



**THE SYNERGOS INSTITUTE, INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2003**

**GOLDSTEIN GOLUB KESSLER LLP**

**Certified Public Accountants and Consultants**

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THE SYNERGOS INSTITUTE, INC.

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December 31, 2003

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# GOLDSTEIN GOLUB KESSLER LLP

Certified Public Accountants and Consultants



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
The Synergos Institute, Inc.

We have audited the accompanying statement of financial position of The Synergos Institute, Inc. (the "Organization") as of December 31, 2003, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior-year summarized comparative information has been derived from the Organization's 2002 financial statements and, in our report dated March 24, 2003, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 The Synergos Institute, Inc. as of December 31, 2003, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Goldstein Golub Kessler LLP*

**GOLDSTEIN GOLUB KESSLER LLP**

March 23, 2004

# THE SYNERGOS INSTITUTE, INC.

## STATEMENT OF FINANCIAL POSITION

December 31,	2003	2002
<b>ASSETS</b>		
Cash	\$ 397,852	\$ 353,570
Pledges and Other Receivables	3,489,728	5,335,994
Investments, at fair value	1,671,312	1,229,536
Prepaid Expenses and Other Assets	17,156	39,909
Property and Equipment, net	8,411,032	8,650,563
<b>Total Assets</b>	<b>\$13,987,080</b>	<b>\$15,609,572</b>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 346,266	\$ 300,151
Capital lease obligations	20,278	31,846
Note payable	5,850,000	5,850,000
<b>Total liabilities</b>	<b>6,216,544</b>	<b>6,181,997</b>
Commitments		
Net Assets:		
Unrestricted:		
Invested in property and equipment	2,540,754	2,768,717
Long-term investments	1,671,312	1,229,536
Undesignated	358,514	765,811
<b>Total unrestricted</b>	<b>4,570,580</b>	<b>4,764,064</b>
Temporarily restricted	3,199,956	4,663,511
<b>Net assets</b>	<b>7,770,536</b>	<b>9,427,575</b>
<b>Total Liabilities and Net Assets</b>	<b>\$13,987,080</b>	<b>\$15,609,572</b>

See Notes to Financial Statements

# THE SYNERGOS INSTITUTE, INC.

## STATEMENT OF ACTIVITIES

(with summarized financial information for the year ended December 31, 2002)

Year ended December 31,	2003		2002	
	Unrestricted	Temporarily Restricted	Total	Total
<b>Support and revenue:</b>				
<b>Contributions:</b>				
Foundations	\$ 27,787	\$ 619,057	\$ 646,844	\$3,381,510
Corporations	25,000	35,000	60,000	55,000
Individuals	153,837	412,965	566,802	3,063,327
GPC membership dues	1,108,332		1,108,332	944,000
Government grant	453,318		453,318	483,682
Special event, net	752,234		752,234	468,838
Return on investments	114,834		114,834	3,036
Other income	120,532		120,532	197,074
Net assets released from restrictions - satisfaction of program and time restrictions	2,530,577	(2,530,577)		
<b>Total support and revenue</b>	<b>5,286,451</b>	<b>(1,463,555)</b>	<b>3,822,896</b>	<b>8,596,467</b>
<b>Expenses:</b>				
<b>Program services:</b>				
Latin America	700,858		700,858	782,795
South East Asia	469,062		469,062	444,486
Southern Africa	657,928		657,928	473,610
Bridging Leadership	432,717		432,717	578,773
Border Project	732,391		732,391	341,663
Global Philanthropists Circle	622,919		622,919	636,984
Foundation Building Services	334,241		334,241	315,849
Communications and Outreach	222,144		222,144	255,122
<b>Total program services</b>	<b>4,172,260</b>		<b>4,172,260</b>	<b>3,829,282</b>
<b>Supporting services:</b>				
Management and general	857,571		857,571	1,335,169
Fund-raising	450,104		450,104	537,838
<b>Total supporting services</b>	<b>1,307,675</b>		<b>1,307,675</b>	<b>1,873,007</b>
<b>Total expenses</b>	<b>5,479,935</b>		<b>5,479,935</b>	<b>5,702,289</b>
<b>Change in net assets</b>	<b>(193,484)</b>	<b>(1,463,555)</b>	<b>(1,657,039)</b>	<b>2,894,178</b>
<b>Net assets at beginning of year</b>	<b>4,914,064</b>	<b>4,513,511</b>	<b>9,427,575</b>	<b>6,533,397</b>
<b>Reclassification of net assets at beginning of year</b>	<b>(150,000)</b>	<b>150,000</b>		
<b>Net assets at end of year</b>	<b>\$4,570,580</b>	<b>\$ 3,199,956</b>	<b>\$ 7,770,536</b>	<b>\$9,427,575</b>

