

**Financial Statements,
Supplemental Information and
Reports Required Under
Government Auditing Standards
and the Uniform Guidance**

Third Sector New England, Inc.

June 30, 2016 and 2015



THIRD SECTOR NEW ENGLAND, INC.

Financial Statements, Supplemental Information and Reports Required Under Government Auditing Standards and the Uniform Guidance

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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, 2016 and 2015, 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.



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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, 2016 and 2015, 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance") and Supplemental Schedule of Activities for Fiscal Sponsorship Programs and Services, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2017 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.

Maye Heyman McCann P.C.

January 4, 2017
Boston, Massachusetts

THIRD SECTOR NEW ENGLAND, INC.

Statements of Financial Position

	<i>June 30,</i>	
	<i>2016</i>	<i>2015</i>
Assets		
Cash and cash equivalents	\$ 14,368,452	\$ 14,290,590
Assets limited as to use	782,020	701,834
Contributions, grants and notes receivable, net (allowance for doubtful accounts of \$60,877 for 2016 and 2015)	16,785,556	8,121,063
Royalty fees receivable	1,145,402	1,437,745
Prepaid expenses and deposits	121,213	115,374
Investments	19,735,507	19,575,821
Property and equipment, net	20,730,095	21,376,493
Deferred costs, net	<u>282,678</u>	<u>316,942</u>
Total assets	<u>\$ 73,950,923</u>	<u>\$ 65,935,862</u>
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 6,299,324	\$ 5,563,205
Deferred revenue	574,738	801,533
Bond payable, net	<u>13,651,881</u>	<u>14,000,088</u>
Total liabilities	<u>20,525,943</u>	<u>20,364,826</u>
Net assets:		
Unrestricted net assets	<u>27,595,076</u>	<u>28,448,012</u>
Temporarily restricted:		
Temporarily restricted (TSNE)	141,801	137,438
Temporarily restricted (Fiscal Sponsorship)	<u>25,688,103</u>	<u>16,985,586</u>
Total temporarily restricted net assets	<u>25,829,904</u>	<u>17,123,024</u>
Total net assets	<u>53,424,980</u>	<u>45,571,036</u>
Total liabilities and net assets	<u>\$ 73,950,923</u>	<u>\$ 65,935,862</u>

THIRD SECTOR NEW ENGLAND, INC.

Statements of Activities

Years Ended June 30,

	2016					2015
	TSNE	Fiscal Sponsorship	Total	Temporarily	Total	Total
	Unrestricted	Programs Unrestricted	Unrestricted	Restricted		
Revenue:						
Contributions and grants - fiscal sponsorship programs	\$ -	\$ -	\$ -	\$ 30,814,289	\$ 30,814,289	\$ 19,825,118
Contributions and grants - other	-	-	-	240,615	240,615	145,660
Federal grants and contracts	-	2,678,003	2,678,003	-	2,678,003	1,633,807
Royalty income	2,005,950	50,025	2,055,975	-	2,055,975	3,176,988
Consulting fees	168,886	1,956,281	2,125,167	-	2,125,167	1,929,231
Contract revenue	803,600	6,918,066	7,721,666	-	7,721,666	5,605,858
Interest income	31,642	26,800	58,442	-	58,442	61,984
Publication revenue excluding grant support	2,614	15,912	18,526	-	18,526	55,520
Conference revenue	127,221	881,460	1,008,681	-	1,008,681	1,376,558
Membership dues	-	367,742	367,742	-	367,742	221,752
Rental income	2,795,621	4,650	2,800,271	-	2,800,271	2,654,468
Other income	107,770	731,686	839,456	-	839,456	278,353
Net assets released from restrictions	236,252	22,111,772	22,348,024	(22,348,024)	-	-
Total revenue	6,279,556	35,742,397	42,021,953	8,706,880	50,728,833	36,965,297
Expenses:						
Fiscally sponsored programs	-	32,707,106	32,707,106	-	32,707,106	24,893,132
Fiscal sponsorship services	-	3,035,451	3,035,451	-	3,035,451	2,304,194
Mission effectiveness programs	2,923,280	-	2,923,280	-	2,923,280	2,927,081
NonProfit Center	2,890,870	-	2,890,870	-	2,890,870	2,913,758
Administrative and general	1,478,028	-	1,478,028	-	1,478,028	1,140,576
Total expenses	7,292,178	35,742,557	43,034,735	-	43,034,735	34,178,741
Change in net assets from operations	(1,012,622)	(160)	(1,012,782)	8,706,880	7,694,098	2,786,556
Nonoperating:						
Investment income, net of fees	273,250	-	273,250	-	273,250	206,545
Net realized and unrealized gain (loss) on investments	(113,564)	160	(113,404)	-	(113,404)	(469,810)
Change in net assets from nonoperating activities	159,686	160	159,846	-	159,846	(263,265)
Total changes in net assets	(852,936)	-	(852,936)	8,706,880	7,853,944	2,523,291
Net assets, beginning	28,448,012	-	28,448,012	17,123,024	45,571,036	43,047,745
Net assets, ending	\$ 27,595,076	\$ -	\$ 27,595,076	\$ 25,829,904	\$ 53,424,980	\$ 45,571,036

See accompanying notes to the financial statements.

THIRD SECTOR NEW ENGLAND, INC.

Statement of Activities

Year Ended June 30, 2015

	Fiscal Sponsorship				
	TSNE	Programs	Total	Temporarily	Total
	Unrestricted	Unrestricted	Unrestricted	Restricted	
Revenue:					
Contributions and grants - fiscal sponsorship programs	\$ -	\$ -	\$ -	\$ 19,825,118	\$ 19,825,118
Contributions and grants - other	-	-	-	145,660	145,660
Federal grants and contracts	-	1,633,807	1,633,807	-	1,633,807
Royalty income	3,122,904	54,084	3,176,988	-	3,176,988
Consulting fees	172,508	1,756,723	1,929,231	-	1,929,231
Contract revenue	1,072,531	4,533,327	5,605,858	-	5,605,858
Interest income	37,070	24,914	61,984	-	61,984
Publication revenue excluding grant support	3,015	52,505	55,520	-	55,520
Conference revenue	109,214	1,267,344	1,376,558	-	1,376,558
Membership dues	-	221,752	221,752	-	221,752
Rental income	2,648,618	5,850	2,654,468	-	2,654,468
Other income	14,507	263,846	278,353	-	278,353
Net assets released from restrictions	291,271	17,383,496	17,674,767	(17,674,767)	-
Total revenue	7,471,638	27,197,648	34,669,286	2,296,011	36,965,297
Expenses:					
Fiscally sponsored programs	-	24,893,132	24,893,132	-	24,893,132
Fiscal sponsorship services	-	2,304,194	2,304,194	-	2,304,194
Mission effectiveness programs	2,927,081	-	2,927,081	-	2,927,081
NonProfit Center	2,913,758	-	2,913,758	-	2,913,758
Administrative and general	1,140,576	-	1,140,576	-	1,140,576
Total expenses	6,981,415	27,197,326	34,178,741	-	34,178,741
Change in net assets from operations	490,223	322	490,545	2,296,011	2,786,556
Nonoperating:					
Investment income, net of fees	206,545	-	206,545	-	206,545
Net realized and unrealized loss on investments	(469,488)	(322)	(469,810)	-	(469,810)
Change in net assets from nonoperating activities	(262,943)	(322)	(263,265)	-	(263,265)
Total changes in net assets	227,280	-	227,280	2,296,011	2,523,291
Net assets, beginning	28,220,732	-	28,220,732	14,827,013	43,047,745
Net assets, ending	\$ 28,448,012	\$ -	\$ 28,448,012	\$ 17,123,024	\$ 45,571,036

See accompanying notes to the financial statements.

