UNITUS

Consolidated Financial Statements

For the Year Ended December 31, 2010

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Certified Public
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Independent Auditors' Report

Board of Directors
Unitus
Seattle, Washington

We have audited the accompanying consolidated statement of financial position of Unitus, Unitus Investment Management, Unitus Investment Group, and Unitus Advisors Private Ltd. (collectively "Unitus") as of December 31, 2010, 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 Unitus' 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 Unitus' December 31, 2009, consolidated financial statements and, in our report dated April 1, 2010, we expressed a qualified 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, Unitus 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 $9,447,953 at December 31, 2010; revenues would be increased by $15,849,040 and expenses would be increased by $133,479, resulting in an additional $15,715,561 surplus of revenue over expenses for the year ended December 31, 2010. Unitus has prepared and published fully consolidated financial statements in addition to these statements that include all six 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 Unitus as of December 31, 2010, 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.

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Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Clark Nuber P S

Certified Public Accountants
May 2, 2011

UNITUS

Consolidated Statement of Financial Position
December 31, 2010
(With Comparative Totals for December 31, 2009)

	2010	*2009*
Assets		
Cash and cash equivalents	$ 6,363,519	$ 3,715,508
Restricted cash	264,299	
Accounts receivable	28,366	44,193
Pledges receivable, current (Notes 4 and 10)		1,556,831
Grants receivable, current (Note 5)		1,031,157
Related party receivable (Note 10)		49,320
Prepaid expenses	26,868	132,487
Guarantee fees receivable (Note 14)	43,426	47,003
Total Current Assets	**6,726,478**	**6,576,499**
Pledges receivable, noncurrent (Notes 4 and 10)		1,596,600
Grants receivable, noncurrent (Note 5)		221,123
Property and equipment (Note 6)	19,642	260,243
Investments (Note 7)	2,554,350	10,722,529
Total Assets	**$ 9,300,470**	**$ 19,376,994**
Liabilities and Net Assets		
Accounts payable	$ 8,892	$ 98,368
Accrued expenses	318,718	530,289
Guarantee liability (Note 14)	72,082	102,457
Grants payable		892,126
Accrued lease obligations (Note 11)	269,538	
Refundable advances, current (Note 5)	1,650,000	3,000,000
Notes payable, current (Notes 9 and 10)		2,500,000
Total Current Liabilities	**2,319,230**	**7,123,240**
Accrued lease obligations, noncurrent (Note 11)	268,125	
Refundable advances, noncurrent (Note 5)		750,000
Contingent liability (Note 14)		180,000
Total Liabilities	**2,587,355**	**8,053,240**
Commitments and Contingencies (Notes 11, 13, and 14)		
Net Assets:		
Unrestricted	6,468,033	5,994,372
Temporarily restricted (Note 16)	245,082	5,329,382
Total Net Assets	**6,713,115**	**11,323,754**
Total Liabilities and Net Assets	**$ 9,300,470**	**$ 19,376,994**

See accompanying notes.

UNITUS

Consolidated Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2010
(With Comparative Totals for the Year Ended December 31, 2009)

	Unrestricted	Temporarily Restricted	2010 Total	2009 Total
Support and Revenue:				
Contributions and grants	$ 2,136,516	$ 181,800	$ 2,318,316	$ 6,421,985
In-kind contributions (Note 15)	4,669		4,669	783,800
Investment income (Note 7)	4,023,117		4,023,117	1,137,671
Other earned income (Note 2)	808,940		808,940	948,574
	6,973,242	181,800	7,155,042	9,292,030
Net assets released from restriction	5,266,100	(5,266,100)		
Total Support and Revenue	**12,239,342**	**(5,084,300)**	**7,155,042**	**9,292,030**
Expenses:				
Program services	6,078,055		6,078,055	6,014,384
Supporting services-				
Management and general	5,012,856		5,012,856	1,175,262
Fundraising	674,770		674,770	857,227
Total supporting services	5,687,626		5,687,626	2,032,489
Total Expenses	**11,765,681**		**11,765,681**	**8,046,873**
Change in Net Assets	**473,661**	**(5,084,300)**	**(4,610,639)**	**1,245,157**
Net Assets:				
Beginning of year	5,994,372	5,329,382	11,323,754	10,078,597
End of Year	**$ 6,468,033**	**$ 245,082**	**$ 6,713,115**	**$ 11,323,754**

See accompanying notes.

