

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

NEW SECTOR ALLIANCE, INC.

AUGUST 31, 2010 AND 2009

NEW SECTOR ALLIANCE, INC.

AUGUST 31, 2010 AND 2009

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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 501(c) (3) nonprofit organization) as of August 31, 2010 and 2009, 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, 2010 and 2009, 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 12, 2011

NEW SECTOR ALLIANCE, INC.
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2010 AND 2009

	ASSETS	
	<u>2010</u>	<u>2009</u>
Current assets:		
Cash and cash equivalents	\$ 628,723	\$ 619,559
Accounts receivable	79,317	94,756
Pledges receivable	6,000	0
Prepaid expenses	9,628	0
	<u>723,668</u>	<u>714,315</u>
Property and equipment:		
Furniture and equipment	19,877	17,935
Accumulated depreciation	<u>(16,625)</u>	<u>(12,418)</u>
	<u>3,252</u>	<u>5,517</u>
TOTAL ASSETS	\$ <u>726,920</u>	\$ <u>719,832</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accrued expenses	\$ 2,227	\$ 5,461
Net assets:		
Unrestricted	<u>724,693</u>	<u>714,371</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>726,920</u>	\$ <u>719,832</u>

See auditor's report and notes to financial statements.

NEW SECTOR ALLIANCE, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED AUGUST 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Revenue and support:		
Contracts	\$ 374,291	\$ 371,855
Contributions	37,220	10,734
In-Kind contributions	1,419,612	1,597,425
Program service revenue	824,592	951,905
Interest and other income	9,533	3,599
	<u>2,665,248</u>	<u>2,935,518</u>
Expenses:		
Program services	2,555,350	2,720,701
Management and general	83,293	62,848
Fundraising	16,283	12,408
	<u>2,654,926</u>	<u>2,795,957</u>
Changes in unrestricted net assets	10,322	139,561
Net assets, beginning of year	<u>714,371</u>	<u>574,810</u>
Net assets, end of year	<u>\$ 724,693</u>	<u>\$ 714,371</u>

See auditor's report and notes to financial statements.

NEW SECTOR ALLIANCE, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Operating activities:		
Change in net assets	\$ 10,322	\$ 139,561
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	4,207	1,283
(Increase) decrease in assets:		
Accounts receivable	15,439	124,612
Pledges receivable	(6,000)	2,500
Prepaid expenses	(9,628)	2,364
Increase (decrease) in liabilities:		
Accrued expenses	(3,234)	(8,537)
Net cash provided by (used in) operating activities	<u>11,106</u>	<u>261,783</u>
Investing activity:		
Purchase of property and equipment	(1,942)	(3,530)
Net cash (used in) investing activity	<u>(1,942)</u>	<u>(3,530)</u>
Increase (decrease) in cash	9,164	258,253
Cash and cash equivalents, beginning of year	<u>619,559</u>	<u>361,306</u>
Cash and cash equivalents, end of year	<u>\$ 628,723</u>	<u>\$ 619,559</u>

See auditor's report and notes to financial statements.

NEW SECTOR ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2010 AND 2009

1. Nature of activities:

Nature of business

Founded in 2000, incorporated under Massachusetts law in July 2001, and operating in both Massachusetts and California, New Sector Alliance, Inc. (the "Organization") is a 501(c)(3) nonprofit 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 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, 2010 AND 2009

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 exceed federally insured limits and in uninsured money market mutual funds. 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 \$4,309 and \$1,283 in 2010 and 2009, respectively.

NEW SECTOR ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2010 AND 2009

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 14% and 14% of its income in 2010 and 2009 respectively. 14% and 62% of accounts receivable are from one state agency as of August 31, 2010 and 2009, 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, 2010 AND 2009

2. Summary of significant accounting policies: (continued)

Income 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 tax years 2006 through 2009 are open tax years for those jurisdictions.

Advertising:

The Organization expenses advertising costs as incurred.

Functional expenses:

The costs 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, prepaid and accrued expenses reported in the statements of financial position approximate fair value because of the short term maturity of those instruments.

3. Pledges receivable:

The Organization had unconditional pledges from several donors at August 31, 2010 and 2009. Substantially all pledges were from board members and were due within one year.

NEW SECTOR ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2010 AND 2009

4. In-Kind Contributions:

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

Year ended August 31, 2010:

	<u>Revenues</u>	<u>Program Services</u>	<u>Management and general</u>	<u>Fundraising</u>
Consultant Services	\$ 802,345	\$ 802,345	\$ 0	\$ 0
Students	439,209	439,209	0	0
room facilities	47,100	37,680	4,710	4,710
Legal services	41,856	17,579	24,276	0
Other	89,102	80,986	6,088	2,028
	<u>\$ 1,419,612</u>	<u>\$ 1,377,800</u>	<u>\$ 35,074</u>	<u>\$ 6,738</u>

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
room 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>

5. Subsequent events:

The Organization has evaluated subsequent events through January 12, 2011, the date which the financial statements were available to be issued.