THIRD SECTOR NEW ENGLAND, INC.

Statements of Functional Expenses

Years Ended June 30,

	2016					2015	
	<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	\$ 12,938,000	\$ 1,913,559	\$ 1,246,367	\$ 185,372	\$ 760,129	\$ 17,043,427	\$ 13,034,630
Grants, awards and contributions	3,185,234	-	219,484	-	-	3,404,718	2,139,880
Professional fees	7,474,001	23,578	435,411	182,744	298,860	8,414,594	7,089,846
Employee benefits	3,051,833	522,616	330,793	50,106	202,095	4,157,443	3,536,542
Occupancy	779,452	-	-	288,658	12,774	1,080,884	617,620
Supplies	798,434	1,062	3,831	513	48,576	852,416	542,553
Travel	1,512,812	10,088	44,780	-	11,699	1,579,379	1,228,089
Printing	226,434	-	10,874	-	4,027	241,335	227,806
Conference expense	1,564,028	11,252	49,012	18,800	50,496	1,693,588	1,569,069
Contract expense	26,827	237,606	394,883	-	(203,670)	455,646	34,332
Other expense	460,806	116,065	179,798	6,130	(146,525)	616,274	528,664
Telephone/communications expense	293,515	3,608	3,950	16,860	70,873	388,806	236,718
Training	76,934	10,329	4,048	-	2,289	93,600	92,426
Depreciation and amortization	6,735	-	-	1,017,361	23,275	1,047,371	981,938
Equipment	194,020	45,976	-	10,185	57,268	307,449	185,670
Accounting and legal expense	59,731	135,369	29	2,517	99,736	297,382	270,841
Insurance expense	27,235	4,343	-	36,045	126,817	194,440	177,337
Facility expenses	10,237	-	20	475,657	59,309	545,223	1,056,545
Debt service	20,838	-	-	599,922	-	620,760	628,235
Total expenses	\$ 32,707,106	\$ 3,035,451	\$ 2,923,280	\$ 2,890,870	\$ 1,478,028	\$ 43,034,735	\$ 34,178,741

THIRD SECTOR NEW ENGLAND, INC.

Statement of Functional Expenses

Year Ended June 30, 2015

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

See accompanying notes to the financial statements.

THIRD SECTOR NEW ENGLAND, INC.

Statements of Cash Flows

	<i>Years Ended June 30,</i>	
	2016	2015
Cash flows from operating activities:		
Change in net assets	\$ <u>7,853,944</u>	\$ <u>2,523,291</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,047,371	981,938
Amortization of bond issuance costs	11,793	11,793
Net realized and unrealized (gain) loss on investments	113,404	469,810
Change in:		
Contributions, grants and notes receivable	(8,664,493)	700,916
Royalty fees receivable	292,343	581,377
Prepaid expenses and deposits	(5,839)	61,969
Accounts payable and accrued expenses	736,119	1,354,753
Deferred revenue	<u>(226,795)</u>	<u>284,474</u>
Total adjustments	<u>(6,696,097)</u>	<u>4,447,030</u>
Net cash provided by operating activities	<u>1,157,847</u>	<u>6,970,321</u>
Cash flows from investing activities:		
Proceeds from sale of investments	244,839	1,201,456
Purchase of investments	(517,929)	(7,408,324)
Change in assets limited as to use	(80,186)	(207,797)
Additions to deferred costs	-	(342,640)
Purchase of property and equipment	<u>(366,709)</u>	<u>(2,258,511)</u>
Net cash used in investing activities	<u>(719,985)</u>	<u>(9,015,816)</u>
Cash flows from financing activities:		
Payments on bond payable	<u>(360,000)</u>	<u>(310,000)</u>
Net increase (decrease) in cash and cash equivalents	77,862	(2,355,495)
Cash and cash equivalents, beginning	<u>14,290,590</u>	<u>16,646,085</u>
Cash and cash equivalents, ending	\$ <u><u>14,368,452</u></u>	\$ <u><u>14,290,590</u></u>

THIRD SECTOR NEW ENGLAND, INC.

Notes to Financial Statements

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

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

The geographic area covered by TSNE is national with operations in 20 states. Primary operations are located in Massachusetts, with its main office in Boston. The Executive Director’s Guide is marketed to nonprofit agencies and leaders throughout the country.

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

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

A summary of significant accounting policies follows:

Financial Statement Preparation

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

- *Unrestricted net assets* represent the portion of net assets that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations.
- *Temporarily restricted net assets* represent contributions and other inflows of assets whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of TSNE pursuant to those stipulations. The majority of temporarily restricted net assets relate to contributions and grants for the Fiscal Sponsorship programs. Revenues resulting from the operation of each program by agreement are restricted to that program’s use and cannot be redirected to other programs. All other TSNE temporarily restricted net assets are restricted by time and/or purpose.

THIRD SECTOR NEW ENGLAND, INC.

Notes to Financial Statements

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

Financial Statement Preparation (Continued)

- *Permanently restricted net assets* represent contributions and other inflows of assets whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of TSNE. No permanently restricted net assets exist at June 30, 2016 and 2015.

Operations

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

Cash and Cash Equivalents

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

Included in cash and cash equivalents is \$13,302,462 and \$12,849,416 for the years ended June 30, 2016 and 2015, 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).

Contribution, Grants and Notes Receivable

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

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

Royalty Income

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

THIRD SECTOR NEW ENGLAND, INC.

Notes to Financial Statements

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

Property and Equipment

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

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

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

Deferred Leasing Costs

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

Deferred Bond Issuance Costs

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

Revenue Recognition and Deferred Revenue

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

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

THIRD SECTOR NEW ENGLAND, INC.

Notes to Financial Statements

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

Grants and Contributions

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

Grants and contributions to be received after one year are initially recorded at fair value based on the present value using a risk adjusted discount rate taking into account expected collections.

