

THE SYNERGOS INSTITUTE, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2006

THE SYNERGOS INSTITUTE, INC.

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December 31, 2006

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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, 2006, 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 2005 financial statements and, in our report dated April 7, 2006, 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, 2006, 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

April 18, 2007

THE SYNERGOS INSTITUTE, INC.

STATEMENT OF FINANCIAL POSITION

December 31,	2006	2005
ASSETS		
Cash	\$ 548,525	\$ 526,073
Cash - restricted	665,504	
Pledges and Other Receivables, net	5,185,812	6,981,798
Investments, at fair value	15,043,630	1,944,886
Prepaid Expenses and Other Assets	81,203	71,091
Property and Equipment, net	2,516,538	9,096,046
Total Assets	\$24,041,212	\$18,619,894
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 653,279	\$ 1,930,629
Capital lease obligation	147,912	174,605
Deferred rent and lease incentive	1,415,273	
Note payable		5,850,000
Total liabilities	2,216,464	7,955,234
Commitments and Contingency		
Net Assets:		
Unrestricted:		
Invested in property and equipment	2,368,626	2,419,768
Designated for long-term investment	10,426,473	
Undesignated	1,895,095	615,507
Total unrestricted net assets	14,690,194	3,035,275
Temporarily restricted net assets	7,134,554	7,629,385
Total net assets	21,824,748	10,664,660
Total Liabilities and Net Assets	\$24,041,212	\$18,619,894

See Notes to Financial Statements

THE SYNERGOS INSTITUTE, INC.

STATEMENT OF ACTIVITIES

(with summarized financial information for the year ended December 31, 2005)

Year ended December 31,	2006			2005
	Unrestricted	Temporarily Restricted	Total	Summarized Information Total
Support and revenue:				
Contributions:				
Foundations	\$ 418,836	\$ 4,115,342	\$ 4,534,178	\$ 2,893,111
Corporations	210,032		210,032	1,974,705
Individuals	524,767	1,021,695	1,546,462	1,262,038
GPC membership dues	1,588,732		1,588,732	1,268,296
Government grant				121,447
Special event, net	498,272		498,272	651,414
Return on investments	507,380		507,380	29,480
Other income	386,915		386,915	299,277
Net assets released from restrictions - satisfaction of program and time restrictions	5,595,681	(5,595,681)		
Total support and revenue	9,730,615	(458,644)	9,271,971	8,499,768
Expenses:				
Program services:				
Strengthening Bridging Organizations	3,431,997		3,431,997	3,496,668
Multi-stakeholder	3,439,282		3,439,282	2,747,447
Global Philanthropists Circle	1,184,442		1,184,442	1,173,480
Communications and Outreach	116,898		116,898	99,518
Total program services	8,172,619		8,172,619	7,517,113
Supporting services:				
Management and general	1,686,611		1,686,611	2,265,607
Fund-raising	582,377		582,377	605,745
Total supporting services	2,268,988		2,268,988	2,871,352
Total expenses	10,441,607		10,441,607	10,388,465
Subtotal	(710,992)	(458,644)	(1,169,636)	(1,888,697)
Loss on disposal of equipment	(29,385)		(29,385)	(33,674)
Loss on uncollectible pledges	(1,113)	(36,187)	(37,300)	(693,000)
Net realized gain on sale of building	12,396,409		12,396,409	
Change in net assets	11,654,919	(494,831)	11,160,088	(2,615,371)
Net assets at beginning of year	3,035,275	7,629,385	10,664,660	13,280,031
Net assets at end of year	\$14,690,194	\$ 7,134,554	\$21,824,748	\$10,664,660

See Notes to Financial Statements

THE SYNERGOS INSTITUTE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

(with summarized financial information for the year ended December 31, 2005)

