

unitus

*Investing in
the World's Poor*

2003 ANNUAL REPORT



unitus

CONTACT US

tel 1.888.2UNITUS fax 425.881.2085 P.O. Box 626 Redmond, WA 98073 USA info@unitus.com www.unitus.com



welcome letter

Greetings,

Why do we do this work? Our name, Unitus, provides a hint. The word Unitus is the union of two words: *unite* and *us*. Our world — your world, my world — is growing smaller and more interconnected, yet more separated. Pick your worry: poverty, terrorism, political instability, corruption, environmental decay or HIV/AIDS. These seemingly overwhelming challenges can only be addressed if we unite together to solve them. At Unitus, we have chosen to work where the greatest impact can be made — with the poorest women in the world who have a desperate need and keen desire to permanently improve their families' lives. Working at this level provides the most powerful leverage for positive change. When the poor become economically secure and their children become educated, we see greater hope for their families, communities and nations.

We approach our mission with a great focus and belief that the tools of microfinance will alleviate many of the most challenging issues facing our planet. We have firsthand experience with this and can testify that it works!

We started Unitus based on the theory that we could best impact millions of poor people by accelerating the growth of the world's highest-potential microfinance institutions (MFIs). Of the thousands of MFIs that currently provide microfinance services to the world's poor, we estimate that no more than 100 meet the exacting criteria for Unitus partnerships. Our task is to find these great organizations and help them dramatically increase in size and local impact.

Our work is accomplished using an approach we call Microfinance 2.0. This has been developed based on a detailed analysis of the impressive first 30 years of the microfinance industry to determine what worked and what didn't. We then combined these learnings with best practices from banking, venture capital and other rapid growth industries. In essence, Microfinance 2.0 is:

1. Careful selection of the highest-potential MFIs
2. Intentional, highly accelerated growth of these MFIs through leveraged donations, equity investments from social investors, access to debt capital and capacity-building consulting services
3. Helping MFIs to operate profitably, encouraging transformation from a nonprofit structure to regulated financial institutions accessing local capital markets
4. Zealously protecting our mission of serving the world's poorest

How are we doing? As they say, "The proof is in the pudding." Last year demonstrated that a highly disciplined approach like ours yields immediate results. Pro Mujer Mexico grew at more than 100% for the second year in a row. SKS India, a Unitus partner since March 2003, doubled in size, adding more than 10,000 borrowers within six months of our partnership. Throughout the year, we refined our acceleration model to focus more explicitly on building human capital at the senior management and local board levels. In addition, we placed greater emphasis on placing equity investments in our partners to strengthen their balance sheets, further unlocking access to the local capital markets. We also continued to strengthen our core competency of identifying the most promising MFIs based on characteristics crucial to accelerated growth.

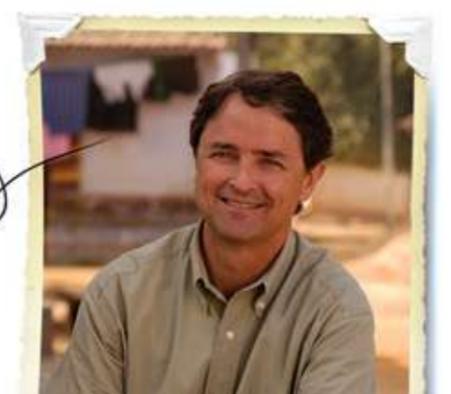
Our hope is to initiate several new MFI partnerships each year. Each new partnership requires approximately \$1 to \$2 million from social investors and like-minded donors. As the number of Unitus partnerships grow, we will demonstrate a growth model for the industry and for the global capital markets, attracting more investment capital to this industry. This positive momentum will enable microfinance to play its critical role in large-scale poverty relief and social empowerment. We invite you to join us in this exciting work!

Sincerely,


Geoff Davis,
President & CEO




Mike Murray,
Board Chairman



our mission

IS TO EMPOWER THE WORLD'S POOREST PEOPLE TO IMPROVE THEIR OWN LIVES THROUGH MICROFINANCE. UNITUS IS DETERMINED TO UNLEASH THE POWER OF THIS INDUSTRY, HELPING MICROFINANCE INSTITUTIONS (MFIs) REACH MILLIONS MORE PEOPLE WORLDWIDE.

strategy

We accelerate the growth of carefully selected, highest-potential MFIs through significant capital investments and capacity-building consulting, allowing millions of poor people to improve their standard of living through microfinance. By connecting these MFIs to capital markets, we aim to unleash the larger resources necessary to bring this industry to scale. This single-minded focus on growth sets us apart within the microfinance industry.

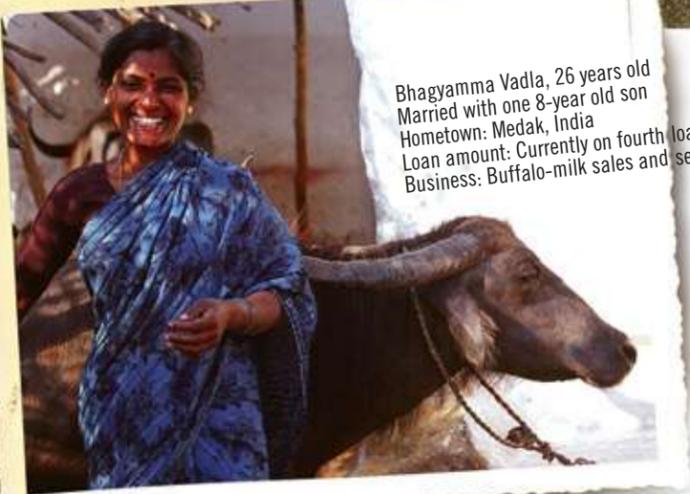
history

In 2000, a group of friends met to discuss how they could alleviate global poverty, sowing the seeds that would later become Unitus. They discussed various economic development tools, leading to the formation of groups where individuals brought friends, family and neighbors together to unite their poverty-fighting efforts. Much good came from these groups. Sizable donations were made and projects started worldwide. But for all their successes, the founders were not convinced that they were on the road to massive poverty alleviation.

