UNITUS

Consolidated Financial Statements With
Independent Auditors' Report

December 31, 2007

Table of Contents

CLARK NUBER

10900 NE 4th Street
Suite 1700
Bellevue WA 98004
tel 425 454 4919
fax 425 454 4620
800 504 8747
clarknuber.com

Certified Public
Accountants
and Consultants

Independent Auditors' Report

Board of Directors
Unitus
Redmond, Washington

We have audited the accompanying consolidated statement of financial position of Unitus, Unitus Investment Management, and Unitus Advisors Private Ltd. (collectively "the Organization") as of December 31, 2007, 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 audit. The prior year summarized comparative information has been derived from the Organization's December 31, 2006 consolidated financial statements and, in our report dated June 29, 2007, we expressed an unqualified opinion on those consolidated 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 consolidated 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.

As more fully described in Note 1, the Organization has two additional subsidiary organizations which are not included in these financial statements. In our opinion, the two additional subsidiaries should be consolidated with Unitus to conform to accounting principles generally accepted in the United States of America. If this consolidation had been done, assets would be increased by $15,812,931 and liabilities would be increased by $23,322, resulting in an increase in net assets of $15,789,609 at December 31, 2007; revenues would be increased by $3,653,376 and expenses would be increased by $62,644, resulting in $3,590,372 in excess of revenue over expenses for the year ended December 31, 2007. The Organization has prepared and published fully consolidated financial statements in addition to these statements that include all five entities.

In our opinion, except for the effects of not consolidating the additional two subsidiaries described in the previous paragraph, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2007, 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 consolidated financial statements of the Organization taken as a whole. The supplementary information on page 18 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 consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

Clark Nuber PS

Certified Public Accountants
May 27, 2008

UNITUS

Consolidated Statement of Financial Position
December 31, 2007
(With Comparative Totals for December 31, 2006)

	2007	*2006*
Assets		
Cash and cash equivalents	$ 2,369,363	$ 897,589
Accounts receivable	35,488	33,430
Grants receivable, current (Note 5)	322,991	480,217
Pledges receivable, current (Notes 4 and 8)	2,137,938	1,055,000
Related party receivable (Note 8)	725,575	663,823
Prepaid expenses	358,181	7,200
Guarantee fees receivable (Note 12)	87,731	64,213
Total Current Assets	**6,037,267**	**3,201,472**
Fixed Assets:		
Office furniture and equipment	323,527	136,725
Accumulated depreciation	(191,109)	(77,574)
Total Fixed Assets, Net	**132,418**	**59,151**
Grants receivable, noncurrent (Note 5)		304,708
Pledges receivable, noncurrent (Notes 4 and 8)	3,768,121	3,383,550
Investments (Note 6)	5,182,693	6,360,440
Total Assets	**$ 15,120,499**	**$ 13,309,321**
Liabilities and Net Assets		
Accounts payable	$ 176,526	$ 105,579
Accrued expenses	569,688	171,573
Guarantee liability (Note 12)	163,854	85,439
Grants payable (Note 2)	773,399	562,935
Notes payable, current (Notes 7 and 8)	1,000,000	1,000,000
Total Current Liabilities	**2,683,467**	**1,925,526**
Notes payable, noncurrent (Notes 7 and 8)	1,250,000	500,000
Total Liabilities	**3,933,467**	**2,425,526**
Commitments and Contingencies (Notes 9, 10, and 12)		
Net Assets:		
Unrestricted	4,816,542	4,952,070
Temporarily restricted (Note 14)	6,370,490	5,931,725
Total Net Assets	**11,187,032**	**10,883,795**
Total Liabilities and Net Assets	**$ 15,120,499**	**$ 13,309,321**

See accompanying notes to financial statements.

