



February 15, 2012

Ms. Carlin Janson
Executive Director
New Sector Alliance, Inc.
711 Atlantic Avenue - Lower Level
Boston, MA 02111

Dear Ms. Janson:

Please find enclosed ten copies of the financial statements for New Sector Alliance, Inc. for the year ended August 31, 2011.

Very truly yours,

David A. DiIulis

DAD/tem
Enclosures

NEW SECTOR ALLIANCE, INC.

FINANCIAL STATEMENTS

August 31, 2011 and 2010

NEW SECTOR ALLIANCE, INC.

Financial Statements

August 31, 2011 and 2010

CONTENTS

Independent Auditors' Report	1-2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4-5
Statements of Cash Flows	6
Notes to the Financial Statements	7-14
Supplemental Information:	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	15-16
Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	17-18
Schedule of Expenditures of Federal Awards	19
Notes to the Schedule of Expenditures of Federal Awards	20
Schedule of Findings and Questioned Costs	21-22

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of New Sector Alliance, Inc. (the "Organization") as of August 31, 2011 and the related statements of activities and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of New Sector Alliance, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Organization as of August 31, 2010 were audited by other auditors whose report dated January 12, 2011 expressed an unqualified opinion on the financial statements.

We conducted our audit 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 of material misstatement. 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 audit provides 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, 2011 and the changes in net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic 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 audit of the basic 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 basic financial statements as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2012, on our consideration of New Sector Alliance, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Certified Public Accountants

February 15, 2012

NEW SECTOR ALLIANCE, INC.

Statements of Financial Position

August 31,

Assets

	<u>2011</u>	<u>2010</u>
Current Assets:		
Cash and equivalents	\$ 782,425	\$ 628,723
Accounts receivable	246,381	79,317
Grants receivable	375,000	-
Pledges receivable	2,000	6,000
Prepaid expenses	<u>3,200</u>	<u>9,628</u>
Total Current Assets	<u>1,409,006</u>	<u>723,668</u>
Property and Equipment, net	<u>1,374</u>	<u>3,252</u>
Other Asset:		
Grants receivable, net of current portion	<u>375,000</u>	<u>-</u>
Total Assets	<u>\$ 1,785,380</u>	<u>\$ 726,920</u>

Liabilities and Net Assets

Current Liabilities:		
Accounts payable and accrued expenses	\$ 18,764	\$ 2,227
Deferred revenue	<u>15,000</u>	<u>-</u>
Total Current Liabilities	<u>33,764</u>	<u>2,227</u>
Net Assets:		
Unrestricted	751,616	724,693
Temporarily Restricted	<u>1,000,000</u>	<u>-</u>
Total Net Assets	<u>1,751,616</u>	<u>724,693</u>
Total Liabilities and Net Assets	<u>\$ 1,785,380</u>	<u>\$ 726,920</u>

The accompanying notes are an integral part of these financial statements.

NEW SECTOR ALLIANCE, INC.

Statements of Activities and Changes in Net Assets

For the Year Ended August 31, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and Other Support:			
Contracts	\$ 522,529	\$ -	\$ 522,529
Contributions	54,545	-	54,545
Grants	-	1,000,000	1,000,000
In-kind contributions	901,269	-	901,269
Program service revenue	1,255,847	-	1,255,847
Interest and other income	<u>188</u>	<u>-</u>	<u>188</u>
Total Revenue and Other Support	<u>2,734,378</u>	<u>1,000,000</u>	<u>3,734,378</u>
Expenses:			
Program services	\$ 2,558,272	\$ -	2,558,272
Management and general	39,750	-	39,750
Fundraising	<u>109,433</u>	<u>-</u>	<u>109,433</u>
Total Expenses	<u>2,707,455</u>	<u>-</u>	<u>2,707,455</u>
Increase in Net Assets	26,923	1,000,000	1,026,923
Net Assets, Beginning of Year	<u>724,693</u>	<u>-</u>	<u>724,693</u>
Net Assets, End of Year	<u>\$ 751,616</u>	<u>\$ 1,000,000</u>	<u>\$ 1,751,616</u>

The accompanying notes are an integral part of these financial statements.

NEW SECTOR ALLIANCE, INC.