UNITUS

Consolidated Statement of Cash Flows
For the Year Ended December 31, 2010
(With Comparative Totals for the Year Ended December 31, 2009)

	2010	*2009*
Cash Flows from Operating Activities:		
Change in net assets	$ (4,610,639)	$ 1,245,157
Adjustments to reconcile change in net assets		
to net cash provided by operating activities-		
Non-cash items included in change in net assets:		
Depreciation	109,661	144,972
Realized gain on investments	(2,661,446)	(4,273)
Unrealized gain on investments	(1,333,726)	(1,081,169)
Loss on disposal of fixed assets	150,138	
Changes in assets and liabilities:		
Restricted cash	(264,299)	
Accounts receivable	15,827	17,588
Pledges receivable	3,153,431	1,353,030
Grants receivable	1,252,280	(861,716)
Related party receivable	49,320	978,459
Other receivables		24,352
Prepaid expenses	105,619	2,278
Accounts payable	(89,476)	(19,227)
Accrued expenses	(211,571)	193,102
Accrued lease obligations	537,663	
Refundable advances	(2,100,000)	(3,000,000)
Guarantees	(26,798)	10,254
Grants payable	(892,126)	(77,430)
Contingent liability	(180,000)	180,000
Net Cash Used in Operating Activities	**(6,996,142)**	**(894,623)**
Cash Flows from Investing Activities:		
Purchase of investments	(22,198)	(15,462,209)
Proceeds from sale of investments	8,580,519	17,484,695
Dignity Fund return of capital	863,922	
Unitus Equity Fund return of capital	2,753,500	98,743
Capital contribution to Unitus Equity Fund	(12,392)	(8,131)
Purchase of equipment	(26,946)	(47,103)
Proceeds from sale of fixed assets	7,748	3,775
Net Cash Provided by Investing Activities	**12,144,153**	**2,069,770**
Cash Flows from Financing Activities:		
Payments on notes payable	(2,500,000)	(500,000)
Net Cash Used in Financing Activities	**(2,500,000)**	**(500,000)**
Net Change in Cash and Cash Equivalents	**2,648,011**	**675,147**
Cash and cash equivalents, beginning of year	3,715,508	3,040,361
Cash and Cash Equivalents, End of Year	**$ 6,363,519**	**$ 3,715,508**
Supplemental Disclosure of Cash Flow Information:		
Interest paid	$ 28,730	$ 76,820

See accompanying notes.

Note 1 - Description of the Organization and Operations

Principles of Consolidation - The consolidated financial statements of Unitus include the accounts of Unitus, Unitus Investment Management (UIM), Unitus Investment Group (UIG) and Unitus Advisors Private Limited (UAPL), and are collectively referred to as “Unitus.” All inter-company transactions have been eliminated.

Unitus is an international humanitarian public charity which focuses on reducing global poverty through economic self-empowerment. From 2001 to 2010, Unitus focused on accelerating access to microfinance in developing countries including India, Southeast Asia, East Africa, Mexico and South America. In July 2010, Unitus announced that it had completed its goals for microfinance and therefore would not be taking on any new microfinance projects. Additionally, Unitus announced that it was researching new opportunities to reduce poverty at significant scale.

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.

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, Unitus has prepared and published fully consolidated financial statements in addition to these statements that include all six entities.

In March 2007, Unitus purchased 100% ownership of Unitus Advisors Private Limited (UAPL), a for-profit corporation located in Bangalore, India (Note 3).

Note 2 - Summary of Significant Accounting Policies

In 2008, the Unitus board members formed UIG to hold and manage program related investments for Unitus. Unitus owns 75% of UIG. UIG held all voting common shares of Unitus Capital Founders in 2008 (UCF). In December 2009, UCF purchased back all its outstanding common shares from UIG. UIG was dissolved in 2010.

