

McGladrey & Pullen

Certified Public Accountants

**The Synergos Institute, Inc. and
Consolidated Entities**

Consolidated Financial Report

December 31, 2009

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Independent Auditor's Report

To the Board of Directors
The Synergos Institute, Inc.
New York, New York

We have audited the accompanying consolidated statement of financial position of The Synergos Institute, Inc. and Consolidated Entities (collectively, the "Organization") as of December 31, 2009, and the related consolidated 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 information has been derived from the Organization's 2008 consolidated financial statements and, in our report dated June 29, 2009, we expressed an unqualified opinion on those 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 2009 consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Synergos Institute, Inc. and Consolidated Entities as of December 31, 2009, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

McGladrey & Pullen, LLP

New York, New York
May 10, 2010

The Synergos Institute, Inc. and Consolidated Entities

Consolidated Statements of Financial Position
December 31, 2009 and 2008

	2009	2008
ASSETS		
Cash	\$ 189,559	\$ 3,902,001
Short-Term Investments, at fair value	2,395,225	1,737,094
Pledges and Other Receivables, net	2,610,618	6,279,714
Investments, at fair value	11,819,079	8,366,211
Prepaid Expenses and Other Assets	100,010	106,687
Property and Equipment, net	<u>1,628,407</u>	<u>1,927,154</u>
Total assets	<u>\$ 18,742,898</u>	<u>\$ 22,318,861</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 494,372	\$ 723,526
Capital lease obligation	50,282	41,680
Deferred rent and lease incentive	<u>1,339,404</u>	<u>1,382,975</u>
Total liabilities	<u>1,884,058</u>	<u>2,148,181</u>
Commitments and Contingency		
Net Assets:		
Unrestricted:		
Invested in property and equipment	1,578,125	1,885,474
Designated for long-term investment	9,825,792	8,348,844
Undesignated	<u>1,625,820</u>	<u>1,894,376</u>
Total unrestricted net assets	13,029,737	12,128,694
Temporarily restricted net assets	<u>3,829,103</u>	<u>8,041,986</u>
Total net assets	<u>16,858,840</u>	<u>20,170,680</u>
Total liabilities and net assets	<u>\$ 18,742,898</u>	<u>\$ 22,318,861</u>

See Notes to Consolidated Financial Statements.

The Synergos Institute, Inc. and Consolidated Entities

Consolidated Statements of Activities

Years Ended December 31, 2009 and 2008

(with summarized financial information for the year ended December 31, 2008)

	2009			2008
	Unrestricted	Temporarily Restricted	Total	Summarized Information Total
Support and Revenue:				
Contributions:				
Foundations	\$ 286,476	\$ 49,392	\$ 335,868	\$ 1,442,514
Individuals	661,274	42,631	703,905	798,979
Contributed services	59,225	-	59,225	-
GPC membership dues	1,540,019	-	1,540,019	1,602,273
Gates Foundation grant	-	28,824	28,824	110,572
Government grant	458,233	-	458,233	163,320
Special event, net	634,707	-	634,707	666,122
Return on investments available for operating activities	17,125	13,241	30,366	159,469
Other income	678,090	-	678,090	556,341
Net assets released from restrictions - satisfaction of program and time restrictions	4,346,971	(4,346,971)	-	-
Total support and revenue	8,682,120	(4,212,883)	4,469,237	5,499,590
Expenses:				
Program services:				
Networks	3,076,227	-	3,076,227	3,339,095
Partnerships	809,081	-	809,081	732,757
Gates-Namibia	2,033,991	-	2,033,991	1,994,329
Southern Africa	780,711	-	780,711	982,153
Communications and Outreach	245,360	-	245,360	405,422
Total program services	6,945,370	-	6,945,370	7,453,756
Supporting services:				
Management and general	1,380,639	-	1,380,639	1,787,108
Fund-raising	873,785	-	873,785	905,040
Total supporting services	2,254,424	-	2,254,424	2,692,148
Total expenses	9,199,794	-	9,199,794	10,145,904
Results of operations	(517,674)	(4,212,883)	(4,730,557)	(4,646,314)
Return on Investments on Board-Designated Funds for Long-Term Investments	1,369,324	-	1,369,324	(2,310,603)
Foreign Currency Transactions Gain (Loss)	49,393	-	49,393	(118,352)
Change in net assets	901,043	(4,212,883)	(3,311,840)	(7,075,269)
Net Assets:				
Beginning	12,128,694	8,041,986	20,170,680	27,245,949
Ending	<u>\$ 13,029,737</u>	<u>\$ 3,829,103</u>	<u>\$ 16,858,840</u>	<u>\$ 20,170,680</u>

See Notes to Consolidated Financial Statements.