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

Grants and contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the unrestricted net assets class with the exception of those grants and contributions for fiscal sponsorship programs which are reflected as temporarily restricted revenue when recorded. 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 \$359,686 and \$432,431 of fundraising expenses for the years ended June 30, 2016 and 2015, respectively.

Income Tax Status

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

Uncertain Tax Positions

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

THIRD SECTOR NEW ENGLAND, INC.

Notes to Financial Statements

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

Uncertain Tax Positions (Continued)

TSNE's Federal and state tax returns are generally open for examination for three years following the date filed.

Advertising

TSNE expenses advertising costs as incurred. Total advertising expense for the years ended June 30, 2016 and 2015 was \$70,176 and \$44,614, respectively.

Use of Estimates

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

Fair Value Measurements

TSNE reports required types of financial instruments in accordance with the fair value standards. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. Fair value standards also require TSNE to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules, which allow for either Level 2 or Level 3, depending on lock up and notice periods associated with the underlying funds. At June 30, 2016 and 2015, 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.

THIRD SECTOR NEW ENGLAND, INC.

Notes to Financial Statements

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

Fair Value Measurements (Continued)

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. The inputs into the determination of fair value require significant management judgment or estimation. Financial instruments that are included in this category generally include limited partnerships, investments in private equity, real estate, natural resources and hedge funds.

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 5 - Fair Values of Financial Instruments.

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

Reclassifications

During 2016, TSNE retrospectively adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2015-03, *Interest-Imputation of Interest (Subtopic 835-30) - Simplifying the Presentation of Debt Issuance Costs*, and debt issuance costs are now presented as a deduction of debt on the statements of financial position for each year with amortization recorded as interest expense on the statements of activities. Accordingly, bonds payable, net originally stated at \$14,290,000 in the June 30, 2015 financial statements have been restated to \$14,000,088 to reflect \$289,912 of unamortized issuance costs previously included in deferred costs.

Additionally, certain revenue reclassifications have been made to the prior year financial statements in order to conform with the current year presentation for federal awards within the statements of activities. Total revenue from the prior year has remained unchanged as a result of this classification.

Note 2 - Assets Limited as to Use

Assets limited as to use is the microloan fund, with a balance of \$782,020 and \$701,834 as of June 30, 2016 and 2015, 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. This project is funded by third parties and an offsetting liability is reported in accounts payable and accrued expenses in the accompanying statements of financial position.

THIRD SECTOR NEW ENGLAND, INC.

Notes to Financial Statements

Note 3 - Accounts and Notes Receivable

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

	<i>2016</i>	<i>2015</i>
Grants and contracts receivable:		
Due in one year or less	\$ 13,407,138	\$ 6,630,384
Between one year and five years	<u>2,776,285</u>	<u>922,174</u>
	16,183,423	7,552,558
Notes receivable	663,010	604,800
Other receivables	-	24,582
Less: allowance for doubtful accounts	<u>(60,877)</u>	<u>(60,877)</u>
Contributions, grants and notes receivable, net	<u>\$ 16,785,556</u>	<u>\$ 8,121,063</u>

At June 30, 2016 and 2015, all financing receivables are current.

Note 4 - Investment Income

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

	<i>2016</i>	<i>2015</i>
Unrealized loss on investments	\$ (592,437)	\$ (763,611)
Realized gain on investments	<u>479,033</u>	<u>293,801</u>
Total loss	(113,404)	(469,810)
Interest and dividend income	<u>273,250</u>	<u>206,545</u>
Total investment income (loss)	<u>\$ 159,846</u>	<u>\$ (263,265)</u>

THIRD SECTOR NEW ENGLAND, INC.

Notes to Financial Statements

Note 5 - Fair Values of Financial Instruments

The following table represents TSNE's financial assets at June 30, 2016 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	\$ 3,158,098	\$ 3,158,098	\$ -	\$ -
Common stock - domestic	14,875,392	14,875,392	-	-
Common stock - foreign	1,156,011	1,156,011	-	-
Fixed income mutual funds - domestic	120,935	120,935	-	-
Fixed income mutual funds - foreign	398,831	398,831	-	-
Other	26,240	26,240	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets at fair value	\$ <u>19,735,507</u>	\$ <u>19,735,507</u>	\$ <u>-</u>	\$ <u>-</u>

The following table represents TSNE's financial assets at June 30, 2015 by the level within the fair value hierarchy:

	<i>Total</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
Investments:				
Cash equivalents	\$ 4,005,869	\$ 4,005,869	\$ -	\$ -
Corporate bonds	1,910,701	-	1,910,701	-
Common stock - domestic	11,523,285	11,523,285	-	-
Common stock - foreign	1,467,347	1,467,347	-	-
Fixed income mutual funds - domestic	143,525	143,525	-	-
Fixed income mutual funds - foreign	489,878	489,878	-	-
Other	35,216	35,216	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets at fair value	\$ <u>19,575,821</u>	\$ <u>17,665,120</u>	\$ <u>1,910,701</u>	\$ <u>-</u>

THIRD SECTOR NEW ENGLAND, INC.

Notes to Financial Statements

Note 6 - Property and Equipment

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

	2016	2015
Land	\$ 6,178,688	\$ 6,178,688
Building	9,939,539	9,939,539
Building improvements	13,902,671	13,552,744
Furnishings and equipment	312,873	292,926
Software	462,168	462,168
Construction in progress	<u>-</u>	<u>3,165</u>
	30,795,939	30,429,230
Less accumulated depreciation and amortization	<u>(10,065,844)</u>	<u>(9,052,737)</u>
Property and equipment, net	<u>\$ 20,730,095</u>	<u>\$ 21,376,493</u>

Depreciation expense was \$1,013,107 and \$956,240 for the years ended June 30, 2016 and 2015, respectively.

Note 7 - Deferred Costs, Net

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

	2016	2015
Leasing costs	\$ 342,640	\$ 342,640
Less accumulated amortization	<u>(59,962)</u>	<u>(25,698)</u>
Deferred costs, net	<u>\$ 282,678</u>	<u>\$ 316,942</u>

Amortization expense of deferred leasing costs was \$34,264 and \$25,698 for the years ended June 30, 2016 and 2015, respectively.

THIRD SECTOR NEW ENGLAND, INC.

Notes to Financial Statements

Note 8 - Bond Payable, net

	<i>2016</i>	<i>2015</i>
Massachusetts Development Finance Agency 2010 Series A Revenue Bond due February 1, 2040, interest of 4.14% with adjustments due on February 1, 2020 and February 1, 2030, principle and interest are paid monthly, secured by land and building and collateralized by assignments of rents and leases.	\$ 13,930,000	\$ 14,290,000
Less bond issuance costs	<u>(278,119)</u>	<u>(289,912)</u>
Bond payable, net	<u>\$ 13,651,881</u>	<u>\$ 14,000,088</u>

The bond is subject to certain financial and operating covenants which TSNE is in compliance with as of June 30, 2016.