UNITUS

Consolidated Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2007
(With Comparative Totals for the Year Ended December 31, 2006)

	Unrestricted	Temporarily Restricted	2007 Total	2006 Total
Support and Revenue:				
Contributions	$ 3,154,075	$ 3,002,237	$ 6,156,312	$ 4,189,746
Grants	9,419	8,864	18,283	1,487,091
In-kind contributions (Note 13)	195,325		195,325	123,310
Investment income (Note 6)	287,690		287,690	187,607
Other earned income (Note 2)	1,084,084		1,084,084	274,541
2004 and 2005 reimbursed expenses (Note 8)				154,761
	4,730,593	3,011,101	7,741,694	6,417,056
Net assets released from restriction	2,572,336	(2,572,336)		
Total Support and Revenue	**7,302,929**	**438,765**	**7,741,694**	**6,417,056**
Expenses:				
Program Expenses	5,600,426		5,600,426	3,201,574
Supporting Services:				
Management and general	1,113,573		1,113,573	815,767
Fundraising	724,458		724,458	399,505
Total supporting services	1,838,031		1,838,031	1,215,272
Total Expenses	**7,438,457**		**7,438,457**	**4,416,846**
Change in Net Assets	**(135,528)**	**438,765**	**303,237**	**2,000,210**
Net Assets:				
Beginning of year	4,952,070	5,931,725	10,883,795	8,883,585
End of Year	**$ 4,816,542**	**$ 6,370,490**	**$ 11,187,032**	**$ 10,883,795**

See accompanying notes to financial statements.

UNITUS

Consolidated Statement of Cash Flows
For the Year Ended December 31, 2007
(With Comparative Totals for the Year Ended December 31, 2006)

	2007	*2006*
Cash Flows from Operating Activities:		
Change in net assets	$ 303,237	$ 2,000,210
Adjustments to reconcile change in net assets		
to net cash provided by operating activities:		
Non-cash items included in change in net assets		
Depreciation	65,992	30,763
Realized loss on investments	8,888	9,259
Unrealized (gain)/loss on investments	(85,047)	44,226
Loss on sale of fixed assets	268	
Changes in assets and liabilities:		
Accounts receivable	(2,058)	(4,057)
Pledges receivable	(1,467,509)	(851,341)
Grants receivable	461,934	(784,925)
Related party receivable	(61,752)	(663,823)
Prepaid expenses	(311,334)	2,627
Accounts payable	70,947	8,184
Accrued liabilities	333,148	127,933
Guarantees	54,897	27,742
Grants payable	210,464	412,936
Net Cash (Used)/Provided by Operating Activities	**(417,925)**	**359,734**
Cash Flows from Investing Activities:		
Cash paid to acquire Unitus Advisors Private Ltd (Note 3)	(13,211)	
Cash received from acquisition of Unitus Advisors Private Ltd (Note 3)	21,051	
Payments from note receivable		450,000
Purchase of investments	(2,160,052)	(7,504,115)
Proceeds from sale of investments	3,413,958	5,380,673
Capital contribution to Unitus Equity Fund		(97,500)
Purchase of equipment	(123,353)	(66,402)
Proceeds from sale of fixed assets	1,306	
Net Cash Provided/(Used) in Investing Activities	**1,139,699**	**(1,837,344)**
Cash Flows from Financing Activities:		
Proceeds from notes payable	750,000	1,250,000
Net Cash Provided by Financing Activities	**750,000**	**1,250,000**
Net Change in Cash	**1,471,774**	**(227,610)**
Cash, beginning of year	897,589	1,125,199
Cash, End of Year	**$ 2,369,363**	**$ 897,589**
Supplemental Disclosure of Cash Flow Information:		
Interest paid	$ 60,396	$ 53,095
Non-cash Investing Activities:		
Unitus Advisors Private Ltd assets acquired (Note 3)	$ 57,127	
Unitus Advisors Private Ltd liabilities assumed (Note 3)	$ 64,967	

See accompanying notes to 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), Unitus Advisors Private Limited (UAPL), and 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 8).

In 2006, UIM organized The Unitus Equity Fund, L.P. (UEF), a Cayman Islands exempted limited partnership and is its General Partner. Mauritius Unitus Corporation (MUC), a Republic of Mauritius corporation is a wholly owned subsidiary of Unitus Equity Fund. MUC was formed in order to engage in investment opportunities in India.

UEF’s primary objective is to further charitable purposes by investing in MFIs that provide loans or other financial services to individuals who are financially impoverished as a result of low income and lack of financial resources. The secondary purpose of UEF is to provide capital appreciation by investing in MFIs located throughout the developing world.

