The Synergos Institute, Inc. and Consolidated Entities

Consolidated Financial Report

December 31, 2010

Contents

McGladrey

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, 2010, 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's summarized comparative information has been derived from the Organization's 2009 consolidated financial statements and, in our report dated May 10, 2010, 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 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, 2010, and the changes in their net assets 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
June 3, 2011

The Synergos Institute, Inc. and Consolidated Entities

Consolidated Statement of Financial Position
December 31, 2010
(with summarized comparative financial information at December 31, 2009)

	2010	2009
ASSETS		
Cash	**$ 2,097,436**	$ 189,559
Short-Term Investments, at fair value	**1,851,667**	2,395,225
Pledges and Other Receivables, net	**1,607,800**	2,610,618
Investments, at fair value	**11,244,313**	11,819,079
Prepaid Expenses and Other Assets	**76,100**	100,010
Property and Equipment, net	**1,304,543**	1,628,407
Total assets	**$ 18,181,859**	$ 18,742,898
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	**$ 492,433**	$ 494,372
Capital lease obligation	**42,652**	50,282
Deferred rent and lease incentive	**1,277,064**	1,339,404
Total liabilities	**1,812,149**	1,884,058
Commitments and Contingency		
Net Assets:		
Unrestricted:		
Invested in property and equipment	**1,261,891**	1,578,125
Designated for long-term investment	**10,229,689**	9,825,792
Undesignated	**1,923,092**	1,625,820
Total unrestricted net assets	**13,414,672**	13,029,737
Temporarily restricted net assets	**2,955,038**	3,829,103
Total net assets	**16,369,710**	16,858,840
Total liabilities and net assets	**$ 18,181,859**	$ 18,742,898

See Notes to Consolidated Financial Statements.

The Synergos Institute, Inc. and Consolidated Entities

Consolidated Statement of Activities
Year Ended December 31, 2010
(with summarized comparative financial information for the year ended December 31, 2009)

	2010			2009
	Unrestricted	**Temporarily Restricted**	**Total**	Summarized Information Total
Support and Revenue:				
Contributions:				
Foundations	$ 437,518	$ 494,092	**$ 931,610**	$ 335,868
Individuals	980,511	463,836	**1,444,347**	703,905
Corporations	205,375	45,000	**250,375**	-
Contributed services	79,150	-	**79,150**	59,225
GPC membership dues	1,499,364	-	**1,499,364**	1,540,019
Gates Foundation grant	-	-	**-**	28,824
Government grant	389,685	-	**389,685**	458,233
Special event, net	602,689	-	**602,689**	634,707
Return on investments available for operating activities	523,645	8,922	**532,567**	30,366
Other income	914,364	-	**914,364**	678,090
Net assets released from restrictions - satisfaction of program and time restrictions	2,103,928	(2,103,928)	**-**	-
Total support and revenue	7,736,229	(1,092,078)	**6,644,151**	4,469,237
Expenses:				
Program services:				
Networks	2,853,138	-	**2,853,138**	3,076,227
Partnerships	831,186	-	**831,186**	809,081
Gates-Namibia	1,655,127	-	**1,655,127**	2,033,991
Southern Africa	887,942	-	**887,942**	780,711
Communications and Outreach	87,791	-	**87,791**	245,360
Total program services	6,315,184	-	**6,315,184**	6,945,370
Supporting services:				
Management and general	1,034,427	-	**1,034,427**	1,380,639
Fund-raising	530,239	-	**530,239**	873,785
Total supporting services	1,564,666	-	**1,564,666**	2,254,424
Total expenses	7,879,850	-	**7,879,850**	9,199,794
Results of operations	(143,621)	(1,092,078)	**(1,235,699)**	(4,730,557)
Assets Received From Convene Venture Philanthropy for Leadership and Innovation Network Children ("LINC") Project	22,445	218,013	**240,458**	-
Return on Investments of Board-Designated Funds for Long-Term Investments, net of amounts appropriated for operation	435,771	-	**435,771**	1,369,324
Foreign Currency Transactions Gain	70,340	-	**70,340**	49,393
Change in net assets	384,935	(874,065)	**(489,130)**	(3,311,840)
Net Assets:				
Beginning	13,029,737	3,829,103	**16,858,840**	20,170,680
Ending	$ 13,414,672	$ 2,955,038	**$ 16,369,710**	$ 16,858,840

See Notes to Consolidated Financial Statements.