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 Consolidated Statement of Activities and Change in Net Assets consists of revenue recognized upon expirations of guarantee liabilities (Note 14), management fee income earned under the agreement with UEF (Note 10) 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 original maturities of three months or less to be cash equivalents, except for those included in Unitus's investment portfolio.

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 on these balances to date. 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.

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 lower of cost or fair value as estimated by Unitus. 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.

Property and Equipment - Equipment is recorded at cost, if purchased and at estimated fair value at the date of contribution, if donated. Equipment is depreciated using the straight-line method over the estimated useful lives of the assets, which generally ranges from three to five 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 pledges receivable are recognized at the estimated present value of future cash flows using a risk-adjusted discount rate. Conditional contributions are recognized as revenue when management assesses the likelihood of not meeting the condition is remote. Cash received from conditional contributions is recorded as refundable advances until conditions are met.

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 consolidated financial statements. However, certain professional services have been donated to Unitus and meet the criteria for recognition and are recorded in the accompanying consolidated financial statements. Contributions of materials, supplies, and use of facilities have also been recorded based on fair value 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. UIM 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. UIG is a for-profit limited liability company, subject to taxation in the United States.

Note 2 - Continued

Unitus files income tax returns with the U.S. and various other governments. Unitus is subject to income tax examinations for the current year and certain prior years based on the applicable laws and regulations.

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' consolidated financial statements for the year ended December 31, 2009, from which the summarized information was derived.

Subsequent Events - The management of Unitus has evaluated subsequent events through May 2, 2011, the date on which the consolidated financial statements were available to be issued.

Reclassifications - Certain reclassifications have been made to the 2009 consolidated financial statements to conform to the 2010 presentation. Such reclassifications had no effect on the change in net assets previously reported.

Note 3 - Foreign Operations

Unitus owns 100% of the shares of UAPL, a for-profit corporation based in Bangalore, India. UAPL was established in 2005 to be the operating partner of Unitus in Bangalore. Unitus also had an office in Nairobi, Kenya, which operated to support the office in the United States. The Kenya office closed in 2010.

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:

	2010	*2009*
Amounts due in:		
Less than one year	$ -	$ 1,556,831
One to five years		1,765,001
Total Gross Pledges Receivable		**3,321,832**
Less unamortized discount to present value (0.2% - 6.0%)		(82,341)
Less allowance for uncollectible pledges		(86,060)
Net Pledges Receivable	**$ -**	**$ 3,153,431**

Note 4 - Continued

As a result of Unitus' decision to not take on new microfinance projects, Unitus granted donors relief from their previous pledge commitments. As a result, pledges totaling approximately $2,305,000 were written off during 2010 and these amounts are included with bad debt expenses in the Consolidated Statement of Functional Expenses.

Note 5 - Grants Receivable

Included in grants receivable are the following unconditional grants at December 31:

	2010	*2009*
Amounts due in:		
Less than one year	$ -	$ 1,031,157
One to five years		221,565
Total Gross Grants Receivable		**1,252,722**
Less unamortized discount to present value (0.2% - 0.3%)		(442)
Net Grants Receivable	**$ -**	**$ 1,252,280**

As a result of Unitus' decision to not take on new microfinance projects, Unitus allowed grantors relief from their previous grant commitments. As a result, grants totaling approximately $682,000 were written off during 2010 and these amounts are included with bad debt expenses in the Consolidated Statement of Functional Expenses.

In 2008, Unitus was awarded a $9,000,000 multi-year grant with conditions from a foundation. The full amount of the grant was received in 2008 and a portion of it was recognized as grant revenue upon receipt. The unrecognized portion is accounted for as a refundable advance, totaling $1,650,000 and $3,750,000, at December 31, 2010 and 2009, respectively. The unspent portion of the grant totaling $1,650,000 as of December 31, 2010, is reported as refundable advances in the Consolidated Statement of Financial Position, and will be refunded to the grantor as a result of Unitus' decision to not take on new microfinance projects.

