

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT**

**NEW SECTOR ALLIANCE, INC.**

**AUGUST 31, 2006 AND 2005**

**NEW SECTOR ALLIANCE, INC.**

**AUGUST 31, 2006 AND 2005**

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**Independent Auditor's Report**

To the Board of Directors  
New Sector Alliance, Inc.  
Boston, Massachusetts

We have audited the accompanying statements of financial position of New Sector Alliance, Inc. (a non-profit organization) as of August 31, 2006 and 2005, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the management of New Sector Alliance, Inc. 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organizations internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Sector Alliance, Inc. as of August 31, 2006 and 2005, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

*Cohen + Associates*

Certified Public Accountants  
November 6, 2006

**NEW SECTOR ALLIANCE, INC.  
STATEMENTS OF FINANCIAL POSITION  
AUGUST 31, 2006 AND 2005**

**ASSETS**

	<u>2006</u>	<u>2005</u>
Current assets:		
Cash and cash equivalents	\$ 533,827	\$ 493,700
Accounts receivable	29,250	9,000
Pledges receivable	5,750	3,500
Prepaid expenses	<u>6,445</u>	<u>7,978</u>
	<u>575,272</u>	<u>514,178</u>
Property and equipment:		
Furniture and equipment	8,444	8,444
Accumulated depreciation	<u>( 5,629)</u>	<u>( 2,815)</u>
	<u>2,815</u>	<u>5,629</u>
 TOTAL ASSETS	 <u>\$ 578,087</u>	 <u>\$ 519,807</u>

**LIABILITIES AND NET ASSETS**

Current liabilities:		
Accounts payable	0	7,940
Accrued expenses	<u>11,725</u>	<u>312</u>
	<u>11,725</u>	<u>8,252</u>
Net assets:		
Unrestricted	<u>566,362</u>	<u>511,555</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 578,087</u>	 <u>\$ 519,807</u>

See accompanying notes to financial statements.

**NEW SECTOR ALLIANCE, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED AUGUST 31, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
Revenue and support:		
Contracts	\$ 100,000	\$ 273,164
Contributions	9,424	8,200
In-Kind contributions	998,088	798,849
Program service revenue	238,250	103,600
Interest	<u>10,502</u>	<u>6,485</u>
	<u>1,356,264</u>	<u>1,190,298</u>
Expenses:		
Program services	1,206,573	1,074,046
Management and general	50,626	47,012
Fundraising	<u>44,258</u>	<u>50,387</u>
	<u>1,301,457</u>	<u>1,171,445</u>
Changes in unrestricted net assets	54,807	18,853
Net assets beginning of year	<u>511,555</u>	<u>492,702</u>
Net assets end of year	\$ <u><u>566,362</u></u>	\$ <u><u>511,555</u></u>

See accompanying notes to financial statements.

**NEW SECTOR ALLIANCE, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED AUGUST 31, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
Operating activities:		
Change in net assets	\$ 54,807	\$ 18,853
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	2,814	2,815
(Increase) decrease in assets		
Accounts receivable	( 20,250)	12,500
Pledges receivable	( 2,250)	( 3,500)
Prepaid expenses	1,533	( 659)
Increase (decrease) in liabilities:		
Accounts payable	( 7,940)	5,905
Accrued expenses	11,413	312
Deferred revenue	<u>0</u>	<u>( 98,164)</u>
Net cash provided by (used in) operating activities	<u>40,127</u>	<u>( 61,938)</u>
Investing activity:		
Purchase of property and equipment	<u>0</u>	<u>( 8,444)</u>
Net cash (used in) investing activity	<u>0</u>	<u>( 8,444)</u>
Increase (decrease) in cash	<u>40,127</u>	<u>( 70,382)</u>
Cash and cash equivalents, beginning of year	<u>493,700</u>	<u>564,082</u>
Cash and cash equivalents, end of year	<u>\$ 533,827</u>	<u>\$ 493,700</u>

See accompanying notes financial statements.

**NEW SECTOR ALLIANCE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2006 AND 2005**

**1. Nature of activities:**

**Nature of business**

New Sector Alliance, Inc. (the "organization"), is a non-for-profit charitable and educational organization incorporated under Massachusetts law in July 2001. The affairs of New Sector Alliance are managed and controlled by a board of directors.