Maturities of bond payable are as follows:

2017	\$ 360,000
2018	360,000
2019	360,000
2020	370,000
2021	420,000
Thereafter	<u>12,060,000</u>
	<u>\$ 13,930,000</u>

Interest expense and fees related to the bond payable amounted to \$588,129 and \$602,050 for the years ended June 30, 2016 and 2015, respectively. Amortization expense related to the bond issuance costs amounted to \$11,793 for the years ended June 30, 2016 and 2015.

Note 9 - Self Insurance Plans

TSNE has elected to finance the cost of unemployment compensation by reimbursing the Commonwealth of Massachusetts for actual unemployment compensation paid. At June 30, 2016 and 2015, TSNE has accrued \$31,960 for estimated claims incurred but not paid at the balance sheet date.

Note 10 - Operating Leases

TSNE occupies office space and leases office equipment under various leases and tenant-at-will agreements through May 2021. Total rent expense under these agreements was \$752,381 and \$566,868 for the years ended June 30, 2016 and 2015, respectively.

THIRD SECTOR NEW ENGLAND, INC.

Notes to Financial Statements

Note 10 - Operating Leases (Continued)

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

2017	\$	537,362
2018		371,312
2019		331,526
2020		276,813
2021		278,398
Thereafter		<u>16,993</u>
	\$	<u><u>1,812,404</u></u>

Note 11 - Retirement Benefits

TSNE has a defined contribution retirement plan covering all employees with one or more years of service. Employer contributions vary with length of service and can amount up to 10% of total compensation for plan participants. During the years ended June 30, 2016 and 2015, contributions incurred under the plan were \$552,808 and \$474,535, respectively.

Note 12 - Rental Income

TSNE rents certain office space in the building which it owns to various organizations through September 2025. The building was operated by an unrelated management company for which it paid a building management fee. Building management fees for the years ended June 30, 2016 and 2015 were \$38,950 and \$55,800, respectively. TSNE's arrangement with this management company is at will and renewed annually until cancelled. This agreement was cancelled during the fiscal year ended June 30, 2016 and TSNE is currently managing building operations. Rental income for the years ended June 30, 2016 and 2015 was \$2,800,271 and \$2,654,468, respectively.

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

2017	\$	2,418,247
2018		2,004,616
2019		1,736,330
2020		1,092,484
2021		871,636
Thereafter		<u>2,876,040</u>
	\$	<u><u>10,999,353</u></u>

THIRD SECTOR NEW ENGLAND, INC.

Notes to Financial Statements

Note 13 - Net Assets

Net assets are comprised of the following at June 30, 2016 and 2015:

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

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

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

Note 14 - Subsequent Events

TSNE has evaluated subsequent events through January 4, 2017, the date the financial statements were authorized to be issued. There were no subsequent events requiring accounting or disclosure through this period.

Note 15 - Concentrations of Credit Risk

As of June 30, 2016 and 2015, 15% and 10%, respectively, of gross accounts receivable consisted of grants from one grantor. For the years ended June 30, 2016 and 2015, these grantors made up approximately 12% and 6%, respectively, of revenue.

Supplemental Information

THIRD SECTOR NEW ENGLAND, INC.

Supplemental Schedule of Activities for Fiscal Sponsorship Programs and Services

Year Ended June 30, 2016

	A Way Home America	ACEs Connection Network	Active Living By Design	ADA Developers Academy	Anansi Health	Blue Butterfly Collaborative	Boston Collaborative for Food and Fitness	The BUILD Initiative	Campaign for a Commercial-Free Childhood
Revenue:									
Federal grants and contracts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 586,230	\$ -
Grants and contracts - other	-	-	-	-	-	-	-	96,721	-
State and local grants and contracts	-	-	-	1,368,817	50,282	5,425	19,701	270,120	-
Foundation and corporate grants and contracts	225,000	2,999,924	1,481,428	36,287	-	586,432	200,000	3,429,645	472,750
Contributions	-	-	4,049	67,277	-	-	-	650	122,885
Consultant fees	-	-	407,277	-	-	19,263	-	745,530	750
Publication and advertising revenue	-	-	-	-	-	-	-	-	-
Membership dues and fees	-	-	3,000	-	-	-	-	419,578	-
Interest earned	-	-	-	-	-	-	-	-	-
Other revenue	-	-	4,577	1,518	-	-	-	2,403	70
Total revenue	225,000	2,999,924	1,900,331	1,473,899	50,282	611,120	219,701	5,550,877	596,455
Expenses:									
Personnel (salaries and benefits)	35,877	130,510	1,031,887	829,305	-	52,126	10,432	1,353,132	288,300
Grants, awards, contributions	-	-	145,000	-	-	-	-	375,000	30,000
Professional and contract expense	5,083	7,110	54,596	338,601	164,023	118,239	110,899	1,958,975	18,059
Equipment/rental/maintenance	-	-	13,330	-	-	60	8,397	-	-
Postage and supplies	1,389	-	9,697	28,387	-	486	5,476	16,052	10,165
Telephone/communications/internet	36	-	11,161	8,677	-	246	606	65,545	3,461
Printing and publications	47	-	4,231	-	-	4,385	2,780	6,663	13,342
Occupancy	-	-	97,334	67,453	-	-	187	450	27,003
Travel and meeting expenses	19,003	838	389,536	15,568	-	23,565	9,381	1,121,017	12,223
Other expenses	-	-	8,421	32,383	-	(300)	472	3,116	13,187
Administrative fee to TSNE	6,758	13,846	167,220	131,538	5,653	27,833	16,742	345,026	47,602
Total expenses	68,193	152,304	1,932,413	1,451,912	169,676	226,640	165,372	5,244,976	463,342
Change in net assets	156,807	2,847,620	(32,082)	21,987	(119,394)	384,480	54,329	305,901	133,113
Net assets, beginning	-	-	2,771,056	230,946	124,131	192,599	190,214	1,768,164	532,504
Net assets, ending	\$ 156,807	\$ 2,847,620	\$ 2,738,974	\$ 252,933	\$ 4,737	\$ 577,079	\$ 244,543	\$ 2,074,065	\$ 665,617

THIRD SECTOR NEW ENGLAND, INC.

