



DKT INTERNATIONAL, INC. AND AFFILIATES

Combined Financial Statements and Supplemental Information

For The Year Ended December 31, 2017

(With Summarized Financial Information for the Year Ended December 31, 2016)



**and
Report Thereon**



DKT INTERNATIONAL, INC. AND AFFILIATES

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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, 2017, 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 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, 2017, 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 2016 combined financial statements, and we expressed an unmodified audit opinion on those audited combined financial statements in our report dated November 15, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, 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
September 25, 2018

DKT INTERNATIONAL, INC. AND AFFILIATES
COMBINED STATEMENT OF FINANCIAL POSITION
December 31, 2017
(With Summarized Financial Information as of December 31, 2016)

	2017	2016
ASSETS		
Cash and cash equivalents	\$ 56,326,035	\$ 50,820,365
Grants and contributions receivable	38,444,230	54,356,641
Trade receivables, net of allowance	40,084,519	32,853,963
Inventory, net of allowance	30,438,917	26,013,423
Prepaid expenses	3,928,704	3,173,061
Deferred tax asset	1,755,560	2,099,892
Investments	102,954,779	87,831,963
Other assets	1,390,699	1,019,409
Property and equipment, net	9,309,812	7,861,154
TOTAL ASSETS	\$ 284,633,255	\$ 266,029,871
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 40,203,026	\$ 32,807,136
Deferred revenue	8,754,000	3,868,536
Lines of credit and loans payable	12,244,003	12,750,358
TOTAL LIABILITIES	61,201,029	49,426,030
Net Assets		
Unrestricted		
Undesignated	146,828,229	123,716,518
Board-designated	21,000,000	21,000,000
Total Unrestricted	167,828,229	144,716,518
Temporarily restricted	55,603,997	71,887,323
TOTAL NET ASSETS	223,432,226	216,603,841
TOTAL LIABILITIES AND NET ASSETS	\$ 284,633,255	\$ 266,029,871

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, 2017

(With Summarized Financial Information for the Year Ended December 31, 2016)

	2017			2016
	Unrestricted	Temporarily Restricted	Total	Total
REVENUE AND SUPPORT				
Sales, net of discounts	\$ 145,662,227	\$ -	\$ 145,662,227	\$ 120,461,876
Grants and contributions	17,150,741	21,830,711	38,981,452	97,787,203
Investment income	20,630,291	-	20,630,291	8,210,987
Other income	1,041,725	-	1,041,725	275,762
Net assets released from restriction:				
Satisfaction of time restrictions	862,724	(862,724)	-	-
Satisfaction of program restrictions	37,251,313	(37,251,313)	-	-
TOTAL REVENUE AND SUPPORT	222,599,021	(16,283,326)	206,315,695	226,735,828
EXPENSES AND LOSSES				
Program Services:				
Education and reproductive health	110,691,170	-	110,691,170	98,100,583
Cost of contraceptive sales and expenses	83,670,151	-	83,670,151	65,729,536
Total Program Services	194,361,321	-	194,361,321	163,830,119
Supporting Services:				
Management and general	3,388,889	-	3,388,889	2,721,169
Development and fundraising	449,022	-	449,022	458,429
Total Supporting Services	3,837,911	-	3,837,911	3,179,598
TOTAL EXPENSES AND LOSSES	198,199,232	-	198,199,232	167,009,717
Change in Net Assets Before Income Tax Provision	24,399,789	(16,283,326)	8,116,463	59,726,111
Income tax provision	(1,288,078)	-	(1,288,078)	(185,058)
CHANGE IN NET ASSETS	23,111,711	(16,283,326)	6,828,385	59,541,053
NET ASSETS, BEGINNING OF YEAR	144,716,518	71,887,323	216,603,841	157,062,788
NET ASSETS, END OF YEAR	\$ 167,828,229	\$ 55,603,997	\$ 223,432,226	\$ 216,603,841

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, 2017
(With Summarized Financial Information for the Year Ended December 31, 2016)

	Supporting Services			2017 Total	2016 Total	
	Program Services	Management and General	Development and Fundraising			Total Supporting Services
Cost of sales	\$ 83,670,151	\$ -	\$ -	\$ -	\$ 83,670,151	\$ 65,729,536
Salaries and fringe benefits	33,208,421	2,204,260	409,621	2,613,881	35,822,302	31,045,631
Advertising and promotion	35,024,890	9,150	-	9,150	35,034,040	29,579,330
Professional fees	9,488,777	741,833	39,401	781,234	10,270,011	8,917,583
Travel and related expenses	8,212,060	158,955	-	158,955	8,371,015	6,244,819
Contribution, outreach and grants to partners	5,177,076	-	-	-	5,177,076	7,162,407
Rent	4,943,129	147,949	-	147,949	5,091,078	4,139,891
Trainings, meetings and conferences	2,395,635	11,940	-	11,940	2,407,575	1,813,338
Other	2,125,510	510	-	510	2,126,020	1,530,085
Depreciation and amortization	1,972,620	2,470	-	2,470	1,975,090	1,496,334
Office expenses	1,685,968	77,663	-	77,663	1,763,631	2,008,723
Product development	1,632,658	-	-	-	1,632,658	1,580,858
Licenses and taxes	1,623,727	702	-	702	1,624,429	2,456,126
Income tax provision	1,288,078	-	-	-	1,288,078	185,058
Interest	1,022,648	-	-	-	1,022,648	728,045
Telephone, facsimile and utilities	1,008,470	13,916	-	13,916	1,022,386	801,938
Repairs and maintenance	673,068	-	-	-	673,068	383,833
Bad debt	416,080	-	-	-	416,080	395,838
Bank charges	295,371	19,541	-	19,541	314,912	542,166
Obsolete inventory expense	219,320	-	-	-	219,320	131,902
Foreign currency exchange losses (gains)	(434,258)	-	-	-	(434,258)	321,334
TOTAL EXPENSES AND LOSSES	\$ 195,649,399	\$ 3,388,889	\$ 449,022	\$ 3,837,911	\$ 199,487,310	\$ 167,194,775