Through a series of programs and initiatives, New Sector Alliance is working to build a new sector that bridges the current divides between business, academia and the citizen sector. In partnership with leading corporations, academic institutions, and nonprofit organizations, New Sector Alliance is striving to promote positive systemic change throughout the world so that all people have the freedom, confidence, and skills they need to lead fulfilling, rich lives.

In keeping with the charitable and educational objectives of New Sector Alliance, a series of programs and initiatives have been implemented. These include an Academic Year Program, a Summer Program, and a Social Enterprise Fellowship.

**2. Summary of significant accounting policies:**

**Financial statement presentation:**

The financial statements have been prepared on the accrual basis of accounting.

New Sector Alliance, Inc.'s net assets and changes in net assets are required to be reported into three classes; unrestricted, temporarily restricted and permanently restricted; according to externally (donor) imposed restrictions as follows:

Unrestricted Net Assets - Assets and contributions that are not subject to donor-imposed restrictions or for which restrictions have expired.

Temporarily Restricted Net Assets - carry specific, donor-imposed restrictions on the expenditures or other use of contributed funds. Temporary restrictions may expire either because of the passage of time or because certain actions are taken which fulfill the restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The organization currently has no net assets reportable as temporarily restricted net assets

**NEW SECTOR ALLIANCE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**AUGUST 31, 2006 AND 2005**

**2. Summary of significant accounting policies: (Continued)**

Permanently Restricted Net Assets - are those that are subject to donor-imposed restrictions which will never lapse, thus requiring that the funds be retained permanently to use or expend part or all of the economic benefits derived from the donated assets. The Organization currently has no net assets reportable as permanently restricted net assets.

**Use of estimates:**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and cash equivalents:**

The Organization considers all short-term debt securities purchased with a maturity of three months or less, when purchased, to be cash equivalents.

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The company has not experienced any losses in such accounts. The company believes it is not exposed to any significant credit risk on such accounts.

**Property and equipment:**

The cost of property and equipment is depreciated over the estimated useful lives of the related assets. Depreciation is computed on the straight line method.

Maintenance and repairs are charged to operations when incurred. Betterments and renewals are capitalized. When property and equipment is sold or otherwise disposed of, the asset account and related accumulated depreciation accounts are relieved, and any gain or loss is included in operations.

The useful lives of property and equipment for purposes of computing depreciation are:

Equipment	3 - 10 years
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Depreciation expense totaled \$2,814 and \$2,815 in 2006 and 2005 respectively.

**NEW SECTOR ALLIANCE, INC,  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AUGUST 31, 2006 AND 2005**

**2. Summary of significant accounting policies: (Continued)**

**Recognition of donor restrictions:**

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. Contributions and pledges intended for use in future periods are recorded as temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets.

**Contributions, gifts and grants:**

The Organization records contributions and gifts as receivables and revenue. The organization distinguishes between contributions received for each net asset category in accordance with donor imposed restrictions. Contributions are recorded as revenue when the pledge is verified or received. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor or grantor. Contributions of assets other than cash are recorded at their fair value, and as of the date the gift is received. Conditional promises to give, which depend on the occurrence of a specified future and uncertain event to bind the promissory, are recognized when the conditions on which they depend are substantially met.

The Organization recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, as provided by individuals possessing those skills, and would typically need to be purchased if not donated. Donated services such as professional consulting services, salary subsidies, legal, telecommunications and audit fees, are recorded at market value and totaled \$998,088 and \$798,849 for the years ended August 31, 2006 and 2005. New Sector Alliance, Inc. offsets these contributed services by recording an equal amount of operating expenses. In addition, a substantial number of unpaid volunteers have made significant contributions of their time. The value of this contributed time is not reflected in these statements since it is not susceptible to objective measurement of valuation.

The Organization received all of its contract revenue from one organization, which is 7% and 23% of its income in 2006 and 2005 respectively.

**NEW SECTOR ALLIANCE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**AUGUST 31, 2006 AND 2005**

**2. Summary of significant accounting policies: (Continued)**

**Taxes:**

The organization is a tax-exempt entity, qualifying under section 501(c)(3) of the Internal Revenue Code. The tax exempt status qualifies for both Federal and State taxing authorities.

**Advertising:**

The company expenses advertising costs as incurred.

**Functional expenses:**

The cost of providing the various programs and other activities of the Organization have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between the program and supporting services benefitted.

**3. Pledges receivable:**

The Organization has unconditional pledges from several donors at August 31, 2006 and 2005. Substantially all pledges are from board members and are due within one year. Management believes all pledges receivable are collectible.