

A young boy with dark, curly hair is sitting at a wooden desk in a classroom. He is wearing a dark blue long-sleeved shirt and light-colored pants. He is holding a yellow pencil and appears to be writing on a piece of paper on the desk. The classroom has wooden paneling on the walls and several other desks and chairs are visible in the background.

# A CATALYST FOR OPPORTUNITY

The Goldman Sachs Foundation  
Annual Report 2003

Goldman  
Sachs

The Goldman Sachs Foundation



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**THROUGHOUT THE WORLD,**

the course of young lives is defined by education.

The quality of education can limit or unlock individual potential for leadership. It can open or close doors to economic opportunity. It can hinder or expand social progress.

At The Goldman Sachs Foundation, we are dedicated to the cause of education, and to the potential it holds to change lives for the better. Our involvement, through financial and human resources alike, allows us to serve as a catalyst—initiating change, inspiring progress, and producing results with our partner organizations and for the young people they reach.

## Dear colleagues and friends:

**I**N A VERY PRODUCTIVE YEAR, The Goldman Sachs Foundation has continued to fulfill its mission through a combination of creativity, collaboration, and commitment.

Since we began in 1999, the Foundation has sought to mirror the ethos of Goldman Sachs in the philanthropic and nonprofit arena. We are committed to the highest levels of excellence, innovation, and results. The Foundation's distinctive philanthropic approach is based on high-engagement grantmaking and encompasses a range of diverse contributions to promote educational excellence and serve exceptional young people worldwide. As this report demonstrates, this approach is yielding concrete results.

Creativity in applying resources and structuring grants has enabled the Foundation to continue to support and enhance ongoing, branded programs while also broadening its international reach and adding new grantees whose work dovetails with its mission.

Collaboration with national and international thought leaders has helped frame critical issues in both education and philanthropy, while promoting an exchange of ideas, perspectives, and solutions. Working with like-minded funders has created novel avenues of support, and

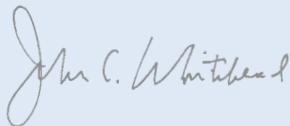
partnering with our outstanding grantees has resulted in innovative new programs to nurture bright young minds.

Finally, an unparalleled level of commitment is shared among our leadership, staff, board, and the Goldman Sachs professionals who contribute their time. These individuals are dedicated to doing trailblazing work in philanthropy, challenging themselves and their colleagues to meet the highest standards in serving talented young people.

I'm also pleased to report that the Foundation saw strong investment performance in 2003. Our total assets for the year rose to \$196 million, from \$179 million in 2002. During this time period, we also contributed more than \$15 million to support organizations working in our focus areas of education.

Your interest and support is deeply appreciated, and I hope you enjoy reading this year's report.

Sincerely,



JOHN C. WHITEHEAD, Chairman

## Creating New Possibilities

CREATIVITY IS INDISPENSABLE.

Fortunately, it is also a limitless resource.

Creativity is the engine of success for individuals, organizations, entire societies. Harnessed effectively, it creates a continuous flow of new approaches, new directions, and new opportunities for achieving goals, both fundamental and complex.

For The Goldman Sachs Foundation, creativity is vital to achieving its mission. Since inception, we have aspired to make an enduring impact in education—blending grants, partnerships, human capital, thought leadership, and the creation of entirely new avenues and programs to generate real social value.

In our fourth full year of work, we are beginning to realize our aspirations in creative philanthropy—and to see the benefits reaching young people worldwide.



STEPHANIE BELL-ROSE, President



### RESOURCEFUL INNOVATION

The impact of philanthropy has many measurements, the most fundamental of which is financial. In 2003, the Foundation's grantmaking activity reached nearly \$15.4 million. Since grantmaking began in 2000, the Foundation has made 90 grants, with overall grantmaking commitments exceeding \$54 million. Our commitment to expanding international philanthropic investments, particularly in 2003, resulted in more than 40 percent of 2003 grant dollars supporting international programs and initiatives that reach young people in more than 20 countries.

But philanthropic impact also encompasses broader and longer-term milestones. At the outset of 2003 – amid a still-challenging economic environment – the Foundation's board and leadership identified strategic priorities for leveraging resources to promote continued achievement of our goals. These priorities are an outgrowth of our charter, representing creative, efficient ways to sustain and expand impact, even in a challenging economic climate.

### Engaging Like-Minded Funders

As we become more entrenched in the field of educational excellence and opportunity, we are encouraged by positive responses from other funders who believe in our mission. To channel their growing interest and parallel priorities, we introduced in 2003 the Next Generation Venture Fund, a collaborative investment vehicle for funders who share a commitment to the Foundation's Signature Initiative of Developing High-Potential Youth. An audience of philanthropists and corporate officers, including keynote speaker Richard D. Parsons, Time Warner Inc. chief executive officer, attended our fall launch event. Already, corporate, foundation, and individual donors have pledged or

contributed to the fund, and it continues to attract interest. Offering this innovative vehicle for co-investment increases opportunities for ambitious young people.

### A New Level of Venture Philanthropy

The Foundation integrates financial support with "human capital" contributions from Goldman Sachs professionals – an approach we refer to as venture philanthropy. It is designed to make the greatest possible impact; it also offers a distinctive opportunity to apply our resources more broadly and inventively.

2003 saw continued strong participation by Goldman Sachs professionals in programs funded or created by the Foundation. Nearly 200 of the firm's professionals contributed time, energy, knowledge, and skills to a variety of Foundation initiatives to advance academic achievement, develop high-potential youth, and promote entrepreneurship and business education. Their personal involvement adds value above and beyond even the largest monetary sums, inspiring young people through tangible role models and providing connections that spark self-discovery on both sides. This year, we have begun to apply venture philanthropy in a newly targeted way.

Working with several Goldman Sachs business units, the Foundation has created new opportunities for the firm's professionals to contribute to the nonprofit sector by applying their core competencies for the benefit of the nonprofit arena. For example, through a partnership with Pine Street, the firm's leadership development unit, we jointly created and funded the Goldman Sachs Nonprofit Leadership Initiative, which trained 25 Goldman Sachs managing directors in nonprofit governance and placed them on the boards of Foundation-supported nonprofit

organizations. These seasoned business executives lend unique expertise and perspective that can enhance nonprofit performance. At the same time, they sharpen their own understanding of social issues and nonprofit operations, and strengthen leadership skills through service.

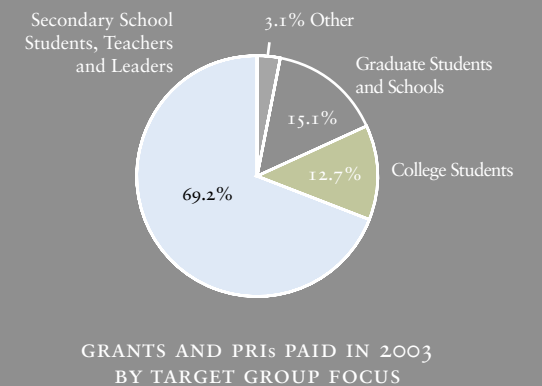
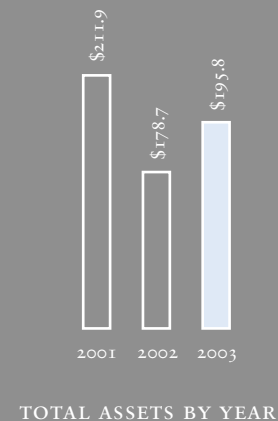
Collaboration with the firm's Human Capital Management division established a variety of opportunities for young people that build directly on our core initiatives. A prime example is the Goldman Sachs Leadership Development Institute. 11th and 12th graders participating in Foundation-supported programs, along with students selected and supported by the division's Global Leadership and Diversity unit, attended a weekend of leadership training that included hands-on learning and skill-building

group activities. The Foundation plans to collaborate with the firm to support this program again next year.

This partnership with the firm also provides young scholars access to the Goldman Sachs Foundation Online Leadership Curriculum, through which they can complete the same high-level courses already used in the training and development of Goldman Sachs professionals. The curriculum has enabled more than 2,000 students to build communication, leadership, and decision-making skills using these training modules.

### DIVERSIFYING OUR INVESTMENTS

The Foundation's efforts to contribute broadly to education initiatives in the nonprofit world



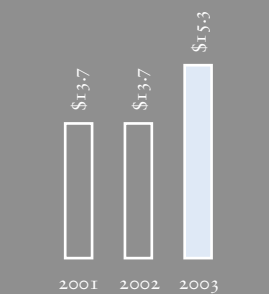
through program-related investments (PRIs). In 2003, the Foundation made its largest PRI to date—a \$1 million loan to the Nonprofit Finance Fund, an organization that provides favorable-interest loans and other forms of financing to nonprofit groups. This PRI expands its ability to provide working capital to schools and other education organizations.

**GROWTH IN THOUGHT LEADERSHIP**

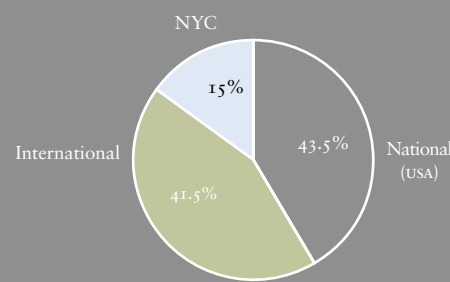
Over the last four years, the Foundation has sought to become a thought leader in education as well as in strategic philanthropy. We try to facilitate an exchange of ideas among a variety of leaders and stakeholders in both areas of focus. These types of activities enhance our impact while providing valuable opportunities

to share insights, foster collaboration, and improve practice.

In 2003, the Foundation undertook several significant initiatives on this front. We hosted three Leadership Forums focused on each of our target areas in education and youth development. These events drew together leaders in business, philanthropy, government, and education. Speakers and panelists included top business school deans, public education leaders, and youth development experts. To continue this momentum, we have planned for 2004 a “Leaders in Civic Affairs” speaker series. The series will welcome presenters such as U.S. Secretary of Education Rod Paige and Diana Aviv, president and CEO of the Independent Sector.