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, 2017

(With Summarized Financial Information for the Year Ended December 31, 2016)

Increase (Decrease) in Cash and Cash Equivalents

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 6,828,385	\$ 59,541,053
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in provision for doubtful trade receivables	291,511	(192,660)
Realized gains on sales of investments	(1,669,793)	(9,773,943)
Unrealized losses (gains) on investments	(15,407,893)	5,258,352
Change in allowance for obsolete inventory	536,665	334,211
Change in discount for present value of loan payable	462,724	(2,355,684)
Change in discount for present value of grants and contributions receivable	360,339	515,576
Depreciation and amortization	1,975,090	1,496,334
Bad debt	416,080	395,838
Changes in assets and liabilities:		
Grants and contributions receivable	15,552,072	(38,337,149)
Trade receivables	(7,938,147)	(6,642,401)
Inventory	(4,962,159)	(2,234,708)
Prepaid expenses	(755,643)	2,022,173
Deferred tax asset (liability)	344,332	(1,536,506)
Other assets	(371,290)	(346,489)
Accounts payable and accrued expenses	7,395,890	(1,595,941)
Deferred revenue	4,885,464	1,256,201
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>7,943,627</u>	<u>7,804,257</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(30,021,319)	(49,468,929)
Proceeds from sales of investments	31,976,189	53,296,990
Purchases of property and equipment	<u>(3,423,748)</u>	<u>(1,485,859)</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(1,468,878)</u>	<u>2,342,202</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from lines of credit and loans payable	-	13,147,963
Repayments of lines of credit and loans payable	<u>(969,079)</u>	<u>(1,317,574)</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>(969,079)</u>	<u>11,830,389</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,505,670	21,976,848
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>50,820,365</u>	<u>28,843,517</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 56,326,035</u>	<u>\$ 50,820,365</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	<u>\$ 559,659</u>	<u>\$ 440,254</u>
Income taxes paid	<u>\$ 1,439,330</u>	<u>\$ 1,285,804</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, 2017

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. DKT International, Inc. and its affiliates (collectively referred to as DKT) direct social marketing programs mainly in developing countries but have expanded to sell products in developed countries as well. DKT is one of the world's largest providers of family planning, HIV/AIDS prevention and safe abortion products and services. 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
Ecuador	DKT Ecuador S.A.	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
Egypt	DKT International Inc. – Egypt Branch*	Egypt Group
Ethiopia	Dink Kistet Letena	Ethiopia
Ghana	DKT International Inc. Ghana	Ghana
India	Janani	India Bihar
India	DKT India	India Mumbai Group

Continued

DKT INTERNATIONAL, INC. AND AFFILIATES

**NOTES TO COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 2017**

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
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
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
Cote D'Ivoire	DKT International Cote D'Ivoire 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
Kenya	Deep Kumar Tyagi Healthcare International Ltd	Kenya & Uganda Group
Uganda	DKT Healthcare International Uganda Limited	Kenya & Uganda Group
United Kingdom	Womancare Global Trading CIC **	United Kingdom
United States	Femhealth USA Inc.	United States

* Subsequent to year-end, DKT International Inc. – Egypt Branch was shut down in March 2018.

** Ipas and DKT entered into a partnership in which the Ipas Manual Vacuum Aspiration (MVA) technology will be licensed to DKT for global distribution for the product line of aspirators and cannulae effective May 2, 2017. As part of this transition, DKT acquired the company, WomanCare Global Trading CIC, thereby enabling existing agreements and regulatory compliance to continue without interruption.

Continued

DKT INTERNATIONAL, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 2017

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 net realizable value. Inventory also includes goods in transit free on board (FOB) shipping point. 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.

Continued

DKT INTERNATIONAL, INC. AND AFFILIATES

**NOTES TO COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 2017**

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 combined 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, 2017, 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, 2017**

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, 2017

2. Grants and Contributions Receivable

Grants and contributions receivable as of December 31, 2017, were due as follows:

In less than one year	\$ 32,657,747
In one to five years	<u>5,786,483</u>
Total Grants and Contributions Receivable	<u>\$ 38,444,230</u>

A discount in the amount of \$155,237 was recorded for multiyear pledges receivable for the year ended December 31, 2017. The discount rate used for the year ended December 31, 2017, was 1.5%. All amounts are deemed fully collectible.