See Notes to Financial Statements

# THE SYNERGOS INSTITUTE, INC.

## STATEMENT OF FUNCTIONAL EXPENSES (with summarized financial information for the year ended December 31, 2002)

2002

2003

Year ended December 31,

	Program Services						Supporting Services				Summarized Comparative Total		
	Latin America	South East Asia	Southern Africa	Bridging Leadership	Border Project	Global Philanthropist Circle	Foundation Building Services	Communi-cations and Outreach	Total Program Services	Management and General		Fund-raising	Total Supporting Services
Salaries, payroll taxes and employee benefits	\$354,611	\$312,755	\$383,937	\$204,285	\$254,746	\$369,114	\$186,518	\$186,170	\$2,224,086	\$509,980	\$342,932	\$3,076,998	\$2,881,783
Consultant and other professional fees	41,800	21,570	14,141	66,594	101,499	8,213	8,007	20,038	281,862	163,906	31,878	477,646	397,306
Grants and socially responsible investments	85,654	25,858	19,932	49,809	85,738	112,482	67,816	364	125,075	26,770	5,463	125,075	83,890
Travel and entertainment	50,395	13,477	87,157	31,279	128,859	33,069	19,315	364	448,654	10,117	1,120	460,867	354,129
Conferences and meetings	7,632	4,554	6,115	4,503	6,467	5,176	2,623	1,996	281,635	5,099	2,807	292,872	235,499
Insurance	3,664	3,723	16,544	2,603	16,004	3,862	3,312	1,663	39,066	5,551	7,906	46,972	34,025
External communications	18,000	9,367	17,368	9,225	14,208	10,819	5,337	3,420	53,395	14,741	12,736	66,483	36,649
Telephone and fax	7,960	4,621	5,739	4,570	6,562	5,253	2,661	2,025	87,734	4,852	2,848	115,211	87,435
Utilities									39,391			47,091	36,016
Building and equipment maintenance and service contracts	17,673	10,352	16,927	10,274	15,212	13,171	5,912	4,913	94,434	27,196	6,482	128,112	176,871
Office supplies	9,563	7,039	11,385	5,568	7,558	10,051	4,596	3,742	59,492	8,144	7,865	75,501	95,367
Loan interest and charges	27,602	17,454	20,729	16,012	22,922	18,431	9,325	7,074	139,549	17,359	10,597	167,505	676,328
Rent	6,747	1,878	7,569		5,170				21,364			21,364	10,480
Bad debts										31,946	425	31,946	163,800
Other expenses	2,800	8,163	10,554	118	5,814	1,146	2,549	6,358	37,502	2,380		40,307	152,063
Functional expenses before depreciation and amortization	653,506	440,811	623,328	404,780	692,273	590,807	317,971	209,763	3,933,239	828,041	432,690	1,260,731	5,193,970
Depreciation and amortization	47,352	28,251	34,800	27,937	40,118	32,112	16,270	12,381	239,021	29,530	17,414	46,944	285,965
Total functional expenses	\$700,858	\$469,062	\$657,928	\$432,717	\$732,391	\$622,919	\$334,241	\$222,144	\$4,172,260	\$857,571	\$450,104	\$1,307,675	\$5,479,935
													\$5,702,299