The Synergos Institute, Inc. and Consolidated Entities

Consolidated Statements of Functional Expenses

Years Ended December 31, 2009 and 2008

(with summarized financial information for the year ended December 31, 2008)

	2009					2008					
	Networks	Partnerships	Gates- Namibia	Southern Africa	Communications and Outreach	Total Program Services	Management and General	Fund- Raising	Total Supporting Services	Grand Total	Summarized Information
Salaries, payroll taxes and employee benefits	\$ 1,420,700	\$ 361,424	\$ 473,438	\$ 253,439	\$ 126,563	\$ 2,635,564	\$ 819,347	\$ 596,018	\$ 1,415,365	\$ 4,050,929	\$ 4,719,062
Consultant and other professional fees	138,534	108,621	1,175,392	54,167	69,696	1,546,410	129,869	26,653	156,522	1,702,932	1,774,782
Grants and socially responsible investments	374,000	97,000	46,452	78,284	-	595,736	-	-	-	595,736	492,920
Travel and entertainment	168,051	65,945	166,803	62,406	447	463,652	14,958	58,982	73,940	537,592	636,406
Conferences and meetings	360,493	1,776	3,726	128,751	31	494,777	9,581	13,000	22,581	517,358	579,674
Insurance	14,859	4,534	4,939	7,943	1,116	33,391	8,885	4,777	13,662	47,053	46,105
External communications	30,028	3,632	22,247	7,860	2,811	66,578	5,925	1,659	7,584	74,162	120,777
Telephone and fax	25,418	6,230	13,647	8,573	1,085	54,953	28,076	6,638	34,714	89,667	76,662
Utilities	7,839	2,260	1,941	2,156	556	14,752	4,428	2,381	6,809	21,561	23,640
Building and equipment maintenance	25,768	7,119	4,144	15,111	1,752	53,894	12,613	7,501	20,114	74,008	106,612
Office supplies	14,779	1,325	7,942	4,662	384	29,092	9,647	1,896	11,543	40,635	59,334
Loan interest and charges	2,284	-	326	1,229	-	3,839	38,281	-	38,281	42,120	50,814
Rent	334,515	98,579	77,198	110,238	24,264	644,794	195,448	103,852	299,300	944,094	944,669
Other expenses	25,256	9,835	5,328	6,976	1,791	49,186	21,801	7,444	29,245	78,431	111,002
Expenses before depreciation and amortization	2,942,524	768,280	2,003,523	741,795	230,496	6,686,618	1,298,859	830,801	2,129,660	8,816,278	9,742,459
Depreciation and amortization	133,703	40,801	30,468	38,916	14,864	258,752	81,780	42,984	124,764	383,516	403,445
Total expenses	\$ 3,076,227	\$ 809,081	\$ 2,033,991	\$ 780,711	\$ 245,360	\$ 6,945,370	\$ 1,380,639	\$ 873,785	\$ 2,254,424	\$ 9,199,794	\$ 10,145,904

See Notes to Consolidated Financial Statements.

The Synergos Institute, Inc. and Consolidated Entities

**Consolidated Statements of Cash Flows
Years Ended December 31, 2009 and 2008**

	2009	2008
Cash Flows From Operating Activities:		
Change in net assets	\$ (3,311,840)	\$ (7,075,269)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Contributed stock	(10,451)	(16,551)
Depreciation and amortization	383,516	403,445
Net realized and unrealized (gain) loss on investments	(1,162,616)	2,601,512
Changes in operating assets and liabilities:		
Decrease in pledges and other receivables	3,669,096	1,950,167
Decrease in prepaid expenses and other assets	6,677	90,205
Decrease in deferred rent and lease incentive	(43,571)	(25,170)
(Decrease) increase in accounts payable and accrued expenses	(229,154)	158,343
Net cash used in operating activities	(698,343)	(1,913,318)
Cash Flows From Investing Activities:		
Proceeds from sale of investments	1,398,413	13,088,838
Purchase of investments	(4,336,345)	(7,593,062)
Purchase of property and equipment	(46,166)	(107,668)
Net cash (used in) provided by investing activities	(2,984,098)	5,388,108
Cash Used in Financing Activity - payments on capital lease obligation	(30,001)	(60,437)
Net (decrease) increase in cash	(3,712,442)	3,414,353
Cash:		
Beginning	3,902,001	487,648
Ending	\$ 189,559	\$ 3,902,001
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the year for interest	\$ 42,120	\$ 50,814
Purchase of office equipment through capital lease	\$ 38,603	\$ -

See Notes to Consolidated Financial Statements.