3. Trade Receivables

Trade receivables primarily consist of product sales and are reported net of a \$585,331 allowance for doubtful accounts as of December 31, 2017. As of December 31, 2017, South America Group trade receivables of \$5,681,448 were used as collateral to the lines of credit disclosed in Note 7.

4. Inventory

DKT's inventory consisted of the following as of December 31, 2017:

Condoms	\$ 11,228,262
Other contraceptives	8,441,343
Goods in transit	5,499,595
Other items	4,793,553
Medical equipment (MVA business)	<u>1,277,011</u>
Total Inventory	31,239,764
Less: Allowance for Inventory Obsolescence	<u>(800,847)</u>
Inventory, Net	<u>\$ 30,438,917</u>

5. Investments

Investments consisted of the following at December 31, 2017:

Mutual funds	\$ 54,277,516
Equities	28,273,558
Exchange-traded & closed-end funds	19,320,016
Money market funds	492,187
Unit investment trusts	374,442
Certificates of deposit	<u>217,060</u>
Total Investments	<u>\$102,954,779</u>

DKT INTERNATIONAL, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 2017

5. Investments (continued)

Investment income is summarized as follows for the year ended December 31, 2017:

Interest and dividends	\$ 3,552,605
Realized gains, net	1,669,793
Unrealized gains, net	<u>15,407,893</u>
Investment Income, Net	<u>\$ 20,630,291</u>

Expenses relating to investment income, including custodial fees and investment advisory fees, totaled approximately \$32,022 for the year ended December 31, 2017, 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, 2017:

Vehicles	\$ 6,363,685
Office furnishings, equipment and software	6,399,867
Building	1,945,939
Leasehold improvements	1,030,829
Land	<u>726,657</u>
Total Property and Equipment	16,466,977
Less: Accumulated Depreciation and Amortization	<u>(7,157,165)</u>
Property and Equipment, Net	<u>\$ 9,309,812</u>

Depreciation and amortization expense totaled \$1,975,090 for the year ended December 31, 2017.

7. Lines of Credit and Loans Payable

DKT International, Inc.:

DKT International, Inc. 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, 2017, the fair value of the loan at amortized cost using the present value of \$11,400,000 due in five years using a discount rate of 5%, was \$9,507,040, and the accretion of the loan using the effective interest method was \$462,724.

Continued

DKT INTERNATIONAL, INC. AND AFFILIATES

**NOTES TO COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 2017**

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 \$725,514, bears interest at 22.41% per annum and was secured by the South America Group's trade receivables. There was no outstanding balance against this line of credit as of December 31, 2017.

A second line of credit was obtained on September 3, 2013, and matured on May 4, 2018. The line of credit totals \$1,058,041, bears interest at 5.54% per annum and was secured by South America Group's investment. As of December 31, 2017, the outstanding balance against this line of credit totaled \$269,649. This line of credit was renewed and subsequently expired on May 4, 2018.

The third line of credit was obtained on June 13, 2017, and matured on February 23, 2018. The line of credit totaled \$906,892 and bears interest at 8.58% per annum. As of December 31, 2017, the outstanding balance against this line of credit totaled \$906,893.

Philippines Group:

Philippines Group obtained a bank loan on December 28, 2015, that matures on December 28, 2020, totaling \$1,967,358, 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, 2017, the outstanding balance against this loan was \$1,524,731.

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, 2017, the outstanding balance against these loans was \$35,690.

As of December 31, 2017, the outstanding balances of DKT were scheduled to be paid as follows:

For the Year Ending <u>December 31,</u>	
2018	\$ 1,608,206
2019	1,146,630
2020	3,348,538
2021	1,450,000
2022	1,700,000
Thereafter	<u>4,950,000</u>
Total Payments	14,203,374
Less: Discount for Present Value of Loan Payable	<u>(1,959,371)</u>
Total Lines of Credit and Loans Payable	<u>\$ 12,244,003</u>

Continued

DKT INTERNATIONAL, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 2017

7. Lines of Credit and Loans Payable (continued)

Interest expense related to these agreements totaled \$1,022,648 for the year ended December 31, 2017. Of this amount, \$462,724 is related to the in-kind interest expense on the loan described under DKT International, Inc. above.

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, D.C., under a noncancelable operating lease, which expires on August 31, 2020. The lease required monthly payments of \$11,356 through April 2018, 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,	
2018	\$ 2,935,589
2019	1,969,667
2020	1,189,759
2021	500,532
2022	373,224
Thereafter	377,773
Total Future Minimum Lease Payments	\$ 7,346,544

Rent expense for the year ended December 31, 2017, totaled \$5,091,078.

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, 2017, DKT had approximately \$23,536,000 composed of demand deposits, which exceeded the maximum limit insured by the FDIC by approximately \$23,286,000. DKT monitors the creditworthiness of these institutions and has not experienced any historical credit losses on its cash and cash equivalents.

DKT INTERNATIONAL, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 2017

8. Commitments, Risks and Concentrations (continued)

Credit Risk (continued)

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, 2017, DKT had approximately \$36,268,000 of cash in its foreign offices.