The Synergos Institute, Inc. and Consolidated Entities

Consolidated Statement of Functional Expenses
Year Ended December 31, 2010
(with summarized comparative financial information for the year ended December 31, 2009)

	2010										2009
	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	$ 1,158,216	$ 484,047	$ 689,979	$ 405,019	$ 64,243	$ 2,801,504	$ 592,618	$ 371,460	$ 964,078	**$ 3,765,582**	$ 4,050,929
Consultant and other professional fees	55,922	80,310	410,824	75,704	261	623,021	154,917	17,450	172,367	**795,388**	1,702,932
Grants and socially responsible investments	576,400	(22,500)	69,413	14,390	-	637,703	-	-	-	**637,703**	595,736
Travel and entertainment	147,815	103,466	127,240	74,408	2	452,931	16,116	23,892	40,008	**492,939**	537,592
Conferences and meetings	361,648	9,048	8,399	94,655	4	473,754	5,495	3,783	9,278	**483,032**	517,358
Insurance	15,427	4,831	11,668	8,549	443	40,918	5,419	2,868	8,287	**49,205**	47,053
External communications	17,095	630	21,416	6,663	2,272	48,076	3,938	578	4,516	**52,592**	74,162
Telephone and fax	21,732	11,100	16,596	14,619	372	64,419	8,975	4,913	13,888	**78,307**	89,667
Utilities	7,611	2,356	4,433	2,144	216	16,760	2,643	1,399	4,042	**20,802**	21,561
Building and equipment maintenance	20,019	6,251	14,809	18,354	573	60,006	8,843	3,712	12,555	**72,561**	74,008
Office supplies	4,474	1,066	8,226	7,368	210	21,344	13,656	7,099	20,755	**42,099**	40,635
Loan interest and charges	5,186	2,366	3,790	3,588	101	15,031	45,406	731	46,137	**61,168**	42,120
Rent	333,860	103,925	194,758	122,747	9,521	764,811	118,474	61,708	180,182	**944,993**	944,094
Other expenses	5,768	6,100	4,222	4,976	-	21,066	15,072	7,979	23,051	**44,117**	78,431
Expenses before depreciation and amortization	2,731,173	792,996	1,585,773	853,184	78,218	6,041,344	991,572	507,572	1,499,144	**7,540,488**	8,816,278
Depreciation and amortization	121,965	38,190	69,354	34,758	9,573	273,840	42,855	22,667	65,522	**339,362**	383,516
Total expenses - 2010	$ 2,853,138	$ 831,186	$ 1,655,127	$ 887,942	$ 87,791	$ 6,315,184	$ 1,034,427	$ 530,239	$ 1,564,666	**$ 7,879,850**	
Total expenses - 2009	$ 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

See Notes to Consolidated Financial Statements.

The Synergos Institute, Inc. and Consolidated Entities

Consolidated Statement of Cash Flows
Year Ended December 31, 2010
(with summarized comparative financial information for the year ended December 31, 2009)

	2010	2009
Cash Flows From Operating Activities:		
Change in net assets	**$ (489,130)**	$ (3,311,840)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Contributed stock	**(21,552)**	(10,451)
Depreciation and amortization	**339,362**	383,516
Equipment received for LINC Project	**(7,238)**	-
Net realized and unrealized gain on investments	**(784,390)**	(1,162,616)
Changes in operating assets and liabilities:		
Decrease in pledges and other receivables	**1,002,818**	3,669,096
Decrease in prepaid expenses and other assets	**23,910**	6,677
Decrease in deferred rent and lease incentive	**(62,340)**	(43,571)
Decrease in accounts payable and accrued expenses	**(1,939)**	(229,154)
Net cash used in operating activities	**(499)**	(698,343)
Cash Flows From Investing Activities:		
Proceeds from sale of investments	**2,663,914**	1,398,413
Purchase of investments	**(739,648)**	(4,336,345)
Purchase of property and equipment	**(8,260)**	(46,166)
Net cash provided by (used in) investing activities	**1,916,006**	(2,984,098)
Cash Flows Used in Financing Activity - payments on capital lease obligation	**(7,630)**	(30,001)
Net change in cash	**1,907,877**	(3,712,442)
Cash:		
Beginning	**189,559**	3,902,001
Ending	**$ 2,097,436**	$ 189,559
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the year for interest	**$ 61,168**	$ 42,120
Purchase of office equipment through capital lease	**$ -**	$ 38,603

See 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 to 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 has three networks: the Senior Fellows, the Global Philanthropists Circle, and the Arab World Social Innovators. 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, Palestine, and 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 a 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 innovative 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: The 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.