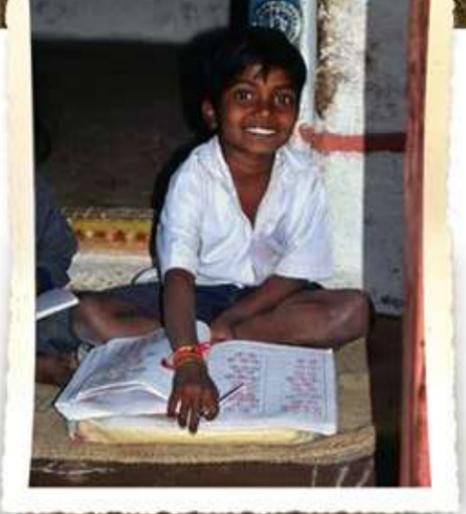
In the context of this self-evaluation, they traveled to Bangladesh in January 2001 to meet with Grameen Bank's founder, Muhammad Yunus. The trip changed their lives and left them convinced that microfinance was the key to large-scale poverty alleviation. But questions still remained: How could Unitus best leverage microfinance, when thousands of MFIs already existed? Could Unitus reach scale quickly if we had to build a field organization from scratch? Wouldn't we just be duplicating and overlapping efforts if we created an MFI of our own?

Unitus veered in a new direction and began researching the microfinance industry in-depth: its successes, failures, strengths, weaknesses and opportunities. After months of industry evaluation, we formalized a new strategy — one that truly could eliminate poverty for millions of people — the Unitus Acceleration Model. But despite this change, much remains the same; many of those founding friends are still Unitus Board members and remain as committed as ever to alleviating worldwide poverty on a massive scale.





Bhagyamma Vadla, 26 years old
Married with one 8-year old son
Hometown: Medak, India
Loan amount: Currently on fourth loan of \$250
Business: Buffalo-milk sales and sewing



Bhagyamma's 8-year-old son doing his homework.

success

A MICROFINANCE BORROWER'S SUCCESS STORY

Bhagyamma lives in a rural Indian village where she used to struggle to find work. She earned the equivalent of 50 cents a day rolling *biddi* leaf cigarettes for a cigarette company, but work was inconsistent. Her husband's work as a day laborer at the local granary was also sporadic. While she and her husband were able and willing to work, she was frustrated because they still couldn't earn a living. They frequently couldn't afford meals and went hungry. Neither of them can read or write.

She heard about microcredit loans four years ago when a loan officer visited her village and held an informational meeting to describe their program. She was nervous about such an idea but excited at the opportunity. She was also overwhelmed by the business training she had to complete before she could receive a loan. The information was entirely new to her. But because it was the only chance she had to feed her son, she stuck with the training and successfully passed the test. Now she proudly can write her name and describe the financial workings of loans, including principal, interest and the ramifications of default.

Bhagyamma's first \$100 loan was more money than she had ever held in her life. She bought a buffalo and feed with it. This provided regular income because the buffalo produces milk almost every day, and she can resell the milk to the local distributor. (Buffalo milk is a staple in the Indian diet because it's consumed in tea each day and is used in cheeses.)

Eventually Bhagyamma bought additional buffalos with her second, third and fourth loans. Between them, the buffalos birthed four calves, two of which she sold for \$30 each, leaving her with six buffalos today. With her fourth loan, she also diversified her business risk, purchasing a sewing machine. She sews and sells *sari* blouses and children's clothing while earning \$2.40 a day in buffalo milk sales...a 380% increase over her best pre-loan day!

With the profits, Bhagyamma and her husband built a cement water container in their mud hut to store cleaner water, and now they don't get sick as often. And the time she previously spent going to the town's central water pump 10 times a day,

she now puts into her sewing and buffalo tending. In addition, her family bought cooking equipment, a TV and chickens, and now they eat nutritious meals regularly. They can also afford school fees for their 8-year-old son, who is smart and likes school. They have great hopes for him.

Thanks to her loans, her family's income is consistent. She is an elected village education committee member because her business success has given her the confidence to hold office. What's more, she has savings for a medical or other emergency.

She enjoys being in a loan group with women who have become her good friends. The group members cover each others' loan payments on the days that their buffalos don't produce milk. Early on, Bhagyamma was scared about her ability to repay, as were the others. She recalls how the loan group members looked at each other, saying "We can do this!" and cheered on each other. Now she is completely confident in her ability to repay loans and focuses only on what she will do with the next one.

In four months, she will pay off her fourth loan. With her fifth loan, she and her husband will buy the first automated grain grinder in their village. The other villagers will bring their grain, and she and her husband will grind it for a fee.

Bhagyamma feels that her life is much better than those of her parents. She is independent, while her parents always had to beg for help. Before, her daily focus was on immediate needs, and she worried constantly about where the next meal would come from. Now she focuses on her future and is excited about her son's education. Smiling, she comments, "Everything in my life is going well now because of my loans."

