

UNITUS

Consolidated Financial Statements

December 31, 2005

Table of Contents

Report of Independent Auditors	1
Financial Statements:	
Consolidated Statement of Financial Position	2
Consolidated Statement of Activities and Changes in Net Assets	3
Consolidated Statement of Cash Flows	4
Notes to Consolidated Financial Statements	5 - 12
Supplemental Information:	
Consolidated Statement of Functional Expenses	13

Report of Independent Auditors

Board of Directors

Unitus

Redmond, Washington

We have audited the accompanying consolidated statement of financial position of Unitus as of December 31, 2005, and the related consolidated statements of activities and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits. The prior year summarized comparative information has been derived from the Organization's December 31, 2004 financial statements and, in our report dated March 4, 2005, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Unitus as of December 31, 2005, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements of Unitus taken as a whole. The supplementary information on page 13 is presented for additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Certified Public Accountants
February 3, 2006

UNITUS

*Consolidated Statement of Financial Position
December 31, 2005
(With Comparative Totals for 2004)*

	<u>2005</u>	<u>2004</u>
Assets		
Cash and cash equivalents	\$ 1,125,199	\$ 1,900,017
Accounts receivable	29,373	
Pledges receivable, current (Notes 3 and 6)	1,094,254	1,158,717
Prepaid expenses	9,827	3,096
Guarantee fees receivable (Note 11)	59,016	61,968
Note receivable (Note 11)	450,000	300,000
Total Current Assets	2,767,669	3,423,798
Fixed Assets:		
Office furniture and equipment	70,323	44,143
Accumulated depreciation	(46,811)	(18,760)
Total Fixed Assets, Net	23,512	25,383
Pledges receivable, noncurrent (Notes 3 and 6)	2,492,955	3,437,325
Investments (Note 4)	4,192,983	
Total Assets	\$ 9,477,119	\$ 6,886,506
Liabilities And Net Assets		
Accounts payable	\$ 97,395	\$ 7,608
Accrued expenses	43,640	9,066
Guarantee liability (Note 11)	52,500	69,683
Grants payable (Note 2)	149,999	200,000
Note payable (Note 5)	250,000	
Related party note payable (Note 3)		150,000
Total Current Liabilities	593,534	436,357
Commitments and Contingencies (Notes 7, 8, and 11)		
Net Assets:		
Unrestricted	5,296,376	1,854,107
Temporarily restricted	3,587,209	4,596,042
Total Net Assets	8,883,585	6,450,149
Total Liabilities and Net Assets	\$ 9,477,119	\$ 6,886,506

See accompanying notes to financial statements.

UNITUS

**Consolidated Statement of Activities and Changes in Net Assets
For The Year Ended December 31, 2005**

(With Comparative Totals for The Fifteen Months Ended December 31, 2004)

	2005		2004	
	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Total (12 Months)</i>	<i>Total (15 Months)</i>
Support and Revenue:				
Contributions	\$ 3,700,194	\$ 236,365	\$ 3,936,559	\$ 6,078,499
In-kind contributions (Note 12)	1,201,722		1,201,722	62,134
Investment income (Note 4)	39,982		39,982	15,934
Guarantee and interest income	90,848		90,848	
	5,032,746	236,365	5,269,111	6,156,567
Net assets released from restriction	1,245,198	(1,245,198)		
Total Support and Revenue	6,277,944	(1,008,833)	5,269,111	6,156,567
Program Expenses:				
India	727,234		727,234	174,149
Latin America	62,445		62,445	210,347
Africa	144,127		144,127	286,526
Awareness and education	153,748		153,748	100,000
Capital Market Development	539,695		539,695	100,000
General program support	346,936		346,936	502,460
Total program services	1,974,185		1,974,185	1,373,482
Supporting Services:				
Management and general	598,108		598,108	623,589
Fundraising	263,382		263,382	329,242
Total supporting services	861,490		861,490	952,831
Total Expenses	2,835,675		2,835,675	2,326,313
Change in Net Assets	3,442,269	(1,008,833)	2,433,436	3,830,254
Net Assets:				
Beginning of year	1,854,107	4,596,042	6,450,149	2,619,895
End of Year	\$ 5,296,376	\$ 3,587,209	\$ 8,883,585	\$ 6,450,149

See accompanying notes to financial statements.

