

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

**NEW SECTOR ALLIANCE, INC.**

**AUGUST 31, 2009 AND 2008**

**NEW SECTOR ALLIANCE, INC.**

**AUGUST 31, 2009 AND 2008**

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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, 2009 and 2008, 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 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, 2009 and 2008, 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  
December 24, 2009

**NEW SECTOR ALLIANCE, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**AUGUST 31, 2009 AND 2008**

<b>ASSETS</b>	<u>2009</u>	<u>2008</u>
Current assets:		
Cash and cash equivalents	\$ 619,559	\$ 361,306
Accounts receivable	94,756	219,368
Pledges receivable	0	2,500
Prepaid expenses	<u>0</u>	<u>2,364</u>
	<u>714,315</u>	<u>585,538</u>
Property and equipment:		
Furniture and equipment	17,935	14,405
Accumulated depreciation	<u>(12,418)</u>	<u>(11,135)</u>
	<u>5,517</u>	<u>3,270</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>719,832</u></b>	<b>\$ <u>588,808</u></b>

**LIABILITIES AND NET ASSETS**

Current liabilities:		
Accrued expenses	\$ 5,461	\$ 13,998
Net assets:		
Unrestricted	<u>714,371</u>	<u>574,810</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ <u>719,832</u></b>	<b>\$ <u>588,808</u></b>

See auditor's report and notes to financial statements.

**NEW SECTOR ALLIANCE, INC.**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED AUGUST 31, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
Revenue and support:		
Contracts	\$ 371,855	\$ 371,700
Contributions	10,734	65,443
In-Kind contributions	1,597,425	1,675,306
Program service revenue	951,905	606,672
Interest and other income	3,599	14,601
	<u>2,935,518</u>	<u>2,733,722</u>
Expenses:		
Program services	2,720,701	2,672,901
Management and general	62,848	83,017
Fundraising	12,408	20,015
	<u>2,795,957</u>	<u>2,775,933</u>
Changes in unrestricted net assets	139,561	(42,211)
Net assets, beginning of year	<u>574,810</u>	<u>617,021</u>
Net assets, end of year	<u>\$ 714,371</u>	<u>\$ 574,810</u>

See auditor's report and notes to financial statements.

**NEW SECTOR ALLIANCE, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED AUGUST 31, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
Operating activities:		
Change in net assets	\$ 139,561	\$ (42,211)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,283	1,987
(Increase) decrease in assets:		
Accounts receivable	124,612	(211,499)
Pledges receivable	2,500	13,500
Prepaid expenses	2,364	2,876
Increase (decrease) in liabilities:		
Accrued expenses	<u>(8,537)</u>	<u>10,108</u>
Net cash provided by (used in) operating activities	<u>261,783</u>	<u>(225,239)</u>
Investing activity:		
Purchase of property and equipment	<u>(3,530)</u>	<u>(3,850)</u>
Net cash (used in) investing activity	<u>(3,530)</u>	<u>(3,850)</u>
Increase (decrease) in cash	258,253	(229,089)
Cash and cash equivalents, beginning of year	<u>361,306</u>	<u>590,395</u>
Cash and cash equivalents, end of year	<u>\$ 619,559</u>	<u>\$ 361,306</u>

See auditor's report and notes to financial statements.

**NEW SECTOR ALLIANCE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2009 AND 2008**

**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 consulting and leadership development firm with a 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 services and transformative experiences for the young leaders who complete its programs.

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

**Financial statement presentation:**

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

The Organization, 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, 2009 AND 2008**

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

Permanently Restricted Net Assets - are those contributions 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 Organization has not experienced any losses in such accounts. The Organization 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 \$1,283 and \$1,987 in 2009 and 2008, respectively.

**NEW SECTOR ALLIANCE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**AUGUST 31, 2009 AND 2008**

**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, gifts and grants are recorded as receivable and revenue when the pledge is verified or funds 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. The market value of consulting services is based on estimated standard billing rates of international consulting firms head-quartered in Boston, Massachusetts. The Organization 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 13% and 14% of its income in 2009 and 2008 respectively. 62% and 41% of accounts receivable are from one state agency as of August 31, 2009 and 2008, respectively. The Organization believes that substantially all of the accounts receivable on the contract and program service revenues are collectible.

**NEW SECTOR ALLIANCE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**AUGUST 31, 2009 AND 2008**

**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.

The Organization may be subject to a new accounting pronouncement, Financial Accounting Standards Board Interpretation Number 48 “Accounting for Uncertainty in Income Taxes” (FIN 48), the purpose of FIN 48 is to clarify whether companies may include tax benefits from uncertain tax positions in their financial statements.

The Organization is not subject to income taxes at a corporate level. As such, it may not be affected by FIN 48. The Organization is in the process of identifying areas in its activities which might be subject to actions by the Internal Revenue Service or state taxing authorities.

The Organization has elected to defer the application of FIN 48, as recently permitted by the Financial Accounting Standards Board Staff Position FIN 48-3, until the fiscal year ending August 31, 2010. This will allow the Organization to benefit from guidance on implementation currently being developed by the Financial Accounting Standards Board.

**Advertising:**

The Organization 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 benefited.

**Fair value of financial instruments:**

The carrying amount of cash and cash equivalents, receivables, prepaids and accrued expenses reported in the statements of financial position approximate fair value because of the short term maturity of those instruments.

**NEW SECTOR ALLIANCE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**AUGUST 31, 2009 AND 2008**

**3. Pledges receivable:**

The Organization had unconditional pledges from several donors at August 31, 2008. Substantially all pledges were from board members and were due within one year.

**4. In-Kind Contributions:**

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

Year ended August 31, 2009:

	<u>Revenues</u>	<u>Program Services</u>	<u>Management and general</u>	<u>Fundraising</u>
Consultant Services	\$ 884,874	\$ 884,874	\$ 0	\$ 0
Students	557,293	557,293	0	0
eroom facilities	42,600	34,080	4,260	4,260
Legal services	11,844	4,974	6,870	0
Other	100,814	93,154	5,632	2,028
	<u>\$ 1,597,425</u>	<u>\$ 1,574,375</u>	<u>\$ 16,762</u>	<u>\$ 6,288</u>

Year ended August 31, 2008:

	<u>Revenues</u>	<u>Program Services</u>	<u>Management and general</u>	<u>Fundraising</u>
Consultant Services	\$ 1,195,024	\$ 1,195,024	\$ 0	\$ 0
Students	397,309	396,111	599	599
eroom facilities	39,360	31,488	3,936	3,936
Legal services	7,966	3,346	4,620	0
Other	35,647	29,270	4,309	2,068
	<u>\$ 1,675,306</u>	<u>\$ 1,655,239</u>	<u>\$ 13,464</u>	<u>\$ 6,603</u>

**5. Subsequent events:**

The Organization has evaluated subsequent events through December 24, 2009, the date which the financial statements were issued.