Major Donor

For the year ended December 31, 2017, approximately 50% of DKT's grants and contributions were promised or received from two donors. Additionally, as of December 31, 2017, approximately 98% of grants and contributions receivable were due from these same two donors. Management of DKT has no reason to believe that its relationship with these donors 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 purposes and time restrictions as of December 31, 2017:

Global Increasing Contraceptives *	\$ 25,766,315
Gates Global **	7,508,971
DR Congo	5,773,237
UK Office	5,316,627
Ethiopia	3,611,471
Nigeria	2,970,442
Time restricted for 2018-2021	1,892,960
Indonesia Group	1,791,752
Headquarters – Hewlett Operating Grant	400,000
US Office	400,000
Headquarters – Liberty Project	109,722
Myanmar	<u>62,500</u>
Total Temporarily Restricted Net Assets	<u>\$ 55,603,997</u>

* The Global Increasing Contraceptives program includes funding restricted for DR Congo, Ghana, Indonesia Group, India Bihar, 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, Mexico, Mozambique, Myanmar Group, Nigeria, Pakistan, Philippines Group, Tanzania Group, West Africa Group and Kenya & Uganda Group.

DKT INTERNATIONAL, INC. AND AFFILIATES

**NOTES TO COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 2017**

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, DKT contributes up to a maximum of 10% of each participant's salary to the plan. DKT's contribution to this plan totaled \$200,243 for the year ended December 31, 2017. Certain management-level international employees are given an equivalent percentage of compensation to use for funding their retirement.

11. Related Party

During the year ended December 31, 2017, DKT received \$1,500,000 in contributions from a board member. There were no amounts due from this related party at December 31, 2017.

12. Fair Value Measurement

The following table summarizes DKT's investments measured at fair value on a recurring basis as of December 31, 2017, 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	\$ 17,101,823	\$ 17,101,823	\$ -	\$ -
Large growth	22,046,608	22,046,608	-	-
Large value	5,360,007	5,360,007	-	-
Emerging markets	1,937,691	1,937,691	-	-
Medium blend	4,193,815	4,193,815	-	-
Small blend	160,061	160,061	-	-
Small value	<u>3,477,511</u>	<u>3,477,511</u>	-	-
Total Mutual Funds	<u>54,277,516</u>	<u>54,277,516</u>	-	-
Equities:				
Consumer discretionary	584,735	584,735	-	-
Consumer staples	143,333	143,333	-	-
Energy	1,247,895	1,247,895	-	-
Financial	9,517,672	9,517,672	-	-

Continued

DKT INTERNATIONAL, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 2017

12. Fair Value Measurement (continued)

<i>(continued)</i>	<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>
Equities (continued):				
Healthcare	\$ 3,651,230	\$ 3,651,230	\$ -	\$ -
Industrial goods	8,963,325	8,963,325	-	-
Information				
technology	3,166,946	3,166,946	-	-
Materials	<u>998,422</u>	<u>998,422</u>	<u>-</u>	<u>-</u>
Total Equities	<u>28,273,558</u>	<u>28,273,558</u>	<u>-</u>	<u>-</u>
Exchange-traded & closed-end funds	<u>19,320,016</u>	<u>19,320,016</u>	<u>-</u>	<u>-</u>
Money market funds	<u>492,187</u>	<u>492,187</u>	<u>-</u>	<u>-</u>
Certificates of deposit	<u>217,060</u>	<u>-</u>	<u>217,060</u>	<u>-</u>
Total Investments				
Held at Fair Value	102,580,337	<u>\$ 102,363,277</u>	<u>\$ 217,060</u>	<u>\$ -</u>
Investments held at NAV:				
Unit investment				
trusts ^(a)	<u>374,442</u>			
Total				
Investments	<u>\$ 102,954,779</u>			

^(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.

Continued

DKT INTERNATIONAL, INC. AND AFFILIATES

**NOTES TO COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 2017**

13. 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, 2017, 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, 2017, 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, 2017, the statute of limitations for tax years 2014 through 2016 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, 2017, 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, 2017, for such affiliates totaled approximately \$1,288,078. The net deferred tax asset recognized by such affiliates for the year ended December 31, 2017, totaled \$1,755,560.

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, 2016, 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 September 26, 2018, the date the combined financial statements were available to be issued. Except as discussed 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, 2017