Statements of Activities and Changes in Net Assets

For the Year Ended August 31, 2010

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
Revenue and Other Support:			
Contracts	\$ 374,291	\$ -	\$ 374,291
Contributions	37,220	-	37,220
In-kind contributions	1,280,499	-	1,280,499
Program service revenue	824,592	-	824,592
Interest and other income	<u>9,533</u>	<u>-</u>	<u>9,533</u>
Total Revenue and Other Support	<u>2,526,135</u>	<u>-</u>	<u>2,526,135</u>
Expenses:			
Program services	\$ 2,416,237	\$ -	2,416,237
Management and general	83,293	-	83,293
Fundraising	<u>16,283</u>	<u>-</u>	<u>16,283</u>
Total Expenses	<u>2,515,813</u>	<u>-</u>	<u>2,515,813</u>
Increase in Net Assets	10,322	-	10,322
Net Assets, Beginning of Year	<u>714,371</u>	<u>-</u>	<u>714,371</u>
Net Assets, End of Year	<u>\$ 724,693</u>	<u>\$ -</u>	<u>\$ 724,693</u>

The accompanying notes are an integral part of these financial statements.

NEW SECTOR ALLIANCE, INC.

Statements of Cash Flows

For the Years Ended August 31,

	<u>2011</u>	<u>2010</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ 1,026,923	\$ 10,322
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	1,878	4,207
Bad debt expense	18,410	4,000
Changes in assets and liabilities:		
Accounts receivable	(185,474)	11,439
Grants receivable	(750,000)	-
Pledges receivable	4,000	(6,000)
Prepaid expenses	6,428	(9,628)
Accrued expenses	16,537	(3,234)
Deferred revenue	<u>15,000</u>	<u>-</u>
Net Cash Provided by Operating Activities	<u>153,702</u>	<u>11,106</u>
Cash Flows from Investing Activity:		
Purchase of property and equipment	<u>-</u>	<u>(1,942)</u>
Net Increase in Cash and Equivalents	153,702	9,164
Cash and Equivalents, Beginning of Year	<u>628,723</u>	<u>619,559</u>
Cash and Equivalents, End of Year	<u>\$ 782,425</u>	<u>\$ 628,723</u>

The accompanying notes are an integral part of these financial statements.

NEW SECTOR ALLIANCE, INC.

Notes to the Financial Statements - Continued

August 31, 2011 and 2010

Note 1 - **Organization**

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, the Organization works toward these three goals simultaneously by delivering high quality, affordable services, and transformative experiences for the young leaders who complete its programs.

Note 2 - **Summary of Significant Accounting Policies**

Financial Statement Presentation

In order to ensure the observance of limitations and restrictions placed on the use of resources, the Organization determines the classification of its net assets and revenues and expenses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization, and changes therein, are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations and are expendable for support of the Organization's general operations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporary restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

NEW SECTOR ALLIANCE, INC.

Notes to the Financial Statements - Continued

August 31, 2011 and 2010

Note 2 - **Summary of Significant Accounting Policies - Continued**

Financial Statement Presentation - Continued

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that must be maintained permanently. The donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. The Organization has no permanently restricted net assets.

Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. Actual results could differ from those estimates.

Cash Equivalents

For purposes of the statements of financial position and cash flows, the Organization considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents.

Revenue Recognition

Grants and contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Grants and contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are classified as temporarily restricted are reclassified to unrestricted net assets upon satisfaction of the program restriction or expiration of the time restrictions. The Organization has elected to report restricted contributions whose restrictions are met in the same reporting period as unrestricted support.

Program Service Revenue

Program service revenue consists of consulting fees which are recognized in the statement of activities when the services are performed. Payment received in advance of services being performed is recorded as deferred revenue in the statement of financial position.

NEW SECTOR ALLIANCE, INC.

Notes to the Financial Statements - Continued

August 31, 2011 and 2010

Note 2 - Summary of Significant Accounting Policies - Continued

Donated Materials and Services

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 headquartered 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.

Accounts Receivable

Accounts receivable consists of amounts due to the Organization for consulting services performed. The Organization performs ongoing credit evaluations of its customers financial condition and generally does not require collateral for accounts receivable arising in the normal course of business. Allowances for potential credit losses are determined by considering the financial condition of customers and other economic factors affecting customers, the Organization, and their industries. As of August 31, 2011 and 2010, management has concluded an allowance for doubtful accounts is not required.

Property and Equipment

Property and equipment is stated at cost. Depreciation is computed using straight-line and accelerated methods over the assets' estimated useful lives.

Income Taxes

Generally accepted accounting principles as practiced in the United States require an entity to assess the probability that a tax position has a "more likely than not" (MLTN) sustainability after review by tax authorities. If a tax position is deemed not to meet this threshold, any unrecognized tax benefits and costs are estimated and recognized. Interest and penalties, if any, related to assessments by tax authorities will be classified as a component of management and general expenses on the statement of activities and changes in net assets.

