



DKT INTERNATIONAL, INC. AND AFFILIATES

Combined Financial Statements

For The Year Ended December 31, 2016

(With Summarized Financial Information for the Year Ended December 31, 2015)



**and
Report Thereon**



DKT INTERNATIONAL, INC. AND AFFILIATES

TABLE OF CONTENTS
For the Year Ended December 31, 2016

| | <i>Page</i> |
|---|--------------------|
| Independent Auditor's Report | 1-2 |
| Financial Statements: | |
| Combined Statement of Financial Position..... | 3 |
| Combined Statement of Activities | 4 |
| Combined Statement of Functional Expenses | 5 |
| Combined Statement of Cash Flows..... | 6 |
| Notes to Combined Financial Statements | 7-19 |
| Supplemental Information: | |
| Combining Statement of Financial Position..... | 20-21 |
| Combining Statement of Activities | 22-23 |



Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
DKT International, Inc. and Affiliates

We have audited the accompanying combined financial statements of DKT International, Inc. and Affiliates (collectively referred to as DKT), which comprise the combined statement of financial position as of December 31, 2016, and the related combined statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audit. 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of DKT International, Inc. and Affiliates as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Continued

Other Matters

Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The supplemental combining statements of financial position and activities are presented for purposes of additional analysis and are not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited DKT's 2015 combined financial statements, and we expressed an unmodified audit opinion on those audited combined financial statements in our report dated November 17, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

Raffa, P.C.

Raffa, P.C.

Washington, DC
November 15, 2017

DKT INTERNATIONAL, INC. AND AFFILIATES
COMBINED STATEMENT OF FINANCIAL POSITION
December 31, 2016
(With Summarized Financial Information as of December 31, 2015)

| | 2016 | 2015 |
|---|-----------------------|-----------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 50,820,365 | \$ 28,843,517 |
| Grants and contributions receivable | 54,356,641 | 16,535,068 |
| Trade receivables, net of allowance | 32,853,963 | 26,414,740 |
| Inventory, net of allowance | 26,013,423 | 24,112,926 |
| Prepaid expenses | 3,173,061 | 5,195,234 |
| Deferred tax asset | 2,099,892 | 563,386 |
| Investments | 87,831,963 | 87,144,433 |
| Other assets | 1,019,409 | 672,920 |
| Property and equipment, net | 7,861,154 | 7,871,629 |
| TOTAL ASSETS | \$ 266,029,871 | \$ 197,353,853 |
| LIABILITIES AND NET ASSETS | | |
| Liabilities | | |
| Accounts payable and accrued expenses | \$ 32,807,136 | \$ 34,403,077 |
| Deferred revenue | 3,868,536 | 2,612,335 |
| Lines of credit and loans payable | 12,750,358 | 3,275,653 |
| TOTAL LIABILITIES | 49,426,030 | 40,291,065 |
| Net Assets | | |
| Unrestricted | | |
| Undesignated | 123,716,518 | 113,671,442 |
| Board-designated | 21,000,000 | 21,000,000 |
| Total Unrestricted | 144,716,518 | 134,671,442 |
| Temporarily restricted | 71,887,323 | 22,391,346 |
| TOTAL NET ASSETS | 216,603,841 | 157,062,788 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 266,029,871 | \$ 197,353,853 |

The accompanying notes are an integral part of these combined financial statements.

DKT INTERNATIONAL, INC. AND AFFILIATES

COMBINED STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2016

(With Summarized Financial Information for the Year Ended December 31, 2015)

| | 2016 | | | 2015 |
|--|-----------------------|------------------------|-----------------------|-----------------------|
| | Unrestricted | Temporarily Restricted | Total | Total |
| REVENUE AND SUPPORT | | | | |
| Sales, net of discounts | \$ 120,461,876 | \$ - | \$ 120,461,876 | \$ 104,848,789 |
| Grants and contributions | 19,033,536 | 78,753,667 | 97,787,203 | 39,124,750 |
| Investment income (loss) | 8,210,987 | - | 8,210,987 | (1,429,253) |
| Other income | 275,762 | - | 275,762 | 548,637 |
| Net assets released from restriction: | | | | |
| Satisfaction of program restrictions | 29,257,690 | (29,257,690) | - | - |
| TOTAL REVENUE AND SUPPORT | 177,239,851 | 49,495,977 | 226,735,828 | 143,092,923 |
| EXPENSES AND LOSSES | | | | |
| Program Services: | | | | |
| Education and reproductive health | 98,100,583 | - | 98,100,583 | 90,271,369 |
| Cost of contraceptive sales and expenses | 65,729,536 | - | 65,729,536 | 64,645,359 |
| Total Program Services | 163,830,119 | - | 163,830,119 | 154,916,728 |
| Supporting Services: | | | | |
| Management and general | 2,721,169 | - | 2,721,169 | 3,035,634 |
| Development and fundraising | 458,429 | - | 458,429 | 378,352 |
| Total Supporting Services | 3,179,598 | - | 3,179,598 | 3,413,986 |
| TOTAL EXPENSES AND LOSSES | 167,009,717 | - | 167,009,717 | 158,330,714 |
| Change in Net Assets Before Income Tax Provision | 10,230,134 | 49,495,977 | 59,726,111 | (15,237,791) |
| Income tax provision | (185,058) | - | (185,058) | (2,034,978) |
| CHANGE IN NET ASSETS | 10,045,076 | 49,495,977 | 59,541,053 | (17,272,769) |
| NET ASSETS, BEGINNING OF YEAR | 134,671,442 | 22,391,346 | 157,062,788 | 174,335,557 |
| NET ASSETS, END OF YEAR | \$ 144,716,518 | \$ 71,887,323 | \$ 216,603,841 | \$ 157,062,788 |

The accompanying notes are an integral part of these combined financial statements.

DKT INTERNATIONAL, INC. AND AFFILIATES

COMBINED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2016

(With Summarized Financial Information for the Year Ended December 31, 2015)

| | Supporting Services | | | 2016 Total | 2015 Total |
|---|-----------------------|------------------------------|-----------------------------------|-----------------------|-----------------------|
| | Program Services | Management and General | Development and Fundraising | | |
| Cost of sales | \$ 65,729,536 | \$ - | \$ - | \$ - | \$ 65,729,536 |
| Salaries and fringe benefits | 29,130,453 | 1,480,592 | 434,586 | 1,915,178 | 29,636,332 |
| Advertising and promotion | 29,542,817 | 12,670 | 23,843 | 36,513 | 29,579,330 |
| Professional fees | 8,113,616 | 803,967 | - | 803,967 | 8,917,583 |
| Contribution, outreach and grants to partners | 7,162,407 | - | - | - | 7,162,407 |
| Travel and related expenses | 6,136,034 | 108,785 | - | 108,785 | 6,244,819 |
| Rent | 4,007,601 | 132,290 | - | 132,290 | 4,139,891 |
| Licenses and taxes | 2,443,688 | 12,438 | - | 12,438 | 2,456,126 |
| Office expenses | 1,935,612 | 73,111 | - | 73,111 | 2,008,723 |
| Trainings, meetings and conferences | 1,752,052 | 61,286 | - | 61,286 | 1,813,338 |
| Product development | 1,580,858 | - | - | - | 1,580,858 |
| Other | 1,529,947 | 138 | - | 138 | 1,530,085 |
| Depreciation and amortization | 1,494,879 | 1,455 | - | 1,455 | 1,496,334 |
| Telephone, facsimile and utilities | 789,395 | 12,543 | - | 12,543 | 801,938 |
| Interest | 728,045 | - | - | - | 728,045 |
| Bank charges | 520,272 | 21,894 | - | 21,894 | 542,166 |
| Bad debt | 395,838 | - | - | - | 395,838 |
| Repairs and maintenance | 383,833 | - | - | - | 383,833 |
| Foreign currency exchange losses | 321,334 | - | - | - | 321,334 |
| Income tax provision | 185,058 | - | - | - | 185,058 |
| Obsolete inventory expense | 131,902 | - | - | - | 131,902 |
| TOTAL EXPENSES AND LOSSES | \$ 164,015,177 | \$ 2,721,169 | \$ 458,429 | \$ 3,179,598 | \$ 167,194,775 |
| | | | | \$ 167,194,775 | \$ 160,365,692 |

The accompanying notes are an integral part of these combined financial statements.