The Synergos Institute, Inc. and Consolidated Entities

Notes to Consolidated Financial Statements

Note 1. Description of Organization

The Synergos Institute, Inc. and Consolidated Entities (collectively, the "Organization" or "Synergos") work with voluntary organizations and other groups in supporting local communities develop effective sustainable solutions to poverty problems. The Organization works with partners to mobilize resources and bridge social and economic divides to reduce poverty and increase equity by supporting local communities in developing 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 the following programs in the Americas, Africa, Asia and the Middle East:

- Networks - Synergos manages three networks: the Senior Fellows, Global Philanthropists Circle, and the Arab World Social Innovator. These networks allow members to learn from each other's work, make new connections, develop their skills and take their work to new levels. Synergos' Senior Fellows is an international network of distinguished civil society leaders committed to addressing poverty and inequity. The network aims to enhance their skills, knowledge and experience through peer-to-peer learning, regional gatherings, learning journeys and workshops. The Global Philanthropists Circle ("GPC") works with private philanthropists to leverage their resources and increase the impact of their philanthropy. The Arab World Social Innovators program works with entrepreneurs in Egypt, Jordan, Lebanon, Morocco, and Palestine Egypt who have created social enterprises that are improving the lives of people in their communities.
- Partnerships - Synergos' Partnerships program is a global effort to create sustainable social progress by forging collaborations that transcend traditional social boundaries. The program brings together people and institutions in government, business, nonprofits and local communities most affected by poverty and social injustice. As a convener of these partnerships, Synergos helps empower the various stakeholders to better address their issues, and works to identify overall strategies and specific projects that benefit poor and marginalized people in each region.
- African Public Health Leadership & Systems Innovation Initiative (Gates-Namibia) - is creating a replicable model for improving public health leadership and systems performance, beginning in Namibia. The Initiative applies high-performance, business consulting approach called the Innovation Lab. It invests in a strategic set of national health leaders including senior government officials, clinical technicians, community health providers and representatives from business and civil society. Health leadership cohorts are guided through an intensive two-year process, involving leadership capacity building as well as the creation of innovation projects that address urgent health challenges.
- Southern Africa - Synergos is building upon Southern Africa's deeply rooted traditions of social giving and mutual help to meet challenges. In collaboration with partners, the Organization is mobilizing resources and bridging social and economic divides to reduce poverty, increase equity and advance social justice in the region.

Communications and Outreach disseminates knowledge and information to its constituencies and provides various publications and materials to enhance the work done with partners.

The Synergos Institute, Inc. 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 Synergos Institute, Inc. is the founding member and controls the operations and activities of the following entities: Synergos Institute (South Africa), an association incorporated in January 2007 under Section 21 of the South African Companies Act 1973, and The Synergos Namibia Trust, which was established on December 1, 2008 in the Republic of Namibia.

The Synergos Institute, Inc. and Consolidated Entities

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies

Basis of Accounting and Financial Statement Presentation: The Organization's financial statements have been prepared on the accrual basis of accounting in accordance with the generally accepted accounting principles in the United States of America as applicable to not-for-profit organizations, and include the accounts and activities of Synergos Institute (South Africa), and The Synergos Namibia Trust. All significant intercompany accounts and transactions have been eliminated in consolidation.

Pledges and Other Receivables: 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 donors' and 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.

Investments: Investments are reported at fair value in the consolidated statement of financial position. The consolidated statements of activities include return on investments consisting of interest and dividend income, realized and unrealized gains and losses. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Purchases and sales of securities are recorded on a trade-date basis.