NEW SECTOR ALLIANCE, INC.

Notes to the Financial Statements - Continued

August 31, 2011 and 2010

Note 2 - **Summary of Significant Accounting Policies - Continued**

Income Taxes - Continued

A tax position may be considered as taken any time a taxpayer chooses amongst alternatives that affect the amount of their tax obligations and include for example: tax exempt status; decisions made in the process of conforming with tax laws; decisions not to file in certain jurisdictions; allocation of income between jurisdictions; and the characterization of income or expenses. Tax returns are routinely open for review by the tax authorities for three years from their due date. In certain circumstances the statute of limitations may remain open indefinitely.

The Organization has been notified by the Internal Revenue Service that it meets the qualifications to be classified as a tax exempt entity under section 501(c)(3) of the Internal Revenue Code. Since the continuance of this status is based upon continuing qualification, the Organization has identified this as a tax position. However, it has determined that this tax position meets MLTN sustainability and does not result in an uncertainty requiring recognition. The Organization does not expect any material changes in its position regarding this matter in the next twelve months.

Advertising

The Organization expenses advertising costs as incurred.

Functional Allocation of Expenses

The Organization allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with specific program and support services are allocated directly according to their natural expenditure classification.

Reclassification

Certain amounts on the 2010 financial statements have been reclassified to conform to the 2011 presentation.

NEW SECTOR ALLIANCE, INC.

Notes to the Financial Statements - Continued

August 31, 2011 and 2010

Note 3 - Grants Receivable

The Organization received a grant during the year ending August 31, 2011 for the purpose of supporting social entrepreneurship training and residency opportunities for veterans. The receivable balance as of August 31, 2011 is \$750,000 which will be received over the course of the grant agreement which runs through fiscal year 2013. Management anticipates that this balance will be received as follows:

Year Ending <u>August 31,</u>	
2012	\$ 375,000
2013	<u>375,000</u>
Total	\$ <u>750,000</u>

Note 4 - Pledges Receivable

The Organization has unconditional pledges from several donors at August 31, 2011 and 2010. All of the pledges are from board members and are due within one year. Management believes that these amounts are fully collectible; therefore, no allowance for doubtful accounts has been established.

Note 5 - In-kind Contributions

The Organization received the following in-kind contributions that have been reflected in the financial statements as of August 31,:

	<u>2011</u>			
	<u>Revenues</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>
Consultant Services	\$ 774,976	\$ 774,976	\$ -	\$ -
Students	6,935	6,935	-	-
eRoom facilities	47,100	37,680	4,710	4,710
Legal services	24,158	12,079	12,079	-
Other	<u>48,100</u>	<u>42,662</u>	<u>2,719</u>	<u>2,719</u>
	\$ <u>901,269</u>	\$ <u>874,332</u>	\$ <u>19,508</u>	\$ <u>7,429</u>

NEW SECTOR ALLIANCE, INC.

Notes to the Financial Statements - Continued

August 31, 2011 and 2010

Note 5 - **In-kind Contributions - Continued**

	<u>2010</u>			
	<u>Revenues</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>
Consultant Services	\$ 802,345	\$ 802,345	\$ -	\$ -
Students	300,096	300,096	-	-
eRoom facilities	47,100	37,680	4,710	4,710
Legal services	41,856	17,579	24,277	-
Other	<u>89,102</u>	<u>80,986</u>	<u>6,088</u>	<u>2,028</u>
	<u>\$ 1,280,499</u>	<u>\$ 1,238,686</u>	<u>\$ 35,075</u>	<u>\$ 6,738</u>

Note 6 - **Property and Equipment**

Property and equipment consists of the following at August 31,

	<u>2011</u>	<u>2010</u>
Furniture and equipment	\$ 12,576	\$ 19,877
Less: accumulated depreciation	<u>(11,202)</u>	<u>(16,625)</u>
Total Property and Equipment	<u>\$ 1,374</u>	<u>\$ 3,252</u>

Note 7 - **Line of Credit**

The Organization's line of credit provides for maximum borrowings of \$100,000 and is due on demand, subject to annual renewal in June and secured by all equipment and accounts receivable. Interest is at the higher of 4.25% or Prime Rate per the agreement. The Organization has not drawn against this line of credit as of August 31, 2011.

Note 8 - **Temporarily Restricted Net Assets**

Temporarily restricted net assets at August 31, 2011 were available for the purpose of social entrepreneurship training and residency opportunities for military veterans. There were no temporarily restricted net assets for the year ended August 31, 2010.

