

DKT INTERNATIONAL, INC.

COMBINED FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

Years Ended December 31, 2010 and 2009

DKT INTERNATIONAL, INC.
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December 31, 2010 and 2009

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
DKT International, Inc.
Washington, District of Columbia

We have audited the accompanying combined statements of financial position of DKT International, Inc. (a nonprofit organization) and affiliates as of December 31, 2010 and December 31, 2009, and the related combined statements of activities and cash flows for the years then ended. These combined financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2010 and 2009, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying combined schedules of functional expenses and revenue and expenses in support of international 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 financial statements. The information has been subjected to the auditing procedures applied in the audits 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 financial statements or to the 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.

Coleman Huntoon & Brown PLLC

CERTIFIED PUBLIC ACCOUNTANTS
Chapel Hill, North Carolina
August 31, 2011

DKT INTERNATIONAL, INC.
COMBINED STATEMENTS OF FINANCIAL POSITION
December 31, 2010 and 2009

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ASSETS		
	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and cash equivalents	\$ 22,232,136	\$ 23,975,875
Accounts receivable	19,745,517	20,308,143
Accounts receivable - grants	2,770,974	1,885,655
Accounts receivable - related parties	17,850	53,191
Inventory - contraceptives	16,289,567	13,100,843
Prepaid expenses	3,743,999	6,103,432
Investments	56,828,031	54,812,236
Deposits	2,392,414	4,287,762
Property and equipment, net	4,041,650	3,630,105
Other assets, net	<u>1,450,941</u>	<u>1,511,285</u>
TOTAL ASSETS	<u><u>\$ 129,513,079</u></u>	<u><u>\$ 129,668,527</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 17,973,647	\$ 15,774,732
Advances on grants	1,173,182	1,700,337
Payroll taxes and benefits withheld and accrued	564,919	592,350
Deferred sales revenue	223,551	113,731
Notes payable	<u>229,939</u>	<u>526,066</u>
TOTAL LIABILITIES	<u>20,165,238</u>	<u>18,707,216</u>
NET ASSETS		
Unrestricted		
Designated by the Board for new program support	19,000,000	24,500,000
Undesignated	<u>89,608,638</u>	<u>83,206,715</u>
TOTAL UNRESTRICTED	108,608,638	107,706,715
TEMPORARILY RESTRICTED	<u>739,203</u>	<u>3,254,596</u>
TOTAL NET ASSETS	<u>109,347,841</u>	<u>110,961,311</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 129,513,079</u></u>	<u><u>\$ 129,668,527</u></u>

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

DKT INTERNATIONAL, INC.
COMBINED STATEMENTS OF ACTIVITIES
Years Ended December 31, 2010 and 2009

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	2010			2009		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE, GAINS, AND OTHER SUPPORT						
Contributions - individuals, foundations and corporations \$	1,410,692	\$ 14,400,200	\$ 15,810,892	\$ 24,818,053	\$ 11,938,607	\$ 36,756,660
Contributed goods and services	409,769	-	409,769	1,267,070	-	1,267,070
Grant and contract revenue	12,225,944	-	12,225,944	14,305,345	-	14,305,345
Gross receipts program revenue - contraceptive sales and related services	76,497,857	-	76,497,857	63,774,555	-	63,774,555
Interest income	721,961	-	721,961	673,402	-	673,402
Dividend income	1,083,210	-	1,083,210	732,210	-	732,210
Royalty income	256,408	-	256,408	382,002	-	382,002
Foreign currency translation gain	2,312,345	-	2,312,345	3,898,968	-	3,898,968
Realized gain on sale of investments	758,125	-	758,125	1,197,061	-	1,197,061
Gain on sale of assets	38,672	-	38,672	20,793	-	20,793
Unrealized gain on investments	6,147,795	-	6,147,795	9,697,263	-	9,697,263
Other income	314,615	-	314,615	344,349	-	344,349
TOTAL REVENUE, GAINS, AND OTHER SUPPORT	102,177,393	14,400,200	116,577,593	121,111,071	11,938,607	133,049,678
NET ASSETS RELEASED FROM RESTRICTIONS	16,915,593	(16,915,593)	-	16,413,765	(16,413,765)	-
	119,092,986	(2,515,393)	116,577,593	137,524,836	(4,475,158)	133,049,678
EXPENSES AND LOSSES						
Program services						
Cost of sales and expenses - sale of contraceptives	47,418,452	-	47,418,452	41,027,294	-	41,027,294
Other program expenses	65,000,471	-	65,000,471	54,439,940	-	54,439,940
Supporting services						
Management and general	1,562,069	-	1,562,069	1,476,447	-	1,476,447
Fund-raising	345,105	-	345,105	356,706	-	356,706
TOTAL EXPENSES	114,326,097	-	114,326,097	97,300,387	-	97,300,387
Loss on disposition of assets	150,587	-	150,587	58,279	-	58,279
Foreign currency translation loss	2,040,264	-	2,040,264	2,174,860	-	2,174,860
Realized loss on sale of investments	466,510	-	466,510	1,167,917	-	1,167,917
Unrealized loss on valuation of inventory	554,783	-	554,783	632,798	-	632,798
Unrealized loss on investments	652,822	-	652,822	188,618	-	188,618
TOTAL LOSSES	3,864,966	-	3,864,966	4,222,472	-	4,222,472
TOTAL EXPENSES AND LOSSES	118,191,063	-	118,191,063	101,522,859	-	101,522,859
CHANGE IN NET ASSETS	901,923	(2,515,393)	(1,613,470)	36,001,977	(4,475,158)	31,526,819
NET ASSETS AT BEGINNING OF YEAR	107,706,715	3,254,596	110,961,311	71,704,738	7,729,754	79,434,492
NET ASSETS AT END OF YEAR	\$ 108,608,638	\$ 739,203	\$ 109,347,841	\$ 107,706,715	\$ 3,254,596	\$ 110,961,311