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

Year Ended June 30, 2016

	<i>The Carrot Project</i>	<i>Center to Support Immigrant Organizing</i>	<i>Commonwealth Seminar</i>	<i>Community Boat Building</i>	<i>Community Votes</i>	<i>The Connecticut School Finance Project</i>	<i>CT Network to Abolish the Death Penalty</i>	<i>Design Studio for Social Intervention</i>	<i>Early Childhood Funders Collaborative</i>
Revenue:									
Federal grants and contracts	\$ 52,952	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Grants and contracts - other	(461)	-	-	-	-	-	-	-	-
State and local grants and contracts	-	-	-	14,180	-	-	-	-	-
Foundation and corporate grants and contracts	2,924	112,100	-	244,908	40,118	985,000	421	373,055	140,000
Contributions	296,255	2,175	-	30,591	-	-	2,390	-	15,100
Consultant fees	27,115	4,575	160	-	2,000	12,000	-	72,820	-
Publication and advertising revenue	15,564	-	-	-	-	-	-	-	-
Membership dues and fees	-	-	910	26,137	-	-	-	-	191,250
Interest earned	-	-	-	-	-	-	-	-	-
Other revenue	23,528	7,372	-	243,885	165	-	-	-	-
Total revenue	417,877	126,222	1,070	559,701	42,283	997,000	2,811	445,875	346,350
Expenses:									
Personnel (salaries and benefits)	171,857	112,537	28,717	176,537	31,642	363,674	-	223,800	950
Grants, awards, contributions	-	-	-	-	-	-	-	22,000	-
Professional and contract expense	66,284	8,058	853	1,108	838	72,240	5	76,575	218,409
Equipment/rental/maintenance	196	-	3,198	9,103	-	4,513	-	-	-
Postage and supplies	2,085	459	1,352	28,428	677	3,923	521	24,703	-
Telephone/communications/internet	6,079	205	-	1,652	-	16,762	1,146	3,614	1,291
Printing and publications	1,810	62	-	-	396	4,703	465	7,039	-
Occupancy	1,942	12,000	-	41,845	-	4,400	-	25,965	-
Travel and meeting expenses	17,323	9,522	3,853	7,887	176	21,168	2,201	28,621	65,259
Other expenses	16,620	275	100	248,722	-	2,960	300	29	-
Administrative fee to TSNE	39,788	20,037	3,807	38,598	4,722	49,435	1,002	39,110	25,732
Total expenses	323,984	163,155	41,880	553,880	38,451	543,778	5,640	451,456	311,641
Change in net assets	93,893	(36,933)	(40,810)	5,821	3,832	453,222	(2,829)	(5,581)	34,709
Net assets, beginning	34,125	101,046	89,660	16,775	45,827	485,328	7,522	208,897	145,695
Net assets, ending	\$ 128,018	\$ 64,113	\$ 48,850	\$ 22,596	\$ 49,659	\$ 938,550	\$ 4,693	\$ 203,316	\$ 180,404

THIRD SECTOR NEW ENGLAND, INC.

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

Year Ended June 30, 2016

	Early Childhood Philanthropist Group	Farm to Institution New England	First Teacher	FRESH New London	Future Chefs	Gardening the Community	Hispanic Black Gay Coalition	Integrity Initiatives International
Revenue:								
Federal grants and contracts	\$ -	\$ 8,428	\$ 25,344	\$ 10,137	\$ -	\$ 46,060	\$ 54,434	\$ -
Grants and contracts - other	-	(111)	(344)	(137)	-	(558)	(508)	-
State and local grants and contracts	-	96,205	10,000	15,135	20,000	48,593	27,190	-
Foundation and corporate grants and contracts	100,000	973,136	278,056	110,737	679,569	342,567	113,598	-
Contributions	226,000	2,618	17,853	20,001	38,263	39,932	16,353	15,510
Consultant fees	-	15,321	1,850	50	-	-	550	-
Publication and advertising revenue	-	-	-	-	-	-	-	-
Membership dues and fees	-	-	-	5,106	5,216	38,408	19,291	-
Interest earned	-	-	-	-	19,563	-	-	-
Other revenue	-	1,435	-	400	-	1,330	-	-
Total revenue	326,000	1,097,032	332,759	161,429	762,611	516,332	230,908	15,510
Expenses:								
Personnel (salaries and benefits)	247,810	305,587	159,692	117,188	627,586	205,196	111,765	-
Grants, awards, contributions	-	-	-	-	1,200	-	300	-
Professional and contract expense	32,897	50,695	18,269	9,256	76,179	112,786	16,755	3,551
Equipment/rental/maintenance	335	-	2,042	1,319	20,143	34,716	-	-
Postage and supplies	1,978	3,614	5,350	1,417	46,914	6,109	3,606	357
Telephone/communications/internet	733	4,379	1,544	3,096	6,422	5,047	3,878	-
Printing and publications	792	2,484	582	-	57	3,499	4,647	-
Occupancy	2,246	2,914	312	7,585	55,287	9,654	14,400	-
Travel and meeting expenses	12,745	37,252	1,288	1,189	8,190	9,153	22,073	2,693
Other expenses	208	939	-	5,123	20,336	39,306	9,064	-
Administrative fee to TSNE	29,975	47,522	24,448	14,822	102,568	59,747	26,091	792
Total expenses	329,719	455,386	213,527	160,995	964,882	485,213	212,579	7,393
Change in net assets	(3,719)	641,646	119,232	434	(202,271)	31,119	18,329	8,117
Net assets, beginning	66,395	-	10,200	20,685	531,491	208,346	49,711	-
Net assets, ending	\$ 62,676	\$ 641,646	\$ 129,432	\$ 21,119	\$ 329,220	\$ 239,465	\$ 68,040	\$ 8,117

THIRD SECTOR NEW ENGLAND, INC.

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

Year Ended June 30, 2016

	<i>ISED Solutions</i>	<i>Lawrence Dream Network</i>	<i>MadSci Network</i>	<i>Maine Food Strategy</i>	<i>Mass Organization for Addiction Recovery</i>	<i>MA Voter Table</i>	<i>Matahari - Eye of the day</i>	<i>MEDICAL-LEGAL PARTNERSHIP Boston</i>
Revenue:								
Federal grants and contracts	\$ 202,023	\$ -	\$ -	\$ -	\$ 330,735	\$ -	\$ -	\$ 16,607
Grants and contracts - other	(2,744)	-	-	-	31,380	-	-	-
State and local grants and contracts	-	-	-	-	607,208	-	44,128	1,152,071
Foundation and corporate grants and contracts	-	10,000	-	104,250	2,846	337,000	207,895	22,304
Contributions	-	-	-	20,020	12,105	20,000	600	8,160
Consultant fees	-	-	-	-	-	30,000	-	37,847
Publication and advertising revenue	-	-	-	-	-	-	-	-
Membership dues and fees	400	-	-	-	43,247	-	-	-
Interest earned	-	-	-	-	-	-	-	-
Other revenue	49,224	-	-	42,078	765	342	1,667	40
Total revenue	248,903	10,000	-	166,348	1,028,286	387,342	254,290	1,237,029
Expenses:								
Personnel (salaries and benefits)	118,301	-	-	71,628	565,220	93,710	112,953	486,642
Grants, awards, contributions	6,638	-	-	-	-	30,456	-	-
Professional and contract expense	80,173	-	6,630	4,747	97,539	22,275	8,541	101,438
Equipment/rental/maintenance	-	-	-	-	1,091	-	-	1,358
Postage and supplies	2,952	-	-	262	40,407	365	2,803	17,561
Telephone/communications/internet	226	-	-	-	18,772	-	-	624
Printing and publications	-	-	-	619	36,054	31,936	-	6,253
Occupancy	500	-	-	-	13,175	6,750	10,145	66,616
Travel and meeting expenses	24,962	-	-	8,147	91,014	1,360	390	23,514
Other expenses	-	200	15	-	21,270	199	1,260	6,453
Administrative fee to TSNE	21,542	28	440	11,956	123,861	22,446	19,078	84,566
Total expenses	255,294	228	7,085	97,359	1,008,403	209,497	155,170	795,025
Change in net assets	(6,391)	9,772	(7,085)	68,989	19,883	177,845	99,120	442,004
Net assets, beginning	103,277	-	77,334	-	45,129	74,955	68,042	125,484
Net assets, ending	\$ 96,886	\$ 9,772	\$ 70,249	\$ 68,989	\$ 65,012	\$ 252,800	\$ 167,162	\$ 567,488

