

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

NEW SECTOR ALLIANCE, INC.

AUGUST 31, 2007 AND 2006

NEW SECTOR ALLIANCE, INC.

AUGUST 31, 2007 AND 2006

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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, 2007 and 2006, 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, 2007 and 2006, 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
January 17, 2008

NEW SECTOR ALLIANCE, INC.
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2007 AND 2006

ASSETS

	<u>2007</u>	<u>2006</u>
Current assets:		
Cash and cash equivalents	\$ 590,395	\$ 533,827
Accounts receivable	7,869	29,250
Pledges receivable	16,000	5,750
Prepaid expenses	<u>5,240</u>	<u>6,445</u>
	<u>619,504</u>	<u>575,272</u>
Property and equipment:		
Furniture and equipment	10,555	8,444
Accumulated depreciation	<u>(9,148)</u>	<u>(5,629)</u>
	<u>1,407</u>	<u>2,815</u>
 TOTAL ASSETS	 <u>\$ 620,911</u>	 <u>\$ 578,087</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accrued expenses	\$ <u>3,890</u>	\$ <u>11,725</u>
Net assets:		
Unrestricted	<u>617,021</u>	<u>566,362</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 620,911</u>	 <u>\$ 578,087</u>

See accompanying notes to financial statements.

NEW SECTOR ALLIANCE, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
Revenue and support:		
Contracts	\$ 60,000	\$ 100,000
Contributions	30,048	9,424
In-Kind contributions	1,922,179	998,088
Program service revenue	311,350	238,250
Interest and other income	<u>24,858</u>	<u>10,502</u>
	<u>2,348,435</u>	<u>1,356,264</u>
Expenses:		
Program services	2,201,416	1,206,573
Management and general	55,794	50,626
Fundraising	<u>40,566</u>	<u>44,258</u>
	<u>2,297,776</u>	<u>1,301,457</u>
Changes in unrestricted net assets	50,659	54,807
Net assets beginning of year	<u>566,362</u>	<u>511,555</u>
Net assets end of year	<u>\$ 617,021</u>	<u>\$ 566,362</u>

See accompanying notes to financial statements.

NEW SECTOR ALLIANCE, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
Operating activities:		
Change in net assets	\$ 50,659	\$ 54,807
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	3,519	2,814
(Increase) decrease in assets		
Accounts receivable	21,381	(20,250)
Pledges receivable	(10,250)	(2,250)
Prepaid expenses	1,205	1,533
Increase (decrease) in liabilities:		
Accounts payable	0	(7,940)
Accrued expenses	(7,835)	<u>11,413</u>
Net cash provided by operating activities	<u>58,679</u>	<u>40,127</u>
Investing activity:		
Purchase of property and equipment	(2,111)	<u>0</u>
Net cash (used in) investing activity	(2,111)	<u>0</u>
Increase (decrease) in cash	56,568	40,127
Cash and cash equivalents, beginning of year	<u>533,827</u>	<u>493,700</u>
Cash and cash equivalents, end of year	<u>\$ 590,395</u>	<u>\$ 533,827</u>

See accompanying notes financial statements.

NEW SECTOR ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2007 AND 2006

1. Nature of activities:

Nature of business

Founded in 2000 and incorporated under Massachusetts law in July 2001, New Sector Alliance Inc. (the “organization”) is a social enterprise consulting firm with a dual mission: “to accelerate social change by strengthening organizations today, while developing leaders for tomorrow.” To fulfill this mission, New Sector aims to:

- Deliver high impact consulting services which strengthen the capacity of clients to address society’s most pressing challenges and opportunities;
- Cultivate a new generation of socially engaged leaders who bridge the private, academic, and social sectors; and
- Unlock the potential of people and institutions across sectors to share resources, learn from each other, and work collaboratively to create sustainable social impact.

In partnership with the world’s leading academic institutions and consulting firms, New Sector works toward these three goals simultaneously by delivering high quality, affordable consulting and professional development services.

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, 2007 AND 2006

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 \$ 3,519 and \$2,814 in 2007 and 2006 respectively.

**NEW SECTOR ALLIANCE, INC,
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2007 AND 2006**

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 are recorded at market value. New Sector Alliance, Inc. offsets these contributed services by recording an equal amount of operating expenses.

In addition to the donated services that are recognized, 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 3% and 7% of its income in 2007 and 2006 respectively.

NEW SECTOR ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2007 AND 2006

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, 2007 and 2006. Substantially all pledges are from board members and are due within one year. Management believes all pledges receivable are collectible.

NEW SECTOR ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2007 AND 2006

4. In-Kind Contributions:

The Organization received the following in-kind contributions that have been reflected in the financial statements:

Year ended August 31, 2007

	<u>Revenues</u>	<u>Expenses:</u>		
		<u>Program Services</u>	<u>Management and general</u>	<u>Fundraising</u>
Consultant Services	\$ 1,019,717	\$ 1,019,717	\$ 0	\$ 0
Students	839,717	835,840	2,852	1,025
room facilities	31,500	25,200	3,150	3,150
Legal services	18,614	8,035	8,137	2,442
Other	<u>12,631</u>	<u>10,410</u>	<u>1,111</u>	<u>1,110</u>
	<u>\$ 1,922,179</u>	<u>\$ 1,899,202</u>	<u>\$ 15,250</u>	<u>\$ 7,727</u>

Year ended August 31, 2006

	<u>Revenues</u>	<u>Expenses:</u>		
		<u>Program Services</u>	<u>Management and general</u>	<u>Fundraising</u>
Consultant Services	\$ 330,787	\$ 330,787	\$ 0	\$ 0
Students	618,361	611,684	6,677	0
room facilities	23,940	19,152	2,394	2,394
Legal Services	<u>25,000</u>	<u>20,000</u>	<u>5,000</u>	<u>0</u>
	<u>\$ 998,088</u>	<u>\$ 981,623</u>	<u>\$ 14,071</u>	<u>\$ 2,394</u>