UNITUS

**Consolidated Statement of Cash Flows
For The Year Ended December 31, 2005
(With Comparative Totals for The Fifteen Months Ended December 31, 2004)**

	<u>2005</u> <i>(12 Months)</i>	<u>2004</u> <i>(15 Months)</i>
Cash Flows from Operating Activities:		
Change in net assets	\$ 2,433,436	\$ 3,830,254
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Non-cash items included in change in net assets		
Depreciation	28,051	18,044
Loss on disposal of assets		844
Assignment of investment in The Dignity Fund	(1,000,000)	
Changes in assets and liabilities:		
Accounts receivable	(29,373)	
Pledges receivable	1,008,833	(2,724,434)
Prepaid expenses	(6,731)	1,965
Accounts payable	89,787	(10,081)
Accrued liabilities	34,574	(8,761)
Guarantees	(14,231)	7,715
Grants payable	(50,001)	200,000
Net Cash Provided by Operating Activities	2,494,345	1,315,546
Cash Flows from Investing Activities:		
Payments from note receivable	300,000	
Distribution to notes receivable	(450,000)	(300,000)
Purchase of investments	(4,074,953)	
Proceeds from sale of investments	882,000	
Purchase of equipment	(26,180)	(28,822)
Net Cash Used in Investing Activities	(3,369,133)	(328,822)
Cash Flows from Financing Activities:		
Payments on related party notes payable	(150,000)	(100,000)
Proceeds from notes payable	250,000	
Proceeds from related party notes payable		150,000
Net Cash Provided by Financing Activities	100,000	50,000
Net Change in Cash	(774,788)	1,036,724
Cash, beginning of year	1,900,017	863,293
Cash, End of Year	\$ 1,125,229	\$ 1,900,017
Supplemental Disclosure of Cash Flow Information:		
Interest paid	\$ 17,590	\$ -

See accompanying notes to financial statements.

UNITUS

Notes to Consolidated Financial Statements

Note 1 - Description of the Organization and Operations

Principles of Consolidation - The consolidated financial statements of Unitus include the accounts of Unitus and of Unitus Investment Management (UIM), collectively referred to as "Unitus". All inter-company transactions have been eliminated.

Unitus is a nonprofit organization dedicated to alleviating global poverty by helping "Microfinance Institutions" (MFIs) worldwide accelerate their ability to reach more people living in poverty. During late 2001 and 2002 Unitus developed and implemented a unique business model that greatly accelerates the growth of the highest potential MFIs. This accelerated growth of MFIs increases the number of poor people whose lives can be improved by access to capital and other financial products.

In December 2004, Unitus formed a private nonprofit corporation, MFI Investments. In October 2005, the name of MFI Investments was changed to Unitus Investment Management (UIM). UIM is organized as a supporting organization as described in the IRS Code Sections 501(c)(3) and 509(a)(3). UIM is wholly controlled by Unitus. (Note 10)

Using significant capital investments and active involvement in capacity building, Unitus funds and works with developing MFIs as "partners" (MFI Partners) to accomplish its mission.

As of December 31, 2005, Unitus was working with the following MFI Partners:

Activists for Social Alternatives - Grama Vidiyal (ASA-GV), India - ASA-GV began operations in 1986, and launched its microfinance program in 1993 and became a Unitus MFI Partner in December 2004. Headquartered in Trichy, India, ASA-GV provides microfinance services, including loans with a maximum first loan size of 3000 Indian rupees (or about US\$70) and insurance products. Since launching its microfinance program, ASA-GV has grown to serve more than 79,000 clients. To date Unitus has provided more than \$105,000 in capacity-building grants. Under the terms of the partnership agreement, Unitus has committed to provide ASA-GV a \$1,000,000 credit facility to help accelerate its growth. As of December 31, 2005, ASA-GV has not utilized the credit facility.

Bandhan, India - Bandhan began its microfinance operations in 2001 and became a Unitus MFI Partner in April 2005. Based in the city of Kolkatta in the state of West Bengal, India, Bandhan offers microcredit loans and loan repayment insurance to more than 130,000 clients. Bandhan's maximum first loan size to its clients is 7,000 Indian Rupees (or about US\$160). In 2005, Bandhan maintained a growth rate of over 300%. Unitus has made available to Bandhan \$100,000 in capacity-building grants that are tied to attainment of certain performance milestones. As of December 31, 2005 Bandhan has received or qualified for \$100,000 under the terms of these capacity-building grants. Under the terms of the partnership agreement, Unitus has committed to provide Bandhan a \$1,000,000 credit facility to help accelerate its growth. As of December 31, 2005, Bandhan has not utilized the credit facility.