THIRD SECTOR NEW ENGLAND, INC.

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

Year Ended June 30, 2016

	<i>Mina's List</i>	<i>MissionSAFE</i>	<i>My Sister's Keeper</i>	<i>National Network of Fiscal Sponsors</i>	<i>Neighbors United for a Better East Boston</i>	<i>New Entry Sustainable Farming Project</i>	<i>Nonprofit Centers Network</i>	<i>Northeast Regional Ocean Council</i>
Revenue:								
Federal grants and contracts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 289,699	\$ -	\$ 88,637
Grants and contracts - other	-	-	-	-	-	(224)	-	(1,204)
State and local grants and contracts	26,000	172,475	-	-	-	62,349	-	-
Foundation and corporate grants and contracts	42,500	138,000	-	-	11,200	356,283	43,600	2,116,626
Contributions	17,290	42,341	445	-	100	24,315	1,575	-
Consultant fees	250	-	-	-	-	25,301	92,281	-
Publication and advertising revenue	-	-	-	60,851	-	-	502	-
Membership dues and fees	-	194,558	-	-	-	260,695	104,393	-
Interest earned	-	-	-	-	-	-	3,524	-
Other revenue	-	62	1,061	400	-	18,642	-	1,899
Total revenue	86,040	547,436	1,506	61,251	11,300	1,037,060	245,875	2,205,958
Expenses:								
Personnel (salaries and benefits)	37,570	275,834	-	18,736	35,199	403,076	176,722	344,462
Grants, awards, contributions	-	-	1,000	-	-	4,775	-	-
Professional and contract expense	15,892	109,935	-	4,189	17,500	88,395	56,873	1,205,863
Equipment/rental/maintenance	-	1,616	-	-	756	51,122	-	-
Postage and supplies	743	28,801	-	-	2,152	209,098	547	2,505
Telephone/communications/internet	1,379	8,167	2,087	806	253	5,665	4,536	16,752
Printing and publications	-	2,143	-	-	342	1,216	4,027	-
Occupancy	-	22,293	-	-	4,400	35,881	9,460	-
Travel and meeting expenses	25,473	62,958	323	16,612	5,449	50,254	17,459	14,552
Other expenses	-	12,840	5,209	-	980	5,692	340	-
Administrative fee to TSNE	11,348	66,086	217	-	4,692	78,288	16,339	73,386
Total expenses	92,405	590,673	8,836	40,343	71,723	933,462	286,303	1,657,520
Change in net assets	(6,365)	(43,237)	(7,330)	20,908	(60,423)	103,598	(40,428)	548,438
Net assets, beginning	7,531	122,367	20,981	65,641	69,587	376,488	269,844	1,251,866
Net assets, ending	\$ 1,166	\$ 79,130	\$ 13,651	\$ 86,549	\$ 9,164	\$ 480,086	\$ 229,416	\$ 1,800,304

THIRD SECTOR NEW ENGLAND, INC.

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

Year Ended June 30, 2016

	Opportunities Exchange	Population Health Improvement Partners	Project Citizenship	Real Food Generation or Real Food Challenge	Resource Generation	Rhode Island Land Trust Council	RI Food Policy Council	Safe Havens
Revenue:								
Federal grants and contracts	\$ -	\$ 633,830	\$ -	\$ 54,461	\$ -	\$ -	\$ 19,456	\$ 232,981
Grants and contracts - other	-	(8,609)	-	-	-	-	-	-
State and local grants and contracts	507,386	13,183	9,000	49,896	-	4,750	80,000	-
Foundation and corporate grants and contracts	263,597	1,505,233	60,480	1,011,044	(41,678)	129,357	301,430	-
Contributions	1,000	3,700	3,885	31,502	-	1,325	280	177,159
Consultant fees	(20,909)	12,250	-	10,777	-	-	-	8,100
Publication and advertising revenue	-	-	-	-	-	-	-	41,250
Membership dues and fees	5,700	-	-	6,859	33,506	14,959	-	-
Interest earned	-	-	-	-	-	-	-	-
Other revenue	-	6,295	(16,245)	-	(671,798)	10,720	-	47
Total revenue	756,774	2,165,882	57,120	1,164,539	(679,970)	161,111	401,166	459,537
Expenses:								
Personnel (salaries and benefits)	218,260	1,036,369	110,531	578,810	(250)	87,989	97,689	193,224
Grants, awards, contributions	17,497	16,200	-	-	-	-	420,000	-
Professional and contract expense	371,024	582,108	24	73,581	30	20,328	42,960	11,027
Equipment/rental/maintenance	-	580	-	1,360	-	-	-	-
Postage and supplies	18	15,829	-	8,312	-	5,594	480	3,894
Telephone/communications/internet	3,192	14,168	-	2,229	98	703	1,082	2,624
Printing and publications	-	3,022	-	1,208	-	-	8,761	716
Occupancy	14,616	12,988	-	17,961	592	3,000	-	18,000
Travel and meeting expenses	54,880	99,596	-	58,850	12,312	-	17,632	57,862
Other expenses	31	15,571	-	1,305	(320)	6,894	-	370
Administrative fee to TSNE	74,819	191,623	8,441	81,798	1,247	14,161	36,500	38,930
Total expenses	754,337	1,988,054	118,996	825,414	13,709	138,669	625,104	326,647
Change in net assets	2,437	177,828	(61,876)	339,125	(693,679)	22,442	(223,938)	132,890
Net assets, beginning	402,279	723,206	61,876	341,761	693,679	153,347	322,233	19,710
Net assets, ending	\$ 404,716	\$ 901,034	\$ -	\$ 680,886	\$ -	\$ 175,789	\$ 98,295	\$ 152,600

THIRD SECTOR NEW ENGLAND, INC.

