



DKT INTERNATIONAL, INC. AND AFFILIATES

Combined Financial Statements and Supplementary Information

*For The Year Ended December 31, 2018
(With Summarized Financial Information for the Year Ended December 31, 2017)*



**and
Report Thereon**



DKT INTERNATIONAL, INC. AND AFFILIATES

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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, 2018, 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.

Auditors' 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 auditors' 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.

Continued

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Opinion

In our opinion, the 2018 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, 2018, 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.

Other Matters

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The supplementary combining schedules 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

DKT's 2017 combined financial statements were audited by Raffa, P.C., whose practice was combined with Marcum LLP as of October 1, 2018, and whose report dated September 25, 2018, expressed an unmodified opinion on those audited combined financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

Marcum LLP

Washington, DC
September 30, 2019

DKT INTERNATIONAL, INC. AND AFFILIATES
COMBINED STATEMENT OF FINANCIAL POSITION
December 31, 2018
(With Summarized Financial Information as of December 31, 2017)

	2018	2017
ASSETS		
Cash and cash equivalents	\$ 39,778,174	\$ 56,326,035
Grants and contributions receivable	31,868,746	38,444,230
Trade receivables, net of allowance	45,583,880	40,084,519
Inventory, net of allowance	34,035,049	30,438,917
Prepaid expenses	4,310,706	3,928,704
Deferred tax asset	2,080,398	1,755,560
Investments	91,359,555	102,954,779
Other assets	1,719,820	1,390,699
Property and equipment, net	9,810,972	9,309,812
TOTAL ASSETS	\$ 260,547,300	\$ 284,633,255
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 46,364,430	\$ 40,203,026
Deferred revenue	6,590,861	8,754,000
Lines of credit and loans payable	14,087,248	12,244,003
TOTAL LIABILITIES	67,042,539	61,201,029
Net Assets		
Without donor restrictions		
Undesignated	130,689,409	146,828,229
Board-designated	21,000,000	21,000,000
Total Unrestricted	151,689,409	167,828,229
With donor restrictions	41,815,352	55,603,997
TOTAL NET ASSETS	193,504,761	223,432,226
TOTAL LIABILITIES AND NET ASSETS	\$ 260,547,300	\$ 284,633,255

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, 2018

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

	2018			2017
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUE AND SUPPORT				
Sales, net of discounts	\$ 143,193,393	\$ -	\$ 143,193,393	\$ 145,662,227
Cost of goods sold	(84,612,085)	-	(84,612,085)	(83,670,151)
Gross profit	58,581,308	-	58,581,308	61,992,076
Grants and contributions	18,984,983	35,786,625	54,771,608	38,981,452
Investment (loss) income	(4,096,384)	-	(4,096,384)	20,630,291
Other income	2,485,315	-	2,485,315	1,041,725
Net assets released from restriction:				
Satisfaction of program restrictions	48,288,871	(48,288,871)	-	-
Satisfaction of time restrictions	1,286,399	(1,286,399)	-	-
TOTAL REVENUE AND SUPPORT	125,530,492	(13,788,645)	111,741,847	122,645,544
EXPENSES AND LOSSES				
Program Services:				
Education and reproductive health	127,522,062	-	127,522,062	112,413,506
Total Program Services	127,522,062	-	127,522,062	112,413,506
Supporting Services:				
Management and general	3,240,744	-	3,240,744	3,388,889
Development and fundraising	501,772	-	501,772	449,022
Total Supporting Services	3,742,516	-	3,742,516	3,837,911
TOTAL EXPENSES	131,264,578	-	131,264,578	116,251,417
Foreign currency exchange losses (gains)	5,033,515	-	5,033,515	(2,656,590)
Loss from close of affiliate	8,090,574	-	8,090,574	-
TOTAL EXPENSES AND LOSSES	144,388,667	-	144,388,667	113,594,827
Change in net assets before foreign currency translation	(18,858,175)	(13,788,645)	(32,646,820)	9,050,717
Foreign currency translation gain (loss)	2,719,355	-	2,719,355	(2,222,332)
CHANGE IN NET ASSETS	(16,138,820)	(13,788,645)	(29,927,465)	6,828,385
NET ASSETS, BEGINNING OF YEAR	167,828,229	55,603,997	223,432,226	216,603,841
NET ASSETS, END OF YEAR	\$ 151,689,409	\$ 41,815,352	\$ 193,504,761	\$ 223,432,226

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, 2018
(With Summarized Financial Information for the Year Ended December 31, 2017)

	Program Services	Supporting Services			2018 Total	2017 Total
	Education and Reproductive Health	Management and General	Development and Fundraising	Total Supporting Services		
Advertising and promotion	\$ 42,207,701	\$ 1,800	\$ -	\$ 1,800	\$ 42,209,501	\$ 35,034,040
Salaries and fringe benefits	37,492,864	2,185,816	444,297	2,630,113	40,122,977	35,822,302
Professional fees	10,602,513	679,869	53,091	732,960	11,335,473	10,270,011
Travel and related expenses	9,902,519	120,661	-	120,661	10,023,180	8,371,015
Rent	4,999,340	100,377	-	100,377	5,099,717	5,091,078
Trainings, meetings and conferences	3,338,662	18,818	-	18,818	3,357,480	2,407,575
Other	3,053,701	35,653	-	35,653	3,089,354	2,126,020
Depreciation and amortization	2,605,415	2,808	-	2,808	2,608,223	1,975,090
Office expenses	2,214,624	64,429	-	64,429	2,279,053	1,763,631
Contribution, outreach and grants to partners	2,233,327	-	-	-	2,233,327	5,177,076
Product development	1,470,639	-	4,384	4,384	1,475,023	1,632,658
Licenses and taxes	1,431,477	-	-	-	1,431,477	1,624,429
Bad debt	1,293,989	-	-	-	1,293,989	416,080
Telephone, facsimile and utilities	1,271,906	18,979	-	18,979	1,290,885	1,022,386
Interest	1,077,964	-	-	-	1,077,964	1,022,648
Obsolete inventory expense	641,801	-	-	-	641,801	219,320
Repairs and maintenance	638,456	-	-	-	638,456	673,068
Income tax provision	561,082	-	-	-	561,082	1,288,078
Bank charges	484,082	11,534	-	11,534	495,616	314,912
TOTAL EXPENSES	127,522,062	3,240,744	501,772	3,742,516	131,264,578	116,251,417
Cost of goods sold, netted with revenue	84,612,085	-	-	-	84,612,085	83,670,151
TOTAL FUNCTIONAL EXPENSES	\$ 212,134,147	\$ 3,240,744	\$ 501,772	\$ 3,742,516	\$ 215,876,663	\$ 199,921,568