Bharatha Swamukti Samsthe (BSS), India - BSS began operations in 1999 and became a Unitus MFI Partner in December 2004. BSS offers microcredit loans, savings, and loan repayment insurance to more than 23,000 poor women in rural villages in India's Karnataka state. BSS's maximum first loan size is 7,000 Indian Rupees (or about US\$160). Unitus has committed \$100,000 in capacity-building grants, of which \$50,000 has been provided to BSS as of December 31, 2005. Under the terms of the partnership agreement, Unitus has committed to provide BSS a \$1,500,000 credit facility to help accelerate its growth. As of December 31, 2005, BSS has not utilized the credit facility. Unitus also plans to negotiate an equity investment in BSS once BSS attains regulated financial institution status and converts to a regulated financial company.

UNITUS

Notes to Consolidated Financial Statements

Note 1 - Continued

Grameen Koota (GK), India - GK is based in Bangalore, India and began its microfinance operations in May 1999. GK became a Unitus MFI Partner in April 2005. GK currently serves more than 34,000 clients with microcredit loans and insurance products. GK's maximum first loan size to its clients is 7,000 Indian Rupees (or about US\$160). Unitus has committed \$100,000 in capacity-building grants to GK that are tied to GK attainment of certain performance milestones. As of December 31, 2005 the full \$100,000 has been provided to GK. Under the terms of the partnership agreement Unitus has committed to provide GK a \$1,000,000 credit facility to help accelerate its growth. As of December 31, 2005, GK had not utilized the credit facility.

Swayam Krishi Sangam (SKS), India - SKS head office is located in the city of Hyderabad, state of Andhra Pradesh, India. SKS began operations in June 1998, and became a Unitus MFI Partner in March 2003. By December 31, 2005, SKS has grown to serve more than 150,000 clients. SKS offers loans in Indian Rupees with a maximum first loan size of 10,000 Rupees (about US\$230). It also facilitates group savings and recently introduced an insurance product. Unitus has committed \$90,000 in capacity-building grants to SKS. In 2003, Unitus provided a \$550,000 loan guarantee to secure a term loan to SKS by Citibank which expired in 2005. Additionally, Unitus has been invited to purchase equity in SKS after it completes its transformation from a nonprofit to a regulated financial institution. (Note 10)

Jamii Bora Trust, Kenya - Jamii Bora Trust is one of Kenya's fastest-growing MFIs. With headquarters in Nairobi, Kenya, Jamii Bora Trust became a Unitus MFI Partner in July 2004. Jamii Bora Trust serves more than 112,000 clients with branches in nearly all major Kenyan cities. In addition to offering micro-credit loans, which have a maximum first loan size of 8,000 Kenya Shillings (about US\$105) to its clients, Jamii Bora Trust also offers insurance products and a variety of social services and empowerment opportunities. As of December 31, 2005, Unitus has disbursed \$200,000 in capacity-building grants and provided a \$1,000,000 guarantee to Jamii Bora Trust to secure a term loan from Stanbic Bank of Kenya.

Pro Mujer Mexico (PMM), Mexico - PMM is located in the town of Tula, state of Hidalgo, México. PMM became a Unitus MFI Partner in March 2002, and began lending operations in April 2002. By December 2005, due in part to the Unitus partnership, PMM had reached more than 12,000 clients. PMM offers micro-credit with a maximum first loan size of 2,000 Mexican pesos (about US\$185). It also facilitates group savings that are held by a third party bank. In addition to loans, PMM also offers empowerment training for current and potential clients. As of December 31, 2005, Unitus had disbursed more than \$375,000 to PMM in capacity-building grants. In November 2005, Unitus provided PMM with a \$450,000 bridge loan. Additionally, in December 2005, Unitus and The Dignity Fund (see below) each provided a loan guarantee of \$500,000 to PMM to secure a \$1 million line of credit provided to PMM by Banamex, one of the largest banks in Mexico.

The Dignity Fund, L.P. - In addition to the above MFI Partners, Unitus also works with The Dignity Fund, L.P., an investment vehicle for private investors that provides debt financing to a select group of microfinance institutions serving the entrepreneurial poor. Unitus owns a \$1,000,000 investment in the Class B interest of The Dignity Fund.

UNITUS

Notes to Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting - The accompanying consolidated financial statements of Unitus have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation - Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Net assets that are not subject to donor-imposed stipulations are reported as unrestricted net assets. Net assets subject to donor-imposed stipulations that may or will be met either by actions of Unitus or the passage of time are reported as temporarily restricted net assets.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Use of Estimates - In preparing Unitus' financial statements, management is required to make estimates and assumptions that affect the amounts of assets and liabilities, the 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.