Fair Value Measurements: In 2008, the Organization adopted Financial Accounting Standards Board ("FASB") Statement No. 157, *Fair Value Measurements*, which is now referred to as FASB Accounting Standards Codification ("ASC") 820, *Fair Value Measurements and Disclosures*. FASB ASC 820 provides a framework for measuring fair value under generally accepted accounting principles, and applies to all financial instruments that are being measured and reported on a fair value basis.

FASB ASC 820 sets out a fair value hierarchy and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In 2009, the Organization adopted the measurement provisions of Accounting Standards Update No. 2009-12, *Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)* to certain investments that do not have readily determinable fair values. This guidance amends FASB Statement No. 157 and allows for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value using net asset value per share or its equivalent.

The fair value hierarchy is defined as follows:

- Level 1: Inputs that reflect unadjusted quoted market prices in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.
- Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3: Inputs that are unobservable.

Property and Equipment: Property and equipment is recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. Leasehold improvements are amortized over the remaining term of the lease.

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 Synergos Institute, Inc. and Consolidated Entities

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Contributions and Promises to Give: 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 and services are recorded at their estimated value upon receipt. During the year ended December 31, 2009, the Organization received donated services of \$59,225 from Social Entrepreneurship Assistance Program ("SEAP") for the development of training courses for 22 Social Innovators from the Middle East.

No amounts have been reflected in the accompanying consolidated financial statements for donated services provided by members of the board of directors as these did not meet the criteria for recognition under FASB ASC 958-605-25-16.

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

Government Grant: Federal funds obligated under a government grant are recorded by the Organization when eligible expenditures are incurred and billable to the government. The Organization received a \$1,000,000 cost reimbursement grant for the Middle East North Africa program of which \$456,644 and \$137,382 were billable and recorded in 2009 and 2008, respectively.

Prior-Year Summarized Information: The consolidated financial statements include summarized statements of activities and functional expenses for the year ended December 31, 2008. 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, 2008 from which this summarized information was derived.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Credit Risk: The Organization maintains cash and temporary cash investments in bank deposit accounts which, at times, exceed federally-insured limits. At December 31, 2009, substantially all of the Organization's cash and cash equivalents are maintained with one financial institution. The Organization has not experienced any losses on these accounts and believes it is not exposed to any significant credit risk on cash and temporary cash investments.

The Organization invests in a professionally managed portfolio that contains common shares and bonds of publicly traded companies, U.S. obligations, mutual funds and money market funds. Such investments are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with such investments and the uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the consolidated financial statements.

Income Tax: On January 1, 2009, the Organization adopted the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on

The Synergos Institute, Inc. and Consolidated Entities

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses derecognition, classification, interest and penalties on income taxes, and accounting in interim periods.

Management evaluated the Organization's income tax positions and concluded that the Organization had taken no uncertain income tax positions that require adjustments to the financial statements to comply with the provisions of this guidance. With few exceptions, the Organization is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2007, which is the standard statute of limitations look-back period.

Evaluation of Subsequent Events: The Organization evaluates events occurring after the date of the financial statements to consider whether or not the impact of such events needs to be reflected or disclosed in the financial statements. Such evaluation is performed through the date the financial statements are available for issuance, which was May 10, 2010 for these consolidated financial statements.

Note 3. Pledges and Other Receivables, Net

Pledges and other receivables, net, include unconditional promises to give, as follows at December 31:

	<u>2009</u>	<u>2008</u>
Receivable in less than one year	\$ 2,537,802	\$ 4,932,628
Receivable in one to five years	<u>75,000</u>	<u>1,397,681</u>
	2,612,802	6,330,309
Less unamortized discount on pledges receivable	<u>(2,184)</u>	<u>(50,595)</u>
	<u>\$ 2,610,618</u>	<u>\$ 6,279,714</u>

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 ranging from 3.00% to 4.97%. Management believes that all pledges and accounts receivable will be collected when due. Accordingly, no allowance for doubtful accounts has been recognized in the accompanying consolidated financial statements.

Approximately 74% of the gross pledges and other receivables at December 31, 2009 are due from two significant donors, of which one donor is a board member.