UEF’s General Partner (UIM) has a 1% capital interest, while the Limited Partners of UEF have a 99% interest. The limited partners are not personally liable for any obligations of UEF and have no obligation to make contributions to UEF in excess of their respective capital commitments. The General Partner has complete and exclusive discretion in the management and control of the affairs and business of UEF and its investments.

Under current generally accepted accounting principles (GAAP), UEF and MUC would be required to be consolidated with UIM in order to be presented in conformity with GAAP due to the control that UIM exercises over UEF. Management believes, however, that including UEF and MUC may be confusing to readers of the financial statements since UIM has only a 1% capital interest. Thus, management has elected to not include the financial results of UEF and MUC in these financial statements. However, the Organization has prepared and published fully consolidated financial statements in addition to these statements that include all four entities.

In March 2007, Unitus purchased 100% ownership of Unitus Advisors Private Limited (UAPL), a for profit corporation located in Bangalore, India. The transaction is accounted for using the purchase method of accounting, as described in Note 3.

Note 1 - Continued

MFI Partners (Unaudited)

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, 2007, 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; ASA-GV joined in a Unitus partnership in December 2004. Headquartered in Trichy, India, ASA-GV provides microfinance services, including loans with a maximum first loan size of 3,000 Indian rupees (or about $70 USD) and insurance products. Since launching its microfinance program, ASA-GV has grown to serve more than 223,000 clients. Unitus has provided more than $105,000 in capacity-building grants. The partnership also includes a $750,000 guarantee facility.

Adhikar, India - Adhikar began operations in 1991 and started its microfinance operations in 1999. Adhikar entered into partnership with Unitus in April 2007. Based in Bhubaneshwar, Orissa, India, Adhikar offers microcredit loans for micro-entrepreneurs and a remittance facility for migrant workers. Unitus has committed $85,000 in capacity-building grants, and committed to a $250,000 guarantee facility to help accelerate Adhikar’s growth.

Bandhan, India - Bandhan began its microfinance operations in 2001 and partnered with Unitus 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 over 755,000 poor clients. Bandhan’s maximum first loan size is 7,000 Indian Rupees (or about $160 USD). Unitus has committed $100,000 in capacity-building grants and committed to a $1 million guarantee facility to help accelerate Bandhan’s growth.

Bharatha Swamukti Samsthe (BSS), India - BSS began operations in 1999, and entered into partnership with Unitus in December 2004. BSS offers microcredit loans, savings and loan repayment insurance to more than 119,000 poor women in rural villages in India’s Karnataka state; their maximum first loan size is 7,000 Indian Rupees (or about $160 USD). Unitus has committed $100,000 in capacity-building grants and committed to a $1.5 million guarantee facility to accelerate BSS’s growth.

Equitas, India - Equitas began its microfinance operations in July of 2007 under the name of UBPD Microfinance Private Limited and partnered with Unitus in September 2007. Based in the city of Chennai, in the state of Tamil Nadu, India, Equitas offers microcredit loans and intends to initially focus on urban microfinance in Chennai and expand to other major urban areas later on.

Fondo de Inversion Social (FIS), Argentina - FIS was founded in 1999 as the microfinance arm of El Ceibal, an Argentine non-governmental organization offering educational and community development programs in the rural northern province of Santiago del Estero. In 2003, FIS expanded its operations to the urban areas of the greater Buenos Aires region. In 2005, FIS became an independent microfinance institution and is currently the leading microfinance institution in Argentina. FIS entered into partnership with Unitus in February 2006. Unitus has committed $100,000 in capacity-building grants and committed to an $180,000 guarantee facility to accelerate FIS’s growth.

Note 1 - Continued

Grameen Koota (GK), India - Grameen Koota is based in Bangalore, India and began its microfinance operations in May 1999. GK began partnering with Unitus in April 2005. GK now serves more than 125,000 clients with microcredit loans and insurance products; their maximum first loan size is 7,000 Indian Rupees (or about $160 USD). Unitus has committed $100,000 in capacity-building grants and has committed a $1 million guarantee facility to help accelerate GK's growth.

