-
Contributions	3,887	37,055	3,710	120,633	21,791	-	5,010	-	-	-
Consultant fees	550	-	5,430	-	2,000	-	-	-	24,375	-
Publication and advertising revenue	-	-	-	-	-	330	-	-	-	-
Membership dues and fees	745	-	24,310	177,344	796	-	-	-	-	34,000
Interest earned	-	-	-	-	-	-	-	-	-	-
Other revenue	250	79,173	-	963	11	-	-	-	-	25,886
<b>Total revenue</b>	<b>172,964</b>	<b>597,666</b>	<b>337,890</b>	<b>727,740</b>	<b>44,598</b>	<b>330</b>	<b>60,010</b>	<b>209,000</b>	<b>24,375</b>	<b>59,886</b>
Expenses:										
Personnel (salaries and benefits)	79,451	399,483	193,483	351,993	6,954	-	35,669	86,853	24,782	-
Grants, awards, contributions	-	-	-	-	-	-	-	46,100	-	-
Professional and contract expense	6,137	104,391	9,913	106,832	982	7	114	28,125	-	13,515
Equipment/rental/maintenance	-	-	3,787	4,400	-	-	-	-	-	-
Postage and supplies	802	5,655	9,005	6,814	(294)	-	358	5,404	-	-
Telephone/communications/internet	1,563	232	5,375	11,736	2,922	-	246	-	-	-
Printing and publications	279	1,335	20,631	728	60	-	626	27,306	-	-
Occupancy	4,248	-	12,027	13,615	-	-	8,350	-	-	-
Travel and meeting expenses	3,737	8,876	33,622	81,193	8,189	-	693	1,776	178	2,883
Other expenses	3,540	5,333	6,058	17,352	3,173	-	155	70	-	-
Administrative fee to TSNE	13,966	57,784	41,146	72,021	1,979	1,000	6,469	20,596	3,494	-
<b>Total expenses</b>	<b>113,723</b>	<b>583,089</b>	<b>335,047</b>	<b>666,684</b>	<b>23,965</b>	<b>1,007</b>	<b>52,680</b>	<b>216,230</b>	<b>28,454</b>	<b>16,398</b>
<b>Change in net assets</b>	<b>59,241</b>	<b>14,577</b>	<b>2,843</b>	<b>61,056</b>	<b>20,633</b>	<b>(677)</b>	<b>7,330</b>	<b>(7,230)</b>	<b>(4,079)</b>	<b>43,488</b>
Net assets, beginning	48,466	-	30,412	16,975	10,649	79,931	-	120,631	5,397	-
<b>Net assets, ending</b>	<b>\$ 107,707</b>	<b>\$ 14,577</b>	<b>\$ 33,255</b>	<b>\$ 78,031</b>	<b>\$ 31,282</b>	<b>\$ 79,254</b>	<b>\$ 7,330</b>	<b>\$ 113,401</b>	<b>\$ 1,318</b>	<b>\$ 43,488</b>

THIRD SECTOR NEW ENGLAND, INC.