Stories like Bhagyamma's inspire the work of Unitus. We find it inconceivable that there remain millions of women in India alone who are still in Bhagyamma's previous situation, unable to access healthcare or provide food and education for their children. We look forward to helping our MFI partners grow to serve more women like Bhagyamma. For more stories like Bhagyamma's, visit: www.unitus.com/wwd_borrowerprofs.asp.



accelerate
GROWTH OF MICROFINANCE INSTITUTIONS

unitus acceleration model

Unitus has created a unique way to accelerate the growth of microfinance institutions (MFIs) worldwide. We carefully select the highest-potential MFIs operating in developing areas and then provide funding and capacity-building consulting while connecting the MFIs to the capital markets. Our innovative venture investment approach vastly increases the number of loans an existing MFI can make to the world's poorest, thus empowering significantly more families to work their way out of poverty.

select

Selecting the right MFI partners is critical. We seek MFIs with the desire and capability to achieve rapid, large-scale growth. To identify the highest-potential MFIs worldwide, Unitus identifies countries and regions favorable to microfinance and then finds leading MFIs within the targeted areas. Potential Unitus MFI partners are analyzed using more than 60 qualitative and quantitative metrics. Only MFIs that meet Unitus's strict investment criteria and demonstrate the greatest growth potential are selected.

invest

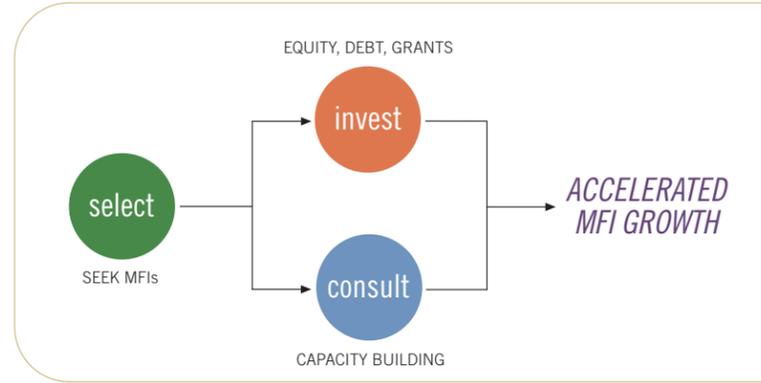
Unitus structures our investments to overcome each MFI partner's unique growth constraints. Investment packages typically consist of a combination of equity, debt and grants:

- Equity investments are highly leveraged, as they allow MFIs to access commercial debt many times that of the equity investment while creating the ownership and board structures that drive an MFI's success, profitability and sustainability.
- Unitus provides our MFI partners with debt capital to fund immediate growth, stimulate local commercial lending and reduce cost of funds while avoiding excessive interest rates.
- Grants strengthen internal operating capacity and help MFIs transform to for-profit, regulated financial institutions.

consult

Unitus defines capacity-building as the strengthening of an organization's internal systems and personnel in order to more effectively and efficiently manage rapid growth. Unitus capacity-building helps our MFI partners grow by strengthening their internal capabilities, broadening their geographic outreach and deepening the MFI's penetration in existing markets.

unitus acceleration model





"UNITUS FUNDING IS VERY DIFFERENT FROM OTHER FUNDING. THEY IDENTIFY BOTTLENECKS TO GROWTH AND REMOVE THEM THROUGH INTERNAL COMPETENCIES AND ABILE FUNDING. WE TRULY APPRECIATE AND VALUE THE RELATIONSHIP WITH UNITUS."
 - ARMANDO LABORDE, PRO MUJER MEXICO EXECUTIVE DIRECTOR

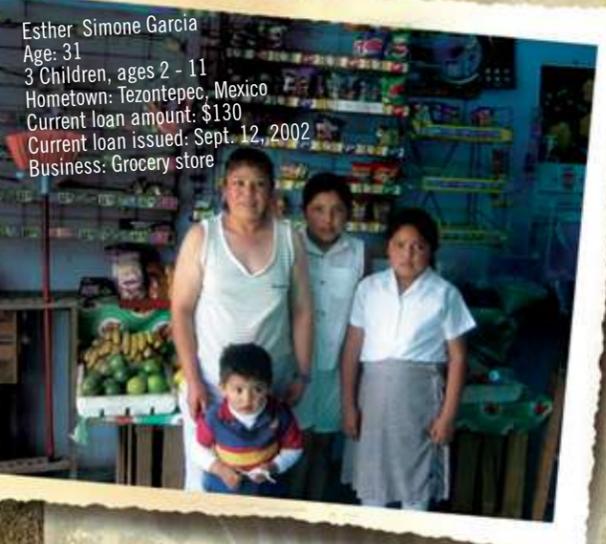


pro mujer mexico



PMM at a Glance (as of 12.31.03)
www.promujer.com
 Unitus partnership initiated: March 2002
 First loan issued: April 2002
 Number of clients: 5,747
 Portfolio outstanding: \$570,000

	Client growth projections:	
Average loan size: \$95	12.31.04	11,200
Staff size: 50	12.31.05	15,300
Repayment rate: 100%	12.31.06	25,300
Portfolio at risk >30 days: 0%		



Esther Simone Garcia
 Age: 31
 3 Children, ages 2 - 11
 Hometown: Tezontepec, Mexico
 Current loan amount: \$130
 Current loan issued: Sept. 12, 2002
 Business: Grocery store

Unitus chose Mexico as an MFI partnership location due to its favorable political environment and high poverty levels. Of the 100 million Mexicans, a quarter of them live on less than two dollars per day. We were attracted to Pro Mujer Mexico (PMM) because of the Pro Mujer network's strong international experience and proven track record of growth in other Latin American countries.

to determine if they were adequate for PMM's aggressive growth plans. We observed systems to be properly structured and made a few recommendations to assure that systems would continue to adapt as PMM serves even more clients in the future.