Grupo Crediexpress S.A. de C.V. (Credex), Mexico - Credex is a for-profit MFI that was founded in June 2002 in Guadalajara, Mexico. Credex, with 15 branches in seven states in southwestern and central Mexico, targets the working poor who lack access to financial services. Since its inception, Credex has disbursed over 30,000 loans and currently serves more than 20,000 active borrowers with a $7 million loan portfolio. Profitable since 2005, Credex has actively built its presence and brand in Mexico while recruiting a professional, talented team and creating the infrastructure to support future expansion. Credex began its partnership with Unitus in December 2006.

Instituto Finsol SA - Brazil (Finsol Brazil), Brazil - Finsol Brazil is a subsidiary of the broader Finsol S.A. de C.V. SFOL ("Finsol") organization, which is the second largest MFI in Mexico and among the fastest growing MFIs in the world. It provides financial services to poor and low-income micro-entrepreneurs (mostly women) in semi-urban and rural communities. Finsol launched international operations by opening its first affiliate ("Finsol Brazil") in Brazil. Its Brazilian team has extensive experience in the local microfinance sector and is supported by Finsol's highly commercial management. Unitus partnered with Finsol Brazil in November 2007 and will help the organization leverage Unitus' partner network, as well as provide strategic support.

Institute of Integrated Resource Management (IIRM), India - IIRM was established in 2000 and started its microfinance activities in 2003. Based in Tezpur, Assam, India, IIRM started its partnership with Unitus in April 2007, and provides a range of loan products. Unitus has committed $85,000 in capacity building grants, and committed to a $550,000 guarantee facility to help accelerate IIRM's growth.

Jamii Bora Trust (JBT), Kenya - Jamii Bora is one of Kenya's fastest-growing MFIs. With headquarters in Nairobi, Kenya, JBT began its partnership with Unitus in July 2004. JBT now serves more than 170,000 clients and has branches in nearly all major Kenyan cities. In addition to offering microcredit loans (which have a maximum first loan size of 8,000 Kenya Shillings - or about $105 USD) to its clients, JBT also offers insurance products and a variety of social services and empowerment opportunities. To date, Unitus has disbursed $218,000 in capacity-building grants and provided a $1 million guarantee to JBT to secure a term loan from Stanbic Bank of Kenya.

Lifebank, Philippines - Dr. Vincent Perlas was managing the Rural Bank of Ma'asin (Lifebank Rural Bank), when he launched Lifebank's first microfinance pilot project in 1995. Lifebank moved to a dedicated microfinance strategy in 2001; they use the tried-and-true ASA-Bangladesh methodology. The focus of Lifebank's staff and board is to actively explore ways to empower poor families, especially those excluded by the rural banking system, and help these families realize economic opportunities by accessing small financial products. Lifebank operates extensively in the central Philippines (the Visayas region) and is expanding to provide microfinance to clients throughout the country, including Luzon and Mindanao. Lifebank began its partnership with Unitus in November 2006. Unitus has committed $150,000 in capacity-building grants and also provides capacity-building consulting.

Note 1 - Continued

Pt. Mitra Bisnis Keluarga Ventura (MBK Ventura), Ventura, Indonesia - Founded in 2002 as Ganesha, MBK Ventura provides microcredit loans averaging about $42 to more than 61,000 micro-entrepreneurs through 15 branches in Indonesia. MBK Ventura focuses on the more than 21 million Indonesian households living on less than 70 cents a day, a segment of the population largely without access to formal capital. MBK Ventura began its partnership with Unitus in December 2006. Unitus has committed $170,000 in capacity-building grants to help accelerate MBK Ventura's growth.

MokshaYug Access (MYA), India - MYA is a rural infrastructure and services company with a primary focus on microfinance and will offer both financial and non-financial services on a profitable basis. Based in Bagalkot, Karnataka, India, MYA started its partnership with Unitus in August 2007.

Pro Mujer Mexico (PMM), Mexico - PMM is a Mexican MFI located in the town of Tula, state of Hidalgo, Mexico. Unitus began its partnership with PMM in March 2002, and PMM began lending operations in April 2002. As of December 2007, PMM had reached more than 21,000 clients. PMM offers microcredit with a maximum first loan size of 2,000 Mexican pesos (about $185 USD). They also facilitate group savings that are held by a third party bank. In addition to loans, PMM also offers empowerment trainings for current and potential clients. To date, Unitus has disbursed more than $375,000 to PMM in capacity-building grants and $400,000 in the form of a guarantee facility.