Year ended December 31,	2006					2005				
	Program Services				Supporting Services					
	Strengthening Bridging Organizations	Multi- stakeholder	Global Philanthropists Circle	Communi- cations and Outreach	Total Program Services	Management and General	Fund- raising	Total Supporting Services	Grand Total	Summarized Information Total
Salaries, payroll taxes and employee benefits	\$1,129,069	\$ 790,279	\$ 644,395	\$ 72,084	\$2,635,827	\$1,098,361	\$233,535	\$1,331,896	\$ 3,967,723	\$ 4,384,706
Consultant and other professional fees	252,477	963,376	29,761		1,245,614	145,508	130,066	275,574	1,521,188	1,932,394
Grants and socially responsible investments	1,043,116	1,139,065			2,182,181		25,000	25,000	2,207,181	1,130,244
Travel and entertainment	136,432	197,083	68,749	87	402,351	6,551	18,020	24,571	426,922	647,484
Conferences and meetings	277,485	119,248	234,206	32	630,971	4,009	1,364	5,373	636,344	792,602
Insurance	12,957	5,013	4,345	334	22,649	8,354	3,342	11,696	34,345	45,851
External communications	28,735	5,208	7,499	15,957	57,399	13,185	5,038	18,223	75,622	75,866
Telephone and fax	23,118	7,310	4,301	298	35,027	14,730	4,295	19,025	54,052	74,287
Utilities	18,448	8,424	7,302	562	34,736	14,040	5,616	19,656	54,392	64,000
Building and equipment maintenance and service contracts	31,974	11,628	10,094	905	54,601	45,363	7,849	53,212	107,813	251,232
Office supplies	13,699	2,332	3,146	151	19,328	11,752	3,884	15,636	34,964	52,691
Loan interest and charges	59,096	26,694	23,135	1,780	110,705	48,050	21,491	69,541	180,246	293,641
Rent	275,816	112,557	97,549	7,504	493,426	187,595	75,038	262,633	756,059	32,580
Other expenses	20,638		5,703	183	26,524	4,006	13,796	17,802	44,326	313,510
Functional expenses before depreciation and amortization	3,323,060	3,388,217	1,140,185	99,877	7,951,339	1,601,504	548,334	2,149,838	10,101,177	10,091,088
Depreciation and amortization	108,937	51,065	44,257	17,021	221,280	85,107	34,043	119,150	340,430	297,377
Total functional expenses	\$3,431,997	\$3,439,282	\$1,184,442	\$116,898	\$8,172,619	\$1,686,611	\$582,377	\$2,268,988	\$10,441,607	\$10,388,465

See Notes to Financial Statements

THE SYNERGOS INSTITUTE, INC.

STATEMENT OF CASH FLOWS

Year ended December 31,	2006	2005
Cash flows from operating activities:		
Change in net assets	\$ 11,160,088	\$(2,615,371)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Contributed stock	(58,050)	(27,012)
Depreciation and amortization	340,430	297,377
Loss on disposal of equipment	29,385	33,674
Loss on uncollectible pledges	37,300	693,000
Net realized gain on sale of building	(12,396,409)	
Net realized and unrealized loss (gain) on investments	1,445	(2,393)
Changes in operating assets and liabilities:		
Decrease in pledges and other receivables	1,758,686	1,931,408
Increase in restricted cash	(665,504)	
(Increase) decrease in prepaid expenses and other assets	(10,112)	88,155
Increase in deferred rent and lease incentive	1,415,273	
(Decrease) increase in accounts payable and accrued expenses	(1,277,350)	864,123
Net cash provided by operating activities	335,182	1,262,961
Cash flows from investing activities:		
Proceeds from sale of investments	506,345	59,396
Purchase of investments	(13,548,484)	(1,570,626)
Net proceeds from sale of building	21,213,856	
Purchase of property and equipment	(2,607,754)	(507,728)
Net cash provided by (used in) investing activities	5,563,963	(2,018,958)
Cash flows from financing activities:		
Proceeds from line of credit	4,000,000	600,000
Payment on line of credit	(4,000,000)	(600,000)
Payment on note payable	(5,850,000)	
Principal payment on capital lease obligation	(26,693)	(30,074)
Net cash used in financing activities	(5,876,693)	(30,074)
Net increase (decrease) in cash	22,452	(786,071)
Cash at beginning of year	526,073	1,312,144
Cash at end of year	\$ 548,525	\$ 526,073
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 203,049	\$ 313,296
Supplemental schedules of noncash investing activities:		
Purchase of property and equipment included in accounts payable		\$ 651,673
Purchase of equipment through capital lease		\$ 128,631

See Notes to Financial Statements

THE SYNERGOS INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

1. DESCRIPTION OF ORGANIZATION:

The Synergos Institute, Inc. (the "Organization") works with voluntary organizations and other groups in supporting local communities develop effective sustainable solutions to poverty problems. Synergos works with partners to mobilize resources and bridge social and economic divides to reduce poverty and increase equity by supporting local communities develop effective sustainable solutions to problems. The Organization plays a unique role with partner groups in creating successful new models and avenues of action to address poverty through its various programs in the Americas, Asia and Southern Africa with activities primarily in 11 countries (Brazil, Ecuador, India, Indonesia, Mexico, Mozambique, the Philippines, South Africa, Thailand, the United States and Zimbabwe). The following are the principal groupings of these programs.