# THE SYNERGOS INSTITUTE, INC.

## STATEMENT OF CASH FLOWS

Year ended December 31,	2003	2002
<b>Cash flows from operating activities:</b>		
Change in net assets	\$(1,657,039)	\$ 2,894,178
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Contributions of stock	(20,221)	(507,859)
Depreciation and amortization	285,965	280,648
Realized and unrealized (gain) loss on investments	(98,503)	420
Changes in operating assets and liabilities:		
Decrease (increase) in pledges and other receivables	1,846,266	(3,360,954)
Decrease in prepaid expenses and other assets	22,753	14,854
Increase (decrease) in accounts payable and accrued expenses	46,115	(73,466)
Increase in note payable - prepayment penalty		350,000
<b>Net cash provided by (used in) operating activities</b>	<b>425,336</b>	<b>(402,179)</b>
<b>Cash flows from investing activities:</b>		
Proceeds from sale of investments	20,343	956,798
Purchase of investments	(343,395)	(149,534)
Purchase of property and equipment	(46,434)	(43,575)
<b>Net cash provided by (used in) investing activities</b>	<b>(369,486)</b>	<b>763,689</b>
Cash flows used in financing activity - principal payment on capital lease obligation	(11,568)	(11,731)
Net increase in cash	44,282	349,779
Cash at beginning of year	353,570	3,791
Cash at end of year	\$ 397,852	\$ 353,570
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid during the year for interest	\$ 191,968	\$ 496,174

# THE SYNERGOS INSTITUTE, INC.

## NOTES TO FINANCIAL STATEMENTS December 31, 2003

### 1. DESCRIPTION OF ORGANIZATION:

The Synergos Institute, Inc. (the "Organization") works with voluntary organizations and other groups in supporting local communities in developing effective sustainable solutions to poverty problems. It fosters the use of participatory approaches to address these problems and actively seeks to involve all groups having a stake in a problem in finding effective solutions to it. The Organization plays a unique role with partner groups in creating successful new models and avenues of action to address poverty through the following programs and departments.

In 2003, the Organization chose to adopt a more integrated approach to the delivery of its programs and services for its above overall mission as follows:

- The Organization's management team created a Country Programs Department which comprises three regional programs (i.e., Latin America, South East Asia and Southern Africa) with programmatic activities in nine countries (i.e., Philippines, Indonesia, Thailand, Mexico, Brazil, Ecuador, Mozambique, Zimbabwe and South Africa). These programmatic activities include services provided by other program areas in foundation building, private philanthropy and bridging divides.
- Bridging Leadership works with bridging institutions and collaborative leadership to build effective collaboration and partnerships across divides.
- Border Project is a donor collaborative program for the U.S./Mexico Border which is working to strengthen community foundations and build effective collaboration and partnerships to reduce poverty within the border.
- Global Philanthropists Circle ("GPC") works with private philanthropists to leverage their resources and build collaboration.
- Foundation Building Services works with foundations to mobilize resources and build collaboration.
- Communications and Outreach which disseminates knowledge and information to its constituencies, provide various publications and materials to enhance the work done with partners.

The Organization was organized under the laws of the State of New York on September 26, 1986 as a not-for-profit corporation under subparagraph (a)(5) of Section 102 of the Not-for-Profit Corporation Law. The Internal Revenue Service has determined that Synergos is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the "Code").

The Organization has been awarded a grant from the United States Agency for International Development ("USAID") to assist the nongovernmental organizations' development programs with building a sustainable financial and technical resource base in Brazil, Mexico and Mozambique. This grant requires the Organization to match, in agreed proportions, the government funding.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Contributions and unconditional promises to give are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted



# THE SYNERGOS INSTITUTE, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2003

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support, which increases those net asset classes. When the specified purpose of donor-restricted contributions is met, the net asset is released from restriction and transferred to unrestricted net assets. Contributions of assets other than cash are recorded at their estimated value.