Supplemental Schedule of Activities for Fiscal Sponsorship Programs and Services

Year Ended June 30, 2013

	Northeast Regional Ocean Council	Opportunities Exchange	Our Transportation Future	Real Food Generation	Resource Generation	Rhode Island Land Trust Council	Sustainable Agriculture Credit Union	Safe Havens	SeaPlan
Revenue:									
Federal grants and contracts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	315,992	\$ -
State and local grants and contracts	-	116,737	-	17,421	-	4,000	-	-	100,011
Foundation and corporate grants and contracts	684,937	434,000	-	561,100	401,688	98,000	-	25,455	572,134
Contributions	-	-	-	59,091	518,586	7,008	-	8,757	-
Consultant fees	-	284,012	-	8,576	-	-	-	1,450	17,206
Publication and advertising revenue	-	-	-	-	750	-	-	-	-
Membership dues and fees	-	25,349	-	5,494	122,388	15,538	-	-	-
Interest earned	1,787	-	-	-	-	-	-	-	1,027
Other revenue	4,315	1,127	-	191,726	4,157	7,512	-	568	3,360
<b>Total revenue</b>	<b>691,039</b>	<b>861,225</b>	<b>-</b>	<b>843,408</b>	<b>1,047,569</b>	<b>132,058</b>	<b>-</b>	<b>352,222</b>	<b>693,738</b>
Expenses:									
Personnel (salaries and benefits)	283,677	145,773	-	377,348	433,095	91,485	17,202	249,265	612,169
Grants, awards, contributions	-	5,000	20,000	-	-	-	-	-	-
Professional and contract expense	431,197	180,364	1,530	42,558	64,347	11,305	5,063	8,136	234,042
Equipment/rental/maintenance	-	1,800	-	1,666	-	-	-	-	4,857
Postage and supplies	372	856	-	9,938	10,267	1,185	-	3,486	2,023
Telephone/communications/internet	6,328	2,923	888	2,130	7,403	752	-	1,889	25,853
Printing and publications	-	-	-	7,332	6,701	3,660	-	10,683	1,937
Occupancy	-	15,030	-	10,475	52,081	6,150	-	21,600	48,391
Travel and meeting expenses	13,027	166,961	58	73,861	99,150	2,264	2,369	6,816	16,978
Other expenses	-	2,000	-	235	9,968	1,139	1,126	772	3,026
Administrative fee to TSNE	83,193	72,899	1,000	57,835	68,502	13,391	2,576	42,371	81,329
<b>Total expenses</b>	<b>817,794</b>	<b>593,606</b>	<b>23,476</b>	<b>583,378</b>	<b>751,514</b>	<b>131,331</b>	<b>28,336</b>	<b>345,018</b>	<b>1,030,605</b>
<b>Change in net assets</b>	<b>(126,755)</b>	<b>267,619</b>	<b>(23,476)</b>	<b>260,030</b>	<b>296,055</b>	<b>727</b>	<b>(28,336)</b>	<b>7,204</b>	<b>(336,867)</b>
Net assets, beginning	614,190	126,508	43,092	-	264,433	109,106	28,336	22,928	621,411
<b>Net assets, ending</b>	<b>\$ 487,435</b>	<b>\$ 394,127</b>	<b>\$ 19,616</b>	<b>\$ 260,030</b>	<b>\$ 560,488</b>	<b>\$ 109,833</b>	<b>\$ -</b>	<b>\$ 30,132</b>	<b>\$ 284,544</b>

THIRD SECTOR NEW ENGLAND, INC.

Supplemental Schedule of Activities for Fiscal Sponsorship Programs and Services

Year Ended June 30, 2013

	<i>Sustainability Guild International</i>	<i>Trust for Learning</i>	<i>Tutors for All</i>	<i>Tools of the Mind</i>	<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	\$ -	\$ -	\$ -	\$ 366,300	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,009,647
State and local grants and contracts	29,475	-	380,597	1,631,598	-	13,771	-	-	-	3,291,493
Foundation and corporate grants and contracts	17,500	545,450	60,010	752,168	-	14,155	200,000	120,860	-	10,355,929
Contributions	500	100,000	50,555	-	3,041	8,677	-	55,880	-	1,633,128
Consultant fees	-	-	-	18,916	500	250	-	-	-	550,065
Publication and advertising revenue	-	-	-	34,966	-	344	-	248	-	37,954
Membership dues and fees	-	-	-	-	-	69	17,548	56,492	-	669,016
Interest earned	-	-	-	-	-	-	-	-	-	16,831
Other revenue	-	-	2,854	28,300	-	105	-	5,212	-	425,611
<b>Total revenue</b>	<b>47,475</b>	<b>645,450</b>	<b>494,016</b>	<b>2,832,248</b>	<b>3,541</b>	<b>37,371</b>	<b>217,548</b>	<b>238,692</b>	<b>-</b>	<b>17,989,674</b>
Expenses:										
Personnel (salaries and benefits)	19,979	22,750	341,524	1,363,451	6,073	20,073	-	107,181	-	8,830,698
Grants, awards, contributions	-	167,124	-	-	-	-	-	-	(3,211)	1,093,013
Professional and contract expense	-	29,575	77,259	36,477	-	1,327	106,111	36,760	3,687	2,966,893
Equipment/rental/maintenance	-	-	670	808	-	-	-	1,021	-	92,196
Postage and supplies	20,136	-	12,634	80,468	-	2,193	230	6,588	-	274,048
Telephone/communications/internet	-	18	3,138	6,151	-	614	173	781	-	165,054
Printing and publications	-	-	7,297	961	-	1,979	490	6,706	-	157,095
Occupancy	-	-	26,361	-	800	-	-	-	-	417,172
Travel and meeting expenses	1,516	2,760	10,326	240,120	-	1,164	1,795	65,339	-	1,555,840
Other expenses	-	-	(575)	3,086	-	-	59,270	241	-	333,892
Administrative fee to TSNE	2,914	10,221	70,334	172,963	825	2,735	8,815	26,955	361	1,557,403
<b>Total expenses</b>	<b>44,545</b>	<b>232,448</b>	<b>548,968</b>	<b>1,904,485</b>	<b>7,698</b>	<b>30,085</b>	<b>176,884</b>	<b>251,572</b>	<b>837</b>	<b>17,443,304</b>
<b>Change in net assets</b>	<b>2,930</b>	<b>413,002</b>	<b>(54,952)</b>	<b>927,763</b>	<b>(4,157)</b>	<b>7,286</b>	<b>40,664</b>	<b>(12,880)</b>	<b>(837)</b>	<b>546,370</b>
Net assets, beginning	-	-	71,620	160,961	7,709	10,335	89,007	112,761	17,691	7,796,366
<b>Net assets, ending</b>	<b>\$ 2,930</b>	<b>\$ 413,002</b>	<b>\$ 16,668</b>	<b>\$ 1,088,724</b>	<b>\$ 3,552</b>	<b>\$ 17,621</b>	<b>\$ 129,671</b>	<b>\$ 99,881</b>	<b>\$ 16,854</b>	<b>\$ 8,342,736</b>