DKT INTERNATIONAL, INC. AND AFFILIATES

COMBINED STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2016

(With Summarized Financial Information for the Year Ended December 31, 2015)

Increase (Decrease) in Cash and Cash Equivalents

| | <u>2016</u> | <u>2015</u> |
|---|----------------------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 59,541,053 | \$ (17,272,769) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Provision for doubtful trade receivable | (192,660) | (168,738) |
| Realized gains on sales of investments | (9,773,943) | (1,810,958) |
| Unrealized losses on investments | 5,258,352 | 6,104,212 |
| Change in allowance for obsolete inventory | 334,211 | (535,145) |
| Discount for present value of loan payable | (2,355,684) | - |
| Discount for present value of grants and contributions receivable | 515,576 | - |
| Depreciation and amortization | 1,496,334 | 1,539,399 |
| Bad debt | 395,838 | 572,325 |
| Changes in assets and liabilities: | | |
| Grants and contributions receivable | (38,337,149) | 12,076,384 |
| Trade receivables | (6,642,401) | (4,785,450) |
| Inventory | (2,234,708) | 19,579 |
| Prepaid expenses | 2,022,173 | (1,256,084) |
| Deferred tax (liability) asset | (1,536,506) | 406,734 |
| Other assets | (346,489) | 2,212,720 |
| Accounts payable and accrued expenses | (1,595,941) | 5,830,085 |
| Deferred revenue | 1,256,201 | 196,182 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>7,804,257</u> | <u>3,128,476</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of investments | (49,468,929) | (24,596,860) |
| Proceeds from sales of investments | 53,296,990 | 26,391,987 |
| Purchases of property and equipment | (1,485,859) | (4,822,154) |
| NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES | <u>2,342,202</u> | <u>(3,027,027)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from lines of credit and loans payable | 13,147,963 | 2,806,977 |
| Repayments of lines of credit and loans payable | (1,317,574) | (2,140,271) |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | <u>11,830,389</u> | <u>666,706</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 21,976,848 | 768,155 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>28,843,517</u> | <u>28,075,362</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>\$ 50,820,365</u> | <u>\$ 28,843,517</u> |
| SUPPLEMENTAL CASH FLOW INFORMATION | | |
| Interest paid | <u>\$ 440,254</u> | <u>\$ 419,480</u> |
| Income taxes paid | <u>\$ 1,285,804</u> | <u>\$ 549,534</u> |

The accompanying notes are an integral part of these combined financial statements.

DKT INTERNATIONAL, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 2016

1. Organization and Summary of Significant Accounting Policies

Organization

DKT International, Inc. is a nonprofit corporation organized in 1984 in the United States for the purpose of designing and implementing family planning projects in developing countries. These projects are committed to the promotion of family planning and HIV/AIDS prevention through the dissemination of information and the social marketing of contraceptives. DKT International, Inc. and its affiliates (collectively referred to as DKT) direct programs in various countries around the world. All activities of DKT are funded primarily from product sales and from grants and contributions.

Basis of Accounting and Presentation

The accompanying combined financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Principles of Combination

The combined financial statements include the accounts of DKT International, Inc. and its affiliates as follows:

| <u>Country</u> | <u>Full Name</u> | <u>Short Name</u> |
|------------------------------|---|---------------------|
| Bolivia | DKT Bolivia S.A. * | South America Group |
| Brazil | DKT DO Brasil Produtos De Uso Pessoal Ltda. | South America Group |
| Panama | DKT South America Holding Inc. * | South America Group |
| Uruguay | SYB Salud y Belleza Internacional S.A. | South America Group |
| Uruguay | DKT Uruguay S.A. | South America Group |
| Colombia | DKT Colombia S.A.S. * | South America Group |
| Chile | DKT Chile * | South America Group |
| Peru | DKT Peru * | South America Group |
| Paraguay | DKT Paraguay * | South America Group |
| Argentina | DKT Argentina S.A. * | South America Group |
| Democratic Republic of Congo | DKT DR Congo | DR Congo |
| Egypt | DKT Egypt | Egypt Group |
| Egypt | DKT Limited Liability Company | Egypt Group |
| Ethiopia | Dink Kistet Letena | Ethiopia |
| Ghana | DKT International Inc. Ghana | Ghana |
| India | Janani | India Bihar Group |
| India | Janani FamilyCare Private Limited * | India Bihar Group |
| India | DKT India | India Mumbai Group |

Continued

DKT INTERNATIONAL, INC. AND AFFILIATES

**NOTES TO COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 2016**

1. Organization and Summary of Significant Accounting Policies (continued)

Principles of Combination (continued)

| <u>Country</u> | <u>Full Name</u> | <u>Short Name</u> |
|----------------|---|----------------------|
| India | DKT Healthcare India Private Ltd | India Mumbai Group |
| Indonesia | Yayasan DKT Indonesia | Indonesia Group |
| Indonesia | PT DKT Indonesia | Indonesia Group |
| Kenya | Deep Kumar Tyagi Healthcare International Ltd | Kenya & Uganda Group |
| Uganda | DKT Healthcare International Uganda Limited | Kenya & Uganda Group |
| Mexico | DKT de Mexico SA de DV | Mexico |
| Mozambique | DKT Mocambique, Limitada | Mozambique |
| Myanmar | DKT International Inc. Myanmar Branch | Myanmar Group |
| Myanmar | Modern Choice Exports Co. Ltd. | Myanmar Group |
| Nigeria | Deep K. Tyagi Foundation Nigeria | Nigeria |
| Pakistan | DKT Pakistan (Private) Limited | Pakistan |
| Philippines | DKT Philippines, Inc | Philippines Group |
| Philippines | DKT Reproductive Health, Inc. | Philippines Group |
| Philippines | HealthSense, Inc. | Philippines Group |
| Philippines | DKT Health, Inc. | Philippines Group |
| Singapore | Reproductive Health Singapore | Philippines Group |
| Thailand | DKT Healthcare (Thailand) Company Limited ** | Philippines Group |
| Tanzania | DKT International Tanzania Limited | Tanzania Group |
| Tanzania | DKT International Tanzania | Tanzania Group |
| Iran | DKT International Segal Company | Turkey Group |
| Turkey | DKT International Istanbul Saglik Urunleri Ithalat Ticaret Ltd. Sti | Turkey Group |
| Cameroon | DKT International Cameroon SARL | West Africa Group |
| Senegal | DKT International Senegal SUARL | West Africa Group |
| Vietnam | Golden Choice Company Limited | Vietnam Group |
| Vietnam | DKT International – Vietnam Office | Vietnam Group |

* DKT Bolivia S.A., DKT South America Holding Inc., DKT Colombia S.A.S., DKT Chile, DKT Peru, DKT Paraguay, DKT Argentina S.A. and Janani Family Care Private Limited commenced commercial operations during the year ended December 31, 2016. Of these entities, only DKT Bolivia S.A. and DKT South America Holding Inc. had financial transactions during the year ended December 31, 2016.