GPC membership dues are recognized as revenue in the period such dues are billed.

Federal funds obligated under a government grant are recorded by the Organization when expenditures are incurred and billable to the government.

The financial statements include summarized statements of activities and functional expenses for the year ended December 31, 2002. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2002 from which this summarized information was derived.

No amounts have been reflected in the accompanying financial statements for donated services provided by members of the board of directors.

Investments are stated at fair value, which is the prevailing market value, with the resulting change in unrealized gains or losses included in investment income in the statement of activities. Purchases and sales of securities are recorded on a trade-date basis. Dividend income is recorded on the ex-dividend date.

The Organization maintains cash in bank deposit accounts which, at times, exceed federally insured limits. The Organization has not experienced any losses on these accounts.

Other receivables are reported at their outstanding unpaid principal balances reduced by an allowance for doubtful accounts. The Organization estimates doubtful accounts based on historical bad debts, factors related to specific GPC members' ability to pay and current economic trends. The Organization writes off other receivables against the allowance when a balance is determined to be uncollectible.

Depreciation and amortization of property and equipment is provided for by the straight-line method over the estimated useful lives of the related assets.

Fixed assets under capital leases are recorded in property and equipment with corresponding obligations carried in short- and long-term liabilities. The amount capitalized is the lower of the present value of the minimum lease payments or the fair value of the leased asset. Amortization on assets leased under capital leases is recorded on a straight-line basis over the estimated useful life of the asset or the term of the lease, depending on the criteria used to capitalize the lease.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates by management. Actual results could differ from these estimates.

# THE SYNERGOS INSTITUTE, INC.

## NOTES TO FINANCIAL STATEMENTS December 31, 2003

For comparability, certain 2002 amounts have been reclassified, where appropriate, to conform to the financial statement presentation used in 2003.

### 3. PLEDGES AND OTHER RECEIVABLES:

Pledges and other receivables include unconditional promises to give, as follows:

December 31,	2003	2002
Receivable in less than one year	\$1,608,075	\$3,085,042
Receivable in one to five years	926,666	2,336,000
Receivable in more than five years	1,074,043	
	3,608,784	5,421,042
Less unamortized discount on pledges receivable	(119,056)	(85,048)
<b>Net pledges and other receivables</b>	<b>\$3,489,728</b>	<b>\$5,335,994</b>

The pledges have been adjusted for imputed interest at 3%. In addition, receivables due in less than one year include other receivables for annual membership dues in the GPC program.

### 4. INVESTMENTS:

Investments consist of the following:

December 31,	2003		2002	
	Cost	Fair Value	Cost	Fair Value
Money market funds	\$ 502,417	\$ 502,417	\$160,325	\$ 160,325
Mutual funds	33,067	34,930	31,644	31,224
Limited partnership *	600,000	1,133,965	600,000	1,037,987
	\$1,135,484	\$1,671,312	\$791,969	\$1,229,536

\* The limited partnership investment was sold effective December 31, 2003. The proceeds have been invested in money market funds.

Return on investments is comprised of the following:

Year ended December 31,	2003	2002
Interest and dividends	\$ 16,331	\$3,456
Realized and unrealized loss on investments	98,503	(420)
	\$114,834	\$3,036

# THE SYNERGOS INSTITUTE, INC.

## NOTES TO FINANCIAL STATEMENTS December 31, 2003

**5. PROPERTY AND EQUIPMENT:**

Property and equipment, at cost or fair market value at date of donation, consists of the following:

December 31,	2003	2002	Estimated Useful Life
Land	\$ 2,000,000	\$2,000,000	
Building	5,777,230	5,777,230	40 years
Building improvements	1,301,858	1,301,858	40 years
Office equipment and furniture	205,234	185,849	5 to 7 years
Computer hardware and software	286,610	259,561	3 to 5 years
	9,570,932	9,524,498	
Less accumulated depreciation and amortization	(1,159,900)	(873,935)	
	<b>\$ 8,411,032</b>	<b>\$8,650,563</b>	

Property and equipment includes assets acquired under a capital lease of approximately \$69,000, with related accumulated depreciation and amortization of approximately \$26,000 and \$16,000 at December 31, 2003 and 2002, respectively.