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, 2018

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

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (29,927,465)	\$ 6,828,385
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Change in provision for doubtful trade receivables	778,961	291,511
Bad debt	1,293,989	416,080
Change in discount for present value of grants and contributions receivable	53,129	360,339
Change in allowance for obsolete inventory	51,805	536,665
Realized gains on sales of investments	(7,187,441)	(1,669,793)
Unrealized losses (gains) on investments	14,621,865	(15,407,893)
Depreciation and amortization	2,608,223	1,975,090
Change in discount for present value of loan payable	486,399	462,724
Changes in assets and liabilities:		
Grants and contributions receivable	6,522,355	15,552,072
Trade receivables	(7,572,311)	(7,938,147)
Inventory	(3,647,937)	(4,962,159)
Prepaid expenses	(382,002)	(755,643)
Deferred tax (liability) asset	(324,838)	344,332
Other assets	(329,121)	(371,290)
Accounts payable and accrued expenses	6,161,404	7,395,890
Deferred revenue	<u>(2,163,139)</u>	<u>4,885,464</u>
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	<u>(18,956,124)</u>	<u>7,943,627</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(28,866,723)	(30,021,319)
Proceeds from sales of investments	33,027,523	31,976,189
Purchases of property and equipment	(3,329,303)	(3,423,748)
Proceeds from sales of property and equipment	<u>219,920</u>	<u>-</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>1,051,417</u>	<u>(1,468,878)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from lines of credit and loans payable	1,834,526	-
Repayments of lines of credit and loans payable	<u>(477,680)</u>	<u>(969,079)</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>1,356,846</u>	<u>(969,079)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	<u>(16,547,861)</u>	<u>5,505,670</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>56,326,035</u>	<u>50,820,365</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 39,778,174</u>	<u>\$ 56,326,035</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	<u>\$ 591,564</u>	<u>\$ 559,659</u>
Income taxes paid	<u>\$ 925,791</u>	<u>\$ 1,439,330</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, 2018

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 and its related parties as follows:

<u>Country</u>	<u>Full Name</u>	<u>Short Name</u>
Argentina	DKT Argentina S.A.	South America Group
Bolivia	DKT Bolivia S.A.	South America Group
Brazil	DKT DO Brasil Produtos De Uso Pessoal Ltda.	South America Group
Chile	DKT Chile	South America Group
Colombia	DKT Colombia S.A.S.	South America Group
Ecuador	DKT Ecuador S.A.	South America Group
Paraguay	DKT Paraguay	South America Group
Panama	DKT South America Holding Inc.	South America Group
Peru	DKT Peru	South America Group
Uruguay	SYB Salud y Belleza Internacional S.A.	South America Group
Uruguay	DKT Uruguay 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/Anglophone West Africa Group (AWA Group)
Liberia	DKT International Inc. Liberia	Ghana/AWA Group
Sierra Leone	Sierra Leone	Ghana/AWA Group
India	Janani	India Bihar Group
India	Janani Family Care 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, 2018**

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 International	Indonesia Group
Indonesia	PT. Dharmendra Kumar Tiyagi Indonesia	Indonesia Group
Mexico	DKT de Mexico S.A. de C.V.	Mexico
Mozambique	DKT Mozambique, Limitada	Mozambique
Myanmar	DKT International Inc. Myanmar Branch	Myanmar Group
Myanmar	Modern Choice Experts 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
Philippines	DKT Regional Operating Headquarters	Philippines Group
Singapore	Reproductive Health International PTE. Ltd **	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. Sirketi	Turkey Group
Cameroon	DKT International Cameroon SUARL	West Africa Group
Cote D'Ivoire	DKT International Cote D'Ivoire SUARL	West Africa Group
Senegal	DKT International Senegal SUARL	West Africa Group
Vietnam	Representative Office of DKT International Inc. in Hanoi	Vietnam Group
Vietnam	DKT International – Vietnam Office	Vietnam Group
Kenya	DKT Healthcare International Limited	Kenya & Uganda Group
Uganda	DKT Healthcare International Uganda Limited	Kenya & Uganda Group
United Kingdom	WomanCare Global Trading CIC	United Kingdom Group
France	DKT WomanCare Global Services ***	United Kingdom Group
United Kingdom	DKT International Foundation UK ***	United Kingdom Group
United States	FemHealth USA Inc.	United States

* DKT International Inc. – Egypt Branch was shut down in March 2018.

** Reproductive Health Singapore was liquidated and shut down on December 20, 2018.

*** In September 2018, a UK parent charity company, DKT International Foundation UK, was established which consolidates two other legal entities: Womancare Global Trading CIC and DKT WomanCare Global Services SAS.

Continued

DKT INTERNATIONAL, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

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.

DKT INTERNATIONAL, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS For the Year Ended December 31, 2018

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 \$5,000 and an economic life in excess of one year. 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, 2018, DKT has not recognized an impairment loss.

Classification of Net Assets

DKT's net assets are reported as follows:

- Net assets without donor restrictions represent the portion of expendable funds that are available for any purpose in performing the primary objectives of DKT at the discretion of DKT's management and the Board of Directors (the Board). From time to time, the Board designates a portion of these net assets for specific purposes, which makes them unavailable for use at management's discretion. The Board has designated \$21,000,000 of net assets without donor restrictions to serve as a working capital reserve to secure DKT's long-term financial viability.

Continued

DKT INTERNATIONAL, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS For the Year Ended December 31, 2018

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

Classification of Net Assets (continued)

- Net assets with donor restrictions represent funds that are specifically restricted by donors for use in various programs and/or for a specific period of time. These donor restrictions can be temporary in nature in that they will be met by actions of DKT or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity. As of December 31, 2018, DKT had no net assets with donor restrictions that are required to be maintained in perpetuity.

Revenue Recognition

DKT reports gifts of cash and other assets as having donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a stipulated time restriction ends or purpose of a restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the combined statement of activities as net assets released from restrictions.

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.

DKT INTERNATIONAL, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

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

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of functional expenses. Expenses directly attributed to a specific functional area are reported as expenses of those functional areas, while shared costs that benefit multiple functional areas have been allocated among the various functional areas based on estimates determined by management to be equitable. Shared costs are allocated based on labor costs.