** DKT Healthcare (Thailand) Company Limited ceased to be a wholly owned subsidiary of DKT subsequent to year-end, on January 1, 2017.

Subsequent to year-end, during 2017, additional entities, DKT Ecuador and DKT Ivory Coast, commenced commercial operations.

Continued

DKT INTERNATIONAL, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 2016

1. Organization and Summary of Significant Accounting Policies (continued)

Principles of Combination (continued)

Such combined reporting most accurately reflects the common charitable activities of DKT International, Inc. and its international affiliates. All intercompany accounts between DKT International Inc. and its affiliates have been eliminated in combination.

Cash and Cash Equivalents

DKT considers all cash and other highly liquid investments with initial maturities of three months or less to be cash and cash equivalents. Cash and cash equivalents that are specifically held for investment purposes are reported as investments.

Receivables

DKT uses the allowance method to record potentially uncollectible receivables. The allowance for doubtful accounts is determined based upon a periodic review of receivable balances, including the age of the balance and the historical experience with the debtor.

Inventory

Inventory consists primarily of condoms and contraceptives held for distribution or resale and is valued at the lower of cost or market value. Inventories are primarily maintained on the first-in, first-out method.

Investments

Investments are recorded in the accompanying combined statement of financial position at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair Value Measurement

In accordance with the accounting standards for fair value measurement for those assets and liabilities that are measured at fair value on a recurring basis, DKT has categorized its applicable financial instruments into a required fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest-level input that is significant to the fair value measurement of the instrument.

Applicable financial assets and liabilities are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities whose values are based on unadjusted quoted prices in an active market that DKT has the ability to access.

DKT INTERNATIONAL, INC. AND AFFILIATES

**NOTES TO COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 2016**

1. Organization and Summary of Significant Accounting Policies (continued)

Fair Value Measurement (continued)

Level 2 – Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management’s own assumptions about the assumptions a market participant would use in pricing the asset or liability.

Property and Equipment and Related Depreciation and Amortization

Property and equipment are stated at cost. Capitalized items must have a cost basis of greater than \$500. Depreciation and amortization are provided on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives for property and equipment are as follows:

| | |
|----------------------------------|--|
| Vehicles | 3 to 5 years |
| Office furnishings and equipment | 3 to 5 years |
| Building | 20 years |
| Leasehold improvements | Shorter of remaining term of lease or 5 years |

Expenditures for major additions, renewals and improvements are capitalized; expenditures for repairs and maintenance are expensed when incurred. Upon the retirement or disposal of assets, the cost and accumulated depreciation and amortization are eliminated from the accounts and the resulting gain or loss is reflected in the accompanying statement of activities.

Impairment of Long-Lived Assets

DKT reviews its property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. As of December 31, 2016, DKT has not recognized an impairment loss.

Classification of Net Assets

The net assets and revenues of DKT are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of DKT and changes therein are classified and reported as follows:

- Unrestricted net assets represent the portion of expendable funds that are available for support of DKT’s general operations, including amounts designated by the Board of Directors. Board-designated funds represent amounts to be used for new program development.
- Temporarily restricted net assets represent amounts that are specifically restricted by donors or grantors for various programs or for specific future time periods.

DKT INTERNATIONAL, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 2016

1. Organization and Summary of Significant Accounting Policies (continued)

Revenue Recognition

Sales of inventory are recognized when revenue is realized or realizable and have been earned. The revenue recorded is presented net of discounts and other taxes collected on behalf of governmental authorities. DKT recognizes sales revenue when title to the product, ownership and risk of loss transfers to the customer, which can be the date of shipment or the date of receipt by the customer. A provision for discount is recorded as a reduction of sales in the same period the revenue is recognized.

Grants and contributions are recognized as revenue when the donor has made an unconditional promise to contribute funds to DKT in future periods. Grants and contributions are recorded at their net realizable value, if expected to be collected in one year, or at their present value if expected to be collected in more than one year. DKT provides for probable uncollectible amounts through a provision for bad debt and an adjustment to an allowance based on its assessment on the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off.

DKT has cost-reimbursable grants with government agencies and other organizations. Revenue from these grants is recognized as allowable costs are incurred on the basis of direct costs plus allowable indirect costs. Direct and indirect expenses incurred, but not reimbursed, under these grants are reported as grants and contributions receivable in the accompanying combined statement of financial position. Funds received, but not yet expended, under grants are reflected as deferred revenue in the accompanying combined statement of financial position.

Translation of Foreign Currencies

Foreign currency transactions and financial statements are translated into U.S. dollars at current exchange rates, except revenue and expenses that are translated at average exchange rates during each reporting period. Exchange gains and losses resulting from foreign currency transactions are included in the accompanying combined statement of activities, whereas adjustments resulting from translations of financial statements are reflected as a separate component of net assets.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the combined statement of activities, and the detail is presented in the combined statement of functional expenses. Accordingly, certain costs have been allocated among the programs and the supporting services benefited based on direct labor costs.

Estimates

The preparation of combined financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

DKT INTERNATIONAL, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 2016

2. Grants and Contributions Receivable

Grants and contributions receivable as of December 31, 2016, were due as follows:

| | |
|---|---------------------|
| In less than one year | \$ 30,851,234 |
| In one to five years | <u>23,505,407</u> |
| Total Grants and Contributions Receivable | <u>\$54,356,641</u> |

A discount in the amount of \$515,576 was recorded for multiyear pledges receivable for the year ended December 31, 2016. The discount rate used for the year ended December 31, 2016, was 1.47%. All amounts are deemed fully collectible.

3. Trade Receivables

Trade receivables primarily consist of product sales and are reported net of a \$293,820 allowance for doubtful accounts as of December 31, 2016. As of December 31, 2016, South America Group trade receivables of \$4,953,702 were used as collateral to the lines of credit as disclosed in Note 7.

4. Inventory

DKT's inventory consisted of the following as of December 31, 2016:

| | |
|--|---------------------|
| Condoms | \$ 12,909,068 |
| Other contraceptives | 7,811,477 |
| Other items | <u>6,630,390</u> |
| Total Inventory | 27,350,935 |
| Less: Allowance for Inventory Obsolescence | <u>(1,337,512)</u> |
| Inventory, Net | <u>\$26,013,423</u> |

5. Investments

Investments consisted of the following at December 31, 2016:

| | |
|------------------------------------|---------------------|
| Mutual funds | \$ 45,045,996 |
| Equities | 23,946,830 |
| Exchange-traded & closed-end funds | 15,988,778 |
| Money market funds | 1,909,396 |
| Certificates of deposit | 710,190 |
| Unit investment trusts | <u>230,773</u> |
| Total Investments | <u>\$87,831,963</u> |

DKT INTERNATIONAL, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 2016

5. Investments (continued)

Investment income is summarized as follows for the year ended December 31, 2016:

| | |
|------------------------|---------------------|
| Interest and dividends | \$ 3,695,396 |
| Realized gains, net | 9,773,943 |
| Unrealized losses, net | <u>(5,258,352)</u> |
| Investment Income, Net | <u>\$ 8,210,987</u> |

Expenses relating to investment income, including custodial fees and investment advisory fees, totaled approximately \$69,400 for the year ended December 31, 2016, and are shown as professional fees in the combined statement of functional expenses.

6. Property and Equipment and Accumulated Depreciation and Amortization

Property and equipment consisted of the following as of December 31, 2016:

| | |
|---|---------------------|
| Vehicles | \$ 4,840,402 |
| Office furnishings, equipment and software | 4,307,756 |
| Building | 1,901,590 |
| Leasehold improvements | 1,359,975 |
| Land | <u>726,657</u> |
| Total Property and Equipment | 13,136,380 |
| Less: Accumulated Depreciation and Amortization | <u>(5,275,226)</u> |
| Property and Equipment, Net | <u>\$ 7,861,154</u> |

Depreciation and amortization expense totaled \$1,496,334 for the year ended December 31, 2016.