We are working with PMM to remove their capital and capacity constraints to growth and are proud of their 2003 growth from 2,566 clients (an industry average for mature MFIs) to 5,747.

retention rate
 During the MIS improvement process, Unitus helped PMM identify their client retention rate as a potential problem area that could hamper sustained client growth. PMM surveyed their clients and determined that meetings were lasting too long and causing excessive turnover, and they adjusted their meeting structure accordingly. PMM also re-examined their method of finding and screening potential clients. PMM saw their client retention rate rise steadily after implementing these changes.

removing growth constraints
 When Unitus observed a slowing in PMM's growth, we examined the causes and worked with them to address the following growth constraints:

a unique strength
 Unitus knows that a strong, locally constituted board is a critical support to growing MFIs. Such boards provide important leadership, supervision, accountability, contacts, operational transparency and local market understanding. The PMM board includes impressive business professionals, politicians, attorneys and investment bankers who meet quarterly to contribute strategic assistance. PMM also benefits greatly from informal advice given year-round by board members. Holding one of the founding board positions, Unitus respects how the PMM board has evolved and become stronger in 2003.

management information systems
 PMM realized the weaknesses in their existing MIS and identified improved information systems as a key need going forward. They located a local systems provider who proposed a customized solution with the capacity to handle more than 75,000 clients. Unitus researched alternative systems, presented these to PMM and, together with PMM, came to the consensus that the customized system would be best able to successfully support future growth.

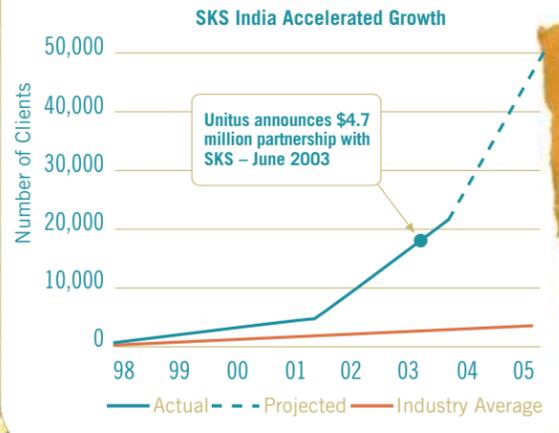
internal controls
 PMM implemented internal controls based on the experience of their parent organization, Pro Mujer International. Unitus conducted a thorough evaluation of these internal controls

her story

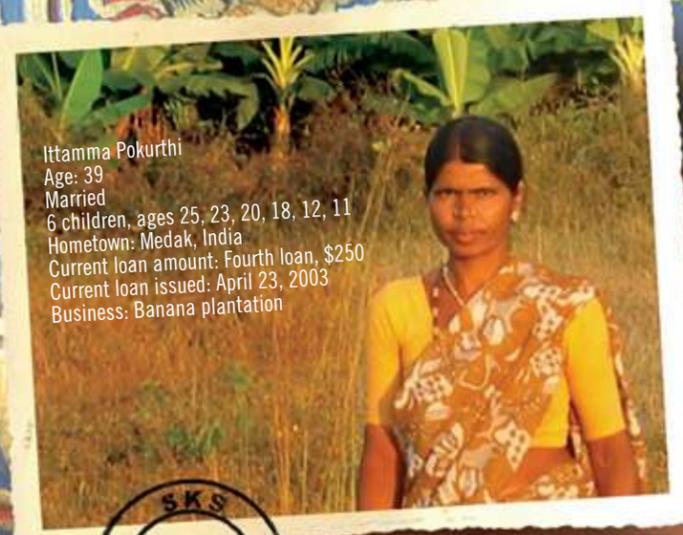
Esther lives in the apartment above her small grocery store with her husband and three children. Her Pro Mujer loan has helped her build a stronger family business and is allowing her to provide her children with more opportunities. "I feel that I am working for my oldest daughter, who is very intelligent and earns good marks in school. She wants to be a doctor. I told her to study hard, and I will work hard to pay for her education."

Before her loan from Pro Mujer, Esther primarily sold fruits and vegetables. With her loan proceeds, she added soft drinks, various paper products, mops and cleaning supplies to her store. These items have a much higher markup than other products she carries and have increased her income. She hopes to continue expanding her selection of merchandise with future loans. Esther sells approximately \$250 of merchandise per week, paying approximately \$180 to stock her store. Now she reinvests most of her earnings in new products for her grocery stores, except for the \$40 she sets aside for necessities for her children and for loan repayments to Pro Mujer.





"Unitus has helped us lift our already aggressive vision of reaching 100,000 clients in five years to 300,000 clients in five years. They help us recognize capacity constraints along the way. Unitus is the reason we will surpass 300,000 clients in five years."
 Vikram Akula
 Founder, SKS India



Ittamma Pokurthi
 Age: 39
 Married
 6 children, ages 25, 23, 20, 18, 12, 11
 Hometown: Medak, India
 Current loan amount: Fourth loan, \$250
 Current loan issued: April 23, 2003
 Business: Banana plantation



her story

Ittamma Pokurthi and her family were forced from their home and land because the government was building a new dam. They were under-compensated and paid only enough to purchase one empty acre of land. Furthermore, they had to leave during harvest, with no means to feed their family or build shelter. As a result, Ittamma and her husband, in-laws and two oldest children were forced to sell themselves into bonded labor, meaning they worked for nothing more than a small amount. Although illegal, this cruel practice occurs frequently.