Estimates

The preparation of the 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.

New Accounting Pronouncement

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return for nonprofit organizations. DKT has adjusted the presentation of these combined statements accordingly. The ASU has been applied retrospectively to the summarized comparative information presented for the year ended December 31, 2017.

2. Grants and Contributions Receivable

Grants and contributions receivable as of December 31, 2018, were due as follows:

In less than one year	\$ 25,113,177
In one to five years	<u>6,755,569</u>
Total Grants and Contributions Receivable	<u>\$ 31,868,746</u>

A discount in the amount of \$208,366 was recorded for multiyear pledges receivable for the year ended December 31, 2018. The discount rate used for the year ended December 31, 2018, was 2.46%. All amounts are deemed fully collectible.

3. Trade Receivables

Trade receivables primarily consist of product sales and are reported net of a \$1,364,292 allowance for doubtful accounts as of December 31, 2018. As of December 31, 2018, South America Group's trade receivables of \$4,902,975 were used as collateral to the lines of credit disclosed in Note 7.

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DKT INTERNATIONAL, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

4. Inventory

DKT's inventory consisted of the following as of December 31, 2018:

Condoms	\$ 13,949,976
Other contraceptives	12,000,262
Goods in transit	4,428,326
Other items	2,983,527
Medical equipment (MVA business)	<u>1,525,609</u>
Total Inventory	34,887,700
Less: Allowance for Inventory Obsolescence	<u>(852,651)</u>
Inventory, Net	<u>\$ 34,035,049</u>

5. Investments

Investments consisted of the following at December 31, 2018:

Mutual funds	\$ 48,935,320
Equities	23,931,495
Exchange-traded and closed-end funds	17,329,705
Certificates of deposit	424,647
Money market funds	390,710
Unit investment trusts	<u>347,678</u>
Total Investments	<u>\$ 91,359,555</u>

Investment income is summarized as follows for the year ended December 31, 2018:

Interest and dividends	\$ 3,345,823
Realized gains, net	7,187,441
Unrealized loss, net	(14,621,865)
Investment fees	<u>(7,783)</u>
Investment Loss, Net	<u>\$ (4,096,384)</u>

6. Property and Equipment and Accumulated Depreciation and Amortization

Property and equipment consisted of the following as of December 31, 2018:

Vehicles	\$ 7,240,605
Office furnishings, equipment and software	6,535,739
Building	2,115,698
Leasehold improvements	1,300,248
Land	<u>726,657</u>
Total Property and Equipment	17,918,947
Less: Accumulated Depreciation and Amortization	<u>(8,107,975)</u>
Property and Equipment, Net	<u>\$ 9,810,972</u>

Continued

DKT INTERNATIONAL, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

6. Property and Equipment and Accumulated Depreciation and Amortization (continued)

Depreciation and amortization expense totaled \$2,608,223 for the year ended December 31, 2018.

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, 2018, the fair value of the loan at amortized cost using a discount rate of 5%, was \$9,793,439, net of the cumulative accretion of \$1,406,561 and principle payment of \$200,000 in 2018. The accretion of the loan using the effective interest method was \$486,398.

South America Group:

South America Group has three significant revolving lines of credit with three banks. A line of credit was obtained on September 3, 2013, and matured on January 17, 2019. The line of credit totals \$1,806,545, bears interest at 10.06% per annum and was secured by South America Group's investments. As of December 31, 2018, the outstanding balance against this line of credit totaled \$1,040,055. This line of credit renewed and is set to expire on October 14, 2019.

A second line of credit was obtained on August 22, 2016, with an automatic renewal. The line of credit totaled \$619,387, bears interest at 12.68% per annum and was secured by the South America Group's trade receivables. As of December 31, 2018, the outstanding balance against this line of credit totaled \$120,006.

The third line of credit was obtained on December 11, 2018, and matured on June 17, 2019. The line of credit totaled \$774,234 and bears interest at 10.06% per annum. As of December 31, 2018, the outstanding balance against this line of credit totaled \$774,234. This line of credit was renewed and is set to expire on November 29, 2019.

South America Group has several working capital and business checking account credit limits obtained through different dates in 2018 with maturities in 2019 and 2020. As of December 31, 2018, the total credit limit was \$1,587,179 and bears interest ranging from 10.45% through 11.09%. As of December 31, 2018, the outstanding balance against this credit limit totaled \$976,475.

DKT INTERNATIONAL, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

7. Lines of Credit and Loans Payable (continued)

Philippines Group:

Philippines Group obtained a bank loan on December 28, 2015, that matures on December 28, 2020, totaling \$1,860,960, 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, 2018, the outstanding balance against this loan was \$1,383,039.

As of December 31, 2018, the outstanding balances of DKT were scheduled to be paid as follows:

For the Year Ending December 31,	
2019	\$ 3,483,139
2020	3,746,639
2021	1,636,096
2022	1,886,096
2023	1,836,096
Thereafter	<u>2,905,743</u>
Total Payments	15,493,809
Less: Discount for Present Value of Loan Payable	<u>(1,406,561)</u>
Total Lines of Credit and Loans Payable	<u>\$ 14,087,248</u>

Interest expense related to these agreements totaled \$1,077,964 for the year ended December 31, 2018. Of this amount, \$486,398 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 certain 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.

As of December 31, 2018, DKT leased its then headquarters office space in Washington, D.C., under a noncancelable operating lease, which was contracted to expire 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 was also responsible for its proportionate share of real estate taxes and operating and maintenance costs of the landlord.

DKT INTERNATIONAL, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS For the Year Ended December 31, 2018

8. Commitments, Risks and Concentrations (continued)

Operating Lease (continued)

On September 11, 2018, DKT signed a lease agreement for its new headquarters office space effective March 15, 2019, which is set to expire on July 31, 2024. The agreement is with the same landlord as its prior headquarters office space. The landlord allowed DKT to end its prior lease agreement effective March 14, 2019, and no penalty fees were assessed for the early termination. Monthly rent under the new agreement is \$19,728 per month with annual escalations of 2.75%. 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:

<u>For the Year Ending December 31,</u>	
2019	\$ 3,318,717
2020	1,814,112
2021	1,343,276
2022	648,881
2023	458,401
Thereafter	<u>182,214</u>
Total Future Minimum Lease Payments	<u>\$ 7,765,601</u>

Rent expense for the year ended December 31, 2018, totaled \$5,099,717.