Swadhaar FinAccess (Swadhaar), India - Swadhaar is an MFI focused on providing microfinance services to the urban poor. It is headquartered in Mumbai, India, and commenced operations, with assistance from Friends of Women's World Banking, in Kherwadi, Bandra East, in March 2006. Swadhaar is registered as a non-profit company under Section 25 of the Indian Companies Act of 1956. Swadhaar's mission is: To make available regular, reliable and efficient financial services to the urban poor in a sustainable and scalable manner, so as to assist the poor in building their own capacity to cross the poverty line and meet aspirations for a better and more secure future. Swadhaar began its partnership with Unitus in May 2006. Unitus has committed $117,935 in grants. Unitus has also provided $105,000 in guarantees to help accelerate Swadhaar's growth.

Swayam Krishi Sangam (SKS), India - SKS is an Indian MFI with its head office located in the city of Hyderabad, state of Andhra Pradesh, India. SKS began operations in June 1998 and began its partnership with Unitus in March 2003. By December 2007, SKS had grown to serve more than 1.3 million clients. SKS offers loans in Indian rupees with a maximum first loan size of 10,000 rupees (about $230 USD). They also facilitate group savings, and recently introduced an insurance product. Unitus has committed $90,000 in capacity-building grant funds to SKS. Unitus has provided $550,000 in guarantees.

Ujjivan, India - Ujjivan launched the first of its pilot programs in November 2005 in Bangalore. Bangalore, located in Karnataka, India, has an estimated population of 6.5 million people, of which the urban poor comprise approximately 35 percent, or about 2 million people. The total potential market in Bangalore therefore is estimated to be around 500,000 borrowers. Ujjivan began its partnership with Unitus in May 2006.

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 MFIs serving the entrepreneurial poor. Unitus owns a $1,000,000 (cost basis) investment in the Class B interest of The Dignity Fund. As of December 31, 2007, this investment represents 17% ownership and is accounted for using the equity method because Unitus can exercise significant influence over the entity (Note 8).

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, except for the consolidation of two additional entities as discussed in Note 1.

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.

Earned Income - Other earned income on the statement of activities consists of revenue recognized upon expirations of guarantee liabilities (Note 12), interest earned on cash and cash equivalents with financial institutions and other miscellaneous earned revenues.

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. The balance of the valuation allowance is $7,854 and $0 at December 31, 2007 and 2006, respectively.

Note 2 - Continued

Investments - Investments in readily marketable securities are valued at fair value based on published quotations. Other investments, which are not readily marketable, are carried at estimated fair value as estimated by Unitus. Unitus estimates the fair value based on information provided by the investment companies and other market data. Those estimated fair values may differ significantly from the values that would have been used had a ready market for these investments existed. All gains and losses on investments are reported in the Consolidated Statement of Unrestricted Activities 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.

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 - 5 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 3.4% at December 31, 2007. 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.

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 exempt from federal income taxes under Section 501(c)(3) and 509(a)(3) of the Internal Revenue Code. UAPL is a for profit corporation, subject to taxation in India.

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' financial statements for the year ended December 31, 2006, from which the summarized information was derived.

Reclassifications - Certain reclassifications have been made to the 2006 financial statements to conform to the 2007 presentation. Such reclassifications had no effect on the change in net assets previously reported.

Note 3 - Foreign Operations

In March 2007, Unitus acquired 100% of the shares of Unitus Advisors Private Ltd., a for-profit corporation based in Bangalore, India for $13,211. The corporation was established in 2005 to be the operating partner of Unitus in Bangalore. Prior to the acquisition, an operating agreement allowed Unitus to reimburse cash expenses incurred by UAPL. The valuation for the acquisition was determined by a combination of fair market value and equity basis as proscribed by Indian law and certified by independent accountants. The two organizations are treated as separate legal entities, but are consolidated for financial reporting.

Operations outside the United States are subject to risks inherent in operating under different legal systems and various political and economic environments. Among the risks are changes in existing tax laws, possible limitations on foreign investment and income repatriation, government price or foreign exchange controls, and restrictions on currency exchange.