Ittamma took out her first \$45 loan four years ago and used it to cultivate their land. She was able to harvest some crops, earning just enough to repay her loan. With subsequent loans, she bought banana plants and started a banana plantation on her acre. She harvested and sold her bananas, earning \$1,100. With these profits, she rebuilt her house, leased two additional acres, planted more bananas and even bought a buffalo to milk for her family and to sell the surplus milk. She has also hired several employees to help with the banana plantation. Most importantly, she paid off the debts to free her entire family from bonded labor.

Using loans totaling just over \$400, this family of eight went from destitute poverty to productive landowners with a profitable and expanding business and employees. They were freed from the entrapment of bonded labor and became integral and respected members of the community in just four years.



SKS India at a Glance (as of 12.31.03)
www.sksindia.com
 Unitus partnership initiated: March 2003
 First loan issue: June 1998
 Number of clients: 21,946
 Portfolio outstanding: \$1,800,000
 Average loan size: \$95
 Staff size: 150
 Repayment rate: 100%
 Portfolio at risk >30 days: 0%

Client growth projections:

12.31.03	20,425
12.31.04	50,000
12.31.05	133,059
12.31.06	222,990
12.31.07	333,680

Unitus chose SKS India for many reasons, including the impressive growth they had displayed to date, their industry-leading management information systems, strong lending methodology and efficient internal processes. Moreover, India has the world's largest population of poor people.

Unitus played a role in helping SKS overcome their growth constraints and accelerating their growth from our first meeting in January 2003, although the terms of our relationship were not formally finalized until June 2003. Prior to our involvement, SKS's five-year client goal was 100,000. Unitus raised SKS senior management's vision of their potential market to reach more than 300,000 clients in five years with our assistance.

removing growth constraints

Unitus worked with SKS management to overcome their unique capacity constraints during 2003:

legal structure

SKS reached their projected December 2003 client target in July 2003, making it apparent that they no longer could function as a nonprofit organization and needed to convert to a Non-bank Finance Company (NBFC). An NBFC is a regulated entity, licensed by the Reserve Bank of India (RBI). Because the RBI oversees an NBFC, commercial banks are willing to provide NBFCs with less expensive funds, longer terms and larger amounts. Unitus has provided legal, financial and technical support to SKS during this application period.

credit

Unitus extended a \$500,000 credit line to cushion the rapid outflow of funds. In addition, Unitus Board members and staff met with local senior commercial bank representatives to increase the low-cost funds available to SKS.

senior management changes

After seven years of strong, entrepreneurial leadership, SKS Founder Vikram Akula stepped down from SKS daily management and moved into a supervisory role. Unitus helped SKS define the role for a replacement CEO as well as for the newly created CFO position and participated in interviews with potential candidates.

a unique strength

Rapid, sustainable growth cannot be achieved without a strong and committed group of field credit officers. During their seven-year history, SKS has honed and systematized the process of hiring and training disciplined field staff. This is especially important as SKS expands. Once trained, credit officers rapidly establish loan groups while maintaining zero percent delinquency. Because supervisors are chosen from among former credit officers, they can advise and mentor younger credit officers from their own experience. Also, many of the credit officers have family backgrounds similar to SKS's clients. It is because of these outstanding field officers that SKS will be able to successfully grow and expand.

We look forward to many years of exciting growth with SKS India.



Some of the Unitus Board and staff visit Pro Mujer Mexico in February. Left to right: Warner Woodworth, Maggie Neilson, Dalita Stay, Mike Murray, Tim Stay, Kaye Woodworth, Shaina Lord, Bob Gay, Louis Pope, Chris Gay. Not pictured: Elizabeth Funk, Dr. Steven Funk, Joseph Grenny, Geoff Woolley.

board

Bob Gay is the managing director of Bain Capital. Previously, he was executive vice president of the General Electric Capital Markets Group, vice president and principal of Kidder Peabody's Merchant Banking Group and a manager at McKinsey & Co. He has also taught economics at Harvard University.

Joseph Grenny is co-founder and president of VitalSmarts, where he has authored and co-authored numerous articles and books (including his *New York Times* bestseller, *Crucial Conversations*) in the areas of personal and organizational effectiveness. He was formerly president of California Computer Corporation and an executive for the Covey Leadership Center.

Louis Pope is chief executive officer of U.S. Synthetic Corporation. He formed U.S. Synthetic in 1978 and has served as president and CEO since 1992. He also founded Yehu Bank in Kenya, a borrower-run microcredit bank helping Kenya's rural poor.

Tim Stay is president and founder of Marketing Ally. He has also founded NorthSky, Rappore Technologies and several other companies. As a founding Board member, Tim served as Unitus's Executive Director during our early formation.

Warner Woodworth is a professor of organizational behavior at Brigham Young University. He has been a consultant with Arthur D. Little, Inc. and Rensis Likert Associates and has advised General Motors, Clark Equipment, Chrysler, PPG, Exxon, Signetics and Westinghouse as well as unions including the UAW, UFCW, Steelworkers and Rubberworkers.

Geoff Woolley is founding partner of Dominion Ventures, Inc., which he founded in 1985, and executive chairman of European Venture Partners, which he founded in 1997. His other business interests include renovation of historical Boston homes and a real estate partnership in Capetown, South Africa. He was Chairman of the NAMES Project Foundation, the caretaker of the AIDS Memorial Quilt and a national campaign co-chair for the Gore 2000 campaign.