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

DKT INTERNATIONAL, INC.
COMBINED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2010 and 2009

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	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,613,470)	\$ 31,526,819
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net loss on disposition of assets	111,915	37,486
Net realized (gain) on sales of investments	(291,615)	(29,144)
Net unrealized (gain) on investments	(5,494,973)	(9,508,645)
Unrealized loss on valuation of inventory	554,783	632,798
Noncash contributions received	(669,449)	(23,969,514)
Depreciation and amortization	1,217,356	1,220,267
(Increase) decrease in accounts receivable	(287,352)	10,927
(Increase) in inventory	(3,333,737)	(478,714)
(Increase) decrease in prepaid expenses	2,359,433	(3,544,842)
(Increase) decrease in deposits	1,895,348	(1,103,126)
Increase in accounts payable	2,198,915	518,495
(Decrease) in advances on grants	(527,155)	(1,346,808)
Increase (decrease) in payroll taxes and benefits accrued and withheld	(27,431)	342,093
Increase in deferred sales revenue	109,820	113,731
	<u>(3,797,612)</u>	<u>(5,578,177)</u>
NET CASH USED IN OPERATING ACTIVITIES		
	<u>(3,797,612)</u>	<u>(5,578,177)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(1,861,107)	(1,248,530)
Purchase of investments and certificates of deposit	(31,232,730)	(24,584,024)
Proceeds from sale of investments and certificates of deposit	35,263,201	30,151,815
Proceeds from sale of fixed assets	180,636	178,930
	<u>2,350,000</u>	<u>4,498,191</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES		
	<u>2,350,000</u>	<u>4,498,191</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of short-term debt	109,779	313,566
Payments of short-term debt	(405,906)	(229,754)
	<u>(296,127)</u>	<u>83,812</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		
	<u>(296,127)</u>	<u>83,812</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,743,739)	(996,174)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	23,975,875	24,972,049
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ <u>22,232,136</u>	\$ <u>23,975,875</u>
Supplemental disclosure of cash flow information:		
	<u>2010</u>	<u>2009</u>
Cash paid for:		
Interest expense	\$ <u>61,024</u>	\$ <u>111,372</u>
Noncash transactions		
The following items were donated to DKT:		
Inventory - commodities	\$ 409,769	\$ 1,267,070
Marketable securities	259,680	22,702,444
	<u>\$ 669,449</u>	<u>\$ 23,969,514</u>

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

DKT INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS

ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

DKT International, Inc., (DKT), a nonprofit corporation, was organized in 1984 for the purpose of designing and implementing family planning projects in developing countries. These projects are committed to the promotion of family planning and HIV/AIDS prevention through the dissemination of information and the social marketing of contraceptives. At this time, DKT directs programs in many countries around the world, including Ethiopia, Mexico, India (two projects), Indonesia, Vietnam, China, the Philippines, Egypt, Brazil, Turkey, Mozambique, South Africa, Sudan, the Democratic Republic of the Congo (Congo), Morocco and Thailand. The program in Morocco remains in the start-up phase.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Combination

The combined financial statements include the accounts of DKT International, Inc. (DKT) and its affiliates. Such combined reporting most accurately reflects the common charitable activities of DKT and its affiliates. All inter-company accounts between DKT International Inc. and its affiliates (collectively, DKT) have been eliminated in combination.

Basis of Accounting

The financial statements of DKT have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Combined Statements of Activities and presented in the Combined Schedule of Functional Expenses. Accordingly, certain costs have been allocated among the programs and the supporting services benefited.

Use of Estimates

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

Recently Adopted Accounting Pronouncements

Effective January 1, 2009, in accordance with U.S. GAAP (currently the FASB Accounting Standards Codification), DKT adopted the provisions of FASB ASC 740-10-20 (formerly FASB Interpretation No. 48) related to accounting for uncertain tax positions. The Company also adopted Accounting Standards Update 2009-06, *Implementation for Uncertainty in Income Taxes and Disclosure Amendments for Nonpublic Entities*, which amended the FASB Accounting Standards Codification to provide guidance on uncertainty in income taxes for pass-through and tax-exempt not-for-profit entities.