Note 4 - Pledges Receivable

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

	2007	*2006*
Amounts due in:		
Less than one year	$ 2,137,938	$ 1,055,000
One to five years	4,074,117	3,880,000
Total Gross Pledges Receivable	**6,212,055**	**4,935,000**
Less: Unamortized discount to present value (3.4%)	(298,142)	(496,450)
Less: Allowance for uncollectible pledges	(7,854)	
Net Pledges Receivable	**$ 5,906,059**	**$ 4,438,550**

Note 5 - Grants Receivable

In 2006 Unitus was awarded a multi-year grant for research from a foundation. The project has achieved its milestones to date and management is very confident of its success. The grant receivable as of December 31, 2007 is expected to be collected during 2008.

Note 6 - Investments

Investments consist of the following at December 31:

	2007	*2006*
Certificates of deposit	$ 1,563,035	$ 3,442,467
US government securities	2,472,796	1,838,301
Investment in The Unitus Equity Fund (Note 1)	157,939	90,749
Investment in The Dignity Fund L.P. (Note 1)	988,923	988,923
Total Investments	**$ 5,182,693**	**$ 6,360,440**

Investment return for assets recorded at fair value for the year ended December 31 was as follows:

	2007	*2006*
Dividends and interest	$ 211,531	$ 241,092
Realized and unrealized gains and losses, net	76,159	(53,485)
Total Return on Investments	**$ 287,690**	**$ 187,607**

Note 7 - Notes Payable

In January 2005, Unitus entered into a promissory note agreement with a foundation for $250,000. In February 2006, the foundation increased the note by $750,000. The principal amount is due in one installment in January 2008. Subsequent to December 31, 2007, a new loan agreement was signed with the foundation to extend the due date of the $1,000,000 loan to January 31, 2009. The note is unsecured and there is no interest due on the principal. However, an in-kind contribution and in-kind interest have been imputed for this note at 6% (Note 13).

In May 2006, Unitus entered into an agreement with a foundation controlled by a board member for an unsecured term loan of $500,000 to be used to support loan guarantees for Unitus partners. The loan matures May 1, 2009, with interest of 4.5% due on May 1 of each year.

In April 2007, the Calvert Foundation (Calvert) provided Unitus with a $1,000,000 loan to support program activity. Unitus intends to draw as necessary and use the proceeds to provide debt facilities to its partners, and the balance outstanding at December 31, 2007 was $500,000. The interest rate on the loan is at 4.5% for the first 365 days and is then set by Calvert at a rate not higher than the two-year Treasury note rate. The loan is due in April 2010.

Note 7 - Continued

In December 2007, Calvert provided Unitus with a $250,000 loan to support program activity. The interest rate on the loan is at 5.5% for the first 365 days and is then set by Calvert at a rate not higher than the two-year Treasury note rate. The loan is due in July 2009.

Principal payments on notes payable for the years ending December 31 are as follows:

2008	$ 1,000,000
2009	750,000
2010	500,000
	$ 2,250,000

Note 8 - Related Party Transactions

Contributions and Pledges - As of December 31, 2007 and 2006, the financial statements include $4,750,000 of pledges receivable in both years, and $1,000,000 and $2,007,500, 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, 2007 and 2006 valued at $51,534 and $42,000, respectively (Note 13).

As of December 31, 2007, Unitus also has pledges receivable from other board members totaling $325,000.

Note Payable - In 2006, Unitus entered into a $500,000 term loan with a foundation controlled by a board member (Note 7).

The Dignity Fund - Three board members and the Chief Executive Officer of Unitus serve on the board of The Dignity Fund.

Unitus/UIM and UEF - UEF and UIM executed a management agreement on March 15, 2006. Per the management agreement, UIM provides UEF with management, administrative and operating services as outlined in the Limited Partnership agreement. The management fee is accrued at an annual rate equal to 2.5% of aggregate capital commitments from the initial closing (March 15, 2006) until the expiration of the commitment period. After that point, the management fee is equal to 2% of capital contributions. For the year ended December 31, 2007 and 2006, UIM recognized $901,267 and 223,593 of management fee income from UEF, respectively. At December 31, 2007 and 2006, related party receivables reflect amounts due from UEF for management fees and certain organizational and deal costs totaling $725,575 and $663,823, respectively.