Note 6 - Property and Equipment

Property and equipment at December 31 consist of the following:

	2010	2009
Furniture and equipment	$ 72,092	$ 598,505
Leasehold improvements		86,429
Total Property and Equipment	**72,092**	**684,934**
Less accumulated depreciation	(52,450)	(424,691)
Net Property and Equipment	**$ 19,642**	**$ 260,243**

As a result of Unitus' decision to not take on new microfinance projects, Unitus disposed of most of its property and equipment during the year ended December 31, 2010. $518,029 of property and equipment were sold, written off, or otherwise disposed, resulting in a loss of $150,138.

Note 7 - Investments

Investments consisted of the following at December 31:

	2010	2009
Investments reported at fair value:		
Money market funds	$ -	$ 2,528,722
Certificates of deposit		3,533,936
U.S. government securities		2,502,020
Total investments reported at fair value		8,564,678
Investments reported using equity method:		
Investment in The Unitus Equity Fund, L.P.	2,554,350	1,170,124
Investment in The Dignity Fund, L.P.		987,727
Total investments reported using equity method	2,554,350	2,157,851
Total Investments	**$ 2,554,350**	**$ 10,722,529**

The Unitus Equity Fund, L.P. - The Unitus Equity Fund, L.P. was organized by Unitus Investment Management with the primary and secondary objectives to further charitable purposes by investing in microfinance institutions and to provide capital appreciation to investors, respectively. UIM is the general partner in UEF, owning a 20.80% investment interest that was accounted for using the equity method.

Note 7 - Continued

The Dignity Fund, L.P. - The Dignity Fund, L.P. is an investment vehicle for private investors that provides debt financing to a select group of micro-finance institutions serving the entrepreneurial poor. The Dignity Fund liquidated substantially all its holding during 2010 and Unitus received a distribution of $863,922. Additionally, Unitus wrote off the remaining value of its investment in Dignity Fund due to the uncertainty in realizing the investment value.

Investment return for the years ended December 31 was as follows:

	2010	*2009*
Dividends and interest	$ 27,945	$ 52,229
Realized and unrealized gains and losses, net	3,995,172	1,085,442
Total Return on Investments	**$ 4,023,117**	**$ 1,137,671**

Note 8 - Fair Value Measurements

Valuation Techniques - GAAP provides a consistent model for determining fair value measures for financial assets and liabilities. GAAP identifies three levels of inputs that are available for measuring fair value. Financial assets and liabilities valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets and liabilities valued using Level 2 inputs are based primarily on quoted prices for similar assets or liabilities in active or inactive markets. Financial assets and liabilities using Level 3 inputs were primarily valued using management's assumptions about the assumptions market participants would utilize in pricing the asset or liability. Valuation techniques utilized to determine fair value are consistently applied.

Fair Values Measured on a Recurring Basis - Fair values of assets and liabilities measured on a recurring basis at December 31, 2010 and 2009, were as follows:

	Quoted Prices In Active Markets for Identical Assets (Level 1)	*Significant Other Observable Inputs (Level 2)*	*Significant Unobservable Inputs (Level 3)*	*Total*
Fair Value Measurements at December 31, 2010	**$ -**	**$ -**	**$ -**	**$ -**
Fair Value Measurements at December 31, 2009	**$ 6,062,658**	**$ 2,502,020**	**$ -**	**$ 8,564,678**

Note 9 - Notes Payable

In January 2008, Unitus entered into a promissory note agreement with a foundation for $1,000,000. 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 1% (Note 15). This loan was paid in full during 2010.

In May 2006, Unitus entered into an agreement with a foundation controlled by a board member for an unsecured term loan of $500,000, with interest of 4.5% due on May 1 of each year, to be used to support loan guarantees for Unitus partners. The loan initially matured May 1, 2009, and was renewed with interest of 3.0% through May 1, 2010, and the loan was paid in full during 2010.

In April 2007, the Calvert Foundation (Calvert) provided Unitus with a $1,000,000 loan to support program activity. Unitus may draw as necessary and use the proceeds to provide debt facilities to its partners. 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 balance outstanding at December 31, 2009, was $1,000,000. This loan was paid in full during 2010.