- Strengthening Bridging Organizations program works primarily in Latin America, Southern Africa and Thailand with foundations, foundation support organizations and associations of foundations to build effective collaboration and partnerships across divides. It also runs a Border Philanthropy Partnership which is a donor collaborative program along the U.S./Mexico border working to strengthen community foundations and build effective collaboration and partnerships to reduce poverty and improve quality of life on both sides of the border.
- Multi-Stakeholder Partnerships ("MSP") program strives to reduce poverty and increase equity through systemic change. The program is designed to initiate, convene, resource and implement a significant number of global, regional and national consensus-building and problem-solving initiatives. Working with Unilever, UNICEF-India and a group of Indian organizations, Synergos has launched a Partnership for Child Nutrition project in India that aims to reduce child malnutrition.
- Global Philanthropists Circle ("GPC") works with private philanthropists to leverage their resources and increase the impact of their philanthropy.
- Communications and Outreach disseminates knowledge and information to its constituencies and provides 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 the Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the "Code").

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 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. Donor-imposed restrictions that are satisfied in the same reporting period are recorded as unrestricted. Contributions of assets other than cash are recorded at their estimated value.

THE SYNERGOS INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

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, 2005. 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, 2005 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.

Pledges and 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 donor's and GPC member's 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. The amount capitalized is the lower of the present value of the minimum lease payments or the fair value of the leased asset. Amortization of assets 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.

Certain prior-year balances have been reclassified to be consistent with the current-year financial statement presentation. The reclassifications had no impact on changes in the net assets.

THE SYNERGOS INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS December 31, 2006

**3. PLEDGES
AND OTHER
RECEIVABLES,
NET:**

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

December 31,	2006	2005
Receivable in less than one year	\$3,202,676	\$5,238,532
Receivable in one to five years	2,099,333	1,856,318
	5,302,009	7,094,850
Less allowance for doubtful accounts		(4,496)
Less unamortized discount on pledges receivable	(116,197)	(108,556)
	\$5,185,812	\$6,981,798

Amounts receivable in less than one year include other receivables for annual membership dues in the GPC program.

The pledges have been adjusted for imputed interest from 3.00% to 4.53%. Management believes that all pledges and accounts receivable will be collected when due. Accordingly, no allowance for doubtful accounts has been recognized in 2006.

4. INVESTMENTS:

Investments, at fair value, consist of the following:

December 31,	2006	2005
Money market funds	\$15,043,630	\$1,500,100
Mutual funds		444,786
	\$15,043,630	\$1,944,886

Return on investments is comprised of the following:

Year ended December 31,	2006	2005
Interest and dividends	\$508,825	\$27,087
Realized and unrealized (loss) gain on investments	(1,445)	2,393
	\$507,380	\$29,480

THE SYNERGOS INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS December 31, 2006

- 5. PROPERTY AND EQUIPMENT, NET:** Property and equipment, net, at cost or fair value at date of donation, consists of the following:

December 31,	2006	2005	Estimated Useful Life
Land		\$ 2,000,000	
Building and improvements		8,287,408	40 years
Leasehold improvements	\$2,063,872		Term of lease
Office equipment and furniture	512,431	157,398	5 to 7 years
Computer hardware and software	198,402	141,354	3 to 5 years
	2,774,705	10,586,160	
Less accumulated depreciation and amortization	(258,167)	(1,490,114)	
	\$2,516,538	\$ 9,096,046	

In June 2006, the Organization completed the sale of its property at 9 E. 69th Street, New York, NY 10021 for \$22,500,000. The sale resulted in a net gain of approximately \$12,400,000, as follows:

Selling price	\$22,500,000
Less cost of land, building and improvements, net of accumulated depreciation of \$1,436,397	(8,817,447)
Closing and other incidental costs	(1,286,144)
Net realized gain on sale of property	\$12,396,409

- 6. NOTE PAYABLE:** The Organization had a 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 (8.25% and 7.00% as of December 31, 2006 and 2005, respectively) or 1.25% in excess of the LIBOR. The note matures on June 24, 2007. The note was paid in full in June 2006.