TOTAL GRANTS AND PRIs PAID BY YEAR



GRANTS AND PRIs PAID IN 2003 BY GEOGRAPHIC REGION

We also made progress in articulating the Foundation’s philosophy of strategic philanthropy—creating sustainable, positive change through targeted, high-engagement grantmaking. We are committed to sharing best practices, ideas, and knowledge with the philanthropic community. For instance, in conjunction with the firm’s Investment Management division, we conducted symposia for high net-worth individuals about philanthropy and grantmaking. By sharing visions and experiences, we aim to increase our own effectiveness and that of others in the field.

**LOOKING AHEAD**

Our staff directed substantial energy in 2003 to laying the groundwork for a number of promising 2004 initiatives. We are very pleased to be working with our longtime partner, the Center for Talented Youth at Johns Hopkins University, on a conference entitled “Helping Talent Soar: Identifying and Serving Gifted Students in All of America’s Neighborhoods.” The event will attract academic leaders and practitioners from across the nation.

We are also supporting a fall conference organized by the American Council on Education (ACE). “Expanding Outreach and Widening Participation in Higher Education” builds on our work with ACE on a 2000 transnational conference about promoting access to competitive colleges. Senior university representatives from the U.S. and U.K. will gather in Washington, D.C., to focus on strategies for expanding the pipeline of students from underserved communities who gain admission to, and are prepared to succeed at, selective colleges and universities.

An additional Foundation-supported opportunity for international idea exchange will be held in London and arranged by the University

of Pennsylvania Graduate School of Education. This conference will address challenges and solutions in urban education. Participants will include practitioners and researchers, as well as leaders in business, government, and philanthropy from both sides of the Atlantic.

**SHARING OUR PROGRESS**

Finally, we recognize that the impact of our philanthropy will be augmented by effective communication. A significant effort to intensify communications in 2003, both in printed materials and online, has built broader awareness and understanding of the Foundation’s mission. I’m now very pleased to present our second annual report, which highlights the ways in which the Foundation serves as a catalyst to promote the ideals upon which we were founded and features a number of the young people and organizations with which we have been privileged to work. It is for them, and for those like them, that this Foundation conducts its activities.

To those who have shared our vision—or shared in our resources—over the past year, I offer my heartfelt thanks. The knowledge that together we are achieving real, sustained impact is a powerful motivator that continues to strengthen our commitment—and inspire our creativity.

Stephanie Bell-Rose  
PRESIDENT



# 1

## A CATALYST FOR EXCELLENCE

### Advancing Academic Achievement

The quality of an education is often defined by the walls of the classroom—the strength of the teacher, the depth of the textbook, and the receptiveness of the students. Increasingly, however, schools recognize that improving educational outcomes also means expanding these boundaries to encompass school leadership, curriculum innovation, and access to resources. This is why the Foundation’s strategy to improve classroom performance begins at the top of educational systems and covers a range of activities. Our priority of advancing academic achievement has led to transforming initiatives that reach both into and beyond the classroom to improve the effectiveness of school leadership, bridge technological gaps, and reproduce exemplary educational models throughout the world.



**A**S A CHAMPION of education with roots in business, The Goldman Sachs Foundation views these inextricably linked worlds through a unique lens. Business needs a strong educational system to supply visionary leaders, creative entrepreneurs, and talented workers. In return, the business world offers a powerful resource for addressing a number of education's toughest challenges.

Today's economy is global, technology-driven, and can change at lightning speed. Its influence is reaching the classroom, where dramatically different approaches are increasingly required to prepare students for future success. Without question, the Internet has become an indispensable learning tool for teachers and students at all grade levels. In developing countries, where home Internet accounts are extremely rare, classrooms that lack online access put students at a serious disadvantage.

World Links is working to connect students and teachers around the world in a global

learning and collaborative project network. In the past seven years, World Links has provided 200,000 students in 26 countries the opportunity to develop their technological, communication, and teamwork skills. Participating teachers are trained to integrate technology into daily lesson plans.

The World Links China project has "provided an important opportunity for [participating schools and teachers] to develop and practice new and innovative teaching ideas and methods."

ZHU YIMING  
Professor, Shanghai Institute for  
Higher Education and World Links  
Program Evaluator

With Foundation support, World Links expanded in two pivotal locations in 2003. Building on established success in Brazil, the program trained 3,200 new Brazilian teachers, bringing Internet learning opportunities to 100,000 new students. World Links also piloted a program in China that networked more than 13,000 students in 57

schools from urban and rural areas in Beijing, Shanghai, Chongqing, and Sichuan provinces. The initiative has drawn praise from the Chinese government, and is now poised to expand its work to improve learning outcomes and employment opportunities in one of the fastest-growing economies in the world.



## Wenjuan Zhu

Shanghai Jiading No. 1  
Senior School  
Shanghai, China

### WORLD LINKS

With a rapidly growing economy and more than 100 million students, the Chinese government is re-examining the country's curriculum and educational approach. In a step toward more interactive, student-centered learning, the country has invested heavily in outfitting schools with updated technology and Internet connectivity. This effort is complemented by an official policy by the Chinese

government mandating in-service teacher training in the application of Information Communications Technology (ICT) in the classroom for all Chinese schools.

Enter World Links. With support from The Goldman Sachs Foundation and the Accenture Foundation, World Links leverages technology to enhance teaching and learning and connect China's classrooms locally, nationally, and internationally.

More than 57 schools from both eastern and western China—including the Shanghai Jiading No. 1 Senior School—participated in the

first year. With the World Links approach, teachers like Wenjuan Zhu learn from core trainers how to use technology creatively and effectively to enhance any lesson through tele-collaborative projects that connect teachers and students all over the world; these teachers then train their peers, and so on.

Amid excellent reception from students, teachers, and China's Ministry of Education, the World Links program is capturing considerable interest and support, and will continue the expansion of its programs to other parts of China.



Beyond programs that directly enhance the classroom experience, the Foundation is working to strengthen school leadership. For any organization—whether a multinational corporation or a community elementary school—strong leadership is the bedrock of success. A need for leadership development programs that effectively reach school superintendents, principals, and teachers has led to an innovative partnership at Stanford University. The **Stanford Educational Leadership Institute (SELI)** draws from two outstanding resources, Stanford’s Graduate School of Business and School of Education. The Institute harnesses knowledge from both disciplines to provide school leaders with cutting-edge yet relevant frameworks for reshaping their schools into efficient, high-performing organizations, operationally and academically.

The Foundation’s \$1 million, three-year grant supported the Institute’s creation and has enabled a variety of practical and pioneering

educational opportunities, many of which literally bring school leaders back into the classroom. SELI’s executive education programs assemble teams of superintendents, principals, teachers, and other school leaders from large, diverse U.S. school districts that seek to redesign themselves. Participants learn to combine principles from both business and education to achieve operational effectiveness and higher-quality instruction. Working with Stanford faculty and each other, teams ultimately create action plans to address their districts’ unique challenges.

School leaders also learn creative, targeted strategies to address specific challenges, such as how to inspire involvement and support from constituents and policymakers. They hear from key thought leaders like Deborah Meier, an early pioneer of New York City’s “small schools” movement, and Reed Hastings, founder and Chief Executive Officer of Netflix, Inc., and an educational advocate and leader.

School officials responsible for reform efforts in **5,524** schools nationwide have attended SELI programs.

Additionally, research and case studies provide relevant, applicable tools for school managers leading an organizational redesign. One study now underway assesses professional development programs for principals, and the Institute’s first case study chronicles the San Diego school district’s approach to promoting stronger student achievement.

In addition to enhancing teaching and learning methods and strengthening organizational leadership, the Foundation’s strategy to promote academic excellence encompasses curriculum development. The need to expand high-quality international education in American schools is clear from

reports that demonstrate Americans’ alarming lack of knowledge about cultures, regions, and languages other than their own. Asia, for example, comprises 60 percent of the world’s population, but is given little attention in U.S. schools. **The Asia Society**, an American institution that works to foster international understanding and

communication, is leading a national effort to close this international knowledge gap.

A relatively new strategic focus on kindergarten through 12th-grade education has propelled the Asia Society’s efforts to infuse mainstream curricula with lessons that extend students’ knowledge of the world beyond our borders. In part, this involves finding the most innovative, effective programs created and used by today’s educators, and replicating their success on a national scale.

A grant to establish **The Goldman Sachs Foundation Prizes for Excellence in International Education** is enabling the Asia Society to identify, document, and help replicate the very best international education programs in the United States.

In 2003, the prize honored winners in five categories—elementary, middle/high school, higher education, state, and media/technology—each of whom received \$25,000 and

“International knowledge and skills are no longer a luxury for a small number of diplomats and business leaders; they are a necessity for every serious American.”  
**RICHARD HOLBROOKE**  
Chairman, Asia Society and  
Former U.S. Ambassador, U.N.





## Rosa Atkins

Richmond Public Schools  
Richmond, Virginia

### STANFORD EDUCATIONAL LEADERSHIP INSTITUTE (SELI)

With a new superintendent in place and facing high-stakes state and federal accountability standards, the leadership team at Richmond Public Schools sought to implement a comprehensive school redesign model that would positively affect all 25,000 kindergarten through 12th-grade students at the 50 urban schools they serve.

In early 2003, they described their goals in a proposal to SELI. A few months later, Rosa Atkins, the system's Director of Instruction (K-12), and six of her colleagues were on the Stanford campus, among peers from around the country, studying school change models and preparing their strategic plan.

"What Stanford did is help show us a complete process," Atkins says. "They gave us a solid foundation in how schools historically have operated, demonstrated models for change, and emphasized how the change process has to involve all

stakeholders." Atkins is delighted at how the SELI program improved her team's effort.

Since their Stanford session, the Richmond team has made significant progress. Atkins reports that positive results have caught the attention of local business leaders, parents, and media. "Our students are greatly benefiting from this process, as are our parents," she says of the experience.

national recognition. These rich, engaging programs integrate international themes and languages into core subjects, include strong teacher training components, and creatively employ media and technology.

One winner, Seattle's John Stanford International School, runs a successful bilingual immersion program that promotes mastery of either Japanese or Spanish among a diverse population of K-5 students. Another, Evanston Township High School in suburban Chicago, requires international studies for graduation and employs role-playing activities that simulate major international political meetings or expert panels addressing critical world issues. The high school also employs technology to connect foreign language classes to native speakers and to hold online discussions with students in Pakistan or Zimbabwe. In the state category, North Carolina was recognized for a long history of promoting international

knowledge and skills at the elementary, intermediate, and post-secondary levels.