Note 10 - Related Party Transactions

Contributions and Pledges - As of December 31, 2009, the consolidated financial statements include $2,750,000 of pledges receivable for contributions from a foundation controlled by a member of the Unitus board.

As of December 31, 2009, the consolidated financial statements include $105,461 of pledges receivable, for contributions from a company founded by a member of the Unitus board.

As of December 31, 2009, Unitus also has pledges receivable from other Unitus board members totaling $278,630.

As of December 31, 2010, Unitus has no pledges receivable from related parties.

Note Payable - In 2006, Unitus entered into a $500,000 term loan with a foundation controlled by a Unitus board member (Note 9). The note was paid in full in 2010.

The Dignity Fund, L.P. - One Unitus board member and two former Unitus board members serve on the board of The Dignity Fund, L.P.

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 years ended December 31, 2010 and 2009, UIM recognized $413,332 and $585,375 of management fee income from UEF, respectively.

In addition, at December 31, 2010 and 2009, UIM has a net capital investment of $2,554,350 and $1,170,124 in UEF, respectively (Notes 1 and 7).

Note 11 - Leases

Unitus has entered into lease agreements with third parties for office space and office equipment. In connection with Unitus' decision to not take on new microfinance projects, Unitus elected to close the corporate office and sublet the space. In accordance with GAAP, Unitus accrued the estimated lease liability on the cease-use date based on the remaining lease term, adjusted for the effects of any prepaid or deferred items recognized under the lease, and reduced by estimated sublease rentals that could be reasonably obtained for the property.

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

For the Years Ending December 31,	
2011	$ 364,140
2012	375,360
2013	126,900
Total	**$ 866,400**

Rental expense for 2010 and 2009 totaled $908,486 and $491,265, respectively, and for 2010 includes the accrual for the remaining lease payments as discussed above of $537,663.

Subsequent to December 31, 2010, Unitus signed an agreement to sublease substantially all its office space for the remaining lease term. Minimum lease payment to be received is $14,961 per month, with certain incentives provided to the subtenant.

Note 12 - Retirement Plan

Unitus has a 403(b) retirement plan for the exclusive benefit of its employees. Under the plan, Unitus will match up to 3% of the compensation of eligible employees and an additional 3% to those employees who have made salary reduction contributions to the plan. Participants may elect to make additional contributions in excess of the 3% within the limitations set forth in the plan. Unitus' expense for the years ended December 31, 2010 and 2009, was $94,363 and $119,697, respectively.

Note 13 - Concentrations

In 2010, Unitus received contributions of $2,100,000 from one foundation, which comprise 90% of total contribution revenues for the year.

In 2009, Unitus received contributions of $3,115,000 from one foundation, which comprise 42% of total contribution revenues for the year. At December 31, 2009, 85% of the gross pledges receivable balance before present value discount was due from one donor, and 83% of the grant receivable balance was due from one foundation.

Note 14 - Commitments and Contingencies

OPIC - During 2010, Unitus entered into an eight year framework agreement with the Overseas Private Investment Corporation (OPIC) and Citibank to create a $15 million revolving loan and credit facility targeting early stage MFIs. Unitus is responsible for due diligence, selection of recipients including credit evaluation, and providing some capital. The default risk is shared between Unitus (33%) and OPIC (67%), and Unitus has first loss provision of $1.5 million. As of December 31, 2010, the only borrowing outstanding on the revolving loan and credit facility is the Mimo standby letter of credit discussed below.

IIRM - In May 2009, Unitus entered into an agreement with Institute of Integrated Resource Management (IIRM) to issue a standby letter of credit for $463,400 which expires in January 2011. The credit facility guarantees the amount borrowed from an Indian bank. In exchange for the guarantee, Unitus receives an annual fee.

Due to financial difficulties of IIRM, Unitus entered into an agreement commencing December 2009, in which Unitus advanced IIRM funds to help keep the underlying loan current. Unitus made advances to IIRM totaling $224,000 as of December 31, 2009. Unitus had a receivable of $66,624 from IIRM and a related allowance on uncollectable accounts of $20,000, at December 31, 2009. In addition, Unitus recorded a contingent liability of $180,000 as of December 31, 2009.