7. Lines of Credit and Loans Payable

DKT International:

The company obtained a loan from the Bill & Melinda Gates Foundation (the Foundation), a charitable trust that is a tax-exempt private foundation organized in the state of Washington on August 23, 2016. The purpose of the loan is to increase access and availability of quality, affordable and modern methods of contraception for those in need in developing countries in furtherance of the exempt purposes of the Foundation. Interest on the loan accrues at a rate of 5% per annum and does not begin accruing until the fifth anniversary of the first disbursement. The loan will mature on December 31, 2025. As of December 31, 2016, the fair value of the loan at amortized cost using the present value of \$11,400,000 due in 5 years using a discount rate of 5%, was \$9,044,316, and the accretion of the loan using the effective interest method was \$112,118.

DKT INTERNATIONAL, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 2016

7. Lines of Credit and Loans Payable (continued)

South America Group:

South America Group has two significant revolving lines of credit with three banks. A line of credit was obtained on August 22, 2016, with an automatic renewal. The line of credit totaled \$736,400, bears interest at 22.41% per annum and was secured by the South America Group's trade receivables. As of December 31, 2016, the outstanding balance against this line of credit totaled \$567,641. This line of credit was subsequently paid in April 2017.

A second line of credit was obtained on September 3, 2013, and matured on November 11, 2016. The line of credit totals \$1,073,916, bears interest at 20.04% per annum and was secured by South America Group's trade notes. As of December 31, 2016, the outstanding balance against this line of credit totaled \$1,073,917. This line of credit was renewed and subsequently expired on May 10, 2017.

Philippines Group:

Philippines Group obtained a bank loan on December 28, 2015, that matures on December 28, 2020, totaling \$2,094,715, the proceeds of which were used to fund the purchase of land and a building for use as its office space. The loan is secured by the related office space, is payable in monthly installments and had an effective interest rate of 4.2% in 2015, subject to re-pricing every 30-180 days. As of December 31, 2016, the outstanding balance against this loan was \$1,791,392.

In 2014, the Philippines Group obtained bank loans to finance the acquisition of transportation equipment. The loans expire through 2018, are secured by the related transportation equipment and have effective interest rates ranging between 7.8% and 10.3%. As of December 31, 2016, the outstanding balance against these loans was \$273,092.

As of December 31, 2016, the outstanding balances of DKT were scheduled to be paid as follows:

| For the Year Ending December 31, | |
|--|---------------|
| 2017 | \$ 2,058,466 |
| 2018 | 448,670 |
| 2019 | 1,147,723 |
| 2020 | 2,347,723 |
| 2021 | 1,647,723 |
| Thereafter | 7,455,737 |
| Total Payments | 15,106,042 |
| Less: Discount for Present Value of Loan Payable | (2,355,684) |
| Total Lines of Credit and Loans Payable | \$ 12,750,358 |

Interest expense related to these agreements totaled \$728,045 for the year ended December 31, 2016. \$112,118 of that figure is related to the in-kind interest expense on the loan described under DKT International above.

DKT INTERNATIONAL, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 2016

8. Commitments, Risks and Concentrations

Operating Lease

DKT provides lodging for its overseas project managers. Certain leases with terms greater than one year require that the total rent be paid upon the execution of the lease. In 20 foreign countries, DKT has rental commitments for lodging, furniture, warehouse space and office space, with terms generally ranging from three to 60 months. Two of the leases have terms of more than five years.

DKT leases its current headquarters office space in Washington, DC, under a noncancelable operating lease, which expires on August 31, 2020. The lease required monthly payments of \$10,756, through April 2016, with annual increases thereafter equal to 2.75% of the previous year's payment for the remainder of the lease. DKT is also responsible for its proportionate share of real estate taxes and operating and maintenance costs of the landlord.

Future minimum lease payments under all leases are as follows:

| For the Year Ending December 31, | |
|-------------------------------------|--------------|
| 2017 | \$ 2,751,921 |
| 2018 | 1,399,481 |
| 2019 | 659,571 |
| 2020 | 361,398 |
| 2021 | 118,576 |
| Thereafter | 203,030 |
| Total Future Minimum Lease Payments | \$ 5,493,977 |

Rent expense for the year ended December 31, 2016, totaled \$4,139,891.

Credit Risk

DKT maintains its cash and cash equivalents at a number of financial institutions, where its aggregate balance may exceed, at times, the Federal Deposit Insurance Corporation (FDIC) insured limit of \$250,000 per depositor per institution. As of December 31, 2016, DKT had approximately \$18,200,000 composed of demand deposits, which exceeded the maximum limit insured by the FDIC by approximately \$17,950,000. DKT monitors the creditworthiness of these institutions and has not experienced any historical credit losses on its cash and cash equivalents.

DKT has offices in Asia, South America and Africa and maintains cash accounts in those offices. The future of these programs may be adversely affected by a number of potential factors, such as currency devaluations, terrorist activity or changes in the political climate. As of December 31, 2016, DKT had approximately \$36,784,000 of cash in its foreign offices.

DKT INTERNATIONAL, INC. AND AFFILIATES

**NOTES TO COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 2016**

8. Commitments, Risks and Concentrations (continued)

Major Donor

For the year ended December 31, 2016, approximately 58% of DKT's grants and contributions were promised or received from one donor. Additionally, as of December 31, 2016, approximately 78% of grants and contributions receivable were due from the same donor. Management of DKT has no reason to believe that its relationship with this donor will be discontinued in the foreseeable future.

9. Temporarily Restricted Net Assets

DKT International holds temporarily restricted net assets that are available for the following purpose and time restrictions as of December 31, 2016:

| | |
|--|----------------------|
| Global Increasing Contraceptives * | \$ 40,498,247 |
| Gates Global ** | 12,313,701 |
| Ethiopia | 6,592,468 |
| DR Congo | 4,994,684 |
| Indonesia Group | 3,716,165 |
| Time restricted for 2018-2021 | 2,355,684 |
| Headquarters – Hewlett Operating Grant | 792,279 |
| Nigeria | 337,845 |
| Headquarters – Liberty Project | 181,586 |
| Headquarters – Women First Project | <u>104,664</u> |
| Total | <u>\$ 71,887,323</u> |

* The Global Increasing Contraceptives program includes funding restricted for DR Congo, Ghana, Indonesia Group, India Bihar Group, India Mumbai Group, Mozambique, Pakistan, Tanzania Group and West Africa Group.

** The Gates Global program relates to funding restricted for South America Group, DR Congo, Egypt Group, Ethiopia, India Mumbai Group, India Bihar Group, Mexico, Mozambique, Myanmar Group, Nigeria, Pakistan, Philippines Group, Tanzania Group, West Africa Group and Kenya & Uganda Group.

10. Retirement Plan

DKT maintains a tax-sheltered annuity plan according to the terms of Internal Revenue Code (IRC) Section 403(b). All eligible U.S. employees may contribute a portion of their annual compensation to the plan in accordance with plan provisions. These contributions are made on a tax-deferred basis under a salary-reduction agreement. In addition, beginning in 1999, DKT contributes an amount equal up to 10% of each participant's salary to the plan. DKT's contribution to this plan totaled \$183,246 for the year ended December 31, 2016. Certain management-level international employees are given an equivalent percentage of compensation to use for funding their retirement.