A distinguished jury of leaders from such diverse fields as business, law, politics, media, and education—including Goldman Sachs

Managing Director Henry Cornell, former Education Secretary Richard Riley, and CBS News Correspondent Morley Safer—selected winners from among more than 300 applications. The Asia Society carefully documents winning programs and prepares them for replication nationwide.

Ultimately, through their collaborative work, the Asia Society and The Goldman Sachs Foundation aim to establish standards for high-quality international education in U.S. schools.

2003 Goldman Sachs Foundation  
Prizes for International Education Jury  
Members included:

**HON. GASTON CAPERTON**  
Former Governor of West Virginia and  
President, The College Board

**HENRY CORNELL**  
Managing Director, Goldman, Sachs & Co.

**HON. JOHN M. ENGLER**  
Former Governor of Michigan

**AMBASSADOR THOMAS R. PICKERING**  
Senior Vice President, International  
Relations, The Boeing Company

**HON. RICHARD RILEY**  
Former U.S. Secretary  
of Education



## Global Grover

Sesame Street

### ASIA SOCIETY

In 2003, a whole new world opened up for Grover, the furry, blue, and forever young muppet from "Sesame Street." As the children's television program entered its 34th season, its creators at Sesame Workshop, a nonprofit educational organization, began a new "Global Grover" segment to introduce U.S. viewers to children from all corners of the globe and educate them about other cultures while celebrating children's universal similarities.

This innovative segment won a Goldman Sachs Foundation Prize for Excellence in International Education, an award created in partnership with the Asia Society. As a winner in the Media and Technology category, Sesame Workshop received a cash prize and broad publicity for the Global Grover program.

When the new segment was tested with a young audience, "Kids were riveted," says Anna Housley-Juster of Sesame Workshop's Education and Research Group. "Their comprehension of the segments was high—they enjoyed

watching and could really relate to the content."

Jaime Greenberg, Vice President of Philanthropic Development at Sesame Workshop, says, "Winning this prize helps signify to a broad public the Workshop's commitment to raising the level of cultural understanding and respect among children and the people who care for them. Sesame Street has always stood for promoting diversity and now that we've extended our efforts beyond the U.S., it's great to be acknowledged for it."







## 2

### A CATALYST FOR LEADERSHIP

#### Developing High-Potential Youth

Leadership is more than a moment of inspiration or a single point of decision. It is the lifelong ability to channel one's principles, judgment, and actions to achieve a greater good. At the Foundation, we recognize this full definition of leadership and understand its potential impact, on communities as well as entire societies. To prepare a new and more diverse generation of leaders, the Foundation works to identify and nurture bright young people from underrepresented backgrounds—preparing them for success in selective colleges and introducing them to experiences that help them prepare for a future of leadership.



**I**N EXAMINING ANY complex social issue, statistics only scratch the surface. If numbers alone painted a complete picture of our young future leaders, a relatively homogeneous group—racially and socio-economically—would emerge. In one statistic, for example, the National Assessment of Education Progress reports single-digit percentages of African-American and Hispanic youth who score well on exams that assess college readiness. But quantitative results tell just part of the story. In reality, young leaders are plentiful in many communities—and the Foundation’s goal is to reach them and connect them with experiences and opportunities that can unleash their full potential.

A longstanding partner in providing these kinds of experiences is **The Center for Talented Youth (CTY) at Johns Hopkins**

**University.** The nation’s preeminent program for gifted and talented education, CTY offers rigorous summer courses, year-round distance learning classes, and specialized weekend conferences for the nation’s brightest students.

#### Leadership Development Institute

In 2003, the Foundation teamed with the Human Capital Management division of Goldman Sachs to create and host a leadership program for a select group of students participating in Foundation-supported programs or otherwise supported by the firm. Organized by CTY, the weekend Leadership Development Institute for high-achieving, underrepresented 11th and 12th graders is designed to sharpen cooperation and consensus-building skills. The Foundation and the firm plan to cooperate in supporting this program again.

cities and expand its programming so that bright African-American, Hispanic, and lower-income students discover and participate in enriching academic and personal experiences. To date, the Foundation has

The Foundation’s partnership with CTY aims to extend these remarkable academic programs to more qualified students from underrepresented backgrounds. “We want to make our programs accessible to every child who qualifies,” says CTY Executive Director Lea Ybarra. “That doesn’t just happen. We have to work at it.”

The Foundation has enabled CTY to intensify its recruitment efforts in major U.S.



### Jonathan Roman

School for Community Research and Learning  
Bronx, NY

#### CENTER FOR TALENTED YOUTH (CTY)/JOHNS HOPKINS

Jonathan Roman, 14, has enjoyed two CTY summer programs in the past two years. The New Yorker traveled first to a CTY program in Rhode Island to study legal history.

Then in the summer of 2003,

he traveled to the West Coast to attend CTY’s Santa Cruz program, where he studied mathematical modeling.

The 9th grader, a public school student in the Bronx, learned to use quantitative reasoning and understand the relationship between mathematics and society to model problems related to rational choice, management science, and statistics.

“Probably the best thing I learned

last summer was ‘fair division,’” Jonathan says, adding that lessons on how goods, property, and even political power can be fairly divided and apportioned have led to improved relations with his siblings.

In addition to valuable lessons, Jonathan appreciates the lasting friendships with other CTY participants. He has stayed in touch with friends all over the country, and hopes to see a few of them when he returns to CTY Santa Cruz for an astronomy program this summer.

provided more than 500 students, designated as “Goldman Sachs Scholars,” with scholarships that enable them to take advantage of CTY opportunities.

Results have surpassed expectations on a number of levels. The expanded recruitment program and program activities have achieved a nearly ten-fold increase in CTY participation among African-American and Hispanic students. Upon completion of CTY programs, the Goldman Sachs Scholars’ standardized test scores—already strong because of CTY admission requirements—showed remarkable improvement. Scholars have also performed well alongside non-scholarship participants in CTY faculty evaluations.

Most telling, perhaps, is that 100 percent of the Goldman Sachs Scholars surveyed who graduated from high school in 2003 reported plans to attend four-year colleges and universities that fall—including highly

selective institutions like Amherst College, Carnegie Mellon University, Georgetown University, Massachusetts Institute of Technology, University of Pennsylvania, and Wesleyan University.

To reach talented young people in even greater numbers, the Foundation and CTY in

CTY students supported by the Foundation saw an average

110  
**POINT**  
increase

on the SAT after one year in the program—83% better than the expected increase for gifted students.

2003 created a funding vehicle designed to encourage broader support from other philanthropic organizations. The Next Generation Venture Fund, operated by CTY in cooperation with Duke University’s Talent Identification Program, appeals to donors who share a commitment to maximizing student potential and breaking down barriers to achievement. Investments create scholarships for even more bright students. The fund was launched at an event in October, where Richard D. Parsons, Time Warner Inc. chief executive officer, helped unveil the concept to nearly 100 philanthropists and corporate officers. Several major corporations have already contributed or pledged to the fund.

The CTY/Goldman Sachs Scholars program’s excellent results have inspired a similar initiative in the United Kingdom at the **University of Warwick** in Coventry. In 2002, the British government selected Warwick as the site for a new **National Academy for Gifted and Talented Youth** (the “Academy”) as part of a country wide plan to boost opportunities for the brightest students.

To nurture promising young students from disadvantaged areas and prepare them to compete for admission to selective colleges, The Academy also launched an initiative modeled after the CTY “Goldman Sachs Scholars” program. A \$375,000 grant from the Foundation and

additional support from the British government has provided 100 young people with the means to participate in the Academy’s residential summer academic program, enrolling in courses such as astronomy, archaeology, creative writing, and engineering.

The Foundation’s grant also enables the Academy to offer these bright students supplemental entrepreneurship education during the school year. Mentored by Goldman Sachs professionals and Warwick MBA candidates, teams of students develop business concepts, then present their ventures at a business plan competition.

“The National Academy addresses the best time and manner in which to intervene to fully develop the skills and talents of the next generation.”

PETER WEINBERG  
Managing Director and CEO,  
Goldman Sachs International

Another core Developing High-Potential Youth program is based at New York City’s **Bank Street College of Education**. Bank Street is a nationally recognized leader in educator training and development, and operates an innovative lab school in Manhattan. The Foundation saw Bank Street as an ideal setting in which to

launch an academic development program for inner-city Catholic high school students with strong academic performance and potential.

Parochial schools in New York City attract a diverse student population, including those from less-affluent families. Despite historically strong graduation and college attendance



## Mayowa Odusote

Connaught School for Girls  
London, England

NATIONAL ACADEMY FOR  
GIFTED AND TALENTED  
YOUTH/WARWICK

Mayowa Odusote, 15, knows a lot about retailers—The Gap, The Body Shop, and Marks & Spencer—and more than just what products are hot this season. As a participant in the University of Warwick's National Academy for Gifted and Talented Youth (the Academy), the young Londoner

studied various aspects of these businesses, and discovered the many requirements of running a successful company.

“We learned the marketing and financial sides of business. It was fun. We don't do this in school so it was a new experience,” Mayowa says.

Born in Nigeria, Mayowa moved to London at age 7 and is now a Year 10 student at Connaught. This public school in the northeast London borough of Waltham Forest predominately enrolls ethnic

minority pupils. More than half of the students are bilingual and nearly one-third qualify for free school meals.

Working with a team of other Academy students to research and prepare business presentations has helped Mayowa hone her public speaking abilities, she says, and greatly increased her confidence. She had been considering dentistry as a career, but says the Academy “has made me think a bit more about maybe doing something financial or in business.”





rates, financial constraints often prevent these schools from offering the kinds of supplemental academic programs that help prepare large numbers of their bright students to qualify for, and succeed at, the nation's most competitive colleges and universities.

The Goldman Sachs Institute for Leadership, Excellence and Academic Development (I-LEAD) was created to offer rigorous supplemental academic enrichment programs to high-potential students attending Catholic schools in less-advantaged neighborhoods. I-LEAD serves talented young people—predominantly of African-American and Hispanic backgrounds—from six high schools in Harlem and the Bronx.