In addition, the Organization had a line of credit in the amount of \$3,500,000 expiring in June 24, 2007. This line of credit was closed in late 2006.

- 7. CAPITAL LEASE OBLIGATION:** The Organization leases copier equipment under a capital lease that is payable in aggregate monthly installments of \$3,533 including interest imputed at 10.00% per annum, maturing in January 2010.

THE SYNERGOS INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

At December 31, 2006, the future minimum lease payments under the capital lease are as follows:

Year ending December 31,	
2007	\$ 58,221
2008	67,929
2009	41,317
2010	2,334
	<hr/>
	169,801
Less amount representing interest	21,889
	<hr/>
Capital lease obligation	\$147,912

**8. OPERATING
LEASE
OBLIGATION:**

The Organization has various operating lease obligations for equipment. The future minimum lease payments under the operating leases are as follows:

Year ending December 31,	
2007	\$ 56,853
2008	46,220
2009	32,448
2010	26,888
	<hr/>
	\$162,409

**9. 403(b)
RETIREMENT
PLAN:**

The Organization maintains a defined contribution plan under Section 403(b) of the IRS Code covering substantially all employees. Under this plan, employer contributions are based on a percentage of the employees' salaries as may be determined by the Organization's board of directors. The rate of contribution was 5% and 10%, respectively, of the employee's eligible compensation for 2006 and 2005. Contributions to the plan were included in salaries, payroll taxes and employee benefits in the statement of functional expenses and amounted to approximately \$135,000 and \$231,000 during the years ended December 31, 2006 and 2005, respectively. Additionally, participants may make voluntary contributions, subject to plan limitations.

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

During the year ended December 31, 2006, 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 (Strengthening Bridging Organizations, Multi-stakeholder, Global Philanthropists Circle and Communications and Outreach)	\$3,982,094
Reserve fund	1,613,587
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	\$5,595,681

THE SYNERGOS INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS December 31, 2006

11. TEMPORARILY RESTRICTED NET ASSETS:	Temporarily restricted net assets are restricted for the following purposes at December 31, 2006:
	Various programs (Strengthening Bridging Organizations, Multi-stakeholder, Global Philanthropists Circle and Communications and Outreach) \$3,528,312
	Reserve fund 3,606,242
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	\$7,134,554

12. SPECIAL EVENT, NET:	Income from the Organization's annual U.N. event, net of direct costs, is as follows:		
	Year ended December 31,	2006	2005
		<hr/>	<hr/>
	Gross receipts	\$850,219	\$1,009,359
	Less direct costs	351,947	357,945
		<hr/>	<hr/>
		\$498,272	\$ 651,414

13. OTHER COMMITMENTS AND CONTINGENCY:

The Organization has an employment agreement with its president.

Certain grants may be subject to audit by the funding sources. Such audit might result in disallowances of costs submitted for reimbursement. Management is of the opinion that such cost disallowances, if any, will not have a material effect on the accompanying financial statements. Accordingly, no amounts have been provided in the accompanying financial statements for such potential claims.

In February 2006, the Organization entered into a new lease for its offices at 51 Madison Avenue, New York City. The lease will expire in December 2016, and requires payment of escalation rentals for certain operating expenses and real estate taxes. The Organization has entered into a standby letter of credit in the amount of \$665,504 with the same bank providing its other credit facilities, in lieu of providing a security deposit on the lease.

The Organization received lease incentives of approximately \$731,000 from the landlord for leasehold improvements. Such amount is being amortized over the term of the lease. The balance of the deferred incentive, including the value of certain rent-free periods as of December 31, 2006 is approximately \$1,400,000.

THE SYNERGOS INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

In August 2006, the Organization sublet a portion of its offices and will receive sublease payments through August 2011. The sublease provides for the Organization to charge for increases in real estate taxes and operating costs in addition to minimum rentals. Minimum future rental payments under this lease and sublease are summarized as follows:

Year ending December 31,	Gross	Sublease	Net
2007	\$ 902,032	\$ 243,329	\$ 658,703
2008	920,072	250,629	669,443
2009	938,474	262,536	675,938
2010	957,243	279,187	678,056
2011	979,652	189,810	789,842
Thereafter	5,635,509		5,635,509
	\$10,332,982	\$1,225,491	\$9,107,491

Rent expense (including charges for operating expenses and taxes) is recognized using the straight-line method over the term of the lease, and amounted to \$750,380 for the year ended December 31, 2006.