**6. NOTE PAYABLE:**

On June 13, 2002, the Organization amended its financing agreement with a bank that provides for borrowings under a revolving credit agreement of up to \$5,850,000. The revolver bears interest at a floating rate selected at the Organization's discretion of the bank's prime rate (4.00% and 4.25% as of December 31, 2003 and 2002, respectively) or 1.25% in excess of the LIBOR. The note matures on June 24, 2007.

**7. CAPITAL LEASE OBLIGATION:**

The Organization leases telephone equipment under a capital lease which is payable in aggregate monthly installments of \$1,266 including interest imputed at 9.03% per annum, maturing in April 2005.

At December 31, 2003, the future minimum lease payments under the capital lease are as follows:

Year ending December 31,		
2004		\$15,188
2005		6,329
		21,517
Less amount representing interest		1,239
		<b>\$20,278</b>

# THE SYNERGOS INSTITUTE, INC.

## NOTES TO FINANCIAL STATEMENTS December 31, 2003

**8. 403(b)  
RETIREMENT  
PLAN:**

The Organization maintains a defined contribution plan under Section 403(b) of the Code covering substantially all employees. Under this plan, employer contributions are based on a percentage of the employees' salaries. Contributions to the plan were included in salaries, payroll taxes and employee benefits in the statement of functional expenses and amounted to approximately \$179,000 and \$158,000 during the years ended December 31, 2003 and 2002, respectively. Additionally, participants may make voluntary contributions, subject to plan limitations.

**9. NET ASSETS  
RELEASED FROM  
RESTRICTIONS:**

During the year ended December 31, 2003, net assets were released from donor restrictions by incurring expenses satisfying the following temporarily restricted purposes or by occurrence of other events specified by donors:

Various programs (Global Philanthropy, Latin America, South East Asia, Southern Africa, Bridging Leadership, Border Project and Global Philanthropists Circle)	\$1,840,577
Capital campaign - reserve fund	690,000
	\$2,530,577

The Organization started soliciting funds for a new capital campaign in 2002 to build an endowment fund, building pay-off and preservation fund, reserve (emergency) fund and for expanded programmatic and operating support. During 2003 and 2002, funds amounting to \$200,000 and \$2,730,000, respectively, were pledged towards this capital campaign.

**10. TEMPORARILY  
RESTRICTED NET  
ASSETS:**

Temporarily restricted net assets are restricted for the following purposes at December 31, 2003:

Various programs (Global Philanthropy, Latin America, South East Asia, Southern Africa, Bridging Leadership, Border Project and Global Philanthropists Circle)	\$1,406,554
Capital campaign - reserve fund	1,793,402
	\$3,199,956

**11. SPECIAL EVENTS:**

Income from the Organization's annual UN event, net of direct costs, is as follows:

Year ended December 31,	2003	2002
Gross receipts	\$1,008,981	\$540,412
Less direct costs	256,747	71,574
	\$ 752,234	\$468,838

**THE SYNERGOS INSTITUTE, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2003**

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- 12. RECLASSIFICATION OF NET ASSETS:** Management determined that \$150,000 of temporarily restricted net assets was inadvertently released from restrictions and classified as unrestricted support and revenue in 2002. Accordingly, the net asset balances have been adjusted to restore the \$150,000 to temporarily restricted net assets in 2003. The reclassification had no effect on the change in net assets for 2002.