During their three years in the program, I-LEAD students participate in after-school classes, Saturday programs, and summer sessions that expose them to the arts, teach entrepreneurship, and assist with standardized test preparation.

Test scores are one way to measure I-LEAD's impact, and the results speak to success. Many academically able participants who entered I-LEAD with unremarkable standardized test scores saw their PSAT scores jump above the national mean after just one year in the program. I-LEAD seniors scored more than 200 points above the national average on the SAT for a comparable group of African-American and Hispanic students. In addition, I-LEAD students take more Advanced Placement and honors courses at their high schools than their non-I-LEAD classmates.

These gains have given I-LEAD students the critical edge they need for acceptance at top colleges. In December 2003, several I-LEAD seniors earned early admission to highly competitive schools including Cornell University, Dartmouth College, and the University of Pennsylvania.

## THREE out of FOUR

I-LEAD seniors were accepted to a college or university ranked “most” or “highly” competitive by the *Barron's Profiles of American Colleges*.



### Ahmadu Gidado

Rice High School  
New York, NY

#### BANK STREET/I-LEAD

For Ahmadu Gidado, Bank Street College's I-LEAD program has provided a gateway to unique experiences, whetting the bright young scholar's appetite for more of the same.

In addition to studying in school and participating in I-LEAD's rigorous

academic program, the senior at Rice High School in New York City's Harlem neighborhood has also been exposed to supplemental learning opportunities. Through I-LEAD, he received funding for a five-week trip to Ghana in the summer of 2003.

I-LEAD also connected Ahmadu with the national FIRST Robotics Competition, which inspires and recognizes achievement in science and technology. For four years, he has worked with a team of peers

and mentors to design and build a robot for the contest.

He appreciates I-LEAD's hands-on approach to learning and adds that he has made many friends through the program. Most important, he says, “I-LEAD really pushed us to start our college search early” and it has paid off. Ahmadu earned early acceptance to Dartmouth College, and is very much looking forward to the college experience.





# 3

## A CATALYST FOR INNOVATION

Promoting Entrepreneurship, Business Education, & Leadership

Success in any endeavor is rooted in innovation. Inspired thinking in support of a vision is often the difference between success and failure, whether an individual's chosen field is business, social services, or government. To build the capacity of leaders to innovate and develop effective solutions, the Foundation invests broadly in the practical application of entrepreneurship. Our initiatives and partnerships open minds to new possibilities and provide the skills and confidence that the world demands of today's leaders.

**I**N TODAY'S COMPETITIVE and results-driven world, those with fully developed business skills have a valuable advantage. Establishing these resources at an early age can dramatically expand cultural perspectives, economic opportunities, and the ability to negotiate life.

The National Foundation for Teaching Entrepreneurship (NFTE) is imparting critical thinking, teamwork, planning, and decision-making skills to thousands of secondary school students. It offers a comprehensive, year-round curriculum that founder Steve Mariotti likens to "a mini-MBA program" that encourages innovative ideas for

new businesses and gives students the experience of executing their business plans. Sustained Foundation support has promoted significant expansion of NFTE's programs and improvements to its curriculum. Funding also has enabled NFTE to develop a sound growth and capacity-building strategy that includes international expansion.

In 2003, the Foundation supported NFTE's expansion of its programs overseas in two countries ripe for high-quality instruction in entrepreneurship: Germany and China.

Rising from the stagnant growth and high unemployment of the mid-1990s, Germany's economy has made impressive progress.

Today's business climate and government policies encourage entrepreneurship more than ever before. But promising start-ups need the knowledge, skills, and frameworks for success—exactly what NFTE provides its young participants, who represent the next generation of business owners.

In China, NFTE's programs will initially target young adults, age 18 to 25, who are poised to enter their country's evolving and expanding private sector. Eventually, the program will be offered to high school-age students. To support NFTE's launch in both countries, Goldman Sachs executives will serve on local advisory boards, providing expertise and support.

#### National Foundation for Teaching Entrepreneurship

NFTE has also played a key role in the Foundation's programs for Developing High-Potential Youth, providing entrepreneurial education to select young people served by Foundation grantees.

Innovative NFTE activities targeting smaller numbers of bright students have included specialized business workshops, camps, and competitions.



### Oleksandr Malyugin

Edward R. Murrow High School  
Brooklyn, NY

#### NATIONAL FOUNDATION FOR TEACHING ENTREPRENEURSHIP (NFTE)

Oleksandr Malyugin aspired to entrepreneurship at a young age. Born in Kiev, Ukraine in 1985, he grew up witnessing the economic struggles of family and friends and decided to control his own professional destiny.

When his family moved to the United States in 2001, Oleks excelled at Brooklyn's Edward R. Murrow High School, despite limited English. There Oleks attended NFTE's BizCamp program in the summer of 2003. Foundation support makes the program free for qualified students.

"It was a very fast program that taught the basics of economics, selling techniques, issues to consider in running a business, and how to write a business plan," Oleks says.

Oleks's concept for Long Range Communications (LRC), which provides inexpensive high-speed wireless Internet access as well as ancillary computer services to Brooklyn residents, made him a finalist in BizCamp's business plan competition.

He hopes to balance LRC management with full-time pursuit of an international business degree at Manhattan's Baruch College in 2004-05.





In every organization, every field—virtually every facet of life—innovation is in constant demand. But innovation cannot be manufactured; it must be fostered, developed, and encouraged. A goal of the Foundation’s **Goldman Sachs Global Leaders Program** is to nurture innovation among the world’s brightest young adults, in ways that inspire them to apply their talents in leadership roles in all sectors of society.

Administered in partnership with the **Institute of International Education (IIE)**, the program embarks annually on a search for the world’s most accomplished and promising students in their second year at highly selective colleges

and universities. Currently, more than 70 schools in 20 countries may nominate high academic achievers who have also distinguished themselves in business, social service, politics, the arts, or athletics. Ultimately, 100 outstanding young people are selected each year as Global Leaders, gaining access to educational and networking opportuni-

ties designed to broaden their perspectives, strengthen their global connections, and develop their leadership skills.

From this group, 50 representative students convene in New York City at the Goldman Sachs Global Leadership Institute. During a week of activities, the institute encourages leadership development and creative problem solving. It also addresses complex social challenges and promotes relationship-building with international peers. As a result, Global Leaders frequently forge the kinds of enriching personal and professional connections that transcend global boundaries.

The opportunity to hear from and network with today’s business, education, civic, creative, and political leaders—including Goldman Sachs’ top executives—is another substantial benefit. In 2003, speakers included Leonard A. Lauder, chairman of Estee Lauder Companies, Inc., and documentary filmmaker Sarah Colt, who made

Since 2002,  
Global Leaders have  
gone on to win:

4  
Rhodes Scholarships

2  
Marshall Scholarships

2  
Truman Scholarships



## Mayur Patel

London School of Economics  
Harare, Zimbabwe

**GOLDMAN SACHS GLOBAL LEADERS PROGRAM/  
INSTITUTE OF INTERNATIONAL EDUCATION**

For a student who excels at everything from academics to athletics to activism, 21-year-old Mayur Patel is impressive. Patel is pursuing an honors degree in international relations at the London School of Economics and Political Science (LSE) and hopes to work for an international organization that aids developing countries.

Mayur is one of 2003’s Goldman Sachs Global Leaders, chosen along with 99 other outstanding college students from across the globe. In addition to his strong academic record, he was selected for his versatile extra-curricular accomplishments.

Mayur is founder and president of the LSE Southern African Society, an organization dedicated to increasing understanding of the ways in which issues such as AIDS, poverty, governance, and development affect that region. A passionate debater, Mayur has been active in Model United Nations debates internationally.

He also received Full Athletic Union Colors as a member of the LSE Men’s Hockey Club, and is an award-winning equestrian.

He believes the program and its institute have helped him win a Rhodes Scholarship to study at Oxford University. “I am sure the exposure and experience I gained from my time in New York played a significant part in my being awarded the scholarship,” he says.



the film “Kofi Annan: Eye of the Storm.” Students spent a day at the United Nations and attended addresses by Ambassadors Kishore Mahbubani of Singapore and John Negroponte of the United States.

A number of these outstanding young people have already pioneered innovative methods to address social problems in their own communities or in other countries. Among these are a community school in India, a program to combat malaria in Africa, and scholarships for AIDS orphans in Thailand. The Goldman Sachs Global Leaders Program provides opportunities for students to compete for seed funding to launch or build promising initiatives. Relationships developed through the program often lead to collaborative international ventures among participants, giving students experience in working across cultures, languages, and boundaries to lead a project to completion.

#### Youth Entrepreneurship Expo

In 2003, the Foundation, NFTE, and the Human Capital Management division of Goldman Sachs held the first Goldman Sachs Foundation Youth Entrepreneurship Expo at the firm’s New York headquarters.

Participating middle and high school students representing the “best of the best” from key Foundation-sponsored entrepreneurship programs competed for prizes. Top honors, and a \$1,000 grand prize, went to 15-year-old Ryan Williams from the Prep for Prep program, who founded a personalized sports apparel line.

In 2003, the very first cohort of Global Leaders completed their university studies. Fully one-quarter of American alumni earned other prestigious awards, such as Rhodes, Truman, Gates, Marshall, and Fulbright fellowships.

A core element of individual freedom, economic opportunity, and self-sufficiency is the concept of social entrepreneurship. Globally, nonprofit leaders and educators are increasingly recognizing the value of entrepreneurship within their organizations and in their work. Our role is to expand the capabilities of these organizations and their leaders, providing them with the resources to establish significant, replicable projects and programs.

Among the foremost of these is an initiative that brings together the Foundation and three exemplary MBA programs—the University of California at Berkeley’s Haas School of

**Business, Columbia Business School, and London Business School.** These prestigious programs have combined resources to more broadly promote social venturing to students who will join the next generation of business leaders. The partnership stimulates a deeper appreciation for the ability of business to address social challenges and brings high-quality learning experiences in social entrepreneurship to students and alumni of business schools worldwide.