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, 2018, DKT had approximately \$16,776,000 composed of demand deposits, which exceeded the maximum limit insured by the FDIC by approximately \$16,233,000. 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, 2018, DKT had approximately \$23,002,000 of cash in its foreign offices.

Major Donor

For the year ended December 31, 2018, approximately 57% of DKT's grants and contributions were promised or received from three donors. Additionally, as of December 31, 2018, approximately 92% of grants and contributions receivable were due from three donors. Management of DKT has no reason to believe that its relationship with these donors will be discontinued in the foreseeable future.

Continued

DKT INTERNATIONAL, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

8. Commitments, Risks and Concentrations (continued)

Other

DKT is party to various legal actions and claims arising in the ordinary course of its business. DKT's management believes that their ultimate disposition will not have a material adverse effect on DKT's financial position or change in net assets.

9. Availability and Liquidity

DKT regularly monitors liquidity required to meet its annual operating needs and other contractual commitments, while also striving to preserve the principal and return on the investment of its funds. DKT's financial assets available within one year of the combined statement of financial position date for general expenditures at December 31, 2018, were as follows:

Cash and cash equivalents	\$ 39,778,173
Grants and contributions receivable	31,868,746
Trade receivables, net of allowance	45,583,880
Investments	<u>91,359,555</u>
Total Financial Assets Available Within One Year	208,590,354
Less:	
Amounts unavailable for general expenditures within one year due to donor's restriction with purpose restriction	(41,815,352)
Amounts unavailable to management without Board approval: Board-designated for working capital reserve	<u>(21,000,000)</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$145,775,002</u>

DKT has various sources of liquidity at its disposal, including cash and cash equivalents and investments, which are available for general expenditures, liabilities and other obligations as they come due. Management is focused on sustaining the financial liquidity of DKT throughout the year. This is done through monitoring and reviewing DKT's cash flow needs on a weekly basis. As a result, management is aware of the cyclical nature of DKT's cash flow related to DKT's various funding sources and is therefore, able to ensure that there is cash available to meet current liquidity needs. As part of its liquidity plan, excess cash is invested in publicly traded investment vehicles, including mutual funds and equity securities. DKT can liquidate its investments anytime, and therefore the investments are available to meet current cash flow needs. Additionally, DKT has board-designated net assets that could be available for current operations with Board approval, if necessary.

DKT INTERNATIONAL, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

10. Net Assets

Net Assets Without Donor Restrictions

DKT's net assets without donor restrictions are composed of undesignated amounts and board-designated amounts for a working capital reserve. As of December 31, 2018, DKT's net assets without donor restrictions were as follows:

Undesignated	\$ 130,689,409
Board-designated	<u>21,000,000</u>
Total Net Assets Without Donor Restrictions	<u>\$ 151,689,409</u>

The board-designated net assets for a working capital reserve were instituted to provide funding for various strategic initiatives of DKT.

Net Assets With Donor Restrictions

As of December 31, 2018, net assets with donor restrictions were restricted for the following purposes or periods:

Subject to expenditure for specified purpose:

Global Increasing Contraceptives *	\$ 17,281,235
FP 2020 Global **	3,918,562
Safe Choice Global	6,805,799
United Kingdom Group	3,934,948
DR Congo	2,996,457
Nigeria	2,264,994
FemHealth	1,300,000
Mumbai Group	530,711
Headquarters – General Operating Support Grant	500,000
Myanmar Group	325,815
Ethiopia	310,590
Headquarters – Liberty Project	<u>239,681</u>
Total Subject to Expenditure for Specified Purpose	<u>40,408,792</u>

Subject to occurrence of specified events/passage of time:

Restricted for 2019-2021	<u>1,406,560</u>
Total Subject to Occurrence of Specified Events/ Passage of Time	<u>1,406,560</u>
Total Net Assets with Donor Restrictions	<u>\$41,815,352</u>

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

** The FP 2020 Global funding is restricted for South America Group, DR Congo, Egypt Group, Ethiopia, India Bihar Group, India Mumbai Group, 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, 2018**

11. Close of Affiliate

During 2018, Reproductive Health Singapore, a component of Philippines Group, was liquidated and shut down which resulted in a loss of \$8,090,574 for the year ended December 31, 2018, on the combined statement of activities. Activities of Reproductive Health Singapore are all related party activities and therefore eliminated in combination with Philippines Group.

12. 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 \$186,640 for the year ended December 31, 2018. Certain management-level international employees are given an equivalent percentage of compensation to use for funding their retirement.

13. Related Party

During the year ended December 31, 2018, DKT received \$1,000,200 in contributions from a board member. There were no amounts due from this related party at December 31, 2018.

14. Fair Value Measurement

The following table summarizes DKT's investments measured at fair value on a recurring basis as of December 31, 2018, 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	\$ 15,871,707	\$ 15,871,707	\$ -	\$ -
Large growth	20,257,266	20,257,266	-	-
Large value	4,425,991	4,425,991	-	-
Emerging markets	1,652,971	1,652,971	-	-
Medium blend	3,422,673	3,422,673	-	-
Small blend	252,439	252,439	-	-
Small value	<u>3,052,273</u>	<u>3,052,273</u>	<u>-</u>	<u>-</u>
Total Mutual Funds	<u>48,935,320</u>	<u>48,935,320</u>	<u>-</u>	<u>-</u>

Continued

DKT INTERNATIONAL, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

14. 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:				
Consumer discretionary	\$ 1,360,077	\$ 1,360,077	\$ -	\$ -
Consumer staples	283,120	283,120	-	-
Energy	766,605	766,605	-	-
Financial	8,973,133	8,973,133	-	-
Healthcare	3,120,529	3,120,529	-	-
Industrial goods	6,392,866	6,392,866	-	-
Information technology	2,784,481	2,784,481	-	-
Materials	<u>250,684</u>	<u>250,684</u>	<u>-</u>	<u>-</u>
Total Equities	<u>23,931,495</u>	<u>23,931,495</u>	<u>-</u>	<u>-</u>
Exchange-traded and closed-end funds	<u>17,329,705</u>	<u>17,329,705</u>	<u>-</u>	<u>-</u>
Certificates of deposit	<u>424,647</u>	<u>-</u>	<u>424,647</u>	<u>-</u>
Money market funds	<u>390,710</u>	<u>390,710</u>	<u>-</u>	<u>-</u>
Total Investments Held at Fair Value	91,011,877	<u>\$ 90,587,230</u>	<u>\$ 424,647</u>	<u>\$ -</u>
Investments held at net asset value:				
Unit investment trusts ^(a)	<u>347,678</u>			
Total Investments	<u>\$ 91,359,555</u>			

^(a) This investment is measured at net asset value 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 and 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, 2018

15. 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, 2018, 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, 2018, 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, 2018, the statute of limitations for tax years 2015 through 2017 remained open in the major U.S. jurisdictions in which DKT is subject to taxation however, currently there are no examinations in progress. 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, 2018, 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, 2018, for such affiliates totaled approximately \$561,082. The net deferred tax asset recognized by such affiliates for the year ended December 31, 2018, totaled \$2,080,398.