DKT INTERNATIONAL, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 2016

11. Fair Value Measurement

The following table summarizes DKT's investments measured at fair value on a recurring basis as of December 31, 2016, aggregated by the fair value hierarchy level with which those measurements were made:

| | <u>Fair Value</u> | <u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u> | <u>Significant Other Observable Inputs (Level 2)</u> | <u>Significant Unobservable Inputs (Level 3)</u> |
|--|----------------------|---|--|--|
| Mutual funds: | | | | |
| Large blend | \$ 13,858,661 | \$ 13,858,661 | \$ - | \$ - |
| Large growth | 17,827,577 | 17,827,576 | - | - |
| Large value | 4,714,869 | 4,714,869 | - | - |
| Emerging markets | 1,444,930 | 1,444,930 | - | - |
| Medium blend | 3,727,854 | 3,727,854 | - | - |
| Small blend | 100,508 | 100,508 | - | - |
| Small value | <u>3,371,597</u> | <u>3,371,597</u> | <u>-</u> | <u>-</u> |
| Total Mutual Funds | 45,045,996 | 45,045,996 | - | - |
| Equities: | | | | |
| Consumer goods | 2,552,881 | 2,552,881 | - | - |
| Services | 1,513,033 | 1,513,033 | - | - |
| Financial | 8,578,377 | 8,578,377 | - | - |
| Healthcare | 3,521,959 | 3,521,959 | - | - |
| Industrial goods | 4,713,902 | 4,713,902 | - | - |
| Information technology | 942,714 | 942,714 | - | - |
| Materials | <u>2,123,964</u> | <u>2,123,964</u> | <u>-</u> | <u>-</u> |
| Total Equities | 23,946,830 | 23,946,830 | - | - |
| Exchange-traded & closed-end funds | 15,988,778 | 15,988,778 | - | - |
| Money market funds | 1,909,396 | 1,909,396 | - | - |
| Certificates of deposit | <u>710,190</u> | <u>-</u> | <u>710,190</u> | <u>-</u> |
| Total Investments Held at Fair Value | 87,601,190 | <u>\$ 86,891,000</u> | <u>\$ 710,190</u> | <u>\$ -</u> |
| Investments held at NAV: Unit investment trusts ^(a) | <u>230,773</u> | | | |
| Total Investments | <u>\$ 87,831,963</u> | | | |

Continued

DKT INTERNATIONAL, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 2016

11. Fair Value Measurement (continued)

- (a) This investment is measured at net asset value (NAV) or its equivalent as a practical expedient and has not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

DKT used the following methods and significant assumptions to estimate fair value for assets recorded at fair value:

Mutual funds, equities, exchange-traded & closed-end funds and money market funds – Measured using quoted market prices for identical assets in active markets.

Certificates of deposit – Value estimated using a yield-based metric.

12. Income Tax Status

DKT is exempt from the payment of taxes on income other than net unrelated business income under IRC Section 501(c)(3). No provision for income taxes is required as of December 31, 2016, as DKT had no net unrelated business income.

DKT adopted the authoritative guidance relating to accounting for uncertainty in income taxes. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. DKT evaluated its uncertainty in income taxes for the year ended December 31, 2016, and determined that there are no matters that would require recognition in the combined financial statements or which might have any effect on DKT's tax-exempt status. As of December 31, 2016, the statute of limitations for tax years 2013 through 2015 remains open in the major U.S. jurisdictions in which DKT is subject to taxation. DKT's policy is to recognize interest and/or penalties related to uncertainty in income taxes, if any, in income tax expense. As of December 31, 2016, DKT had no accrual for interest and/or penalties.

Several of DKT's affiliates are for-profit entities that are subject to income tax in their country of operation. Income tax expense for the affiliates is calculated using the tax rates and tax law applicable to the fiscal periods to which the tax relates, based on taxable profit for the year. Income tax expense for the year ended December 31, 2016, for such affiliates totaled approximately \$185,058. The net deferred tax asset recognized by such affiliates for the year ended December 31, 2016, totaled \$2,099,892.

13. Reclassifications

Certain 2015 amounts have been reclassified to conform to the 2016 financial statement presentation.

DKT INTERNATIONAL, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 2016

14. Prior Year Summarized Financial Information

The accompanying combined financial statements include certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with DKT's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

15. Subsequent Events

In preparing these combined financial statements, DKT has evaluated events and transactions for potential recognition or disclosure through November 15, 2017, the date the combined financial statements were available to be issued. Except as discussed above and in Notes 1 and 7, there were no other subsequent events that require recognition or disclosure in the combined financial statements.

SUPPLEMENTAL INFORMATION

DKT INTERNATIONAL, INC. AND AFFILIATES
COMBINING STATEMENT OF FINANCIAL POSITION
December 31, 2016

| | DKT International, Inc. | South America Group | DR Congo | Egypt Group | Ethiopia | Ghana | India Bihar Group | India Mumbai Group | Indonesia Group | Mexico | Mozambique | Myanmar Group |
|---|----------------------------|------------------------|---------------------|---------------------|---------------------|---------------------|----------------------|-----------------------|----------------------|---------------------|---------------------|-------------------|
| ASSETS | | | | | | | | | | | | |
| Cash and cash equivalents | \$ 14,036,019 | \$ 3,143,797 | \$ 357,686 | \$ 100,219 | \$ 3,681,563 | \$ 2,930,316 | \$ 673,883 | \$ 2,277,050 | \$ 8,514,756 | \$ 2,689,437 | \$ 541,920 | \$ 171,324 |
| Grants and contributions receivable | 54,356,641 | - | - | - | - | - | - | - | - | - | - | - |
| Trade receivables, net of allowance | 36,266 | 4,953,702 | 72,987 | 652,770 | 416,179 | 1,287,751 | 1,531,689 | 318,967 | 6,634,587 | 4,045,777 | 164,303 | 32,824 |
| Due from affiliates | 40,621,621 | - | - | 21,475 | - | 387,400 | - | - | - | - | - | - |
| Inventory, net of allowance | 259,750 | 3,704,683 | 1,370,901 | 299,246 | 2,496,044 | 1,104,754 | 183,232 | 526,850 | 4,117,550 | 1,390,177 | 395,170 | 383,427 |
| Prepaid expenses | 266,664 | 106,168 | - | 132 | 179,190 | 185,486 | - | 57,024 | 461,152 | 121,175 | 6,062 | 69,228 |
| Deferred tax asset | - | - | - | - | - | - | - | 669,430 | - | 113,751 | 3,503 | - |
| Investments | 86,294,109 | 585,990 | - | - | - | - | - | - | 827,665 | 2,414 | - | - |
| Investment in affiliates | 38,384,110 | - | - | - | - | - | - | - | - | - | - | - |
| Other assets | 41,934 | - | 70,030 | - | - | - | 345,968 | 107,316 | 96,792 | 42,813 | 1,776 | - |
| Property and equipment, net | 130 | 566,467 | 347,887 | 52,276 | - | 125,770 | 700,110 | 145,169 | 163,701 | 73,289 | 258,824 | 55,738 |
| TOTAL ASSETS | \$ 234,297,244 | \$ 13,060,807 | \$ 2,219,491 | \$ 1,126,118 | \$ 6,772,976 | \$ 6,021,477 | \$ 3,434,882 | \$ 4,101,806 | \$ 20,816,203 | \$ 8,478,833 | \$ 1,371,558 | \$ 712,541 |
| LIABILITIES AND NET ASSETS | | | | | | | | | | | | |
| Liabilities | | | | | | | | | | | | |
| Accounts payable and accrued expenses | \$ 4,837,205 | \$ 3,226,507 | \$ 483,507 | \$ 554,820 | \$ 2,197,605 | \$ 770,444 | \$ 1,311,349 | \$ 1,112,436 | \$ 4,933,344 | \$ 3,632,587 | \$ 114,723 | \$ 212,225 |
| Deferred revenue | 3,811,882 | - | - | - | - | 222,185 | - | - | - | - | - | - |
| Due to affiliates | - | 6,540,000 | - | 1,925,679 | - | - | - | - | - | - | 60,000 | 985,656 |
| Lines of credit and notes payable | 9,044,316 | 1,641,558 | - | - | - | - | - | 4,312,845 | - | 629,938 | - | - |
| TOTAL LIABILITIES | 17,693,403 | 11,408,065 | 483,507 | 2,480,499 | 2,197,605 | 992,629 | 1,311,349 | 5,425,281 | 4,933,344 | 4,262,525 | 174,723 | 1,197,881 |
| Net Assets | | | | | | | | | | | | |
| Unrestricted | | | | | | | | | | | | |
| Undesignated (deficit) | 123,716,518 | 1,652,742 | 1,735,984 | (1,354,381) | 4,575,371 | 5,028,848 | 2,123,533 | (1,323,475) | 15,882,859 | 4,216,308 | 1,196,835 | (485,340) |
| Board-designated | 21,000,000 | - | - | - | - | - | - | - | - | - | - | - |
| Total Unrestricted | 144,716,518 | 1,652,742 | 1,735,984 | (1,354,381) | 4,575,371 | 5,028,848 | 2,123,533 | (1,323,475) | 15,882,859 | 4,216,308 | 1,196,835 | (485,340) |
| Temporarily restricted | 71,887,323 | - | - | - | - | - | - | - | - | - | - | - |
| TOTAL NET ASSETS | 216,603,841 | 1,652,742 | 1,735,984 | (1,354,381) | 4,575,371 | 5,028,848 | 2,123,533 | (1,323,475) | 15,882,859 | 4,216,308 | 1,196,835 | (485,340) |
| TOTAL LIABILITIES AND NET ASSETS | \$ 234,297,244 | \$ 13,060,807 | \$ 2,219,491 | \$ 1,126,118 | \$ 6,772,976 | \$ 6,021,477 | \$ 3,434,882 | \$ 4,101,806 | \$ 20,816,203 | \$ 8,478,833 | \$ 1,371,558 | \$ 712,541 |