The partnership’s annual flagship event is a social ventures competition that promotes collaboration among experienced entrepreneurs and business students. These partnerships launch commercial and non profit ventures that fuse sustainability and social return. In 2003, the National Social Venture Competition drew more than 300 entrants from over 40 of the world’s leading MBA programs. At the start of the 2003-2004 school year, the event became the **Global Social Venture Competition (GSCV)** with the addition of

London Business School as a partner. This top U.K. institution will leverage its connections to encourage entrants from a number of high-caliber international schools.

The best entries are rewarded with seed money to help turn their venture ideas into reality. 2003’s winning entries included

an alternative energy venture serving rural areas in developing countries; a community employment enterprise for artists and craftspeople; an environmentally safe and more cost-effective water treatment supplier; and an apparel line that employs long-oppressed Afghan women (see profile). These and other innovative GSVC entries

serve as case studies and course material for MBA programs worldwide, which helps promote the program to an ever-widening audience while enhancing knowledge about this important area.

“Significant value can be generated by applying traditional business skills to the nonprofit sector, leading to positive change.”

MEYER FELDBERG  
Dean, Columbia Business School





## Sarah Takesh

Tarsian and Blinkley  
Kabul, Afghanistan

### GLOBAL SOCIAL VENTURE COMPETITION (GSVC)

During her summer 2000 visit to the Northern territories of Pakistan, Sarah Takesh fell in love with the region and its people. At the same time, she recognized a desperate need for economic development.

Takesh enrolled in the M.B.A. program at the University of California at Berkeley's Haas School of Business. Enrolling in a social entrepreneurship elective, she continued to contemplate a way to fuse her experience in the fashion industry with her desire

to assist the people of Central Asia who had captured her affection.

With help from a fellow Haas classmate, Takesh transformed her idea—creating a unique, up-market apparel line while providing well-paying jobs for local workers—into a business plan and founded her company, Tarsian and Blinkley. Entered in 2003's National Social Venture Competition (since renamed the GSVC), the Tarsian and Blinkley plan took top honors in the "Blended Value" category, which recognizes ventures that demonstrate the highest potential financial and social returns. The prize included a \$25,000 award.

"The prize was a rock-solid stamp of credibility," says Takesh, adding

that the GSVC prize helped her attract other Tarsian investors. "And it provided real seed money—the kind you need to get up and breathing—at a very good time."

The young entrepreneur is back in Kabul this season. Increasing demand for Tarsian and Blinkley's unique, high-fashion pieces, currently sold in New York, Los Angeles, San Francisco, and Boulder boutiques and via [www.tarsian.com](http://www.tarsian.com), enables Takesh to offer regular work to more Afghan women. She hopes eventually to offer the women literacy training and on-site child care.



## Our Approach: Venture Philanthropy

In addressing society's toughest problems and encouraging lasting solutions, every charitable foundation faces these defining choices: Where to invest? Whom to partner with? How to measure value? From the very beginning, The Goldman Sachs Foundation recognized that its unique human and financial resources could be directed together to achieve greater impact than charitable contributions alone. This principle – venture philanthropy – defines our work today. It means that we combine nonprofit partnerships, high-engagement grantmaking, financial support, professional skills, and thought leadership in a focused, strategic response to the needs of education worldwide. The Foundation's approach moves beyond financial investments alone to make a more comprehensive commitment to the organizations we support. We do this by leveraging the intellectual capital of Goldman Sachs. In 2003, nearly 200 Goldman Sachs professionals contributed their time, energy, and leadership in a variety of strategically important ways.

### BOARD MEMBERSHIP

Inspired by their generosity, we continue to develop innovative opportunities to engage dedicated Goldman Sachs professionals in our mission. In 2003, we collaborated with Pine Street, the firm's leadership training division, to create the Goldman Sachs Nonprofit Leadership Initiative. The initiative matched 25 Goldman Sachs executives for service on the boards of select grantee organizations. To prepare for their board leadership roles, these Goldman Sachs managing directors completed an extensive, three-day training session with the executive directors of the participating nonprofits funded by the Foundation and held at Harvard Business School. At the same time, the nonprofit leaders learned how to best apply

their new board members' skills and experience. The program has helped improve a number of nonprofit boards by adding seasoned business expertise, while also fostering knowledge exchange between the nonprofit and private sectors.

### SPECIAL TASK FORCES

In 2002-2003, the Foundation supported a unique working committee, the Goldman Sachs Teaching Quality Forum, assembled to address the quality of teaching in New York City public schools. Goldman Sachs Managing Director Lawrence V. Calcano was part of this diverse panel of educators, education researchers, business executives, and philanthropists, which was chaired by Jon Snyder, dean of the Graduate School at Bank Street College of Education. The forum met regularly throughout 2003 and presented its recommendations to key stakeholders in early 2004. The panel's recommendations focused on making teaching an attractive, viable career option; supporting and retaining talented teachers; and organizing schools for optimal student and teacher learning.

### SPEAKING ENGAGEMENTS

Goldman Sachs professionals who know first-hand about business success and leadership can inspire bright students with similar aspirations. Many professionals connect with young people by speaking at program events or helping to expand a program's reach.

For example, the Goldman Sachs Global Leaders Program deploys senior professionals to deliver presentations about leadership at selective colleges around the world. Topics focus on choices, challenges, and decisions that students may encounter in work and life. In 2003, presentations were made at the London

School of Economics, Princeton University, New York University, Northwestern University, and Dartmouth College. At these events, speakers addressed the theme of "Developing Leaders" and reflected on their personal and professional experience in leadership. Goldman Sachs executives also addressed the Global Leaders at the 2003 Global Leadership Institute in New York City.

Goldman Sachs leaders also present to middle and secondary school students from Foundation-supported programs such as the Center for Talented Youth (CTY) and Prep for Prep who compete in entrepreneurship expos. In addition, as part of the Foundation's support of the Hispanic Scholarship Fund (HSF), the nation's largest Hispanic scholarship-granting

organization, an on-campus speaker series brings Goldman Sachs professionals to select colleges (including the University of Texas at Austin, Stanford University, and the University of California at Los Angeles) that house HSF Scholar Chapters to speak about careers and career development.

### COACHING, MENTORING, AND JUDGING

The rewards of direct involvement with young people have led many Goldman Sachs professionals to direct and shape students' potential, develop their skills, and inspire by example. These individuals mentor students in person and online; coach teams as they prepare to compete in business plan contests; judge these competitions; and serve as role models and network contacts for up-and-coming leaders.



KEVIN KENNEDY

Managing Director and Head of Human Capital Management, Goldman, Sachs & Co., at the Nonprofit Leadership Initiative training session.



LAWRENCE CALCANO

Managing Director, Investment Banking, Goldman, Sachs & Co., participating in a meeting of the Goldman Sachs Teachers Quality Forum.



ALISON MASS

Managing Director, Investment Banking, Goldman, Sachs & Co., speaking to students at New York University through the Goldman Sachs Global Leaders Program.

Scholarship recipients supported by HSF receive an invaluable level of mentoring from 17 Goldman Sachs professionals, both in-person and online. Professionals network at Scholar Chapter events on campus, counsel students through career development seminars, and provide leadership advice and academic guidance.

As online mentors, Goldman Sachs professionals teach the CTY's Goldman Sachs Scholars (middle school students) valuable business and entrepreneurship skills. Mentors work closely with small teams of students, coaching them as they prepare business plans and presentations for a competition that culminates the program. Other Goldman Sachs professionals act as competition judges at this annual event.

The Foundation's support for innovative national initiatives in social entrepreneurship provides opportunities for professionals to act as advisors as well as judges. A Foundation partnership with the Yale School of Management helps nonprofit ventures reach beyond fundraising to generate revenue and holds a competition for seed funding to support well-conceived ventures. Goldman Sachs professionals actively participate as evaluators and judges throughout the competition's multiple rounds. Firm representatives also lend their expertise and perspectives to the Global Social Venture Competition, acting as mentors and judges for the program, which promotes innovation in business and nonprofit ventures that have a positive impact on society.



ROBERT HORMATS

Managing Director and Vice Chairman, Goldman Sachs International, speaks to students at the Goldman Sachs Global Leaders Program's Global Leadership Institute.



RICHARD ROBERTS

Managing Director and Head of the Urban Investment Group, Goldman, Sachs & Co., addresses the attendees at the first annual conference of the Yale School of Management—The Goldman Sachs Foundation Partnership on Nonprofit Ventures.



STEVE KERR

Managing Director and Chief Learning Officer, Goldman, Sachs & Co., speaks to the audience at the first annual conference of the Yale School of Management—The Goldman Sachs Foundation Partnership on Nonprofit Ventures.

KNOWLEDGE EXCHANGE

Beyond providing human capital, our high-engagement approach to grantmaking means applying our resources to advance leadership in support of our core areas of interest. In 2003, the Foundation hosted three Leadership Forums, where we convened thought leaders from such disciplines as business, philanthropy, government, and education to address big-picture challenges, solutions, initiatives, and progress in the areas of education in which we work.

In 2003, a diverse array of leaders shared their experience and ideas on each of our initiatives. Joel Klein, New York City Schools chancellor, and Caroline Kennedy, chief executive officer of the Office of Strategic Partnerships of the

New York City Department of Education, spoke at a forum on advancing academic achievement. To address the development of high-potential youth, another forum featured a panel discussion among high-level representatives from several core Foundation grantees, as well as a keynote address from Hugh Price, former president and chief executive officer of the National Urban League. And the deans of three leading business schools—Laura D'Andrea Tyson of London Business School, Yale School of Management's Jeffrey Garten, and Meyer Feldberg from Columbia Business School—participated in a panel discussion at an informative forum on social entrepreneurship.



VALENTINO CARLOTTI

Managing Director, Human Capital Management, Goldman, Sachs & Co., judges a business plan competition for secondary school students.



LAURA D. TYSON

Dean, London Business School, participates in a Foundation-hosted Leadership Forum on Social Entrepreneurship.



RT. HON. CHARLES CLARKE, MP

U.K. Secretary for Education and Skills, speaks at a Foundation-hosted program in London.