	DKT International, Inc.	South America Group	DR Congo	Egypt Group	Ethiopia	Ghana	India Bihar	India Mumbai Group	Indonesia Group	Mexico	Mozambique	Myanmar Group
ASSETS												
Cash and cash equivalents	\$ 18,632,245	\$ 2,484,379	\$ 145,802	\$ 370,050	\$ 5,204,566	\$ 3,771,216	\$ 773,370	\$ 3,241,626	\$ 7,408,262	\$ 1,535,385	\$ 223,813	\$ 101,926
Grants and contributions receivable	38,044,230	-	-	-	-	-	-	-	-	-	-	-
Trade receivables, net of allowance	47,457	5,681,448	198,700	148,620	603,765	761,191	1,886,073	479,504	10,067,515	5,267,018	394,695	74,894
Due from affiliates	46,578,850	-	-	8,789	149,628	-	-	-	-	-	124,444	-
Inventory, net of allowance	-	4,226,570	874,124	401,449	3,826,638	2,272,695	335,778	684,593	2,898,189	3,159,757	406,948	343,467
Prepaid expenses	184,891	130,808	-	164	136,407	59,358	-	31,537	449,326	301,795	7,923	97,066
Deferred tax asset	-	-	-	965	-	-	-	828,404	171,247	77,448	-	-
Investments	102,737,719	217,060	-	-	-	-	-	-	-	-	-	-
Investment in affiliates	39,585,386	-	-	-	-	-	-	-	-	-	-	-
Other assets	47,084	2,982	56,440	-	-	-	294,534	113,439	672,417	47,813	3,017	1,566
Property and equipment, net	146,272	692,602	755,520	87,966	-	284,837	586,670	171,643	138,552	83,087	488,644	55,196
TOTAL ASSETS	\$ 246,004,134	\$ 13,435,849	\$ 2,030,586	\$ 1,018,003	\$ 9,921,004	\$ 7,149,297	\$ 3,876,425	\$ 5,550,746	\$ 21,805,508	\$ 10,472,303	\$ 1,649,484	\$ 674,115
LIABILITIES AND NET ASSETS												
Liabilities												
Accounts payable and accrued expenses	\$ 4,536,300	\$ 4,248,492	\$ 336,119	\$ 329,011	\$ 3,997,856	\$ 1,407,828	\$ 1,478,581	\$ 1,051,742	\$ 6,253,773	\$ 5,731,287	\$ 128,096	\$ 198,220
Deferred revenue	8,404,117	-	-	-	-	-	-	-	-	-	-	-
Due to affiliates	124,444	6,116,903	-	2,518,186	453,124	3,744	-	-	1,179,658	52,199	-	985,891
Lines of credit and notes payable	9,507,040	1,176,542	-	-	-	-	-	4,305,733	-	307,317	-	-
TOTAL LIABILITIES	22,571,901	11,541,937	336,119	2,847,197	4,450,980	1,411,572	1,478,581	5,357,475	7,433,431	6,090,803	128,096	1,184,111
Net Assets												
Unrestricted												
Undesignated (deficit)	147,228,236	1,893,912	1,694,467	(1,829,194)	5,470,024	5,737,725	2,397,844	193,271	14,372,077	4,381,500	1,521,388	(509,996)
Board-designated	21,000,000	-	-	-	-	-	-	-	-	-	-	-
Total Unrestricted	168,228,236	1,893,912	1,694,467	(1,829,194)	5,470,024	5,737,725	2,397,844	193,271	14,372,077	4,381,500	1,521,388	(509,996)
Temporarily restricted												
	55,203,997	-	-	-	-	-	-	-	-	-	-	-
TOTAL NET ASSETS	223,432,233	1,893,912	1,694,467	(1,829,194)	5,470,024	5,737,725	2,397,844	193,271	14,372,077	4,381,500	1,521,388	(509,996)
TOTAL LIABILITIES AND NET ASSETS	\$ 246,004,134	\$ 13,435,849	\$ 2,030,586	\$ 1,018,003	\$ 9,921,004	\$ 7,149,297	\$ 3,876,425	\$ 5,550,746	\$ 21,805,508	\$ 10,472,303	\$ 1,649,484	\$ 674,115

DKT INTERNATIONAL, INC. AND AFFILIATES

COMBINING STATEMENT OF FINANCIAL POSITION
December 31, 2017

(Continued)