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 accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations, and include the accounts and activities of The 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 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 statement of activities includes return on investments consisting of interest and dividend income, and 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: The Organization follows Financial Accounting Standards Board Accounting Standards Codification ("FASB 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.

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 for the asset or liability and that include situations where there is little, if any, market activity for the asset or liability. The inputs in the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimates.

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 or the life of the assets, whichever is less.

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.

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

Note 2. Summary of Significant Accounting Policies (Continued)

purpose of donor-restricted contributions is met, the net asset is released from restrictions 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, 2010, the Organization received donated services of $79,150 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 generally accepted accounting principles.

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 $389,685 and $456,644 were billable and recognized as revenue in 2010 and 2009, respectively.

Prior-Year Summarized Information: The consolidated financial statements include summarized statements of activities and functional expenses for the year ended December 31, 2009. 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, 2009, 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, may exceed federally insured limits. At December 31, 2010, 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 risks. 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.

Reclassification: Certain 2009 amounts have been reclassified to conform to the 2010 financial statement presentation. The reclassification had no effect on 2009 reported assets, liabilities and changes in net assets.

Note 2. Summary of Significant Accounting Policies (Continued)

Income Tax: The Organization follows the accounting standard on accounting for uncertainty in income taxes in determining 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 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. Generally, the Organization is no longer subject to income tax examinations by U.S. federal, state or local tax authorities for years before 2007.

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 and/or disclosed in the financial statements. Such evaluation is performed through the date the financial statements are available for issuance, which was June 3, 2011 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:

	2010	2009
Receivable in less than one year	**$ 1,607,800**	$ 2,537,802
Receivable in one to five years	**-**	75,000
	1,607,800	2,612,802
Less unamortized discount on pledges receivable	**-**	(2,184)
	$ 1,607,800	$ 2,610,618

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 4.33%. 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 61% of the gross pledges and other receivables at December 31, 2010 are due from one significant donor, who is a board member.

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:

	2010	2009
Short-term investments (cash and money market funds)	**$ 1,851,667**	$ 2,395,225
Investments:		
Cash and money market funds	**$ 1,017,850**	$ 3,417,933
Equities - common stock:		
Large-cap	**1,183,060**	1,064,384
Mid-cap/small-cap	**22,418**	27,716
International equities	**21,321**	3,970
Mutual funds:		
Large-cap	**2,448,274**	2,512,172
Mid-cap/small-cap	**534,608**	418,751
International equities	**1,283,951**	1,022,411
Bond funds	**4,130,078**	3,153,307
Other investment funds	**602,753**	198,435
Total investments	**$ 11,244,313**	$ 11,819,079

The components of return on investments during the years ended December 31, 2010 and 2009 are as follows:

	2010	2009
Interest and dividends	**$ 183,948**	$ 237,074
Net realized and unrealized gains on investments	**784,390**	1,162,616
	$ 968,338	$ 1,399,690

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:

	2010	2009	Estimated Useful Life
Leasehold improvements	**$ 2,071,362**	$ 2,071,362	Term of lease
Office equipment and furniture	**626,942**	606,017	5 to 7 years
Computer hardware and software	**332,516**	315,143	3 to 5 years
Vehicle and other	**43,819**	43,819	3 to 5 years
	3,074,639	3,036,341	
Less accumulated depreciation and amortization	**(1,770,096)**	(1,407,934)	
	$ 1,304,543	$ 1,628,407	

Depreciation and amortization expense amounted to $339,362 and $383,516 for the years ended December 31, 2010 and 2009, respectively.

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, 2010, the future minimum lease payments under the capital lease are as follows:

Year ending December 31,	
2011	$ 13,140
2012	13,140
2013	13,140
2014	13,140
	52,560
Less amount representing interest	9,908
Capital lease obligation	$ 42,652

Note 7. 403(b) Retirement Plan

The Organization maintains a defined contribution plan under Section 403(b) of the Internal Revenue Code covering substantially all employees. The Organization contributes an amount equivalent to 5% of an 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 $128,000 and $130,000 during the years ended December 31, 2010 and 2009, respectively. Additionally, participants may make voluntary contributions, subject to plan limitations.