The Synergos Institute, Inc. and Consolidated Entities

Notes to Consolidated Financial Statements

Note 4. Fair Value Measurements and Investments

The following table presents the Organization's financial instruments measured at fair value based on quoted prices in active markets for identical assets (Level 1) on a recurring basis as of December 31:

	<u>2009</u>	<u>2008</u>
Short-term investments (cash and money market funds)	<u>\$ 2,395,225</u>	<u>\$ 1,737,094</u>
Investments:		
Cash and money market funds	\$ 3,417,933	\$ 1,341,834
Equities	5,247,839	3,738,310
Fixed income money market funds	<u>3,153,307</u>	<u>3,286,067</u>
Total investments	<u>\$ 11,819,079</u>	<u>\$ 8,366,211</u>

The components of return on investments during the years ended December 31, 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</u>
Interest and dividends	\$ 237,074	\$ 450,378
Realized and unrealized gain (loss) on investments	<u>1,162,616</u>	<u>(2,601,512)</u>
	<u>\$ 1,399,690</u>	<u>\$ (2,151,134)</u>

Contributions or donations of noncash assets are recorded at fair value on nonrecurring basis at the time of receipt. During the years ended December 31, 2009 and 2008, the Organization received donated securities of \$10,451 and \$16,551, respectively, and these are valued based on quoted prices in active markets for similar assets (Level 1).

Note 5. Property and Equipment, Net

Property and equipment, net, at cost or fair value at date of donation, consists of the following as of December 31:

	<u>2009</u>	<u>2008</u>	<u>Estimated Useful Life</u>
Leasehold improvements	\$ 2,071,362	\$ 2,071,362	Term of lease
Office equipment and furniture	606,017	531,414	5 to 7 years
Computer hardware and software	315,143	304,977	3 to 5 years
Vehicle and other	<u>43,819</u>	<u>43,819</u>	3 to 5 years
	3,036,341	2,951,572	
Less accumulated depreciation and amortization	<u>(1,407,934)</u>	<u>(1,024,418)</u>	
	<u>\$ 1,628,407</u>	<u>\$ 1,927,154</u>	

The Synergos Institute, Inc. and Consolidated Entities

Notes to Consolidated Financial Statements

Note 6. Capital Lease Obligation

The Organization leases copier equipment under a capital lease agreement that is payable in aggregate monthly installments of \$1,095 including interest imputed at 9.23% per annum, maturing in December 2014.

At December 31, 2009, the future minimum lease payments under the capital lease are as follows:

Year ending December 31,

2010	\$ 13,140
2011	13,140
2012	13,140
2013	13,140
2014	13,140
	<hr/>
	65,700
Less amount representing interest	<hr/> 15,418
	<hr/>
Capital lease obligation	<u><u>\$ 50,282</u></u>

Note 7. 403(b) Retirement Plan

The Organization maintains a defined contribution plan under Section 403(b) of the IRS Code covering substantially all employees. The Organization contributes an amount equivalent to 5% of the employee's eligible compensation. Contributions to the plan were included in salaries, payroll taxes and employee benefits in the consolidated statements of functional expenses and amounted to approximately \$130,000 and \$136,000 during the years ended December 31, 2009 and 2008, respectively. Additionally, participants may make voluntary contributions, subject to plan limitations.

Note 8. Net Assets Released From Restrictions

During the years ended December 31, 2009 and 2008, 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:

	<u>2009</u>	<u>2008</u>
Various projects (networks, partnerships, Southern Africa, and communications and outreach)	\$ 1,304,945	\$ 1,874,699
Gates Foundation - Namibia	2,181,526	2,232,607
Reserve Fund (includes \$125,500 of donor-authorized transfers to unrestricted net assets designated for long-term investment during 2009)	<hr/> 860,500	<hr/> 701,250
	<u><u>\$ 4,346,971</u></u>	<u><u>\$ 4,808,556</u></u>

The Synergos Institute, Inc. and Consolidated Entities

Notes to Consolidated Financial Statements

Note 9. Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted for the following purposes as of December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Various projects (networks, partnerships, Southern Africa, and communications and outreach)	\$ 715,946	\$ 2,533,523
Gates Foundation - Namibia	2,712,241	4,851,702
Reserve Fund	<u>400,916</u>	<u>656,761</u>
	<u>\$ 3,829,103</u>	<u>\$ 8,041,986</u>

Note 10. Board-Designated Endowment Funds

The Organization's board of directors designated \$10,500,000 of the unrestricted net assets for long-term investments. The Organization has the objective of maintaining the purchasing power of these investments over time. The Organization's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The current after-inflation and after investment management expenses objective is to return 5%. Actual returns in any given year may vary from this amount. Earnings on these investment funds of up to 5% of the value of the board-designated investment funds, or a minimum of \$500,000 a year will be available for the support of the Organization's general operations. No amounts have been withdrawn from the Organization's board designated funds as of December 31, 2009.