In March of 2010, IIRM's financial position weakened and defaulted on its loan, which resulted in the bank calling Unitus' guarantee. Unitus paid the full amount of the guarantee resulting in an additional loss of $169,000.

Mimo - In 2010, Unitus and OPIC entered into an agreement with Mimoza Enterprises Finance Pvt. Ltd. (Mimo) to issue a standby letter of credit through February 2012 guaranteeing borrowing up to $1,666,500. The credit facility guarantees the amount borrowed from an Indian bank and is issued under the framework agreement with OPIC, as described above. In exchange for the guarantee, Unitus and OPIC receive an annual fee.

In the event of default by an MFI partner, which has a guarantee as described above, Unitus will be required to pay the outstanding balance. It is not possible to evaluate the potential liability, if any, due to any potential default at this time. However, Unitus closely monitors and works with these partners to reduce the risk of default.

Note 15 - In-Kind Contributions

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

	2010	*2009*
Interest (Note 9)	$ 4,669	$ 10,935
Special event goods and services		10,384
Professional services		689,980
Software and books		50,881
Stocks		21,620
Total In-Kind Contributions	**$ 4,669**	**$ 783,800**

Note 15 - Continued

Professional services include legal and training for program, administration and fundraising activities.

Note 16 - Temporarily Restricted Net Assets

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

	2010	*2009*
MFI services - time and purpose restricted	$ 245,082	$ 2,200,302
MFI Efficiency Project - purpose restricted		58,707
Other pledges receivable - time restricted		3,070,373
Total Temporarily Restricted Net Assets	**$ 245,082**	**$ 5,329,382**

Note 17 - Exit Activities

In July 2010, Unitus announced that it had completed its goals for microfinance and therefore would not be taking on new microfinance projects. As a result, Unitus initiated certain employee terminations, sought to sublease its Seattle office space and began to liquidate certain furniture and equipment in 2010. Unitus incurred a charge of approximately $4,982,000 in 2010 to cover the expected costs of these changes, which is included in management and general expenses in the Consolidated Statement of Activities and Changes in Net Assets. The charge included approximately the following:

Employee termination	$ 945,000
Lease termination	538,000
Write-offs of pledges and grants receivable	2,987,000
Funds redirected to other organizations or returned to donors	362,000
Write-down of the facility and equipment	150,000
Total	**$ 4,982,000**

Accrued liabilities related to Unitus' operating changes for 2010 are approximately summarized as follows:

	Beginning Balance	*Costs Incurred*	*Payments*	*Ending Balance*
Employee terminations	$ -	$ 945,000	$ (910,000)	$ 35,000
Lease terminations		538,000		538,000
Total Accrued Liabilities	**$ -**	**$ 1,483,000**	**$ (910,000)**	**$ 573,000**

SUPPLEMENTARY INFORMATION

UNITUS

Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2010
(With Comparative Totals for the Year Ended December 31, 2009)

	Program Services	*Management and General*	*Fundraising*	*2010 Total*	*2009 Total*
Salaries, payroll taxes, and benefits	$ 2,313,929	$ 865,138	$ 489,237	$ 3,668,304	$ 3,249,018
Professional fees	582,305	295,935	80,946	959,186	1,386,564
Partner grants and support	741,406			741,406	600,099
Travel	367,346	25,092	22,586	415,024	611,499
Printing and reproduction	12,883	543	531	13,957	51,692
Occupancy	215,427	674,728	36,385	926,540	520,130
Telephone	114,993	20,033	14,845	149,871	174,499
Supplies and shipping	13,480	4,274	2,422	20,176	43,240
Other contractual	1,138,662			1,138,662	366,667
Bad debt	268,912	2,818,837		3,087,749	200,000
Other	210,443	193,400	13,933	417,776	534,835
Financial	67,943	44,071	5,355	117,369	163,658
	6,047,729	4,942,051	666,240	11,656,020	7,901,901
Depreciation	30,326	70,805	8,530	109,661	144,972
Total Expenses	**$ 6,078,055**	**$ 5,012,856**	**$ 674,770**	**$ 11,765,681**	**$ 8,046,873**

See independent auditors' report.