16. Reclassifications

Certain 2017 amounts have been reclassified to conform to the 2018 presentation.

17. 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 combined financial statements for the year ended December 31, 2017, from which the summarized information was derived.

18. Subsequent Events

In preparing these combined financial statements, DKT has evaluated events and transactions for potential recognition or disclosure through September 30, 2019, 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.

SUPPLEMENTARY INFORMATION

DKT INTERNATIONAL, INC. AND AFFILIATES
COMBINING SCHEDULE OF FINANCIAL POSITION
December 31, 2018

	DKT International, Inc.	South America Group	DR Congo	Egypt Group	Ethiopia	Ghana/ AWA Group	India Bihar	India Mumbai Group	Indonesia Group	Mexico	Mozambique	Myanmar Group
ASSETS												
Cash and cash equivalents	\$ 11,771,422	\$ 2,108,936	\$ 140,581	\$ 837,503	\$ 5,113,280	\$ 2,425,377	\$ 792,375	\$ 2,584,804	\$ 2,172,906	\$ 691,917	\$ 674,396	\$ 266,210
Grants and contributions receivable	31,168,746	-	-	-	-	-	-	-	-	-	-	-
Trade receivables, net of allowance	139,991	4,902,975	329,898	143,373	382,153	1,024,617	2,317,257	532,620	13,554,933	5,913,381	462,894	108,616
Due from affiliates	30,310,929	-	-	-	-	-	-	-	-	-	-	-
Inventory, net of allowance	-	5,669,414	1,146,880	546,440	3,519,541	2,309,487	256,673	990,981	4,113,039	2,637,157	259,111	408,017
Prepaid expenses	86,739	249,464	-	110,475	212,375	140,043	-	63,421	1,967,963	8,760	3,660	122,277
Deferred tax asset	-	53,385	-	959	-	-	-	703,469	117,471	33,663	-	-
Investments	90,932,368	424,647	-	-	-	-	-	-	-	2,540	-	-
Investment in affiliates	50,071,040	-	-	-	-	-	-	-	-	-	-	-
Other assets	60,912	112,589	68,273	4,480	-	-	321,123	111,514	23,398	47,509	7,260	4,485
Property and equipment, net	143,464	540,629	712,738	86,792	-	621,510	725,943	137,459	109,272	111,814	431,009	82,983
TOTAL ASSETS	<u>\$214,685,611</u>	<u>\$ 14,062,039</u>	<u>\$ 2,398,370</u>	<u>\$ 1,730,022</u>	<u>\$ 9,227,349</u>	<u>\$ 6,521,034</u>	<u>\$ 4,413,371</u>	<u>\$ 5,124,268</u>	<u>\$ 22,058,982</u>	<u>\$ 9,446,741</u>	<u>\$ 1,838,330</u>	<u>\$ 992,588</u>
LIABILITIES AND NET ASSETS												
Liabilities												
Accounts payable and accrued expenses	\$ 5,001,873	\$ 4,687,020	\$ 135,739	\$ 369,616	\$ 3,836,826	\$ 1,143,686	\$ 1,452,364	\$ 782,173	\$ 8,057,270	\$ 5,528,149	\$ 152,616	\$ 209,638
Deferred revenue	6,158,589	-	-	-	-	-	-	-	-	-	-	-
Due to affiliates	-	6,256,302	-	3,328,343	-	-	-	-	1,203,389	-	-	985,656
Lines of credit and notes payable	9,793,439	2,910,770	-	-	-	-	-	-	-	96,331	37,466	-
TOTAL LIABILITIES	<u>20,953,901</u>	<u>13,854,092</u>	<u>135,739</u>	<u>3,697,959</u>	<u>3,836,826</u>	<u>1,143,686</u>	<u>1,452,364</u>	<u>782,173</u>	<u>9,260,659</u>	<u>5,624,480</u>	<u>190,082</u>	<u>1,195,294</u>
Net Assets												
Without donor restrictions												
Undesignated (deficit)	132,216,358	207,947	2,262,631	(1,967,937)	5,390,523	5,377,348	2,961,007	4,342,095	12,798,323	3,822,261	1,648,248	(202,706)
Board-designated	21,000,000	-	-	-	-	-	-	-	-	-	-	-
Total Without Donor Restrictions	<u>153,216,358</u>	<u>207,947</u>	<u>2,262,631</u>	<u>(1,967,937)</u>	<u>5,390,523</u>	<u>5,377,348</u>	<u>2,961,007</u>	<u>4,342,095</u>	<u>12,798,323</u>	<u>3,822,261</u>	<u>1,648,248</u>	<u>(202,706)</u>
With donor restrictions												
	<u>40,515,352</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL NET ASSETS	<u>193,731,710</u>	<u>207,947</u>	<u>2,262,631</u>	<u>(1,967,937)</u>	<u>5,390,523</u>	<u>5,377,348</u>	<u>2,961,007</u>	<u>4,342,095</u>	<u>12,798,323</u>	<u>3,822,261</u>	<u>1,648,248</u>	<u>(202,706)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$214,685,611</u>	<u>\$ 14,062,039</u>	<u>\$ 2,398,370</u>	<u>\$ 1,730,022</u>	<u>\$ 9,227,349</u>	<u>\$ 6,521,034</u>	<u>\$ 4,413,371</u>	<u>\$ 5,124,268</u>	<u>\$ 22,058,982</u>	<u>\$ 9,446,741</u>	<u>\$ 1,838,330</u>	<u>\$ 992,588</u>

See independent auditors' report.