	Nigeria	Pakistan	Philippines Group	Tanzania Group	Turkey Group	West Africa Group	Vietnam Group	Kenya & Uganda Group	United Kingdom	United States	Subtotal	Eliminating Entries	Combined Total
ASSETS													
Cash and cash equivalents	\$ 2,046,866	\$ 1,307,601	\$ 4,606,309	\$ 1,182,766	\$ 533,842	\$ 372,674	\$ 792,791	\$ 164,524	\$ 609,406	\$ 816,616	\$ 56,326,035	\$ -	\$ 56,326,035
Grants and contributions receivable	-	-	-	-	-	-	-	-	-	400,000	38,444,230	-	38,444,230
Trade receivables, net of allowance	4,117,329	74,765	7,848,496	154,244	494,828	349,550	401,165	208,999	778,736	101,330	40,140,322	(55,803)	40,084,519
Due from affiliates	-	-	-	-	-	-	-	-	445,651	-	47,307,362	(47,307,362)	-
Inventory, net of allowance	1,016,444	729,958	6,023,954	910,689	162,145	441,446	339,195	680,926	880,372	87,684	30,703,021	(264,104)	30,438,917
Prepaid expenses	69,430	53,643	1,956,701	-	236,934	81,960	63,857	15,941	-	50,963	3,928,704	-	3,928,704
Deferred tax asset	-	-	677,496	-	-	-	-	-	-	-	1,755,560	-	1,755,560
Investments	-	-	-	-	-	-	-	-	-	-	102,954,779	-	102,954,779
Investment in affiliates	-	-	-	-	-	-	-	-	-	-	39,585,386	(39,585,386)	-
Other assets	-	29,946	21,985	-	17,500	34,991	15,719	18,692	-	12,574	1,390,699	-	1,390,699
Property and equipment, net	852,605	152,116	3,200,884	335,051	105,306	712,256	6,288	133,476	-	320,841	9,309,812	-	9,309,812
TOTAL ASSETS	\$ 8,102,674	\$ 2,348,029	\$ 24,335,825	\$ 2,582,750	\$ 1,550,555	\$ 1,992,877	\$ 1,619,015	\$ 1,222,558	\$ 2,714,165	\$ 1,790,008	\$ 371,845,910	\$ (87,212,655)	\$ 284,633,255
LIABILITIES AND NET ASSETS													
LIABILITIES													
Accounts payable and accrued expenses	\$ 2,166,483	\$ 1,245,139	\$ 4,705,854	\$ 425,383	\$ 57,527	\$ 471,817	\$ 250,711	\$ 186,095	\$ 767,212	\$ 229,500	\$ 40,203,026	\$ -	\$ 40,203,026
Deferred revenue	-	45,217	135,966	1,291,563	-	-	-	-	288,627	-	10,165,490	(1,411,490)	8,754,000
Due to affiliates	152,176	-	-	31,101	1,511,798	3,704,873	-	974	454,276	-	17,289,347	(17,289,347)	-
Lines of credit and loans payable	-	19,725,273	3,560,421	1,201,308	-	-	650,000	416,894	-	-	40,850,528	(28,606,525)	12,244,003
TOTAL LIABILITIES	2,318,659	21,015,629	8,402,241	2,949,355	1,569,325	4,176,690	900,711	603,963	1,510,115	229,500	108,508,391	(47,307,362)	61,201,029
NET ASSETS													
Unrestricted													
Undesignated (deficit)	5,784,015	(18,667,600)	15,933,584	(366,605)	(18,770)	(2,183,813)	718,304	618,595	1,204,050	1,160,508	186,733,522	(39,905,293)	146,828,229
Board-designated	-	-	-	-	-	-	-	-	-	-	21,000,000	-	21,000,000
Total Unrestricted	5,784,015	(18,667,600)	15,933,584	(366,605)	(18,770)	(2,183,813)	718,304	618,595	1,204,050	1,160,508	207,733,522	(39,905,293)	167,828,229
Temporarily restricted													
	-	-	-	-	-	-	-	-	-	400,000	55,603,997	-	55,603,997
TOTAL NET ASSETS	5,784,015	(18,667,600)	15,933,584	(366,605)	(18,770)	(2,183,813)	718,304	618,595	1,204,050	1,560,508	263,337,519	(39,905,293)	223,432,226
TOTAL LIABILITIES AND NET ASSETS	\$ 8,102,674	\$ 2,348,029	\$ 24,335,825	\$ 2,582,750	\$ 1,550,555	\$ 1,992,877	\$ 1,619,015	\$ 1,222,558	\$ 2,714,165	\$ 1,790,008	\$ 371,845,910	\$ (87,212,655)	\$ 284,633,255