Unitus sincerely thanks our active Board of Directors for their efforts and dedication in 2003. Their business, finance, venture capital, technical, academic, organizational and other expertise makes our work possible.

Mike Murray, chairman, is president of Crystal Springs Foundation (CSF), an organization that has made a multi-million dollar commitment to Unitus. He spent 20 years in the computer industry, most notably at Apple Computer and Microsoft, where he served as corporate vice president for Human Resources.

Elizabeth Funk is CEO of CML Global Capital, controls Collet Enterprises and owns Balam Jungle. She was one of the earliest employees to join Yahoo, where she founded the Yahoo Shopping service and headed e-commerce business development and strategic planning. Prior to Yahoo, she spent four years at Microsoft.

Dr. Steven C. Funk is founder and chairman of Grand Marais Investments Ltd. as well as a member of WPO and the YPO Peace Action Network. He is a director of the Canada-China Trade Council, patron of Mark Plotkin's Amazon Conservation Team and the Prince of Wales Foundation, and chairman of Imperial Parking Hong Kong, Aspen Properties Limited and CML Global Capital Limited.

spotlight ON BOARD MEMBER GEOFF WOOLLEY

Unitus is constantly humbled and amazed by the incredible support of our Board members. Our work would not be possible without their unwavering generosity, advice and assistance. We'd like to take this opportunity to thank Board member Geoff Woolley for his unyielding efforts this year. Geoff has a very full-time job running his firm, European Venture Partners, but he still finds time to take a leadership role in our capital markets initiative, working with us either in person or via phone each week from wherever in the world he happens to be. This is in addition to his other charitable obligations, attending our Board meetings and fundraising. After participating in the due diligence trip to SKS India, he led a recent Unitus Partner Expedition there, including months of planning meetings and inviting his friends. In lieu of holiday gifts this year, he gave donations to Unitus. He has also lent special support to our MFI partner, SKS India, as they recruited senior executives and expanded their local capital markets network, taking multiple trips to Mumbai for candidate interviews and bank meetings.



Clockwise from upper left: Howard Brady, Geoff Davis, Shannon Law, Shaina Lord, Ben Raybould, Maggie Neilson, Kate Cochran, Kate Knight, Keanan Jacobson

staff + news

Geoff Davis
President & CEO

Kate Cochran
Vice President, Resource Development

Maggie Neilson
Vice President, Strategic Development

Howard Brady
Director, MFI Services

Ben Raybould
Manager, MFI Finance

Shannon Law
Office Manager

Keanan Jacobson
Coordinator, Resource Development

Shaina Lord
Coordinator, Communications

Kate Knight
Analyst, MFI Services

in the news synergos global giving matters

February 2003

Philanthropy Is a Verb

"What makes Unitus unique is its singular focus as a microfinance accelerator...a combination of large-scale funding and impactful consulting services."

the oregonian

March 17, 2003

Business Leaders Optimistic about Reducing World Poverty

"Unitus has a unique program to help micro lending programs grow more quickly and thereby to help thousands of poor people improve their income."

seattle post-intelligencer

March 21, 2003

Microcredit Lends the Best Helping Hand

"...supporting well-run microfinance institutions in developing countries is one of the best ways that Americans can begin bridging the gap between our lives and those in the zip-code challenged areas of the world."

puget sound business journal

June 9, 2003

Redmond-Based Charity Makes \$4.7M Gift in India

"Three-year-old nonprofit Unitus will announce a nearly \$4.7 million commitment next week to SKS India...Unitus funds microfinance institutions in developing nations, acting as a sort of venture capital firm aimed at speeding the end of poverty..."

dow jones & wall street journal europe

August 15, 2003

Microlenders Prove Profitable — Success of Small Financers Lures Investors to Potential of Developing Economies

"Working in these diverse environments, organizations such as Unitus are trying to identify and help the next generation of successful microfinancers. 'Our strategy is not to manage the next 300 major microfinancers. We want to demonstrate that systematic growth is possible on a wide scale,' Mr. Davis said."

time magazine

November 24, 2003

Why Micro Matters: Wall Street Is Figuring Out How to Profitably Package Tiny Loans to Third World Entrepreneurs

"Meanwhile, Unitus, a new source of venture capital for MFIs run by a former Microsoft executive, touts the fact that it joins the boards of the firms it invests in..."

barron's

December 8, 2003

Tiny Loans, Big Dreams

"One of the most intriguing is Unitus, a three-year-old nonprofit that promotes rapid growth of promising microfinance banks."

washington ceo

December 2003

Faith, Hope and a Little Cash

"What makes Unitus different is, rather than joining the ranks of lenders, Unitus has positioned itself as 'a microfinance accelerator.'"