Continued

DKT INTERNATIONAL, INC. AND AFFILIATES
COMBINING SCHEDULE OF FINANCIAL POSITION
December 31, 2018

(continued)

	Nigeria	Pakistan	Philippines Group	Tanzania Group	Turkey Group	West Africa Group	Vietnam Group	Kenya & Uganda Group	United Kingdom Group	United States	Subtotal	Eliminating Entries	Combined Total
ASSETS													
Cash and cash equivalents	\$ 961,836	\$ 613,706	\$ 2,465,972	\$ 1,235,469	\$ 182,845	\$ 1,288,725	\$ 497,243	\$ 88,777	\$ 2,431,131	\$ 432,763	\$ 39,778,174	\$ -	\$ 39,778,174
Grants and contributions receivable	-	-	-	-	-	-	-	-	-	700,000	31,868,746	-	31,868,746
Trade receivables, net of allowance	5,433,628	213,562	5,011,746	349,133	792,852	646,130	672,536	630,756	2,754,090	150,318	46,467,459	(883,579)	45,583,880
Due from affiliates	-	-	-	-	-	-	-	-	-	-	30,310,929	(30,310,929)	-
Inventory, net of allowance	3,227,233	2,066,619	3,472,182	871,944	327,287	553,164	253,843	585,587	1,002,177	73,639	34,290,415	(255,366)	34,035,049
Prepaid expenses	128,879	69,663	593,898	-	224,855	183,602	31,480	41,940	1,513	69,699	4,310,706	-	4,310,706
Deferred tax asset	-	-	1,171,451	-	-	-	-	-	-	-	2,080,398	-	2,080,398
Investments	-	-	-	-	-	-	-	-	-	-	91,359,555	-	91,359,555
Investment in affiliates	-	-	-	-	-	-	-	-	-	-	50,071,040	(50,071,040)	-
Other assets	-	12,725	816,437	-	14,552	48,037	10,779	19,236	10,282	26,229	1,719,820	-	1,719,820
Property and equipment, net	784,656	310,087	2,816,189	362,405	402,232	749,244	46,766	113,356	-	522,424	9,810,972	-	9,810,972
TOTAL ASSETS	\$ 10,536,232	\$ 3,286,362	\$ 16,347,875	\$ 2,818,951	\$ 1,944,623	\$ 3,468,902	\$ 1,512,647	\$ 1,479,652	\$ 6,199,193	\$ 1,975,072	\$ 342,068,214	\$ (81,520,914)	\$ 260,547,300
LIABILITIES AND NET ASSETS													
Liabilities													
Accounts payable and accrued expenses	\$ 4,568,468	\$ 2,583,771	\$ 4,774,872	\$ 93,986	\$ 101,338	\$ 1,493,294	\$ 292,535	\$ 267,414	\$ 1,340,897	\$ 402,507	\$ 47,276,052	\$ (911,622)	\$ 46,364,430
Deferred revenue	-	-	1,667	-	-	432,272	-	-	-	-	6,592,528	(1,667)	6,590,861
Due to affiliates	-	-	112,699	1,807,341	1,991,626	8,835,239	-	-	1,576,239	-	26,096,834	(26,096,834)	-
Lines of credit and loans payable	-	-	3,129,845	1,240,498	-	22,958	650,000	416,894	-	-	18,298,201	(4,210,953)	14,087,248
TOTAL LIABILITIES	4,568,468	2,583,771	8,019,083	3,141,825	2,092,964	10,783,763	942,535	684,308	2,917,136	402,507	98,263,615	(31,221,076)	67,042,539
Net Assets													
Without donor restrictions													
Undesignated (deficit)	5,967,764	702,591	8,328,792	(322,874)	(148,341)	(7,314,861)	570,112	795,344	3,282,057	272,565	180,989,247	(50,299,838)	130,689,409
Board-designated	-	-	-	-	-	-	-	-	-	-	21,000,000	-	21,000,000
Total Without Donor Restrictions	5,967,764	702,591	8,328,792	(322,874)	(148,341)	(7,314,861)	570,112	795,344	3,282,057	272,565	201,989,247	(50,299,838)	151,689,409
With donor restrictions													
	-	-	-	-	-	-	-	-	-	1,300,000	41,815,352	-	41,815,352
TOTAL NET ASSETS	5,967,764	702,591	8,328,792	(322,874)	(148,341)	(7,314,861)	570,112	795,344	3,282,057	1,572,565	243,804,599	(50,299,838)	193,504,761
TOTAL LIABILITIES AND NET ASSETS	\$ 10,536,232	\$ 3,286,362	\$ 16,347,875	\$ 2,818,951	\$ 1,944,623	\$ 3,468,902	\$ 1,512,647	\$ 1,479,652	\$ 6,199,193	\$ 1,975,072	\$ 342,068,214	\$ (81,520,914)	\$ 260,547,300

See independent auditors' report.