DKT INTERNATIONAL, INC. AND AFFILIATES
COMBINING STATEMENT OF FINANCIAL POSITION
December 31, 2016

(Continued)

| | Nigeria | Pakistan | Philippines Group | Tanzania Group | Turkey Group | West Africa Group | Vietnam Group | Kenya & Uganda Group | Subtotal | Eliminating Entries | Combined Total |
|---|---------------------|---------------------|----------------------|---------------------|---------------------|---------------------|---------------------|----------------------|-----------------------|------------------------|-----------------------|
| ASSETS | | | | | | | | | | | |
| Cash and cash equivalents | \$ 2,312,985 | \$ 1,178,270 | \$ 5,609,492 | \$ 468,948 | \$ 311,525 | \$ 393,621 | \$ 687,369 | \$ 740,185 | \$ 50,820,365 | \$ - | \$ 50,820,365 |
| Grants and contributions receivable | - | - | - | - | - | - | - | - | 54,356,641 | - | 54,356,641 |
| Trade receivables, net of allowance | 745,410 | 92,490 | 10,532,692 | 547,413 | 389,030 | 26,020 | 200,022 | 173,084 | 32,853,963 | - | 32,853,963 |
| Due from affiliates | - | - | 1,047,544 | 11,971 | - | - | - | - | 42,090,011 | (42,090,011) | - |
| Inventory, net of allowance | 3,497,207 | 912,936 | 3,676,792 | 969,705 | 163,990 | 213,756 | 347,253 | - | 26,013,423 | - | 26,013,423 |
| Prepaid expenses | 69,302 | 173,096 | 738,563 | 298,018 | 283,456 | 103,273 | 32,387 | 22,685 | 3,173,061 | - | 3,173,061 |
| Deferred tax asset | - | - | 1,313,208 | - | - | - | - | - | 2,099,892 | - | 2,099,892 |
| Investments | - | - | 5,320 | - | 116,465 | - | - | - | 87,831,963 | - | 87,831,963 |
| Investment in affiliates | - | - | - | - | - | - | - | - | 38,384,110 | (38,384,110) | - |
| Other assets | - | 38,388 | 53,307 | 43,218 | 10,877 | 16,446 | 17,994 | 196,815 | 1,083,674 | (64,265) | 1,019,409 |
| Property and equipment, net | 751,236 | 250,280 | 3,414,576 | 334,579 | 133,714 | 369,619 | 12,528 | 105,261 | 7,861,154 | - | 7,861,154 |
| TOTAL ASSETS | \$ 7,376,140 | \$ 2,645,460 | \$ 26,391,494 | \$ 2,673,852 | \$ 1,409,057 | \$ 1,122,735 | \$ 1,297,553 | \$ 1,238,030 | \$ 346,568,257 | \$ (80,538,386) | \$ 266,029,871 |
| LIABILITIES AND NET ASSETS | | | | | | | | | | | |
| LIABILITIES | | | | | | | | | | | |
| Accounts payable and accrued expenses | \$ 2,224,166 | \$ 1,088,775 | \$ 5,663,210 | \$ 112,076 | \$ 107,481 | \$ 106,513 | \$ 104,343 | \$ 13,820 | 32,807,136 | \$ - | \$ 32,807,136 |
| Deferred revenue | - | 12,663 | 24,048 | - | - | 132,608 | - | - | 4,203,386 | (334,850) | 3,868,536 |
| Due to affiliates | - | - | 2,935,257 | 1,176,234 | 1,071,244 | 1,249,274 | - | 423,026 | 16,366,370 | (16,366,370) | - |
| Lines of credit and loans payable | - | 19,725,273 | 2,064,484 | - | - | - | 785,000 | - | 38,203,414 | (25,453,056) | 12,750,358 |
| TOTAL LIABILITIES | 2,224,166 | 20,826,711 | 10,686,999 | 1,288,310 | 1,178,725 | 1,488,395 | 889,343 | 436,846 | 91,580,306 | (42,154,276) | 49,426,030 |
| NET ASSETS | | | | | | | | | | | |
| Unrestricted | | | | | | | | | | | |
| Undesignated (deficit) | 5,151,974 | (18,181,251) | 15,704,495 | 1,385,542 | 230,332 | (365,660) | 408,210 | 801,184 | 162,100,628 | (38,384,110) | 123,716,518 |
| Board-designated | - | - | - | - | - | - | - | - | 21,000,000 | - | 21,000,000 |
| Total Unrestricted | 5,151,974 | (18,181,251) | 15,704,495 | 1,385,542 | 230,332 | (365,660) | 408,210 | 801,184 | 183,100,628 | (38,384,110) | 144,716,518 |
| Temporarily restricted | | | | | | | | | | | |
| | - | - | - | - | - | - | - | - | 71,887,323 | - | 71,887,323 |
| TOTAL NET ASSETS | 5,151,974 | (18,181,251) | 15,704,495 | 1,385,542 | 230,332 | (365,660) | 408,210 | 801,184 | 254,987,951 | (38,384,110) | 216,603,841 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 7,376,140 | \$ 2,645,460 | \$ 26,391,494 | \$ 2,673,852 | \$ 1,409,057 | \$ 1,122,735 | \$ 1,297,553 | \$ 1,238,030 | \$ 346,568,257 | \$ (80,538,386) | \$ 266,029,871 |