DKT INTERNATIONAL, INC. AND AFFILIATES

COMBINING STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2017

	DKT International, Inc.	South America Group	DR Congo	Egypt Group	Ethiopia	Ghana	India Bihar	India Mumbai Group	Indonesia Group	Mexico	Mozambique	Myanmar Group
REVENUE AND SUPPORT												
Sales, net of discounts	\$ -	\$ 28,243,726	\$ 1,218,221	\$ 956,442	\$ 6,639,793	\$ 2,236,671	\$ 3,060,245	\$ 11,500,888	\$ 34,363,090	\$ 15,977,563	\$ 566,834	\$ 745,069
Grants and contributions	29,123,243	-	530,775	-	3,330,000	273,683	3,233,255	230,647	-	-	143,559	10,296
Grants from affiliates	-	-	7,329,650	1,532,001	5,819,571	1,513,175	-	3,151,781	-	92,424	2,915,762	1,072,902
Investment income	19,637,045	349,430	-	1,795	-	107,969	26,062	17,713	221,691	1,118	-	1,280
Service fees from affiliates	8,563,490	-	-	-	-	-	-	-	-	-	-	-
Other income	39,556	128,191	47,820	16,783	11,961	-	4,205	41,518	111,004	-	240	260
TOTAL REVENUE AND SUPPORT	57,363,334	28,721,347	9,126,466	2,507,021	15,801,325	4,131,498	6,323,767	14,942,547	34,695,785	16,071,105	3,626,395	1,829,807
EXPENSES AND LOSSES												
Cost of sales	-	14,214,111	2,406,370	577,842	8,795,349	846,333	940,145	7,708,189	19,107,878	6,240,474	935,732	671,580
Salaries and fringe benefits	7,267,813	4,439,038	1,479,854	542,529	2,763,453	510,747	2,444,936	2,537,304	1,933,422	1,663,654	1,304,941	313,619
Advertising and promotion	304,144	4,437,018	699,072	108,852	836,313	516,689	317,495	1,379,874	8,953,799	4,480,385	525,741	688,851
Professional fees	2,650,917	1,633,710	543,732	53,380	49,890	209,939	205,612	63,084	231,816	1,204,574	38,054	10,849
Contributions, outreach and grants to partners	1,607,912	1,267	-	-	80,828	-	900,973	631,165	-	39,753	-	-
Travel and related expenses	284,295	393,646	1,675,978	34,009	853,805	260,874	463,220	1,062,786	497,775	661,040	206,314	62,866
Rent	159,816	954,852	261,268	49,433	252,597	141,589	370,740	117,404	177,788	605,596	153,392	67,497
Licenses and taxes	320,175	28,254	135,839	1,005	-	-	-	102,034	301,268	(59,875)	11,642	24
Office expenses	111,417	99,688	447,650	10,816	106,270	42,461	34,928	40,074	51,605	122,355	41,640	9,433
Trainings, meetings and conferences	71,105	91,228	656,377	23,404	262,485	127,753	46,867	25,701	67,037	234,884	122,717	3,156
Product development	-	711,061	208,935	23,013	112,286	1,712	31,704	-	123,057	275,631	-	3,752
Other	510	922,414	112,007	8,057	-	39,724	72,943	18,670	5,840	80,551	249,323	110
Depreciation and amortization	2,470	119,050	232,572	28,128	-	76,230	104,622	43,247	49,538	65,152	156,013	10,885
Telephone, facsimile and utilities	69,960	92,892	160,198	21,598	59,715	52,649	100,181	11,427	53,481	49,361	33,277	4,910
Interest	462,724	249,268	-	-	-	-	5,241	-	-	20,481	24,084	-
Bank charges	19,541	49,232	69,590	11,480	584	2,722	1,711	5,499	26,717	20,321	11,025	5,780
Bad debt	-	4,825	-	70,425	5,333	21,685	-	-	247,421	-	(121)	-
Repairs and maintenance	-	8,806	132,001	6,626	-	26,528	42,290	-	486	47,726	31,779	1,021
Foreign currency exchange losses (gains)	-	(75,427)	50,242	6,392	(766,895)	119,015	-	(264,334)	(96,361)	69,480	85,456	132
Obsolete inventory expense	-	7,284	(103,702)	-	(118,008)	-	65,799	-	4,315	119,804	-	-
Program transfers to affiliates	36,882,236	-	-	-	-	-	-	-	-	-	-	-
Service fees to affiliates	319,907	-	-	-	399,714	-	-	-	3,362,183	127,413	-	-
TOTAL EXPENSES AND LOSSES	50,534,942	28,382,217	9,167,983	1,576,989	13,693,719	2,996,650	6,149,407	13,482,124	35,099,065	16,068,760	3,931,009	1,854,465
Change in Net Assets Before Income												
Tax Benefit (Provision) and Recovery of Discontinued Operations	6,828,392	339,130	(41,517)	930,032	2,107,606	1,134,848	174,360	1,460,423	(403,280)	2,345	(304,614)	(24,658)
Income tax benefit (provision)	-	(180,887)	-	2,876	-	-	-	116,317	(497,077)	(46,053)	-	-
Gain (loss) on recovery of discontinued operations	-	-	-	(1,385,483)	-	-	-	-	-	-	-	-
CHANGE IN NET ASSETS	6,828,392	158,243	(41,517)	(452,575)	2,107,606	1,134,848	174,360	1,576,740	(900,357)	(43,708)	(304,614)	(24,658)
Foreign currency translation gain (loss)	-	(249,925)	-	(28,436)	(1,212,953)	(425,971)	99,951	(59,994)	(110,425)	208,900	169,167	2
Dividends issued	-	(200,000)	-	-	-	-	-	-	(500,000)	-	-	-
Additional paid-in capital	-	532,852	-	6,198	-	-	-	-	-	-	460,000	-
NET ASSETS (DEFICIT), BEGINNING 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)
NET ASSETS (DEFICIT), END OF YEAR	\$ 223,432,233	\$ 1,893,912	\$ 1,694,467	\$ (1,829,194)	\$ 5,470,024	\$ 5,737,725	\$ 2,397,844	\$ 193,271	\$ 14,372,077	\$ 4,381,500	\$ 1,521,388	\$ (509,996)

DKT INTERNATIONAL, INC. AND AFFILIATES

COMBINING STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2017

(Continued)