Cash and Cash Equivalents - Unitus considers all highly liquid investments with maturities of three months or less to be cash equivalents.

Concentration of Credit Risk - Unitus invests its cash and cash equivalents with financial institutions in which the balance at each institution usually exceeds federally insured deposit limits. Management has not experienced any losses and believes there is minimal risk associated with these investments. Management performs an ongoing evaluation of the financial institutions to limit its concentration of credit risk exposure.

Receivables - Receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to receivables. Currently there is no allowance provided as management believes all amounts are collectible.

Investments - Investments in readily marketable securities are valued at fair value based on published quotations. Other investments are valued at the lower of cost or fair market value, or the equity method depending on the percentage of ownership. All gains and losses on investments are reported in the Consolidated Statement of Activities and Changes in Net Assets as increases or decreases to unrestricted net assets since the earnings from these investments are not restricted to any specific use other than to fulfill the general objectives of Unitus.

UNITUS

Notes to Consolidated Financial Statements

Note 2 - Continued

Equipment - Equipment is recorded at cost if purchased and at estimated fair market value at the date of contribution if donated. Equipment is depreciated on the straight-line method over the estimated useful lives of the assets, which generally ranges from 3 - 7 years. Unitus capitalizes expenditures greater than \$1,000 that materially increase the asset lives. The cost of ordinary maintenance and repairs are charged to expense as incurred. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in the Consolidated Statement of Activities and Changes in Net Assets.

Contributions - Unrestricted contributions are recorded as contributions and revenue when an unconditional promise to give has been made. Unconditional promises receivable are recognized at the estimated present value of future cash flows using the discount rate that approximates the risk free interest rate, which was 6% at December 31, 2005. Conditional contributions are recognized as revenue when management assesses the likelihood of not meeting the condition is remote.

Grants Payable - Grants payable, which include unconditional promises to give, are recognized as expenses in the period given. Conditional grants payable are recognized as an expense when management assesses the likelihood of the grantee not meeting the condition is remote.

Donated Services and Materials - A substantial number of volunteers, including members of the Board of Directors, have donated significant amounts of time to Unitus. The value of this contributed time does not meet the criteria for recognition under current accounting standards and, accordingly, is not reflected in the accompanying financial statements. However, certain professional services have been donated to Unitus and meet the criteria for recognition and are recorded in the accompanying financial statements. Contributions of materials, supplies, and use of facilities have also been recorded based on market values at the time of contribution.

Special Events - It is Unitus' policy to record net revenues related to donor expeditions plus contributions received at special events as contribution revenue. During the year ended December 31, 2005, special events gross revenue of \$71,181 and related expenses for direct benefits to donors of \$81,208, were included in contributions in the Statement of Activities and Changes in Net Assets.

Functional Expenses - The costs of providing programs and other activities have been summarized on a functional basis in the Consolidated Statement of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Unitus records expenses either directly to respective programs or allocates expenses based on direct salary costs or other appropriate activity for each program.

Federal Income Tax - The IRS has determined that Unitus is exempt from federal income taxes under Sections 501(c)(3) and 509(a)(1) of the Internal Revenue Code. Unitus Investment Management is a registered nonprofit and is applying for exemption from federal income taxes under sections 501(c)(3) and 509(a)(3) of the Internal Revenue Code.

UNITUS

Notes to Consolidated Financial Statements

Note 2 - Continued

Comparative Totals - The financial information includes certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Unitus's financial statements for the fifteen months ended December 31, 2004, from which the summarized information was derived.

Reclassifications - Certain reclassifications have been made to the 2004 financial statements to conform to 2005 presentation. Such reclassifications had no effect on the change in net assets previously reported.

Note 3 - Pledges Receivable

Included in pledges receivable are the following unconditional promises to give at December 31:

	<u>2005</u>	<u>2004</u>
Amounts due in:		
Less than one year	\$ 1,094,254	\$ 1,158,717
One to five years	<u>2,786,313</u>	<u>3,936,250</u>
Total Gross Pledges Receivable	3,880,567	5,094,967
Less: Unamortized discount	<u>(293,358)</u>	<u>(498,925)</u>
Net Pledges Receivable	<u>\$ 3,587,209</u>	<u>\$ 4,596,042</u>

In addition, during 2005, a corporation has committed to contribute a minimum of \$5,000 per month to Unitus based on performance of the corporation. As of December 31, 2005, \$20,000 has been received from the donor. Because the duration of the commitment was not specified by the donor, a pledge receivable has not been recorded as of December 31, 2005.