100% of our 2003 operating costs were funded by a multi-year grant from the Crystal Springs Foundation. This funding ensured that every dollar contributed by Unitus donor-investors went directly to alleviating poverty through our MFI partnerships. This grant enabled us to aggressively and quickly build our own internal operating staff and systems. Because 2003 was a year of strategic investment in our own operating capacity and infrastructure, our income statement reflects a higher-than-normal operating costs ratio. Unitus anticipates future program-to-cost ratios will fall within industry norms.



financial statements



	PROGRAM SERVICES			TOTAL PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
	SKS INDIA	PRO MUJER MEXICO	OTHER				
salaries, payroll taxes and employee benefits	\$ 80,966	\$ 67,906	\$ 90,086	\$ 238,958	\$ 228,829	\$ 145,880	\$ 613,667
professional fees	27,732	9,177	4,538	41,447	41,568	52,926	135,941
travel	43,156	9,349	18,760	71,265	17,869	40,592	129,726
grants	50,000	38,383	—	88,383	—	—	88,383
in-kind professional fees	16,018	—	16,272	32,290	—	—	32,290
in-kind rent	9,450	3,780	5,670	18,900	7,560	5,040	31,500
printing and reproduction	1,859	65	137	2,061	29,685	1,218	32,964
telephone	3,362	4,805	3,795	11,962	2,818	6,136	20,916
supplies	3,388	1,593	1,703	6,684	6,312	6,871	19,867
training	24	—	7,090	7,114	5,523	3,840	16,477
miscellaneous	3,749	10	3,882	7,641	1,431	2,153	11,225
dues/subscriptions/publications	395	613	583	1,591	6,734	2,042	10,367
donor cultivation	—	—	—	—	5,916	39	5,955
equipment repairs	1,167	502	665	2,334	2,591	771	5,696
loss on disposal of asset	—	—	—	—	5,195	—	5,195
small equipment purchases	1,135	448	299	1,882	1,453	1,422	4,757
insurance	913	475	437	1,825	1,359	1,069	4,253
postage	602	218	224	1,044	633	1,929	3,606
other occupancy costs	595	238	357	1,190	468	292	1,950
payroll service	241	129	113	483	426	296	1,205
volunteer and donor appreciation	29	—	135	164	701	63	928
subtotal	244,781	137,691	154,746	537,218	367,071	272,579	1,176,868
depreciation	—	—	—	—	7,608	—	7,608
TOTAL EXPENSES	\$ 244,781	\$ 137,691	\$ 154,746	\$ 537,218	\$ 374,679	\$ 272,579	\$ 1,184,476

STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED SEPTEMBER 30, 2003

ASSETS

Cash	\$ 863,293
Pledges receivable, current	1,491,950
Prepaid expenses	5,061
Total Current Assets	2,360,304
Fixed Assets:	
Office equipment	21,801
Accumulated depreciation	(6,352)
Total Fixed Assets, Net	15,449
Pledges receivable, noncurrent	379,658
Total Assets	2,755,411

LIABILITIES AND NET ASSETS

Accounts payable	17,689
Accrued expenses	17,827
Related party note payable	100,000
Total Current Liabilities	135,516
Commitments and Contingencies	
Net Assets:	
Unrestricted	836,953
Temporarily restricted	1,782,942
Total Net Assets	2,619,895
Total Liabilities and Net Assets	2,755,411

Unitus strives for complete financial transparency. Notes and audited financial statements can be found at www.unitus.com and are available upon request.

thank you

UNITUS DONOR-INVESTORS

visionary leaders

(contributions of \$10,000 and above)

Anonymous (2)
The Church of Jesus Christ
of Latter-day Saints Foundation
Crystal Springs Foundation
Steven and Elizabeth Funk
Richard M. & Susan Jacobsen Charitable Fund
Jeld-Wen Foundation
Clair and Nancy Jenkins
Phoebe W. Haas Charitable Trust
Louis and Christine Pope
Kyle and Brenda Powell
David and Valerie Robinson
Shadow Lake Children's Fund
at the Boston Foundation
Vital Smarts

loans to unitus

Shadow Lake Children's Fund
at the Boston Foundation
Peery Foundation

unitus friends

Ahrens & DeAngeli, P.L.L.C.
Anonymous (14)
Anonymous* (4)
Tony and Michelle Audino
Steve Bishopp
Frank Buffone
in honor of Jo-Ann Salata,
Lorna Sheldon-Collins, Danielle Neufeld
and Sara and Paul Gottlieb
Roger and Kim Collins
Derek Cook
David and Andrea Curtin*

Mitch Davis
Joelle Everett
Michelle Felsted
Gilman Private Family Foundation
Colleen Gorman*
Green Cay Asset Management
David Greenberg
Scott Grill
Jack Heller
Robert Hild
Matthew Humbaugh in honor of Brian Adams
ITG Software Solutions, Inc.
Lake Partners
Susan Lawrence
James and Pam McBain*
Microsoft
Morinda Foundation
One Life at a Time
Gregory and Candace Osborn
Bruce Packard
Roberta Peterson
Ray Pick
Archana Ravichandran*
Rescue a Million
Cindy and Rob Shurtleff
Kelly Sorensen and April Martin
in honor of Ben Damstedt and Sarah Hart,
Stephanie Finlayson and Shaun Ashby, Cassidy
Kesler and Matt Pinegar, Brittney Albright and
Brandon Epperson, Keely Baisden and Brian
Knudson and Catherine Ellis and Jason Williams
Timothy M. Mulligan Charitable Fund
Carl Trimble
Sam Verhovek
Kyle S. Young*

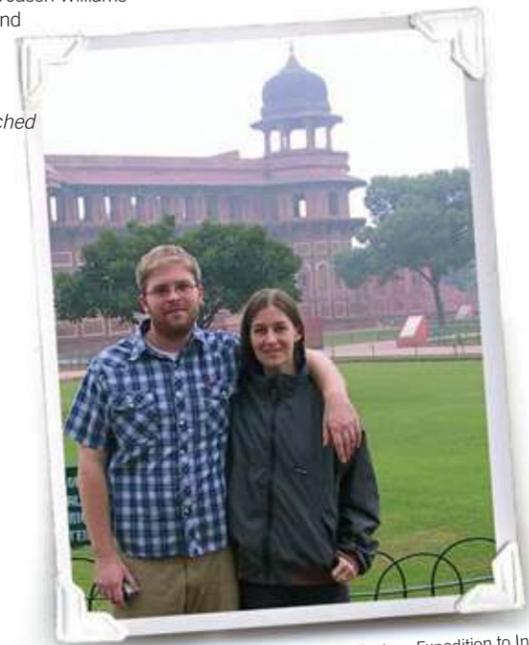
*These contributions were matched
by the donor's company.



leadership circle

Donors who annually give a minimum of \$2,500
in unrestricted funds are invited to join our
Leadership Circle. Members of this group are
included in special briefings on our work as well
as provided quarterly insider updates.