	Nigeria	Pakistan	Philippines Group	Tanzania Group	Turkey Group	West Africa Group	Vietnam Group	Kenya & Uganda Group	United Kingdom	United States	Subtotal	Eliminating Entries	Combined Total
REVENUE AND SUPPORT													
Sales, net of discounts	\$ 4,245,961	\$ 1,677,762	\$ 27,123,448	\$ 914,305	\$ 861,385	\$ 521,072	\$ 3,924,151	\$ 189,302	\$ 1,897,907	\$ -	\$ 146,863,835	\$ (1,201,608)	\$ 145,662,227
Grants and contributions	-	541,314	42,656	665,356	-	-	100,000	-	450,000	4,244,467	42,919,251	(3,937,799)	38,981,452
Grants from affiliates	3,821,866	3,804,495	-	1,134,725	-	826,010	-	-	-	725,000	33,739,362	(33,739,362)	-
Investment income	-	-	87,547	-	90,106	84,396	2,795	1,344	-	-	20,630,291	-	20,630,291
Service fees from affiliates	-	-	-	-	-	-	-	-	63,594	-	8,627,084	(8,627,084)	-
Other income	86,566	976	28,460	210,362	276	1,451	168	4,531	285,298	22,099	1,041,725	-	1,041,725
TOTAL REVENUE AND SUPPORT	8,154,393	6,024,547	27,282,111	2,924,748	951,767	1,432,929	4,027,114	195,177	2,696,799	4,991,566	253,821,548	(47,505,853)	206,315,695
EXPENSES AND LOSSES													
Cost of sales	3,738,494	1,474,359	11,824,701	361,556	488,808	489,868	2,810,770	117,531	107,521	720,153	84,577,764	(907,613)	83,670,151
Salaries and fringe benefits	746,551	1,485,214	1,841,086	872,599	217,519	920,701	475,707	681,871	230,663	1,149,081	35,822,302	-	35,822,302
Advertising and promotion	1,032,851	2,064,184	6,247,978	353,873	145,414	579,307	175,915	575,150	-	611,135	35,034,040	-	35,034,040
Professional fees	92,381	149,195	1,410,684	222,668	23,192	219,129	121,207	23,219	653,209	459,570	10,270,011	-	10,270,011
Contribution, outreach and grants to partners	-	-	-	1,493,726	-	-	2,697	-	-	-	4,758,321	418,755	5,177,076
Travel and related expenses	199,811	313,826	526,193	105,874	80,756	367,592	48,933	207,680	11,206	52,536	8,371,015	-	8,371,015
Rent	133,680	225,063	416,010	381,570	72,842	112,986	98,447	121,372	-	217,136	5,091,078	-	5,091,078
Licenses and taxes	29,375	-	639,116	27,104	714	12,491	43,622	29,724	-	1,917	1,624,429	-	1,624,429
Office expenses	63,416	94,599	73,896	22,106	41,626	135,482	25,297	44,040	110,703	34,129	1,763,631	-	1,763,631
Trainings, meetings and conferences	305,026	124,678	186,870	30,778	-	18,682	293	5,772	-	2,762	2,407,575	-	2,407,575
Product development	-	74,190	7,948	4,577	-	8,490	-	25,609	20,693	-	1,632,658	-	1,632,658
Other	211,250	2	144,844	159,835	66,148	208	3,524	7,182	22,878	-	2,126,020	-	2,126,020
Depreciation and amortization	199,521	88,820	277,108	114,337	32,938	194,762	6,357	51,275	-	122,065	1,975,090	-	1,975,090
Telephone, facsimile and utilities	-	23,355	114,818	39,180	7,312	108,502	2,202	13,767	-	3,601	1,022,386	-	1,022,386
Interest	-	-	240,445	-	3,023	-	11,853	5,529	-	-	1,022,648	-	1,022,648
Bank charges	27,843	1,394	13,067	9,182	4,274	14,094	1,996	12,240	821	5,799	314,912	-	314,912
Bad debt	-	1,684	8,332	10,856	-	1	-	21,037	-	24,602	416,080	-	416,080
Repairs and maintenance	218,467	10,927	87,046	33,847	-	21,705	-	1,241	-	2,572	673,068	-	673,068
Foreign currency exchange losses (gains)	(547,096)	1,080,264	17,842	42,293	(25,097)	(2,469)	(136,027)	1,615	6,717	-	(434,258)	-	(434,258)
Obsolete inventory expense	-	151,846	-	28,395	37,675	-	-	-	-	-	193,408	25,912	219,320
Program transfers to affiliates	-	-	-	-	-	-	-	-	-	-	36,882,236	(36,882,236)	-
Service fees to affiliates	-	-	4,250,000	101,308	-	-	-	-	-	24,000	8,584,525	(8,584,525)	-
TOTAL EXPENSES AND LOSSES	6,451,570	7,363,600	28,327,984	4,415,664	1,197,144	3,201,531	3,692,793	1,945,854	1,164,411	3,431,058	244,128,939	(45,929,707)	198,199,232
Change in Net Assets Before Income													
Tax Benefit (Provision) and Recovery of Discontinued Operations	1,702,823	(1,339,053)	(1,045,873)	(1,490,916)	(245,377)	(1,768,602)	334,321	(1,750,677)	1,532,388	1,560,508	9,692,609	(1,576,146)	8,116,463
Income tax benefit (provision)	-	(106,850)	(195,340)	-	-	(27,856)	(24,870)	-	(328,338)	-	(1,288,078)	-	(1,288,078)
Gain (loss) on recovery of discontinued operations	-	-	1,510,281	-	-	-	-	-	-	-	124,798	(124,798)	-
CHANGE IN NET ASSETS	1,702,823	(1,445,903)	269,068	(1,490,916)	(245,377)	(1,796,458)	309,451	(1,750,677)	1,204,050	1,560,508	8,529,329	(1,700,944)	6,828,385
Foreign currency translation gain (loss)	(1,070,782)	959,554	(39,979)	(261,231)	(3,725)	(204,333)	643	7,205	-	-	(2,222,332)	2,222,332	-
Dividends issued	-	-	-	-	-	-	-	-	-	-	(700,000)	700,000	-
Additional paid-in capital	-	-	-	-	-	182,638	-	1,560,883	-	-	2,742,571	(2,742,571)	-
NET ASSETS (DEFICIT), BEGINNING 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
NET ASSETS (DEFICIT), END OF YEAR	\$ 5,784,015	\$ (18,667,600)	\$ 15,933,584	\$ (366,605)	\$ (18,770)	\$ (2,183,813)	\$ 718,304	\$ 618,595	\$ 1,204,050	\$ 1,560,508	\$ 263,337,519	\$ (39,905,293)	\$ 223,432,226