Note 4 - Investments

Investments consist of the following at December 31, 2005:

Certificates of deposit	\$ 1,338,466
US government securities	1,854,517
Investment in The Dignity Fund L.P. (Note 12)	<u>1,000,000</u>
Total Investments	<u>\$ 4,192,983</u>

For the year ended December 31, 2005, investment income consisted of interest income of \$58,824 and unrealized losses of \$18,842. There were no investments held as of December 31, 2004.

UNITUS

Notes to Consolidated Financial Statements

Note 5 - Note Payable

In January 2005 Unitus entered into a promissory note agreement with a foundation for \$250,000. The principal amount is due in one installment in February 2006. The note is unsecured and there is no interest due on the principal.

Note 6 - Related Party Transactions

As of December 31, 2005 and 2004, the financial statements include \$3,750,000 and \$4,750,000 of pledges receivable, respectively, and \$33,675 and \$5,007,550, respectively, of contributions from a foundation controlled by an officer of the board. The foundation also donated office space to Unitus during the years ended December 31, 2005 and 2004 valued at \$42,000 (Note 12).

As of December 31, 2005 and 2004, Unitus also has pledges receivable from another board member of \$9,054 and \$152,650, respectively.

A board member of Unitus also executed an agreement with Unitus in 2003 to allow borrowing up to \$1,000,000 on a line of credit. The line of credit expired and the outstanding balance of \$150,000 was repaid in September 30, 2005.

Additionally, three board members and the Chief Executive Officer of Unitus serve on the board of The Dignity Fund.

Note 7 - Leases

Unitus has entered into lease agreements with third parties for office space and office equipment. Future minimum lease payments under all non-cancelable leases are as follows:

<i>For years ending December 31,</i>	
2006	\$ 33,307
2007	16,180
2008	7,980
2009	7,980
2010	6,650
	<u>6,650</u>
	<u>\$ 72,097</u>

Rental expense for 2005 totaled \$32,278.

Note 8 - Retirement Plan

Unitus has a 403(b) retirement plan for the exclusive benefit of its employees. Under the plan, Unitus will match up to three percent of the compensation of eligible employees and an additional three percent to those employees who have made salary reduction contributions to the plan. Participants may elect to make additional contributions in excess of the three percent within the limitations set forth in the plan. Unitus' expense for the year ended December 31, 2005 and 2004 was \$41,939 and \$40,469, respectively.

UNITUS

Notes to Consolidated Financial Statements

Note 9 - Concentrations

Unitus received a cash contribution in 2005 from one donor of \$2,700,000. Additionally, Unitus also received an in-kind contribution in 2005 of \$1,000,000 from a second donor for his 100% holding of the Class B interest in The Dignity Fund. These two contributions comprise 70% of the total revenues for the year ended December 31, 2005. During the fifteen months ended December 31, 2004, Unitus received contributions from a related party Foundation of \$5,007,550. The contributions comprised 81% of the total revenues for the fifteen months ended December 31, 2004.

Note 10 - Investment in SKS Microfinance Pvt. Ltd

In August 2003, Unitus entered into an agreement with SKS to purchase equity in the amount of \$350,000. Unitus anticipates owning 50% or less of the equity in SKS. In 2004 Unitus formed UIM, which is a supporting organization controlled by Unitus, for the purpose of holding the equity interest in SKS and in December 2004 transferred \$250,000 to UIM. As of December 31, 2005, UIM had not purchased any shares in SKS. The terms of the equity purchase are currently being negotiated.

Note 11 - Commitments and Contingencies

SKS India (SKS) - In June 2004, Unitus entered into an agreement with SKS to provide a revolving credit facility in the amount of \$550,000. The credit facility guarantees the amount SKS borrowed from a bank in India. Under the terms of the agreement, Unitus would be required to pay the outstanding balance on the line of credit upon demand by the lender. In the event of default, Unitus may declare the entire unpaid principal balance of the agreement due and exercise the right to collect from SKS all sums due. In exchange for the guarantee, Unitus receives an annual fee. This agreement expired in 2005.

Pro Mujer Mexico (PMM) - Unitus has entered into a contract with Pro Mujer, a Washington D.C. corporation, which is the parent of PMM. Unitus has made available to PMM and its parent a \$1,500,000 line of credit and as draws are made promissory notes are issued. As of December 31, 2005, \$450,000 was outstanding on the line of credit. The related promissory note principal and interest at 5.25% are due in January 2006. This credit facility expires in January 2006.