During 2004 and 2005, Unitus incurred expenses in exploring the feasibility of forming and in setting up UEF. Once UEF was formed in 2006, the UEF Board approved reimbursing Unitus for these expenses totaling $154,761. This is recognized as revenue in the accompanying Statement of Activities for the year ended December 31, 2006.

In addition, at December 31, 2007 and 2006, UIM has a net capital investment of $157,939 and $90,749 in UEF, respectively (Notes 1 and 6).

Note 9 - Leases

Unitus has entered into lease agreements with third parties for office space and office equipment. Additionally, UAPL has entered into a three-year lease agreement with third parties for office space in Bangalore, India.

Future minimum lease payments under all non-cancelable leases are as follows:

	Unitus	*UAPL*
For years ending December 31,		
2008	$ 221,506	$ 152,800
2009	330,552	177,900
2010	341,773	135,112
2011	352,994	89,758
2012	364,215	95,143
Thereafter	136,756	16,008
	$ 1,747,796	**$ 666,721**

Rental expense for 2007 and 2006 totaled $189,064 and $105,272, respectively (including in-kind - Notes 8 and 13).

Note 10 - 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 years ended December 31, 2007 and 2006 was $121,986 and $61,038, respectively.

Note 11 - Concentrations

In 2007, Unitus received a contribution of $1,000,000 from a donor, which comprises 13% of total revenues for the year. At December 31, 2007, 77% of the gross pledges receivable balance before present value discount is due from one donor, and 100% of the grant receivable balance is due from one foundation.

In 2006 Unitus received contributions of $2,007,550 from a donor and a grant of $1,461,372 from a foundation, which comprised 32% and 24%, respectively, of total revenues for the year ended December 31, 2006.

Note 12 - Commitments and Contingencies

Pro Mujer Mexico (PMM) - Unitus has entered into a contract with Pro Mujer, a Washington D.C. not-for-profit corporation, which is the parent of PMM. Unitus has made available to PMM a standby letter of credit for $400,000 for November 2006 through November 2007 and for $200,000 for November 2007 through November 2008. 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. At December 31, 2007 and 2006, the guarantee fee receivables are $6,000 and $10,000 respectively; and the corresponding guarantee liabilities are $7,000 and $10,000, respectively.

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 June 30, 2008, 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, 2007, 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 are $27,829 and $40,781, respectively.

Activists for Social Alternatives - Grama Vidiyal (ASA-GV) - In November 2006, Unitus entered into an agreement with ASA-GV to issue a standby letter of credit through an Indian bank guaranteeing borrowings up to $750,000. Under the terms of the standby letter of credit, which expires in September 2008, Unitus will be required to pay the outstanding balance drawn on the letter of credit should ASA-GV 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 ASA-GV and work with ASA-GV to cure the default. In exchange for the guarantee, Unitus receives an annual fee. As of December 31, 2007, ASA-GV had borrowed the full amount under the terms of the letter of credit from the Indian bank and the guarantee fee receivable and corresponding guarantee liability are $5,977 and $22,915, respectively.

Fondo de Inversion Social (FIS) - In November 2006, Unitus entered into an agreement with FIS to issue a standby letter of credit through an Argentine bank guaranteeing borrowings up to $180,000. Under the terms of the standby letter of credit, which expires in November 2008, Unitus will be required to pay the outstanding balance drawn on the letter of credit should FIS 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 FIS, and work with FIS to cure the default. In exchange for the guarantee, Unitus receives an annual fee. As of December 31, 2007, FIS had borrowed the full amount under the terms of the letter of credit from the Argentine bank and the guarantee fee receivable and corresponding guarantee liability were $2,965 and $11,700, respectively.

Note 12 - Continued

Adhikar - In December 2007, Unitus entered into an agreement with Adhikar to issue a standby letter of credit through an Indian bank guaranteeing borrowing up to $250,000. Under the terms of the standby letter of credit, which expires in June 2009, Unitus will be required to pay the outstanding balance drawn on the letter of credit should Adhikar 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 Adhikar and work with Adhikar to cure the default. In exchange for the guarantee, Unitus receives an annual fee. As of December 31, 2007, Adhikar had borrowed the full amount under the terms of the letter of credit from the bank, and the guarantee fee receivable and corresponding guarantee liability are both $27,033.