DKT INTERNATIONAL, INC. AND AFFILIATES

COMBINING STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016

| | DKT International, Inc. | South America Group | DR Congo | Egypt Group | Ethiopia | Ghana | India Bihar Group | India Mumbai Group | Indonesia Group | Mexico | Mozambique | Myanmar Group |
|---|----------------------------|------------------------|---------------------|-----------------------|---------------------|---------------------|----------------------|-----------------------|----------------------|---------------------|---------------------|---------------------|
| REVENUE AND SUPPORT | | | | | | | | | | | | |
| Sales, net of discounts | \$ - | \$ 18,271,702 | \$ 620,863 | \$ 2,313,411 | \$ 6,028,536 | \$ 4,290,761 | \$ 2,773,224 | \$ 7,250,276 | \$ 30,275,230 | \$ 11,230,093 | \$ 261,300 | \$ 331,483 |
| Grants and contributions | 86,786,355 | - | 587,439 | - | 9,080,199 | 1,352,383 | 104,582 | - | - | - | - | - |
| Grants from affiliates | - | - | 5,321,996 | 6,319,843 | 443,881 | 884,165 | 3,562,314 | 4,455,475 | - | 128,160 | 1,910,249 | 1,314,551 |
| Investment income | 6,650,238 | 582,335 | 12,170 | 1,313 | - | 144,443 | 40,027 | - | 422,690 | 2,248 | - | 87 |
| Service fees from affiliates | 7,187,073 | - | - | - | - | - | - | - | - | - | - | - |
| Other income | 45,570 | 5,824 | - | - | 3,728 | 12,520 | 31,431 | 28,601 | - | - | 20,274 | 826 |
| TOTAL REVENUE AND SUPPORT | 100,669,236 | 18,859,861 | 6,542,468 | 8,634,567 | 15,556,344 | 6,684,272 | 6,511,578 | 11,734,352 | 30,697,920 | 11,360,501 | 2,191,823 | 1,646,947 |
| EXPENSES AND LOSSES | | | | | | | | | | | | |
| Cost of sales | 3,868 | 6,710,873 | 1,143,126 | 1,443,212 | 8,951,573 | 2,937,271 | 795,224 | 3,937,980 | 17,130,497 | 4,104,550 | 416,265 | 239,823 |
| Salaries and fringe benefits | 7,172,202 | 3,084,621 | 1,304,107 | 926,365 | 3,195,990 | 500,640 | 2,543,027 | 2,394,740 | 1,478,061 | 1,256,982 | 788,688 | 241,254 |
| Advertising and promotion | 153,659 | 2,392,752 | 418,926 | 65,954 | 843,471 | 625,873 | 128,681 | 1,029,474 | 7,407,369 | 3,397,147 | 463,790 | 829,286 |
| Professional fees | 2,055,923 | 530,150 | 214,014 | 46,955 | 102,498 | 300,056 | 257,934 | 57,863 | 492,496 | 664,654 | 31,274 | 8,859 |
| Contributions, outreach and grants to partners | 3,555,937 | - | - | - | 104,813 | 199,296 | 2,059,159 | 612,493 | 486,236 | 26,862 | - | - |
| Travel and related expenses | 250,299 | 244,797 | 668,054 | 57,428 | 1,149,134 | 264,245 | 289,887 | 938,089 | 214,457 | 524,548 | 145,076 | 45,009 |
| Rent | 165,482 | 832,166 | 327,737 | 66,284 | 272,940 | 92,796 | 427,854 | 125,120 | 148,284 | 498,509 | 151,863 | 60,548 |
| Licenses and taxes | 88,996 | 1,913,063 | 35,430 | - | - | - | - | 9,209 | 165,826 | 85,151 | 5,615 | 785 |
| Office expenses | 109,854 | 639,095 | 105,664 | 22,606 | 256,280 | 59,281 | 51,983 | 65,945 | 95,506 | 67,365 | 55,640 | 5,209 |
| Trainings, meetings and conferences | 82,673 | 33,215 | 372,379 | 11,347 | 195,678 | 126,340 | 12,998 | 30,602 | 141,012 | 99,027 | 53,494 | 8,303 |
| Product development | - | 288,064 | 485,140 | 58,826 | 63,704 | 51 | 8,935 | - | 160,923 | 248,073 | - | 18,658 |
| Other | 138 | 418,587 | - | 15,494 | - | 19,549 | - | 28,890 | 247,613 | 128,089 | 120,276 | - |
| Depreciation and amortization | 1,359 | 132,022 | 161,031 | 40,790 | - | 80,692 | 120,780 | 66,451 | 46,065 | 49,803 | 119,285 | 11,652 |
| Telephone, facsimile and utilities | 21,280 | 77,947 | 76,058 | 27,487 | 47,925 | 70,822 | 93,171 | 10,680 | 40,847 | 62,817 | 35,444 | 4,129 |
| Interest | 112,040 | 263,363 | - | - | - | - | (7,404) | 255,134 | 19 | 49,905 | 15,972 | - |
| Bank charges | 24,937 | 317,930 | 67,900 | 13,260 | 869 | 4,438 | 1,810 | 2,095 | 25,233 | 6,418 | 6,073 | 4,249 |
| Bad debt | - | 32,583 | - | - | 3,288 | 65,862 | - | 4,459 | - | - | 22,952 | - |
| Repairs and maintenance | - | 4,179 | 90,065 | - | - | 19,515 | 14,127 | - | - | 63,588 | 21,959 | 425 |
| Foreign currency exchange losses (gains) | - | (584,399) | 36,994 | 331,661 | (81,424) | (54,538) | - | 360,601 | (264,551) | 35,190 | (81,923) | (1,170) |
| Obsolete inventory expense | - | 8,568 | (195,382) | - | 27,350 | - | 34,239 | - | - | 57,127 | - | - |
| Program expenses to affiliates | 27,329,536 | - | - | - | - | 266,219 | - | - | - | - | - | - |
| Service fees to affiliates | - | - | - | - | 2,253,463 | - | - | - | 2,184,851 | 32,095 | - | - |
| TOTAL EXPENSES AND LOSSES | 41,128,183 | 17,339,576 | 5,311,243 | 3,127,669 | 17,387,552 | 5,578,408 | 6,832,405 | 9,929,825 | 30,200,744 | 11,457,900 | 2,371,743 | 1,477,019 |
| Change in Net Assets Before Income Tax Benefit (Provision) | 59,541,053 | 1,520,285 | 1,231,225 | 5,506,898 | (1,831,208) | 1,105,864 | (320,827) | 1,804,527 | 497,176 | (97,399) | (179,920) | 169,928 |
| Income tax benefit (provision) | - | (293,802) | - | 4,322 | - | - | - | 676,655 | (973,789) | 76,005 | - | - |
| CHANGE IN NET ASSETS | 59,541,053 | 1,226,483 | 1,231,225 | 5,511,220 | (1,831,208) | 1,105,864 | (320,827) | 2,481,182 | (476,613) | (21,394) | (179,920) | 169,928 |
| Foreign currency translation gain (loss) | - | 54,626 | - | 235,702 | (60,987) | (410,104) | 249,565 | (16,927) | 342,159 | (635,360) | (326,777) | - |
| Dividends issued | - | (200,000) | - | - | - | - | - | - | - | - | - | - |
| Additional paid-in capital | - | 340,599 | - | - | - | - | - | - | - | 3,400,000 | 682,100 | - |
| NET ASSETS (DEFICIT), BEGINNING OF YEAR | 157,062,788 | 231,034 | 504,759 | (7,101,303) | 6,467,566 | 4,333,088 | 2,194,795 | (3,787,730) | 16,017,313 | 1,473,062 | 1,021,432 | (655,268) |
| NET ASSETS (DEFICIT), END OF YEAR | \$ 216,603,841 | \$ 1,652,742 | \$ 1,735,984 | \$ (1,354,381) | \$ 4,575,371 | \$ 5,028,848 | \$ 2,123,533 | \$ (1,323,475) | \$ 15,882,859 | \$ 4,216,308 | \$ 1,196,835 | \$ (485,340) |