Note 8. Net Assets Released From Restrictions

During the years ended December 31, 2010 and 2009, 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:

	2010	2009
Various projects (Networks, Partnerships, Southern Africa, and Communications and Outreach)	**$ 330,746**	$ 1,304,945
Gates Foundation - Namibia	**1,673,182**	2,181,526
Reserve Fund (includes $125,500 of donor-authorized transfers to unrestricted net assets designated for long-term investment during 2009)	**100,000**	860,500
	$ 2,103,928	$ 4,346,971

Note 9. Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted for the following purposes as of December 31, 2010 and 2009:

	2010	2009
Various projects (Networks, Partnerships, Southern Africa, and Communications and Outreach)	**$ 1,503,957**	$ 715,946
Gates Foundation - Namibia	**1,047,981**	2,712,241
Reserve Fund	**403,100**	400,916
	$ 2,955,038	$ 3,829,103

Note 10. Board-Designated Endowment Funds

The Organization's board of directors originally 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. During 2010, $500,000 was appropriated for operations and withdrawn from the Organization's board-designated funds.

Note 10. Board-Designated Endowment Funds (Continued)

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

	2010	2009
Balance, beginning of year	**$ 9,825,792**	$ 8,348,844
Additions during the year (Note 8)	**-**	125,500
Investment returns:		
Interest and dividends	**151,763**	213,161
Net realized and unrealized gains	**784,389**	1,162,710
Investment fees	**(32,255)**	(24,423)
Total investment returns	**903,897**	1,351,448
Amount appropriated and withdrawn for operations	**(500,000)**	-
Balance, end of year	**$ 10,229,689**	$ 9,825,792

Note 11. Special Event, Net

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

	2010	2009
Gross receipts	**$ 738,796**	$ 842,555
Less direct costs	**(136,107)**	(207,848)
	$ 602,689	$ 634,707

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, New York 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, 2010, is approximately $1,277,000.

Note 12. Other Commitments and Contingency (Continued)

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
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
2015	1,157,636	-	1,157,636
Thereafter	1,139,385	-	1,139,385
	$ 6,615,160	$ 189,810	$ 6,425,350

Rent expense (including charges for operating expenses and taxes) is recognized using the straight-line method over the term of the lease, and approximated $894,900 for each of the years ended December 31, 2010 and 2009. 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, 2010 and 2009.

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 2010 consolidated statement of activities includes contributions of $333,975 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 interentity eliminations are as follows:

	2010			2009		
	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	**$ 15,537,810**	**$ 708,839**	**$ 1,867,744**	$ 15,273,055	$ 149,679	$ 3,320,164
Total liabilities	**1,667,655**	**7,341**	**69,687**	1,764,750	11,298	108,010
Net assets	**$ 13,870,155**	**$ 701,498**	**$ 1,798,057**	$ 13,508,305	$ 138,381	$ 3,212,154
Total support, revenue and gains	**$ 6,107,663**	**$ 1,274,135**	**$ 8,922**	$ 5,595,183	$ 250,706	$ 42,065
Total expenses and losses	**5,371,032**	**835,636**	**1,673,182**	6,280,520	737,748	2,181,526
Change in net assets	**$ 736,631**	**$ 438,499**	**$ (1,664,260)**	$ (685,337)	$ (487,042)	$ (2,139,461)

Note 15. Assets Received From Convene Venture Philanthropy

In late 2010, The Synergos Institute (South Africa) ("Synergos South Africa") took over the lead role and management of the Leadership and Innovation Network for Children ("LINC") project from Convene Venture Philanthropy ("Convene"), an association incorporated under Section 21 of the South African Companies Act 1973. Convene and Synergos had been partners in the LINC project conducted by Convene in Johannesburg, South Africa since its inception in 2007. As Convene is withdrawing from its role as lead agency, Synergos has agreed to take over and manage the project. On December 6, 2010, Synergos acquired (for no consideration) certain assets and liabilities of Convene related to the operations of the project. The Capricorn Trust has been the significant funder for the LINC project and Convene and will continue to fund the project under the terms of the transfer agreement, which ends on June 30, 2012. Application has been made to other lesser funding sources, but as of the date of these consolidated financial statements, approval has not been received. After June 30, 2012, the LINC project shall continue in existence at the sole discretion of Synergos.

Assets received from Convene and recognized in the accompanying consolidated financial statements amounted to $240,458, consisting of cash and office equipment. No liabilities related to the LINC project were assumed by Synergos on the date of transfer.