**THIRD SECTOR NEW ENGLAND, INC.**

*Schedule of Expenditures of Federal Awards*

*Year Ended June 30, 2013*

<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>
<b>U.S. Department of Health and Human Services:</b>			
National Family Caregiver Support, Title III, Part E Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.052		\$ 32,950
Special Programs for the Aging Title IV and Title II Discretionary Projects	93.243		2,198
Child Care and Development Block Grant	93.048		16,068
Community Transformation Grants - Small Communities	93.575		47,535
Health Care Innovation Awards (HCIA)	93.737		12,587
	93.610		6,276
Pass-through program from the Commonwealth of Massachusetts Department of Public Health Substance Abuse Prevention and Treatment Block Grant	93.959	INTF2330M04801313078	100,000
Child Health and Human Development Extramural Research	93.865		<u>159,197</u>
<b>Total U.S. Department of Health and Human Services</b>			<u>376,811</u>
<b>U.S. Department of Justice:</b>			
OVW Technical Assistance Initiative	16.526		<u>315,992</u>
<b>U.S. Department of Commerce:</b>			
Coastal Services Center	11.473		<u>77,467</u>
<b>U.S. Department of Housing and Urban Development:</b>			
CDBG - Entitlement Grants Cluster Community Development Block Grants/Entitlement Grants	14.218		<u>2,350</u>
<b>U.S. Department of Education:</b>			
Education Research, Development & Dissemination	84.305		<u>207,103</u>
<b>U.S. Department of Agriculture:</b>			
Sustainable Agriculture Research and Education	10.215		<u>16,560</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 996,283</u></u>

# **THIRD SECTOR NEW ENGLAND, INC.**

## ***Notes to Schedule of Expenditures of Federal Awards***

***Year Ended June 30, 2013***

### ***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, 2013. 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*



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

500 Boylston Street ■ Boston, MA 02116  
Tel: 617.761.0600 ■ Fax: 617.761.0601 ■ www.cbiztofias.com

*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, 2013, 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 December 2, 2013.

***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 Hayfman McCann P.C.*

December 2, 2013  
Boston, Massachusetts

***Reporting Under OMB Circular A-133***



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

500 Boylston Street ■ Boston, MA 02116  
Tel: 617.761.0600 ■ Fax: 617.761.0601 ■ www.cbiztofias.com

*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, 2013. 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, 2013.



## 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.

*Mayer Hoffmann McCann P.C.*

December 2, 2013  
Boston, Massachusetts

# THIRD SECTOR NEW ENGLAND, INC.

## *Schedule of Findings and Questioned Costs*

*Year Ended June 30, 2013*

### 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

16.526

Name of Federal Program

OVW Technical Assistance Initiative

- |   |           |
|---|-----------|
| 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, 2013*

**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.