Anonymous (2)
The Clara Fund
Curtis Asplund
William Bohnett
Duncan and Cindy Campbell
of the Campbell Foundation
The Cassils Family Fund
Tom Fairbanks
Steven and Elizabeth Funk
Shadow Lake Children's Fund
at the Boston Foundation
Joseph and Celia Grenny
Tom Painter
Phoebe W. Haas Charitable Trust
Mike and Joyce Murray
Louis and Christine Pope
Kyle and Brenda Powell
David and Valerie Robinson
Max Robinson
Seth Thaler
The Casper Thaler Charitable Fund
Geoff Woolley and Frank Girvan



Jennifer and her brother David on a Unitus Partner Expedition to India.

SPOTLIGHT ON JENNIFER PEERY

Director, Peery Foundation
Donor-Investor and Partner Expedition participant

Jennifer joined Unitus in Mexico to learn more about the role her family's foundation could play in alleviating global poverty. The trip made Jennifer a believer in the power of microfinance. Two months after she returned from the Partner Expedition, Jennifer's foundation made one of the largest disbursements in its history — loaning \$100,000 to Unitus for on-lending to SKS India. Because microfinance is fueled by loans and not grants, this loan will be re-paid and available to help family after family work their way out of poverty. In January 2004, Jennifer and her brother, David, met one of those families while attending our next Partner Expedition in India — making real the impact that Unitus donor-investors can have in less than a year.

in-kind donors & advisors: Marco A. Abbruzzese, Citibank Private Bank • William Bohnett • Roger Bulloch, Bank of America Private Banking • Rod Beckstrom • Beth Cobert, McKinsey & Co. • Crystal Springs Foundation • Robert Mark Davis, Citibank Private Bank • Tilman Ehrbeck, McKinsey & Co. • Sandeep Farias, Nishith Desai Associates • Shane Hagel, UBS • Rick Hansen, Perkins Coie • Jack Jolly • Monster Design • Francesco Rocciolo, Citibank Private Bank • Sage Computer Services • Paul Saunders • David Snyder • Amy Weaver, Perkins Coie



get involved!

Unitus offers many involvement opportunities. We welcome your feedback, questions and ideas. Contact info@unitus.com for further information.

✓ tax deductible donations

As a 501(c)(3) nonprofit organization, Unitus relies on the support of individual and institutional donors. We accept cash, securities and in-kind support. The easiest way to make a donation is through our secure Web site at www.unitus.com. We invite donor-investors who donate an annual minimum of \$2,500 in unrestricted gifts to join our Leadership Circle. Members of this group are included in special briefings on our work and are provided quarterly private updates.

✓ debt

Microfinance institutions (MFIs) often face challenges accessing adequate debt capital and avoiding excessive interest rates. Unitus provides our MFI partners with debt capital to fund immediate growth, stimulate local commercial lending and reduce their cost of funds.

asset pledging facility

The Unitus Asset Pledging Facility leverages donor-investors' assets (treasuries, CDs, stocks, etc.) to back a Unitus line of credit at Citibank Private Bank. The innovation behind the facility is that the assets never leave the donor-investor's account: they continue to earn a normal return for the donor-investor and they generate a line of credit that Unitus uses to fund the debt needs of our MFI partners.

loans to unitus
Donor-investors can lend money directly to Unitus. As with the Unitus Asset Pledging Facility, direct loans to Unitus provide credit facilities and loans to Unitus MFI Partners. Terms and rates are negotiable.

✓ equity

Equity capital enables MFIs to build the infrastructure necessary for accelerated growth and improved profitability while providing the capital ratios required to access commercial debt. Equity investments also create the ownership and board structures that drive an MFI's success and profitability. Donor-investors can participate in Unitus equity investments on a deal-by-deal basis. Individual deal structures dictate the terms and conditions of these investments.

✓ unitus partner expeditions

Unitus strongly encourages potential donor-investor participation and site visits because the best way to understand microfinance is to see it in action. Our Partner Expeditions are packed with fun, learning and eye-opening experiences, and participants typically tell us that they had high expectations going into the trip and came away with even more than imagined. We host trips for interested parties to our MFI Partners multiple times each year. Participants pay their own travel expenses, and Unitus facilitates the itinerary, including meeting MFI staff, visiting borrower loan meetings and borrower businesses, as well as relaxing breaks at the beautiful surrounding areas.

Contact us at info@unitus.com or 1.888.2UNITUS to get involved.

“AT FIRST I WAS OVERWHELMED BY THE WIDESPREAD POVERTY, BUT THEN I BEGAN TO SEE HOW I CAN MAKE AN IMPACT. IT GAVE ME A GREATER DESIRE TO FIND OPPORTUNITIES TO HELP MAKE A DIFFERENCE.”

2003 Partner Expedition Participant