DKT INTERNATIONAL, INC. AND AFFILIATES

**COMBINING SCHEDULE OF ACTIVITIES
For the Year Ended December 31, 2018**

	DKT International, Inc. (*)	South America Group	DR Congo	Egypt Group	Ethiopia	Ghana/ AWA Group	India Bihar	India Mumbai Group	Indonesia Group	Mexico	Mozambique	Myanmar Group
REVENUE AND SUPPORT												
Sales, net of discounts	\$ -	\$ 20,396,650	\$ 1,854,954	\$ 2,249,309	\$ 7,067,188	\$ 3,115,348	\$ 3,851,127	\$ 7,323,590	\$ 31,993,668	\$ 15,044,156	\$ 632,469	\$ 1,272,895
Cost of goods sold	-	(7,883,905)	(2,822,667)	(1,298,926)	(9,970,024)	(1,783,136)	(1,074,398)	(3,971,824)	(17,803,868)	(6,482,672)	(998,470)	(1,121,852)
Gross profit	-	12,512,745	(967,713)	950,383	(2,902,836)	1,332,212	2,776,729	3,351,766	14,189,800	8,561,484	(366,001)	151,043
Grants and contributions	47,241,137	-	325,104	-	4,608,032	-	-	-	-	-	227,621	602,510
Grants from affiliates	-	56,384	10,130,227	353,765	6,229,104	1,889,418	4,490,737	3,336,352	-	210,986	3,293,316	1,665,069
Investment (loss) income	(4,997,182)	(194)	-	16,719	-	121,537	30,521	13,849	78,416	14,890	10,921	3,875
Earnings from affiliates	5,093,316	-	-	-	-	-	-	-	-	-	-	-
Service fees from affiliates	5,424,784	-	-	-	-	-	-	-	-	-	-	-
Other income	384,758	243,010	64,966	-	-	27,042	292	113,704	1,168,217	-	19,392	317
TOTAL REVENUE AND SUPPORT	53,146,813	12,811,945	9,552,584	1,320,867	7,934,300	3,370,209	7,298,279	6,815,671	15,436,433	8,787,360	3,185,249	2,422,814
EXPENSES AND LOSSES												
Advertising and promotion	56,124	3,712,167	1,017,470	198,398	2,667,877	445,458	968,889	1,913,302	7,793,917	3,738,208	417,139	1,158,669
Salaries and fringe benefits	7,502,613	4,956,654	1,849,349	714,845	2,810,447	751,685	2,671,112	2,607,518	1,977,012	2,254,968	1,760,293	602,427
Professional fees	2,331,000	1,263,766	672,949	50,923	46,384	610,382	264,746	92,092	367,552	1,059,578	72,506	34,701
Travel and related expenses	232,799	394,471	2,256,023	84,417	773,045	524,016	489,506	1,030,840	424,693	508,686	320,845	105,347
Rent	107,944	897,692	291,408	69,363	330,397	153,135	306,721	122,054	246,307	649,315	206,442	110,013
Trainings, meetings and conferences	69,520	115,058	1,081,609	45,714	254,154	185,480	382,188	32,249	201,408	140,895	122,345	47,705
Other	94,410	789,614	213,695	39,298	-	34,110	-	118,092	290	147,969	-	-
Depreciation and amortization	2,808	131,279	259,702	45,430	-	129,153	134,600	25,521	54,478	63,156	226,836	25,482
Office expenses	86,248	94,193	454,488	65,805	135,560	80,957	30,518	64,356	117,418	34,766	60,129	12,585
Contributions, outreach and grants to partners	907,007	76	-	-	66,195	-	1,008,969	153,656	-	72,592	-	-
Product development	4,384	402,483	35,698	11,930	209,291	15,958	74,099	-	141,192	318,284	84	53,025
Licenses and taxes	119,788	46,956	167,205	111,655	-	-	-	326,748	187,424	107,641	11,409	151
Bad debt	-	116,973	-	-	-	158,835	-	(25)	948,717	-	6,108	-
Telephone, facsimile and utilities	122,245	96,890	219,001	16,377	40,163	108,046	82,764	11,182	53,869	49,102	45,542	9,190
Interest	486,398	258,195	-	-	-	-	14,990	-	13,403	44,918	17,053	-
Obsolete inventory expense	-	9,873	285,216	-	71,130	-	10,604	-	-	86,233	127,073	-
Repairs and maintenance	-	17,972	76,792	6,874	-	36,256	35,011	-	-	34,060	102,779	2,471
Income tax (benefit) provision	-	(1,805)	-	13,590	-	-	-	60,192	472,877	47,253	-	-
Bank charges	11,935	125,284	99,427	13,521	460	16,571	5,195	6,401	11,718	4,980	13,796	8,018
Program transfers to affiliates	70,712,113	-	-	-	-	-	-	-	-	-	-	-
Service fees to affiliates	-	-	-	-	449,651	-	-	-	2,411,614	-	-	-
TOTAL EXPENSES	82,847,336	13,427,791	8,980,032	1,488,140	7,854,754	3,250,042	6,479,912	6,564,178	15,423,889	9,362,604	3,510,379	2,169,784
Foreign currency exchange losses (gains)	-	1,081,392	4,388	(16,718)	8,968	102,704	51,929	108,442	59,751	106,231	(41,819)	6,599
Loss from close of affiliate	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENSES AND LOSSES	82,847,336	14,509,183	8,984,420	1,471,422	7,863,722	3,352,746	6,531,841	6,672,620	15,483,640	9,468,835	3,468,560	2,176,383
Change in net assets before foreign currency translation, dividends and additional paid in capital	(29,700,523)	(1,697,238)	568,164	(150,555)	70,578	17,463	766,438	143,051	(47,207)	(681,475)	(283,311)	246,431
Foreign currency translation gain (loss)	-	164,835	-	11,812	(219,206)	(377,840)	(246,080)	(299,960)	(686,547)	32,236	(89,829)	60,859
Dividends issued	-	(1,005,337)	-	-	-	-	-	-	(840,000)	-	-	-
Additional paid-in capital	-	851,775	-	-	69,127	-	42,805	4,305,733	-	90,000	500,000	-
CHANGE IN NET ASSETS	(29,700,523)	(1,685,965)	568,164	(138,743)	(79,501)	(360,377)	563,163	4,148,824	(1,573,754)	(559,239)	126,860	307,290
NET ASSETS (DEFICIT), BEGINNING 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)
NET ASSETS (DEFICIT), END OF YEAR	\$ 193,731,710	\$ 207,947	\$ 2,262,631	\$ (1,967,937)	\$ 5,390,523	\$ 5,377,348	\$ 2,961,007	\$ 4,342,095	\$ 12,798,323	\$ 3,822,261	\$ 1,648,248	\$ (202,706)

*DKT International, Inc.'s expenses include grants provided to and expenses paid on behalf of its affiliates or related parties. For more information, see the accompanying combined statement of functional expenses on page 5.

See independent auditors' report.

Continued

DKT INTERNATIONAL, INC. AND AFFILIATES

COMBINING SCHEDULE OF ACTIVITIES
For the Year Ended December 31, 2018

(continued)