## 2003 Grants and Financial Statements

	GRANTS AWARDED IN 2003	GRANTS PAID IN 2003
<b>DEVELOPING HIGH-POTENTIAL YOUTH</b>		
<b>A Better Chance, Inc.</b> NEW YORK, NY To support the Goldman Sachs Institute for Entrepreneurial Thinking, a program to educate students about business and entrepreneurship.	\$320,000	\$160,000
<b>Bank Street College of Education</b> NEW YORK, NY To continue the Goldman Sachs Scholars Institute for Leadership, Excellence, and Academic Development, which provides talented New York City parochial school students with individualized academic enrichment services through Saturday and summer programs, exposure to the arts and entrepreneurship, and standardized test preparation.	\$0	\$800,000
<b>Boys Club of New York, Inc.</b> NEW YORK, NY To support the Independent School Placement Program, which places talented boys affiliated with the Club in independent college preparatory schools.	\$90,000	\$90,000
<b>Hispanic Scholarship Fund</b> SAN FRANCISCO, CA To support local Scholar Chapters at 15 colleges and universities for talented Hispanic undergraduates and to expand the chapter movement.	\$600,000	\$300,000
<b>Institute of International Education</b> NEW YORK, NY To support the Goldman Sachs Global Leaders Program, a competition held annually at more than 70 college campuses worldwide to identify 100 accomplished college sophomores who demonstrate superior character, academic achievement, and extracurricular accomplishments.	\$1,250,000	\$1,250,000
<b>The Johns Hopkins University/Center for Talented Youth</b> BALTIMORE, MD To provide support for a Mentoring Coordinator for the 2003-04 Goldman Sachs/CTY Scholars Program.	\$65,000	\$65,000
<b>The Johns Hopkins University/Center for Talented Youth</b> BALTIMORE, MD To organize a Leadership Development Institute for high-achieving secondary students from underrepresented backgrounds.	\$85,000	\$85,000



	GRANTS AWARDED IN 2003	GRANTS PAID IN 2003
<b>The Johns Hopkins University/Center for Talented Youth</b> BALTIMORE, MD To expand the CTY/Goldman Sachs Scholars Program, which provides gifted middle school students from underrepresented groups with two summers of intensive campus-based academic enrichment through college-level courses in the arts and sciences, distance learning opportunities in math and writing, entrepreneurship training, and on-line mentoring.	\$0	\$825,000
<b>London School of Economics and Political Science</b> LONDON, UK To support the Saturday and Winter/Summer School programs that prepare talented young people from low-income areas in London for success on their A-level examinations and for admission to the UK's most prestigious universities.	\$100,000	\$100,000
<b>The Posse Foundation, Inc.</b> NEW YORK, NY To broaden the reach of its successful program which selects, trains, and sends groups of public school students from underserved urban communities to selective colleges by establishing a Los Angeles, California office and recruitment effort.	\$0	\$333,000
<b>Prep for Prep</b> NEW YORK, NY To implement the New York Metro Region Leadership Academy, which prepares 7th and 8th graders in the suburban tri-state area for success in the most rigorous academic programs offered by their public high schools, and to continue the Prep for Prep/Goldman Sachs Institute for Entrepreneurship, which helps students improve their entrepreneurship, communication, and leadership skills.	\$0	\$750,000
<b>Quest Scholars Program, Inc.</b> PALO ALTO, CA To expand its academic enrichment program for bright, low-income public high school students and to support the creation of a referral service for colleges and universities.	\$150,000	\$150,000
<b>The University of Warwick</b> WARWICK, UK To support the National Academy for Gifted & Talented Youth, which provides support for the development of academically gifted youth in the United Kingdom.	\$375,000	\$375,000
<b>PROMOTING ENTREPRENEURSHIP, BUSINESS EDUCATION, AND LEADERSHIP</b>		
<b>The American Friends of the London Business School</b> LONDON, UK To support the planning associated with the international expansion of the Global Social Venture Competition.	\$33,600	\$33,600
<b>The American Friends of the London Business School</b> LONDON, UK To support the Global Social Venture Competition, an MBA business plan competition and education program to promote businesses with both a financial and social return.	\$200,000	\$200,000
<b>Business United In Investing, Lending, and Development</b> EAST PALO ALTO, CA To support programs providing entrepreneurial training and experiences for college-bound, low-income youth.	\$120,000	\$60,000
<b>Columbia University/Columbia Business School</b> NEW YORK, NY To support the Global Social Venture Competition, an MBA business plan competition and education program to promote businesses with both a financial and social return.	\$0	\$250,000

	GRANTS AWARDED IN 2003	GRANTS PAID IN 2003
<b>Friends of the Indian School of Business Foundation</b> HYDERABAD, INDIA To help launch the Indian School of Business, a world-class, research-oriented business program for India and the Asian region offering postgraduate, executive, and doctoral programs in management.	\$0	\$200,000
<b>Friends of Tsinghua School of Economics and Management, Inc.</b> BEIJING, CHINA To support the development of a visiting faculty program and research center on finance.	\$0	\$500,000
<b>Junior Achievement, Inc.</b> COLORADO SPRINGS, CO To provide ongoing support for the school-based and public websites of the Junior Achievement/Goldman Sachs Foundation Personal Finance Program.	\$125,000	\$125,000
<b>Junior Achievement International, Inc.</b> ATLANTA, GA To launch a business education program for college students in Johannesburg, South Africa, and Beijing, Hong Kong, and Shanghai, China.	\$180,000	\$180,000
<b>Lead Program in Business</b> PHILADELPHIA, PA To support the summer business education programs for gifted high school youth from underrepresented groups at Dartmouth College's Tuck School of Business and the University of California at Los Angeles' Anderson School of Business.	\$70,000	\$70,000
<b>National Council on Economic Education</b> NEW YORK, NY To provide continuing support for the NCEE/Goldman Sachs Foundation National Economics Challenge, a nationwide competition to educate young people about core economic concepts and to stimulate broader interest in economics among high school students.	\$330,000	\$330,000
<b>National Foundation for Teaching Entrepreneurship</b> NEW YORK, NY To support entrepreneurship training programs for high school youth.	\$100,000	\$100,000
<b>National Foundation for Teaching Entrepreneurship</b> NEW YORK, NY To expand NFTE's entrepreneurial education programs to China and Germany and to support entrepreneurship training for students in conjunction with the Center for Talented Youth in Los Angeles, New York, Philadelphia, and San Francisco.	\$825,000	\$440,000
<b>University of California at Berkeley/Haas School of Business</b> BERKELEY, CA To support the Global Social Venture Competition, an MBA business plan competition and education program to promote businesses with both a financial and social return.	\$0	\$250,000
<b>University of Pennsylvania/Graduate School of Education</b> PHILADELPHIA, PA To stimulate entrepreneurial initiatives by developing the Entrepreneurship in Education Program at the University of Pennsylvania's Graduate School of Education in conjunction with The Wharton School and to support the Education Track of the Wharton Business Plan Competition.	\$0	\$166,667
<b>Yale University/Yale School of Management</b> NEW HAVEN, CT To continue support of the Yale School of Management/The Goldman Sachs Foundation Partnership on Nonprofit Ventures, which encourages nonprofit organizations to develop revenue-generating ventures.	\$1,500,000	\$750,000

	GRANTS AWARDED IN 2003	GRANTS PAID IN 2003
<b>ADVANCING ACADEMIC ACHIEVEMENT</b>		
<b>The Asia Society</b> NEW YORK, NY To initiate and administer an international education awards program.	\$1,000,000	\$334,000
<b>Building Education Leaders for Life</b> DORCHESTER, MA To support after-school and summer academic enrichment programs for inner-city schoolchildren in New York, Boston, and Washington, D.C.	\$30,000	\$30,000
<b>DonorsChoose</b> NEW YORK, NY To enhance and expand efforts to raise funding for innovative educational projects by public school teachers.	\$0	\$50,000
<b>Facing History and Ourselves National Foundation, Inc.</b> BROOKLINE, MA To extend Facing History and Ourselves' professional development opportunities to teachers around the world, to expand online capacities, and to infuse global issues more thoroughly into the organization's instructional materials.	\$0	\$237,500
<b>The Fund for Public Schools, Inc.</b> NEW YORK, NY To renovate the site for Millennium High School in Lower Manhattan.	\$1,000,000	\$1,000,000
<b>Groundwork, Inc.</b> NEW YORK, NY To support the educational, social, and workforce development opportunities of children and young adults living in public housing in the neighborhood of East New York, Brooklyn.	\$100,000	\$100,000
<b>International Baccalaureate Organization, North America, Inc.</b> GENEVA, SWITZERLAND To enhance and take to scale an Online Curriculum Center that will improve the quality and accessibility of IBO's professional development and teacher training programs across the globe, with special emphasis on supporting schools in economically disadvantaged areas.	\$0	\$333,000
<b>International House</b> NEW YORK, NY To support a New Educator initiative to engage educators-in-residence, representing 30 countries, in cross-cultural exchange and the sharing of effective educational practices.	\$27,500	\$27,500
<b>International Youth Foundation</b> BALTIMORE, MD To launch an entrepreneurship training program in Germany for school-age children in eight targeted schools.	\$205,000	\$205,000
<b>Net Aid, Inc.</b> NEW YORK, NY To support high-quality educational programs for young people in China and South Africa.	\$175,000	\$175,000
<b>New Teacher Center at the University of California Santa Cruz</b> SANTA CRUZ, CA To replicate a high-caliber teacher mentoring program in four partner school districts leading to significant improvements in the development and retention of high-quality teachers.	\$0	\$333,000
<b>Nonprofit Finance Fund</b> NEW YORK, NY To support efforts to provide loans and other capital support to educational organizations.	\$125,000	\$125,000