Institute of Integrated Resource Management (IIRM) - In December 2007, Unitus entered into an agreement with IIRM to issue a standby letter of credit through an Indian bank guaranteeing borrowing up to $550,000. Under the terms of the standby letter of credit, which expires in September 2009, Unitus will be required to pay the outstanding balance drawn on the letter of credit should IIRM 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 IIRM and work with IIRM to cure the default. In exchange for the guarantee, Unitus receives an annual fee. As of December 31, 2007, IIRM had borrowed the full amount under the terms of the letter of credit from the bank, and the guarantee fee receivable and corresponding guarantee liability are $17,671 and $21,925, respectively.

Swadhaar FinAccess (Swadhaar) - In December 2007, Unitus entered into an agreement with Swadhaar to issue a standby letter of credit through an Indian bank guaranteeing borrowing up to $105,000. Under the terms of the standby letter of credit, which expires in September 2009, Unitus will be required to pay the outstanding balance drawn on the letter of credit should Swadhaar 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 Swadhaar and work with Swadhaar to cure the default. In exchange for the guarantee, Unitus receives an annual fee. As of December 31, 2007, Swadhaar had borrowed the full amount under the terms of the letter of credit from the bank, and the guarantee fee receivable and corresponding guarantee liability are $1,756 and $2,362, respectively.

Pt. Mitra Bisnis Keluarga Ventura (MBK Ventura) - In March 2007, Unitus entered into an agreement with MBK Ventura to provide an operating loan. Unitus risk-participated the entire principal to Micro Credit Enterprises, meaning that Micro Credit Enterprises is assuming the default risk on the loan, and Unitus has accepted and in turn hedged the currency risk. The hedge is constructed to eliminate the currency risk on the principal. The loan may be renewed for up to three years.

Note 13 - In-Kind Contributions

Unitus received the following in-kind contributions for the years ended December 31:

	2007	*2006*
Interest (Note 7)	$ 60,396	$ 58,095
Rent (Note 8)	51,534	42,000
Special event goods and services	15,622	9,168
Professional services	51,743	11,600
Software and books	16,030	
Furniture		2,447
	$ 195,325	**$ 123,310**

Professional services include accounting, advertising, video production, contract writing and marketing for program, administration and fundraising activities.

Note 14 - Temporarily Restricted Net Assets

Temporarily restricted net assets were available for the following purposes at December 31:

	2007	*2006*
Pledges receivable:		
MFI Services – time and purpose restricted	$ 433,673	$ 200,000
Other pledges receivable – time restricted	5,151,892	4,238,550
MFI Efficiency Project:		
Grant receivable – time and purpose restricted	784,925	784,925
Purpose restricted		533,250
India office – purpose restricted		175,000
	$ 6,370,490	**$ 5,931,725**

Note 15 - Subsequent Events

Subsequent to December 31, 2007, Unitus received a conditional contribution totaling $9 million. Certain operational and performance milestones are required by the donor.

SUPPLEMENTAL INFORMATION

UNITUS

Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2007
(With Comparative Totals for the Year Ended December 31, 2006)

	Program Services	*Management and General*	*Fundraising*	*2007 Total*	*2006 Total*
Salaries, payroll taxes, and benefits	$ 2,722,794	$ 725,804	$ 373,090	$ 3,821,688	$ 2,149,696
Professional fees	734,803	149,464	91,186	975,453	444,786
Partner grants and support	774,193		90	774,283	751,063
Travel	658,386	41,010	111,332	810,728	382,454
Printing and reproduction	45,455	14,372	47,377	107,204	94,065
Occupancy	161,940	48,023	11,204	221,167	136,776
Telephone	119,150	32,790	7,900	159,840	71,855
Supplies and shipping	31,038	10,170	5,629	46,837	34,632
Other	130,979	63,581	53,199	247,759	193,616
Financial expense	172,975	14,030	20,501	207,506	127,141
	5,551,713	1,099,244	721,508	7,372,465	4,386,084
Depreciation	48,713	14,329	2,950	65,992	30,762
Total Expenses	**$ 5,600,426**	**$ 1,113,573**	**$ 724,458**	**$ 7,438,457**	**$ 4,416,846**

See auditors' report.