The following table summarizes the changes in the board-designated endowment funds during the years ended December 31:

	<u>2009</u>	<u>2008</u>
Balance, beginning of year	<u>\$ 8,348,844</u>	<u>\$ 10,671,345</u>
Additions during the year (Note 8)	<u>125,500</u>	<u>-</u>
Investment returns:		
Interest and dividends	213,161	301,355
Net realized/unrealized gain (loss)	1,162,710	(2,599,657)
Investment fees	<u>(24,423)</u>	<u>(24,199)</u>
Total investment returns (losses)	<u>1,351,448</u>	<u>(2,322,501)</u>
Balance, end of year	<u>\$ 9,825,792</u>	<u>\$ 8,348,844</u>

The Synergos Institute, Inc. and Consolidated Entities

Notes to Consolidated Financial Statements

Note 11. Special Event, Net

Income from the Organization's annual UFAN event, net of direct costs, is as follows at December 31:

	<u>2009</u>	<u>2008</u>
Gross receipts	\$ 842,555	\$ 921,892
Less direct costs	<u>(207,848)</u>	<u>(255,770)</u>
	<u>\$ 634,707</u>	<u>\$ 666,122</u>

Note 12. Other Commitments and Contingency

The Organization has an employment agreement with its president.

The Organization leases its offices at 51 Madison Avenue, New York City under an operating lease agreement that will expire in December 2016. The lease 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 its primary bank in lieu of providing a security deposit on the lease.

The Organization received lease incentives of approximately \$700,000 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, 2009 is approximately \$1,339,000.

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:

<u>Year ending December 31,</u>	<u>Gross</u>	<u>Sublease</u>	<u>Net</u>
2010	\$ 957,243	\$ 279,187	\$ 678,056
2011	979,652	189,810	789,842
2012	1,090,866	-	1,090,866
2013	1,112,684	-	1,112,684
2014	1,134,937	-	1,134,937
Thereafter	<u>2,297,021</u>	<u>-</u>	<u>2,297,021</u>
	<u>\$ 7,572,403</u>	<u>\$ 468,997</u>	<u>\$ 7,103,406</u>

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 \$894,900 for each of the years ended December 31, 2009 and 2008. Rental income is also recognized using the straight-line method over the term of the lease and amounted to \$256,878, for each of the years ended December 31, 2009 and 2008.

The Synergos Institute, Inc. and Consolidated Entities

Notes to Consolidated Financial Statements

Note 12. Other Commitments and Contingency (Continued)

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 consolidated financial statements. Accordingly, no amounts have been provided in the accompanying consolidated financial statements for such potential claims.

Note 13. Related Party Transactions

The Organization has an outstanding agency agreement with The Synergos Institute Canada, a separate entity organized under the Canada Corporations Act, to assist in the administration of the charitable activities and programs of The Synergos Institute Canada. The accompanying 2009 consolidated statement of activities include contributions of \$279,796 received from The Synergos Institute Canada.

Note 14. Summarized Financial Data

The summarized financial data of The Synergos Institute, Inc. and its consolidated entities included in these financial statements prior to inter-entity eliminations are as follows:

	2009			2008		
	The Synergos Institute, Inc.	The Synergos Institute (South Africa)	The Synergos Namibia Trust	The Synergos Institute, Inc.	The Synergos Institute (South Africa)	The Synergos Namibia Trust
Total assets	\$ 15,273,055	\$ 149,679	\$ 3,320,164	\$ 16,823,418	\$ 415,421	\$ 5,080,022
Total liabilities	1,764,750	11,298	108,010	1,961,179	11,287	175,715
Net assets	\$ 13,508,305	\$ 138,381	\$ 3,212,154	\$ 14,862,239	\$ 404,134	\$ 4,904,307
Total support, revenue and gains	\$ 5,595,183	\$ 250,706	\$ 42,065	\$ 4,926,600	\$ 290,118	\$ 164,520
Total expenses and losses	6,280,520	737,748	2,181,526	9,467,360	756,540	2,232,607
Change in net assets	\$ (685,337)	\$ (487,042)	\$ (2,139,461)	\$ (4,540,760)	\$ (466,422)	\$ (2,068,087)