	GRANTS AWARDED IN 2003	GRANTS PAID IN 2003
<b>Refugee Education Trust</b> GENEVA, SWITZERLAND To establish a new Teacher Training and Resource Center in Kigoma, Tanzania, serving refugees from Burundi and the Democratic Republic of Congo.	\$100,000	\$100,000
<b>Southern Regional Education Board/High Schools That Work</b> ATLANTA, GA To support a program for middle school students that will prepare them for a rigorous high school curriculum and the demands of higher education by smoothing their critical transition to high school in Greensboro, NC; Huntsville, AL; Jackson, MS; Little Rock, AR; and Atlanta, GA.	\$0	\$333,000
<b>Stanford University/Stanford Educational Leadership Institute</b> PALO ALTO, CA To forge a unique partnership between Stanford University School of Education and the Stanford Graduate School of Business to help school leaders develop and apply a broader knowledge base about the design and management of effective schools.	\$0	\$475,000
<b>Specialist Schools Trust</b> LONDON, UK To increase the academic performance of students located in disadvantaged areas of London through a public/private sector partnership that enables 15 schools to achieve Specialist status.	\$0	\$412,500
<b>United Nations Association of the United States of America</b> NEW YORK, NY To expand the Global Classrooms: Model U.N. program in selected cities around the world and enable a substantially increased number of urban and international public high school students to participate and develop skills and knowledge about the world.	\$0	\$332,500
<b>World Links for Economic Development Institute</b> WASHINGTON, D.C. To engage Brazilian and Chinese students and teachers in international online collaborative learning projects.	\$525,000	\$525,000
<b>Writers Express, Inc.</b> SOMERVILLE, MA To support a writing education program for secondary school-age students.	\$30,000	\$30,000
<b>PROGRAM-RELATED INVESTMENTS</b>		
<b>Nonprofit Finance Fund</b> NEW YORK, NY To provide working capital and facility financing for education initiatives by schools and other nonprofit organizations.	\$1,000,000	\$1,000,000
<b>OTHER</b>		
<b>Grants of \$25,000 or Less (15)</b>	\$250,000	\$250,000
<b>GRAND TOTAL</b>	<b>\$11,086,100</b>	<b>\$15,346,267</b>

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of The Goldman Sachs Foundation

We have audited the accompanying statements of financial position of The Goldman Sachs Foundation (the "Foundation") as of November 30, 2003 and 2002, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Foundation as of November 30, 2003 and 2002, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Deloitte & Touche LLP*

Deloitte & Touche LLP  
New York, New York  
March 30, 2004

STATEMENTS OF FINANCIAL POSITION

November 30, 2003 and 2002

	2003	2002
<b>Assets</b>		
Cash	\$ 794,095	\$ 963,827
Federal Excise Tax Receivable (note 7)	60,748	127,026
Interest and Dividends Receivable	571,191	496,014
Receivables from Sales of Investments	3,181,359	5,766,285
Investments—AT FAIR VALUE, NET OF RELATED LIABILITIES (NOTE 4)	189,776,810	170,902,916
Program Related Investments—LOANS (NOTE 3)	1,400,000	400,000
<b>Total</b>	<b>\$195,784,203</b>	<b>\$178,656,068</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	\$ 1,166,523	\$ 1,029,518
PAYABLES FOR PURCHASES OF INVESTMENTS	7,866,618	8,365,175
GRANT COMMITMENTS (NOTE 5)	4,513,948	8,725,303
<b>TOTAL LIABILITIES</b>	<b>13,547,089</b>	<b>18,119,996</b>
<b>Net Assets—UNRESTRICTED</b>	<b>182,237,114</b>	<b>160,536,072</b>
<b>Total</b>	<b>\$195,784,203</b>	<b>\$178,656,068</b>

See notes to financial statements.



STATEMENTS OF ACTIVITIES

Years ended November 30, 2003 and 2002

STATEMENTS OF CASH FLOWS

Years ended November 30, 2003 and 2002

	2003	2002
<b>Revenues:</b>		
CONTRIBUTIONS (NOTE 1)	\$ 10,250	\$ 125,000
DONATED SERVICES (NOTE 6)	2,100,019	1,605,711
INTEREST AND DIVIDENDS	4,571,930	4,983,057
NET REALIZED AND UNREALIZED GAIN/(LOSS) ON INVESTMENTS	33,029,300	(12,314,113)
<b>TOTAL REVENUES AND SUPPORT</b>	<b>39,711,499</b>	<b>(5,600,345)</b>
<b>Expenses:</b>		
<b>PROGRAM EXPENSES:</b>		
GRANTS	10,134,912	12,710,489
OTHER PROGRAM RELATED EXPENSES	1,332,356	1,022,668
DONATED SERVICES (NOTE 6)	1,541,750	1,137,660
<b>TOTAL PROGRAM EXPENSES</b>	<b>13,009,018</b>	<b>14,870,817</b>
INVESTMENT MANAGEMENT AND CUSTODIAN FEES (NOTE 8)	3,788,042	2,124,071
FEDERAL EXCISE TAXES (NOTE 7)	402,745	57,180
GENERAL AND ADMINISTRATIVE EXPENSES (INCLUDING DONATED SERVICES OF \$58,269 AND \$468,051, RESPECTIVELY) (NOTE 6)	810,652	690,084
<b>TOTAL EXPENSES</b>	<b>18,010,457</b>	<b>17,742,152</b>
<b>Change in Net Assets</b>	<b>21,701,042</b>	<b>(23,342,497)</b>
Unrestricted Net Assets, Beginning of Year	160,536,072	183,878,569
<b>Unrestricted Net Assets, End of Year</b>	<b>\$182,237,114</b>	<b>\$160,536,072</b>

See notes to financial statements.

	2003	2002
<b>Cash Flows from Operating Activities:</b>		
CHANGE IN NET ASSETS	\$ 21,701,042	\$(23,342,497)
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH USED IN OPERATING ACTIVITIES:		
NET REALIZED (GAINS) LOSSES ON INVESTMENTS	(6,956,198)	25,577,005
NET UNREALIZED GAINS ON INVESTMENTS	(26,073,102)	(13,262,892)
CHANGES IN ASSETS AND LIABILITIES:		
DECREASE (INCREASE) IN FEDERAL EXCISE TAX RECEIVABLE	66,278	(22,083)
DECREASE IN PREPAID EXPENSES	—	18,110
(INCREASE) DECREASE IN ACCRUED INTEREST AND DIVIDENDS RECEIVABLE	(75,177)	155,240
INCREASE IN ACCOUNTS PAYABLE AND ACCRUED EXPENSES	137,005	118,065
DECREASE IN GRANT COMMITMENTS	(4,211,355)	(598,344)
DISBURSEMENT FOR PROGRAM-RELATED INVESTMENT	(1,000,000)	(400,000)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(16,411,507)</b>	<b>(11,757,396)</b>
<b>Cash Flows from Investing Activities:</b>		
PROCEEDS FROM SALE OF INVESTMENTS	439,303,344	545,921,044
ACQUISITION OF INVESTMENTS	(425,147,938)	(537,957,671)
DECREASE IN RECEIVABLES FROM SALES OF INVESTMENTS	2,584,926	8,419,401
DECREASE IN PAYABLES FOR PURCHASES OF INVESTMENTS	(498,557)	(9,464,692)
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>16,241,775</b>	<b>6,918,082</b>
<b>Decrease in Cash</b>	<b>(169,732)</b>	<b>(4,839,314)</b>
Cash, Beginning of Year	963,827	5,803,141
<b>Cash, End of Year</b>	<b>\$ 794,095</b>	<b>\$ 963,827</b>

See notes to financial statements.

## NOTES TO FINANCIAL STATEMENTS

Years ended November 30, 2003 and 2002

### 1. ORGANIZATION AND PURPOSE

The Goldman Sachs Foundation (the “Foundation”) is a New York not-for-profit corporation. The Goldman Sachs Group, Inc. (the “Group”) and its affiliated entities are the Foundation’s primary supporters. The Foundation is a tax-exempt private foundation and conducts charitable activities within the United States and internationally in such other countries and regions as shall be determined by the Board of Trustees.

The mission of the Foundation is to promote excellence and innovation in education. The Foundation has made grants in furtherance of its charitable purposes in the following major program areas: 1) Developing High-Potential Youth; 2) Promoting Entrepreneurship, Business Education and Leadership; and 3) Advancing Academic Achievement.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Accounting**—The accompanying financial statements have been prepared on the accrual basis of accounting.

**Accounting Pronouncements**—The financial statements of the Foundation have been prepared in accordance with Statements of Financial Accounting Standards No. 117, *Financial Statements of Not-for-Profit Organizations* (“SFAS No. 117”), and No. 116, *Accounting for Contributions Received and Contributions Made* (“SFAS No. 116”). Among other things, SFAS No. 117 requires that a not-for-profit organization’s financial statements report the amounts for, and changes in, each of three classes of net assets—permanently restricted net assets, temporarily restricted net assets, and unrestricted net assets—based on the existence or absence of donor-imposed restrictions. The Foundation has elected to present a statement of financial position (“balance sheet”) that sequences assets and liabilities based on their relative liquidity.

**Investments**—Investments are recorded at their fair value, which are based on quoted market prices except as noted in Note 4, and realized and unrealized gains or losses from those investments are included in a statement of activities, in accordance with Statement of Financial Accounting Standards No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. The investment portfolio includes derivative financial instruments which are recorded at fair values in accordance with Statement of Financial Accounting Standards Nos. 133 and 137, *Accounting for Derivative Instruments and Hedging Activities*.

**Contributions**—Contributions are recognized as revenue when they are received or unconditionally pledged. Contributions of assets, other than cash, and in-kind services are recorded at estimated fair value.

**Grants**—Grants made and unconditional promises to give are recognized as expenses in the period made at their fair value.

**Program Related Investments**—Interest income accrued on the loans is included in interest and dividend receivable in the financial statements.

**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 disclosure 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.

### 3. PROGRAM-RELATED INVESTMENTS — LOANS

As defined by Internal Revenue Code Section 4944(c), the Program-Related Investments (“PRI”) are loans promoting the mission of the Foundation. The PRI loans are stated at the amount advanced (less any principal repayments). The Foundation’s PRI loans bear interest at below-market rates ranging from 2.25% to 3% and maturities through 2009. The Foundation expects to hold all PRIs to maturity.

### 4. INVESTMENTS

Investments are valued at fair value which is the prevailing market value with the resulting change in unrealized gains or losses included in the statement of activities. The cost of venture capital partnership investments are reflected at the amount of the Foundation’s capital balances in the partnerships and the market value of the investments are reflected at the fair value as reported by the partnerships. The Foundation is obligated under the venture capital partnership agreements to advance additional funding up to specified levels. At November 30, 2003 and 2002, the amount of the unfunded commitments was \$14.4 million and \$18.1 million, respectively.