NEW SECTOR ALLIANCE, INC.

Notes to the Financial Statements - Continued

August 31, 2011 and 2010

Note 9 - **Cash Flow Information**

During the year ended August 31, 2011, certain fully depreciated furniture and equipment with an original cost of \$7,301 were disposed.

Note 10 - **Lease Commitments**

The Organization leases office space for its Boston and San Francisco locations under tenant at will agreements. Rent expense for the years ended August 31, 2011 and 2010 was \$27,808 and \$24,621, respectively.

Note 11 - **Concentrations, Risks, and Uncertainties**

Cash

The Organization maintains cash balances at several financial banking institutions, and at times during the year these balances may exceed the Federally insured limit. Management monitors the financial condition of these banking institutions, along with its balances in cash, to keep this potential risk at a minimum.

Concentration Risk

A contract from a federal agency accounted for 100% of contract revenue and 52% of accounts receivable for the year ended August 31, 2011. For the year ended August 31, 2010, the Organization received 100% of its contract revenue from a single contract with a state agency. There were no amounts outstanding in accounts receivable from this contract for the year ended August 31, 2010.

A grant from a single grantor accounted for 100% of grant revenue and grant receivable for the year ended August 31, 2011. The Organization did not receive any grants during the year ended August 31, 2010.

Uncertainties

The Organization is highly dependent on donor contributions and grants. Although management believes that it will have sufficient funds to meet its operating expenses for the remainder of the fiscal year between funds already available and promised grants, there is no guarantee that their grants and fundraising activities will continue into future years.

NEW SECTOR ALLIANCE, INC.

Notes to the Financial Statements - Continued

August 31, 2011 and 2010

Note 11 - Concentrations, Risks, and Uncertainties - Continued

Subsequent Events

Management has evaluated subsequent events through February 15, 2012, the date for which the financial statements were available for issuance. No material subsequent events were noted through that date.

**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***

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*

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

We have audited the financial statements of New Sector Alliance, Inc. as of and for the year ended August 31, 2011. We conducted our audit 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.

Internal Control Over Financial Reporting

Management of the Organization is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered New Sector Alliance, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of New Sector Alliance, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of New Sector Alliance, Inc.'s internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether New Sector Alliance, Inc.'s financial statements are free of 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*.

This report is intended solely for the information and use of management, the Board of Directors, federal awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Certified Public Accountants

February 15, 2012

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited New Sector Alliance, Inc.'s compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget ("OMB") Circular A-133 Compliance Supplement* that could have a direct and material effect on each of New Sector Alliance, Inc.'s major federal programs for the year ended August 31, 2011. New Sector Alliance, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of New Sector Alliance, Inc.'s management. Our responsibility is to express an opinion on New Sector Alliance, Inc.'s compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 identified in the accompanying schedule of findings and questioned costs occurred. An audit includes examining, on a test basis, evidence about New Sector Alliance, Inc.'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. Our audit does not provide a legal determination on New Sector Alliance, Inc.'s compliance with those requirements.

In our opinion, New Sector Alliance, Inc. complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2011.

Internal Control Over Compliance

Management of New Sector Alliance, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered New Sector Alliance, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 New Sector Alliance, Inc.'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 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.

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Directors, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Certified Public Accountants

February 15, 2012

**SCHEDULE OF EXPENDITURES OF FEDERAL
AWARDS**

NEW SECTOR ALLIANCE, INC.

Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2011

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
Corporation for National and Community Services AmeriCorps	94.006	\$ <u>522,529</u>
Total Expenditures of Federal Awards		\$ <u>522,529</u>

NEW SECTOR ALLIANCE, INC.

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2011

Note 1 - **Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of New Sector Alliance, Inc. and is presented on the accrual basis of accounting. The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

NEW SECTOR ALLIANCE, INC.

Schedule of Findings and Questioned Costs

For the Year Ended August 31, 2011

I. Summary of Auditor's Results

Financial Statements

Type of audit report issued (See Note 1):	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	No
Noncompliance which is material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	No
Type of auditor's report issued:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

Identification of major programs:

CFDA Numbers
94.006

Name of Federal Program
AmeriCorps

Dollar threshold used to distinguish Between type A and type B programs:	\$300,000
Auditee qualifies as a low-risk auditee?	No

NEW SECTOR ALLIANCE, INC.

Schedule of Findings and Questioned Costs - Continued

For the Year Ended August 31, 2011

II. Federal Audit Findings and Questioned Costs

None noted.