DKT INTERNATIONAL, INC. AND AFFILIATES

**COMBINING STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016**

(Continued)

| | Nigeria | Pakistan | Philippines Group | Tanzania Group | Turkey Group | West Africa Group | Vietnam Group | Kenya & Uganda Group | Subtotal | Eliminating Entries | Combined Total |
|--|---------------------|------------------------|----------------------|---------------------|-------------------|---------------------|-------------------|----------------------|-----------------------|------------------------|-----------------------|
| REVENUE AND SUPPORT | | | | | | | | | | | |
| Sales, net of discounts | \$ 3,063,575 | \$ 1,391,327 | \$ 28,369,487 | \$ 316,764 | \$ 707,273 | \$ 119,931 | \$ 2,846,640 | \$ - | \$ 120,461,876 | \$ - | \$ 120,461,876 |
| Grants and contributions | 60,263 | 151,479 | 21,432 | 2,220,637 | - | - | - | - | 100,364,769 | (2,577,566) | 97,787,203 |
| Grants from affiliates | 5,579,705 | - | 144,525 | 2,250,827 | - | 418,293 | - | - | 32,733,984 | (32,733,984) | - |
| Investment income | - | - | 260,233 | - | 45,312 | 41,665 | 1,910 | 6,316 | 8,210,987 | - | 8,210,987 |
| Service fees from affiliates | - | - | 894,339 | - | - | - | - | - | 8,081,412 | (8,081,412) | - |
| Other income | 673 | 986 | 118,855 | 5,591 | 529 | 9 | 345 | - | 275,762 | - | 275,762 |
| TOTAL REVENUE AND SUPPORT | 8,704,216 | 1,543,792 | 29,808,871 | 4,793,819 | 753,114 | 579,898 | 2,848,895 | 6,316 | 270,128,790 | (43,392,962) | 226,735,828 |
| EXPENSES AND LOSSES | | | | | | | | | | | |
| Cost of sales | 3,263,150 | 1,239,138 | 9,319,373 | 1,526,496 | 377,781 | 62,774 | 2,126,562 | - | 65,729,536 | - | 65,729,536 |
| Salaries and fringe benefits | 708,935 | 1,889,706 | 1,919,983 | 689,295 | 156,521 | 415,335 | 379,179 | - | 31,045,631 | - | 31,045,631 |
| Advertising and promotion | 432,000 | 2,437,956 | 7,924,604 | 514,642 | 223,383 | 275,023 | 14,921 | 419 | 29,579,330 | - | 29,579,330 |
| Professional fees | 113,320 | 129,398 | 3,347,850 | 308,927 | 153,266 | 71,986 | 14,802 | 15,358 | 8,917,583 | - | 8,917,583 |
| Contribution, outreach and grants to partners | 30,184 | - | - | 50,593 | - | - | 36,834 | - | 7,162,407 | - | 7,162,407 |
| Travel and related expenses | 288,906 | 184,026 | 605,829 | 178,446 | 7,165 | 144,527 | 31,262 | 13,635 | 6,244,819 | - | 6,244,819 |
| Rent | 72,169 | 198,126 | 303,625 | 206,237 | 40,618 | 50,248 | 96,604 | 2,681 | 4,139,891 | - | 4,139,891 |
| Licenses and taxes | 5,548 | - | 135,335 | 3,049 | - | 7,948 | 171 | - | 2,456,126 | - | 2,456,126 |
| Office expenses | 61,513 | 79,635 | 60,281 | 148,743 | 714 | 92,315 | 21,054 | 10,040 | 2,008,723 | - | 2,008,723 |
| Trainings, meetings and conferences | 206,202 | 172,918 | 213,300 | 47,599 | - | - | 877 | 5,374 | 1,813,338 | - | 1,813,338 |
| Product development | - | 197,565 | - | 25,209 | - | 18,117 | - | 7,593 | 1,580,858 | - | 1,580,858 |
| Other | - | 3,301 | 522,388 | 7,251 | 18,347 | 29 | 133 | - | 1,530,085 | - | 1,530,085 |
| Depreciation and amortization | 189,873 | 98,279 | 292,429 | 28,394 | 15,630 | 34,356 | 6,820 | 623 | 1,496,334 | - | 1,496,334 |
| Telephone, facsimile and utilities | 35,382 | 20,792 | 106,295 | 41,923 | 3,450 | 22,392 | 2,468 | 629 | 801,938 | - | 801,938 |
| Interest | - | - | 280,583 | 46,586 | - | - | - | 55 | 1,016,253 | (288,208) | 728,045 |
| Bank charges | 28,916 | 877 | 12,088 | 5,069 | 361 | 11,821 | 1,394 | 6,428 | 542,166 | - | 542,166 |
| Bad debt | 211,959 | 4,050 | 50,678 | - | - | 7 | - | - | 395,838 | - | 395,838 |
| Repairs and maintenance | 86,367 | 25,304 | 48,776 | 534 | - | 8,994 | - | - | 383,833 | - | 383,833 |
| Foreign currency exchange losses (gains) | - | (299,687) | 571,044 | 16,302 | 74,350 | 57 | (55,849) | (1,615) | 1,043 | 320,291 | 321,334 |
| Obsolete inventory expense | - | 1,229 | 119,538 | 14 | 79,219 | - | - | - | 131,902 | - | 131,902 |
| Program expenses to affiliates | - | - | - | - | - | - | - | - | 27,595,755 | (27,595,755) | - |
| Service fees to affiliates | - | - | 4,000,000 | - | - | - | - | - | 8,470,409 | (8,470,409) | - |
| TOTAL EXPENSES AND LOSSES | 5,734,424 | 6,382,613 | 29,833,999 | 3,845,309 | 1,150,805 | 1,215,929 | 2,677,232 | 61,220 | 203,043,798 | (36,034,081) | 167,009,717 |
| Change in Net Assets Before Income Tax Benefit (Provision) | 2,969,792 | (4,838,821) | (25,128) | 948,510 | (397,691) | (636,031) | 171,663 | (54,904) | 67,084,992 | (7,358,881) | 59,726,111 |
| Income tax benefit (provision) | - | (21,622) | 470,496 | (118,203) | - | (1,757) | (3,283) | (80) | (185,058) | - | (185,058) |
| CHANGE IN NET ASSETS | 2,969,792 | (4,860,443) | 445,368 | 830,307 | (397,691) | (637,788) | 168,380 | (54,984) | 66,899,934 | (7,358,881) | 59,541,053 |
| Foreign currency translation gain (loss) | (1,885,068) | (95,309) | (705,332) | 73,158 | (4,396) | 31,473 | (5,484) | 3,090 | (3,155,971) | 3,155,971 | - |
| Dividends issued | - | - | - | - | - | - | - | - | (200,000) | 200,000 | - |
| Additional paid-in capital | - | - | 2,007,508 | - | - | 240,655 | - | 853,078 | 7,523,940 | (7,523,940) | - |
| NET ASSETS, BEGINNING OF YEAR | 4,067,250 | (13,225,499) | 13,956,951 | 482,077 | 632,419 | - | 245,314 | - | 183,920,048 | (26,857,260) | 157,062,788 |
| NET ASSETS (DEFICIT), END OF YEAR | \$ 5,151,974 | \$ (18,181,251) | \$ 15,704,495 | \$ 1,385,542 | \$ 230,332 | \$ (365,660) | \$ 408,210 | \$ 801,184 | \$ 254,987,951 | \$ (38,384,110) | \$ 216,603,841 |