Investments at November 30, 2003 and 2002 consist of the following:

November 30, 2003	COST	MARKET VALUE
<b>Assets</b>		
Cash equivalents	\$ 21,106,449	\$ 21,107,769
Fixed income securities	42,450,837	44,661,988
Preferred securities	1,054,039	1,061,207
Equity securities	63,093,954	67,860,503
Hedge funds	28,042,353	33,139,091
Venture capital partnerships	10,394,893	10,275,487
Real Estate Investment Trusts	8,433,910	10,925,381
Forward foreign exchange contracts receivable	—	733,957
Variation margin futures receivable	—	11,427
<b>Total investment assets</b>	<b>\$174,576,435</b>	<b>\$189,776,810</b>

November 30, 2003	COST	MARKET VALUE
<b>Assets</b>		
Cash equivalents	\$ 26,472,253	\$ 26,472,854
Fixed income securities	41,174,670	42,377,219
Preferred securities	1,330,308	1,162,410
Equity securities	67,597,472	55,674,384
Hedge funds	31,500,000	31,113,068
Venture capital partnerships	6,181,864	5,793,444
Real Estate Investment Trusts	7,477,281	7,760,192
Forward foreign exchange contracts receivable	—	822,902
Variation margin futures receivable	—	64,242
<b>Total investment assets</b>	<b>181,733,848</b>	<b>171,240,715</b>

### Liabilities

Futures contract payable	—	337,799
<b>Total investment liabilities</b>	<b>—</b>	<b>337,799</b>

<b>Total investment, net of related liabilities</b>	<b>\$181,733,848</b>	<b>\$170,902,916</b>
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Years ended November 30, 2003 and 2002

Investment strategies employed by the investment manager, in accordance with the investment policy approved by the Board of Trustees, incorporates the use of various derivative financial instruments intended to hedge market risks or to take active trading positions. These derivative financial instruments include financial futures, forward foreign exchange contracts, and foreign currency options and futures. These instruments are either traded on organized exchanges or entered into with creditworthy financial institutions. At November 30, 2003 and 2002, the unrealized gains and losses resulting from open contracts related to these types of financial instruments were recorded in the statement of activities and in the investment balance as forward foreign exchange contract receivables or payables.

**Financial Futures Contracts**—The Foundation uses financial futures contracts for the purpose of hedging the market risk on existing securities or the intended purchase of securities or to take active trading positions. Futures contracts are contracts for the delayed delivery of securities at a specific date and price or yield. Upon entering into a contract, the Foundation deposits and maintains as collateral such initial margin as required by the exchange on which the transaction is effected. Pursuant to the contract, the Foundation is to receive from or pay to the broker an amount of cash equal to the daily fluctuation in the value of the contract also known as the variation margin. The Foundation records the daily variation margin amounts as realized gains or losses. Futures contracts payable/receivable balance as of November 30th represents the last day's variation margin balance and is recorded as unrealized (loss) gain since such payable/receivable balance is closed on December 1, 2003 as an adjustment to cash. All realized and unrealized gains and losses, including for future contracts, are combined as a single line item on the Statements of Activities.

**Forward Foreign Exchange Contracts**—Forward foreign exchange contracts are used as a hedge against specific transactions or portfolio positions or to take active trading positions. Foreign exchange forwards are marked to market on the statement of financial position with changes in the fair values of the contracts being recorded as unrealized gains or losses in the statement of activities.

**Foreign Currency Options and Futures**—Purchases and sales of listed or over-the-counter foreign currency options, foreign currency futures, and related options on foreign currency futures are used as short or long hedges or to take active trading positions against possible variations in foreign exchange rates. Such transactions may be effected on non-U.S. dollar denominated securities owned by the Foundation, sold by the Foundation but not yet delivered, or committed or anticipated to be purchased by the Foundation.

**Hedge Funds**—The investments in hedge funds are carried at fair value as determined by the Foundation's attributable share of the net assets of the respective hedge fund. Fair values are determined utilizing information supplied by each individual hedge fund, net of management and incentive fees charged by the fund. The underlying investments of each hedge fund are accounted for at fair value.

**Short Sales**—In a short sale, an amount equal to the proceeds received by the Foundation is reflected as an asset and an equivalent liability. The amount of the liability is subsequently marked to market to reflect the market value of the short sale. The Foundation is exposed to market risk based on the amount, if any, that the market value of the stock exceeds the market value of the securities in the segregated account.

5. GRANT COMMITMENTS

Commitments for grants outstanding at November 30, 2003 and 2002 total \$4,513,948 and \$8,725,303 and are due as follows:

	NOVEMBER 30, 2003	NOVEMBER 30, 2002
2003	\$ —	\$6,581,167
2004	3,583,000	1,745,000
2005	720,500	237,500
2006	237,500	237,500
Subtotal	4,541,000	8,801,167
Less amount representing interest at 2.06% and 2.51%, respectively	(27,052)	(75,864)
Present value of future payments	\$4,513,948	\$8,725,303

6. DONATED SERVICES

Donated services are recognized as revenues and expenses on the statement of activities. Donated services represent the value of the services provided by or paid for by Goldman, Sachs & Co. and include salaries, occupancy costs, professional fees, meeting costs, publications and mailing costs. Donated services expenses are allocated to program categories and general and administrative expenses based on an estimate of the time or effort expended on behalf of the program or administrative activity.

During the fiscal years ended November 30, 2003 and 2002, donated services expenses are allocated as follows:

	NOVEMBER 30, 2003	NOVEMBER 30, 2002
Program activities	\$1,541,750	\$1,137,660
General and administrative	558,269	468,051
Total donated services expenses	\$2,100,019	\$1,605,711

7. FEDERAL EXCISE TAXES

The Foundation is a private foundation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from Federal income tax. In accordance with the applicable provisions of the Internal Revenue Code, a private foundation is subject to an excise tax on net investment income equal to 2%, or 1% if certain criteria are met.

For the years ended November 30, 2003 and 2002, the Foundation's excise tax expense is based on 2% of the net investment income calculated for tax purposes. Deferred tax liabilities are calculated based on the unrealized net gains at November 30, 2003, deferred tax assets have not been recorded for unrealized investment losses at November 30, 2002 since the losses potentially yield no tax benefit. The deferred tax liability and deferred tax expense at November 30, 2003 is \$288,190.

At November 30, 2003 and 2002, the Foundation has a federal excise tax receivable of \$60,748 and \$127,026, respectively, on account of an overpayment of the excise tax from previous fiscal years.

8. RELATED PARTY

Goldman Sachs Asset Management L.P. ("GSAM") receives fees for advisory services and investment management services. GSAM, like several other of the Foundation's investment managers, receives an incentive fee in addition to a flat fee based on assets under management. Fees to GSAM in fiscal years 2003 and 2002 were \$2,735,340 and \$1,516,775, respectively.

9. AUDITOR RELATIONSHIP

Deloitte & Touche also provides services to the Group and its affiliated entities. Fees paid to Deloitte & Touche by the Group and its affiliated entities were \$7.7 million for the period beginning June 1, 2002 and ending May 31, 2003. All of these fees related to audit, consulting, and tax services provided by Deloitte & Touche and its affiliates. These fees do not reflect fees paid to Deloitte & Touche by the Foundation.



## GRANT GUIDELINES

The Goldman Sachs Foundation was funded in 1999 with a \$200 million donation from The Goldman Sachs Group, Inc., a leading global investment banking and securities firm. The Foundation's mission is to promote excellence and innovation in education worldwide. The Foundation is an important extension of the tradition of philanthropy and public leadership at Goldman Sachs. The firm also makes direct contributions through its Charitable Services department and encourages voluntarism through its Community TeamWorks program.

### OUR PROGRAM INTERESTS

Funding priorities are determined by a periodic assessment of needs and opportunities in the field of education. Current priorities are:

- To enhance academic performance and prospects for life achievement of students at the secondary school level
- To develop the abilities of promising high-potential youth worldwide
- To support high-quality education for young people in business and entrepreneurship

### CANDIDATES FOR FUNDING

The Foundation makes only a small number of large grants to effective, high-quality organizations that:

- Implement achievement-oriented education programs
- Produce substantial, measurable results
- Possess a well-delineated plan for broad dissemination and outreach
- Demonstrate exceptional promise
- Employ strong leadership
- Command distinguished records of accomplishment
- Evidence a clear capacity to expend sizable grants wisely

The Foundation is able to respond favorably to an extremely small fraction of the requests that it receives. Rarely will a grant be made in response to an unsolicited proposal.

### INELIGIBLE PARTIES AND PROJECTS

The Foundation does not make grants to individuals; fraternal organizations; political causes, campaigns, or candidates; or fundraising events.

### LETTER OF INQUIRY

Prospective applicants are invited to explain their ideas informally by submitting to the Foundation a short letter (of about two pages) describing the program or organization for which a grant is sought, its mission, accomplishments, budget size, and current funding needs. Documentation of results achieved to date is highly desirable. Submission of published program descriptions or brochures also is encouraged. On the basis of this information, staff will determine whether additional materials are required and contact prospective grantees accordingly.

### DEADLINES

With few exceptions, there are no fixed deadlines. The Foundation makes grants throughout the year.

### Grant inquiries should be directed to:

The Goldman Sachs Foundation  
375 Park Avenue, Suite 1008  
New York, New York 10152

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<sup>1</sup> Until June 21, 2003   <sup>2</sup> As of September 16, 2003   <sup>3</sup> As of June 21, 2003

<sup>4</sup> Until December 31, 2003   <sup>5</sup> As of December 4, 2003

## ABOUT THE GOLDMAN SACHS FOUNDATION

The Goldman Sachs Foundation is a global philanthropic organization funded by The Goldman Sachs Group, Inc. The Foundation's mission is to promote excellence and innovation in education and to improve the academic performance and lifelong productivity of young people worldwide. It achieves this mission through a combination of strategic partnerships, grants, loans, private sector investments, and the deployment of professional talent from Goldman Sachs. Founded in 1999, the Foundation has awarded grants in excess of \$54 million since its inception, providing opportunities for young people in more than 20 countries.



### The Goldman Sachs Foundation

375 Park Avenue, Suite 1008  
New York, New York 10152  
212.902.5402

[www.gs.com/foundation](http://www.gs.com/foundation)