Additionally, Unitus has made available to PMM a \$500,000 standby letter of credit. The credit facility guarantees the amount borrowed from a bank in Mexico. Under the terms of the agreement, Unitus would be required to pay the outstanding balance on the line of credit upon demand by the lender. In the event of default, Unitus may declare the entire unpaid principal balance of the agreement due and exercise the right to collect all sums due from PMM or its parent. In exchange for the guarantee, Unitus receives an annual fee. The guarantee fee receivable and the corresponding guarantee liability balances are \$12,500 at December 31, 2005. This agreement expires December 19, 2006.

UNITUS

Notes to Consolidated Financial Statements

Note 11 - Continued

Jamii Bora Trust - In December 2004, Unitus entered into an agreement with Jamii Bora Trust to issue a standby letter of credit through a Kenya bank guaranteeing borrowings up to \$1,000,000. Under the terms of the standby letter of credit, which expires on December 21, 2007, Unitus will be required to pay the outstanding balance drawn on the letter of credit should Jamii Bora Trust not be able to pay its loan. In the event of default under the letter of credit agreement, Unitus will terminate the letter of credit, have access to all financial records of Jamii Bora Trust, and work with Jamii Bora Trust to cure the default. In exchange for the guarantee, Unitus receives an annual fee. As of December 31, 2005, Jamii Bora Trust had borrowed the full amount under the terms of the letter of credit from the Kenya bank and the guarantee fee receivable and corresponding guarantee liability were \$44,548 and \$40,000, respectively.

Note 12 - In-Kind Contributions

Unitus received the following in-kind contributions for the year ended December 31, 2005 and the fifteen months ended December 31, 2004:

	<u>2005</u>	<u>2004</u>
Partnership interest in The Dignity Fund, L.P. (Note 9)	\$ 1,000,000	\$ -
Stock	26,610	
Furniture	735	
Legal services	115,314	20,134
Rent (Note 6)	<u>42,000</u>	<u>42,000</u>
	<u>\$ 1,184,659</u>	<u>\$ 62,134</u>

SUPPLEMENTAL INFORMATION

**Consolidated Statement of Functional Expenses
For The Year Ended December 31, 2005
(With Comparative Totals for The Fifteen Months Ended December 31, 2004)**

	Program Services										2005 Total (12 Months)	2004 Total (15 Months)
	India	Latin America	Africa	Awareness and Education	Capital Markets	General Program	Total Program Services	Management and General	Fundraising			
Salaries, payroll taxes, and benefits	\$ 171,376	\$ 54,129	\$ 79,612	\$ 61,555	\$ 172,955	\$ 195,887	\$ 735,514	\$ 310,061	\$ 199,378	\$ 1,244,953	\$ 1,038,213	
Professional fees	112,307		2,740	18,000	282,220	304	415,571	64,729	720	481,020	217,714	
Partner grants and support	360,908		5,000				365,908			365,908	599,645	
Travel	70,890	5,892	15,262	54,500	54,223	97,908	244,175	15,527	14,947	274,649	200,098	
Printing and reproduction	840			13,486	12	32	55,384	55,484	628	111,496	56,598	
Occupancy	20				14,964	28,588	57,058	33,466	18,643	109,367	49,302	
Telephone	5,052	802	1,219		4,148	9,352	20,573	26,390	5,058	52,021	47,961	
Supplies and shipping	1,991				1,068	(1,800)	1,259	34,620	2,769	38,648	49,288	
Other	642	1,622	902	2,968	6,511	3,968	16,613	32,871	16,513	65,997	43,065	
Financial expense	3,208		39,392			4,527	47,127	16,438		63,565	6,365	
	<u>727,234</u>	<u>62,445</u>	<u>144,127</u>	<u>150,509</u>	<u>536,101</u>	<u>338,766</u>	<u>1,959,182</u>	<u>589,586</u>	<u>258,856</u>	<u>2,807,624</u>	<u>2,308,269</u>	
Depreciation expense				3,239	3,594	8,170	15,003	8,522	4,526	28,051	18,044	
Total Expenses	\$ 727,234	\$ 62,445	\$ 144,127	\$ 153,748	\$ 539,695	\$ 346,936	\$ 1,974,185	\$ 598,108	\$ 263,382	\$ 2,835,675	\$ 2,326,313	