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

Year Ended June 30, 2016

	<i>SeaPlan</i>	<i>Sustainability Guild International</i>	<i>Tools of the Mind</i>	<i>Trust for Learning</i>	<i>Truth, Racial Healing, and Transformation Process</i>	<i>Tutors for All</i>	<i>Union & Fifth</i>	<i>Wells Center</i>
Revenue:								
Federal grants and contracts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Grants and contracts - other	-	-	-	-	-	-	-	-
State and local grants and contracts	-	10,000	1,720,186	-	105,465	278,915	-	-
Foundation and corporate grants and contracts	802,834	27,500	445,644	367,018	-	17,926	-	-
Contributions	-	100	631	291,755	-	51,292	562,400	-
Consultant fees	300,657	-	1,500	51,333	-	-	-	-
Publication and advertising revenue	-	-	15,856	-	-	-	-	-
Membership dues and fees	-	-	-	17,240	-	-	178,407	-
Interest earned	-	-	-	-	-	-	-	-
Other revenue	1,869	-	48,983	-	-	-	800,000	-
Total revenue	1,105,360	37,600	2,232,800	727,346	105,465	348,133	1,540,807	-
Expenses:								
Personnel (salaries and benefits)	846,612	7,914	1,746,388	181,759	76,911	197,250	706,748	-
Grants, awards, contributions	-	-	-	125,714	-	-	119,292	-
Professional and contract expense	59,817	9,210	69,096	255,287	-	59,173	241,493	-
Equipment/rental/maintenance	15,520	471	12,475	-	-	-	9,090	-
Postage and supplies	14,554	7,908	150,235	616	743	10,229	47,026	-
Telephone/communications/internet	15,384	237	21,937	2,169	887	1,788	15,565	-
Printing and publications	8,803	-	38,106	1,593	-	2,567	13,841	-
Occupancy	45,897	566	13,347	-	-	14,786	65,691	-
Travel and meeting expenses	45,720	125	279,310	96,446	6,087	24,066	59,805	-
Other expenses	3,313	408	14,938	-	1,098	1,022	89,850	-
Administrative fee to TSNE	98,309	3,757	234,641	53,665	10,287	43,523	137,402	1,000
Total expenses	1,153,929	30,596	2,580,473	717,249	96,013	354,404	1,505,803	1,000
Change in net assets	(48,569)	7,004	(347,673)	10,097	9,452	(6,271)	35,004	(1,000)
Net assets, beginning	1,052,287	17,156	1,450,603	324,227	-	9,127	748	1,493
Net assets, ending	\$ 1,003,718	\$ 24,160	\$ 1,102,930	\$ 334,324	\$ 9,452	\$ 2,856	\$ 35,752	\$ 493

THIRD SECTOR NEW ENGLAND, INC.

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

Year Ended June 30, 2016

	Voices From Inside	Wildflower Foundation	Workers Justice Group	The Workforce Solutions Group	Yoga Hope	Youth Hub	Other	Total
Revenue:								
Federal grants and contracts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	25,989	\$ 2,678,003
Grants and contracts - other	-	-	-	-	-	-	17,711	130,912
State and local grants and contracts	770	-	288,096	4,689	-	13,500	100,333	7,196,048
Foundation and corporate grants and contracts	7,209	3,293,400	95,000	157,993	15,250	114,727	1,320,798	27,214,921
Contributions	5,702	10,000	1,993	-	2,347	600	654,391	2,864,915
Consultant fees	300	-	50,486	-	8,880	12,478	-	1,930,792
Publication and advertising revenue	-	-	-	-	-	-	-	134,023
Membership dues and fees	32	-	-	20,500	77,241	-	5,000	1,671,633
Interest earned	-	-	-	-	20,758	-	-	43,845
Other revenue	(3,361)	-	455	-	-	-	154	579,982
Total revenue	10,652	3,303,400	436,030	183,182	124,476	141,305	2,124,376	44,445,074
Expenses:								
Personnel (salaries and benefits)	11,190	101,827	214,569	153,040	106,211	113,674	-	16,142,875
Grants, awards, contributions	-	58,000	-	-	-	-	1,812,162	3,185,234
Professional and contract expense	156	107,133	23,713	339	2,424	5,541	113,063	7,407,860
Equipment/rental/maintenance	-	-	-	980	-	1,230	-	195,001
Postage and supplies	327	172	13,543	693	2,043	4,685	544	798,786
Telephone/communications/internet	414	-	2,004	-	2,576	630	-	292,534
Printing and publications	119	-	4,981	2,953	951	500	-	228,695
Occupancy	-	-	16,003	484	5,610	10,200	-	779,938
Travel and meeting expenses	1,792	15,008	2,297	-	15,340	2,035	40,528	3,073,882
Other expenses	450	8,137	310	-	3,205	-	-	602,301
Administrative fee to TSNE	1,422	29,323	38,889	7,161	16,219	10,134	77,513	3,035,451
Total expenses	15,870	319,600	316,309	165,650	154,579	148,629	2,043,810	35,742,557
Change in net assets	(5,218)	2,983,800	119,721	17,532	(30,103)	(7,324)	80,566	8,702,517
Net assets, beginning	5,218	-	142,957	102,742	40,494	24,189	586,411	16,985,586
Net assets, ending	\$ -	\$ 2,983,800	\$ 262,678	\$ 120,274	\$ 10,391	\$ 16,865	\$ 666,977	\$ 25,688,103

THIRD SECTOR NEW ENGLAND, INC.