	Nigeria	Pakistan	Philippines Group	Tanzania Group	Turkey Group	West Africa Group	Vietnam Group	Kenya & Uganda Group	United Kingdom Group	United States	Subtotal	Eliminating Entries	Combined Total
REVENUE AND SUPPORT													
Sales, net of discounts	\$ 5,662,706	\$ 1,776,069	\$ 27,255,870	\$ 328,375	\$ 1,376,890	\$ 1,234,928	\$ 3,837,497	\$ 625,442	\$ 7,122,812	\$ 1,646,162	\$ 145,668,105	\$ (2,474,712)	\$ 143,193,393
Cost of goods sold	(5,227,848)	(1,795,858)	(13,508,440)	(476,530)	(763,761)	(1,629,170)	(2,844,648)	(587,426)	(4,032,978)	(753,030)	(86,831,431)	2,219,346	(84,612,085)
Gross profit	434,858	(19,789)	13,747,430	(148,155)	613,129	(394,242)	992,849	38,016	3,089,834	893,132	58,836,674	(255,366)	58,581,308
Grants and contributions	-	346,851	69,705	87,898	-	-	-	2,555	-	1,303,692	54,815,105	(43,497)	54,771,608
Grants from affiliates	4,269,006	25,913,779	-	2,184,740	-	1,989,345	-	2,145,664	1,433,500	1,050,000	70,641,392	(70,641,392)	-
Investment income (loss)	-	-	397,545	896	83,742	118,801	8,403	877	-	-	(4,096,384)	-	(4,096,384)
Earnings from affiliates	-	-	-	-	-	-	-	-	-	-	5,093,316	(5,093,316)	-
Service fees from affiliates	-	-	-	-	-	-	-	-	-	-	5,424,784	(5,424,784)	-
Other income	520	1,436	12,396	18,982	325	343	4,450	947	541,694	7,524	2,610,315	(125,000)	2,485,315
TOTAL REVENUE AND SUPPORT	4,704,384	26,242,277	14,227,076	2,144,361	697,196	1,714,247	1,005,702	2,188,059	5,065,028	3,254,348	193,325,202	(81,583,355)	111,741,847
EXPENSES AND LOSSES													
Advertising and promotion	1,143,053	3,811,030	8,290,099	403,140	320,591	2,306,976	260,971	596,656	331,035	658,332	42,209,501	-	42,209,501
Salaries and fringe benefits	922,015	1,399,832	2,212,440	848,989	148,624	1,464,183	494,906	806,739	69,643	1,296,683	40,122,977	-	40,122,977
Professional fees	50,348	122,205	1,439,531	135,997	137,212	374,257	119,246	28,128	1,558,111	503,859	11,335,473	-	11,335,473
Travel and related expenses	165,784	653,679	555,390	106,366	57,311	810,867	65,682	287,982	125,037	50,394	10,023,180	-	10,023,180
Rent	150,534	234,156	293,796	234,935	51,836	136,629	79,669	125,507	35,181	266,683	5,099,717	-	5,099,717
Trainings, meetings and conferences	234,408	74,537	180,701	123,209	-	24,633	718	22,649	5,856	12,444	3,357,480	-	3,357,480
Other	647,128	-	42,007	142,673	18,181	26,114	4,800	25,629	48,790	42,925	2,435,725	653,629	3,089,354
Depreciation and amortization	241,580	63,710	268,901	90,908	22,490	634,143	10,632	53,201	-	124,213	2,608,223	-	2,608,223
Office expenses	58,398	56,511	43,431	17,343	17,405	443,525	29,974	57,346	237,036	81,061	2,279,053	-	2,279,053
Contribution, outreach and grants to partners	-	-	-	-	-	-	13,957	-	-	10,875	2,233,327	-	2,233,327
Product development	28,835	37,115	-	2,370	-	22,219	-	76,901	41,155	-	1,475,023	-	1,475,023
Licenses and taxes	21,187	-	212,976	34,929	-	19,305	42,619	18,669	-	2,815	1,431,477	-	1,431,477
Bad debt	-	1,180	-	-	-	5,987	-	6,792	41,963	7,459	1,293,989	-	1,293,989
Telephone, facsimile and utilities	22,445	21,005	125,483	42,271	6,396	143,844	2,283	28,729	-	44,058	1,290,885	-	1,290,885
Interest	-	-	122,922	43,971	2,021	-	7,025	67,068	-	-	1,077,964	-	1,077,964
Obsolete inventory expense	-	-	-	5,226	40,661	-	-	-	5,785	-	641,801	-	641,801
Repairs and maintenance	226,066	12,060	23,817	-	-	51,867	-	2,251	-	10,180	638,456	-	638,456
Income (benefit) tax provision	-	(40,126)	50,937	-	11,154	37,431	-	-	(90,421)	-	561,082	-	561,082
Bank charges	40,383	1,175	976	7,623	7,723	98,825	1,579	10,954	3,762	5,310	495,616	-	495,616
Program transfers to affiliates	-	-	-	-	-	-	-	-	-	-	70,712,113	(70,712,113)	-
Service fees to affiliates	-	-	2,000,000	-	-	-	-	-	562,860	125,000	5,549,125	(5,549,125)	-
TOTAL EXPENSES	3,952,164	6,448,069	15,863,407	2,239,950	841,605	6,600,805	1,134,061	2,215,201	2,975,793	3,242,291	206,872,187	(75,607,609)	131,264,578
Foreign currency exchange losses (gains)	459,903	1,977,949	886,706	(30,006)	283,616	87,191	9,461	(121,595)	8,423	-	5,033,515	-	5,033,515
Loss from close of affiliate	-	-	8,090,574	-	-	-	-	-	-	-	8,090,574	-	8,090,574
TOTAL EXPENSES AND LOSSES	4,412,067	8,426,018	24,840,687	2,209,944	1,125,221	6,687,996	1,143,522	2,093,606	2,984,216	3,242,291	219,996,276	(75,607,609)	144,388,667
Change in net assets before foreign currency translation, dividends and additional paid in capital	292,317	17,816,259	(10,613,611)	(65,583)	(428,025)	(4,973,749)	(137,820)	94,453	2,080,812	12,057	(26,671,074)	(5,975,746)	(32,646,820)
Foreign currency translation gain (loss)	(108,568)	1,553,932	3,008,819	109,314	(18,982)	(244,559)	(10,372)	82,296	(2,805)	-	2,719,355	-	2,719,355
Dividends issued	-	-	-	-	-	-	-	-	-	-	(1,845,337)	1,845,337	-
Additional paid-in capital	-	-	-	-	317,436	87,260	-	-	-	-	6,264,136	(6,264,136)	-
CHANGE IN NET ASSETS	183,749	19,370,191	(7,604,792)	43,731	(129,571)	(5,131,048)	(148,192)	176,749	2,078,007	12,057	(19,532,920)	(10,394,545)	(29,927,465)
NET ASSETS (DEFICIT), BEGINNING 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
NET ASSETS (DEFICIT), END OF YEAR	\$ 5,967,764	\$ 702,591	\$ 8,328,792	\$ (322,874)	\$ (148,341)	\$ (7,314,861)	\$ 570,112	\$ 795,344	\$ 3,282,057	\$ 1,572,565	\$ 243,804,599	\$ (50,299,838)	\$ 193,504,761

See independent auditors' report.