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2016

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Passed Through to Subrecipients</i>	<i>Federal Expenditures</i>
U.S. Department of Health and Human Services Direct Program:				
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243		\$ _____ - \$	131,671
Total U.S. Department of Health and Human Services Direct Program				131,671
U.S. Department of Health and Human Services Pass-Through Programs:				
CCDF Cluster:				
Child Care and Development Block Grant				
Passed-through Bright from the Start-GA Dept of Early Care & Learning	93.575	46900-621-V15TSM021		206,179
Maternal and Child Health Federal Consolidated Program				
Passed-through The University of Vermont & State Agricultural College	93.110	5-UE7-MC26282-03-00		113,028
Substance Abuse and Mental Health Services_Projects of Regional and National Significance				
Passed-through Parent/Professional Advocacy League	93.243	SM-14-023		19,144
Centers for Disease Control and Prevention				
Passed-through Association of Schools and Programs of Public Health	93.283	00002909		22,707
Abandoned Infants				
Passed-through Boston Medical Center	93.551	90CB0186-02-01		16,607
Health Care Innovation Awards (HCIA)				
Passed-through ValueOptions, Incorporated	93.610	1C1CMS331059-03-00		1,475
Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance – financed in part by the Prevention and Public Health Fund (PPHF)				
Passed-through American Academy of Pediatrics	93.733	5H23IP000952-02		9,060
HIV Prevention Activities_Non-Governmental Organization Based				
Passed-through Whittier Street Health Center	93.939	CDC PS15-1502		17,000
Substance Abuse Prevention and Treatment Block Grant				
Passed-through the Massachusetts Department of Public Health	93.959	INTF2330M04801313078		164,760
Preventive Health Services_Sexually Transmitted Diseases Control Grants				
Passed-through The Regents of the University of California	93.977	1U62PS004583-01		46,676
Achieving Public Health Impact Through Research				
Passed-through Abt Associates Inc.	93.Unknown	HHSD20002013M5380B		433,755
Total U.S. Department of Health and Human Services Pass-Through Programs				1,050,391
Total U.S. Department of Health and Human Services				1,182,062
U.S. Environmental Protection Agency Direct Program:				
Healthy Communities Grant Program	66.110	00A00095		19,456
U.S. Department of Housing & Urban Development Pass-Through Programs:				
Community Development Block Grants				
Passed-through City of Lowell	14.218	Unknown		9,000
Passed-through City of Springfield	14.218	Unknown		12,754
Total U.S. Department of Housing & Urban Development Pass-Through Programs				21,754
U.S. Department of Commerce Direct Program:				
Unallied Management Projects	11.454			25,987
U.S. Department of Commerce Pass-Through Program:				
Integrated Ocean Observing System (IOOS)				
Passed-through Northeastern Regional Association of Coastal Ocean Observing Systems	11.012	NA11NOS0120034		81,057
Coastal Services Center				
Passed-through Gulf of Maine Association	11.473	NA12NOS4730186		6,375
Total U.S. Department of Commerce Pass-Through Programs				87,432
Total U.S. Department of Commerce				113,419
U.S. Department of Justice Direct Program:				
Office on Violence Against Women	16.526 - ARRA			232,981
U.S. Department of Justice Pass-Through Program:				
Office on Violence Against Women				
Passed-through Fenway Community Health Center, Inc.	16.016	OVW-2013-3406		36,926
Total U.S. Department of Justice				269,907
Balance Forward			\$ _____ - \$	1,606,598

THIRD SECTOR NEW ENGLAND, INC.

Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
Balance Forward			\$ -	\$ 1,606,598
U.S. Department of Education Pass-Through Programs:				
Grants for Enhanced Assessment Instruments				
Passed-through Public Schools of North Carolina	84.368A	NC10126823		244,089
Race to the Top - Early Learning Challenge				
Passed-through The Illinois Department of Human Services	84.412	FCSTI03854		90,000
Passed-through State of Washington Department of Early Learning	84.412	14-1131		32,266
Fund for the Improvement of Education				
Passed-through State of Boston Promise Initiative	84.215	Unknown		25,000
Total U.S. Department of Education Pass-Through Programs				391,355
U.S. Department of Agriculture Direct Programs:				
2014: Farmers' Market and Local Food Promotion Program	10.168			24,316
Local Food Promotion Program	10.172			47,095
Beginning Farmer and Rancher Development Program	10.311		6,638	215,112
Farm to School Grant Program	10.575			8,317
Rural Business Enterprise Grants	10.769			19,038
Total U.S. Department of Agriculture Direct Programs				313,878
U.S. Department of Agriculture Pass-Through Programs:				
Department of Agriculture - Agricultural Marketing Service				
Specialty Crop Block Grant Program - Farm Bill	10.170	86213-13982		54,461
Local Food Promotion Program				
Passed-through University of Vermont & State Agricultural College	10.172	00002990		8,196
Sustainable Agriculture Research and Education				
Passed-through University of Vermont & State Agricultural College	10.215	2011-38640-30418		33,454
Passed-through University of Vermont & State Agricultural College	10.215	2014-38640-22161		80,232
Passed-through Community Teamwork, Inc.	10.215	2013-38640-20895		2,055
Community Food Projects				
Passed-through Community Teamwork, Inc.	10.225	2014-33800-22325		118,677
Crop Protection and Pest Management Competitive Grants Program				
Passed-through Cornell University	10.329	2014-70006-22484		13,849
Farm to School Grant Program				
Passed-through Ledge Light Health District	10.575	CN-FS2-SS-14-CT-01		10,000
Total U.S. Department of Agriculture Pass-Through Programs				320,924
Total U.S. Department of Agriculture				634,802
National Endowment For The Humanities Pass-Through Program:				
Laura Bush 21st Century Librarian Program				
Passed-through Institute of Museum and Library Services	45.313	RE-00-14-0093-14		45,248
Total Expenditures of Federal Awards			\$ 6,638	\$ 2,678,003

THIRD SECTOR NEW ENGLAND, INC.

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2016

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of Third Sector New England, Inc. under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the “Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of Third Sector New England, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of Third Sector New England, Inc.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, or the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available. TSNE has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

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 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, 2016, 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 January 4, 2017.

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.

Maya Heyman McCann P.C.

January 4, 2017
Boston, Massachusetts

Reporting Under the Uniform Guidance



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*Independent Auditors' Report on Compliance For Each Major Federal Program
and Report on Internal Control Over Compliance Required by the Uniform Guidance*

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 Compliance Supplement* that could have a direct and material effect on TSNE's major federal programs for the year ended June 30, 2016. TSNE's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for TSNE's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about TSNE's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal programs. However, our audit does not provide a legal determination of TSNE's compliance.

Opinion on Each Major Federal Program

In our opinion, TSNE complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2016.



Report on Internal Control Over Compliance

Management of TSNE is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered TSNE's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal programs and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Maye Hoffman McCann P.C.

January 4, 2017
Boston, Massachusetts

THIRD SECTOR NEW ENGLAND, INC.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2016

Section 1

Summary of Auditors' Results

Financial Statements

- | | |
|---|---------------|
| 1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: | 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 federal major programs: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified? | None Reported |
| 2. Type of auditors' report issued on compliance for federal major programs: | Unmodified |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No |
| 4. Identification of federal major programs: | |

CFDA Number

Name of Federal Program

16.526-ARRA

Office on Violence
Against Women

84.368A

Grants for Enhanced
Assessment Instruments

93.Unknown

Achieving Public Health
Impact through Research

- | | |
|---|-----------|
| 5. Dollar threshold used to distinguish between Type A and Type B programs: | \$750,000 |
| 6. Auditee qualified as a low-risk auditee? | Yes |

THIRD SECTOR NEW ENGLAND, INC.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2016

Section 2

Financial Statement Findings

None noted.

Section 3

Federal Award Findings and Questioned Costs

None noted.