During the third quarter of 2009, DKT adopted The FASB Accounting Standards Codification (ASC or Codification) and the Hierarchy of Generally Accepted Accounting Principles (GAAP) which establishes the Codification as the sole source for authoritative U.S. GAAP and will supersede all accounting standards in U.S. GAAP, aside from those issued by the SEC. The ASC did not change GAAP, but

instead reorganized the U.S. GAAP pronouncements into Topics. As the ASC did not change GAAP, the adoption of the Codification did not have an impact on DKT's combined results of operations, combined cash flows, or combined financial position. Since the adoption of the Accounting Standards Codification (ASC) the Organization's notes to the financial statements will no longer make reference to Statement of Financial Accounting Standards (SFAS) or other U.S. GAAP pronouncements.

Cash and Cash Equivalents

The Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at their fair values based upon quoted market prices with gains and losses included in the accompanying combined statements of activities. Donated securities are recorded at their fair values on the dates of the gifts and, except where otherwise required by the donor or the Board of Directors, are immediately sold by the Organization.

Fair Value

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, and Level 3 has the lowest. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, DKT International, Inc. measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

Level 1 Quoted prices of identical instruments in active markets.

Level 2 Quoted prices for similar instruments in active markets; quoted prices for similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable in active markets.

Level 3 Valuations derived from valuation techniques in which one or more significant inputs are unobservable.

Risks and Uncertainties

DKT invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the Combined Statements of Financial Position.

Promises to Give

Unconditional promises to give are recognized as revenue in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Promises to give are recorded at net realizable value if they are expected to be collected in one year and at fair value if they are expected to be collected in more than one year. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Basis of Presentation

Financial statement presentation follows ASC 958-205-05-6 which requires that not-for-profit entity financial statements classify and report net assets in three groups based on the existence or absence of donor-imposed restrictions and the nature of those restrictions. A description of the three net asset categories follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the organization and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that must be maintained permanently by the organization. Generally, the donors of these assets permit the organization to use the income earned on related investments for general or specific purposes.

Restricted and Unrestricted Revenue and Support

Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets are released from restrictions. Generally, awards are classified as refundable advances until expended for the purposes of the grants since they are conditional promises to give.

Trade Accounts Receivable and Allowance for Doubtful Accounts

Trade accounts receivable, net of allowance for doubtful accounts, are stated at the amount management expects to collect from balances outstanding at year-end. An allowance for doubtful accounts is provided based upon management's judgment including such factors as management's assessment of the credit history with customers having outstanding balances and current relationships with them. Generally accepted accounting principles require that the allowance method be used to reflect bad debts.

Property and Equipment

All acquisitions of property and equipment in excess of \$600 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful life of the asset.

Video Products

Video products have been capitalized at fair market value at the date of acquisition. Depreciation is based on the income forecast method over the estimated useful life of the asset.

Inventories

Various operations of DKT carry inventories of contraceptives held for distribution or resale. These products are either purchased from vendors or received as contributions from grantors or various governmental agencies. In instances where contraceptive products are sold below their original cost, these products are valued at their net realizable value for the years ending December 31, 2010 and 2009. The difference in the cost and net realizable value is treated as a current unrealized loss and recognized in the accompanying Combined Statements of Activities.

Contributed Goods and Services

DKT recognizes all contributed non cash support received as income in the period received. Contributed support is reported as unrestricted or restricted depending on the existence of donor stipulations that limit the use of the support.

The mission of DKT is carried out partially through the donation of contraceptives from various international governmental and private agencies. During 2010, DKT's operations in India and Vietnam received goods valued at \$2,819,585 as shown on the following schedule. The goods received by these same operations were valued at \$4,176,344 in 2009. The Government of India subsidizes the cost of a portion of the contraceptives used in Mumbai and Bihar, India; the amount noted below represents only the product subsidy, not the total cost of the products.

<u>COUNTRY</u>	<u>VALUE OF CONTRACEPTIVES</u>		<u>SOURCE</u>
	<u>2010</u>	<u>2009</u>	
India	\$2,409,816	\$2,909,274	Government of India (subsidy)
Vietnam	\$409,769	\$1,267,070	UNFPA, National Committee for Population and Family Planning/Kreditanstalt fur Wiederaufbau (KfW) (donated)

No amounts have been reflected in the financial statements for donated services. DKT pays for professional services and other services requiring specific expertise.

Donated Assets

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation. DKT received contributions of marketable securities during both 2010 and 2009. The 2010 contributions had a fair market value of \$259,680 at the date of the gift while the 2009 contributed securities were valued at \$22,702,444.

Designation of Unrestricted Net Assets

It is the policy of the Board of Directors of DKT to review annually its plans for new programs and start-up expenditures to designate appropriate sums of unrestricted net assets to assure adequate financing of such new programs. The Board of Directors designated \$19,000,000 at December 31, 2010 and \$24,500,000 at December 31, 2009 from DKT's unrestricted net assets for future growth and support of programs; these designated net assets will be dedicated for initial phases in the new programs in Mexico, Egypt and the Sudan and other start-up programs anticipated for 2011 and 2012 such as Ghana and Western China.

Gains/Losses on Foreign Currency Exchange

All elements of the financial statements of DKT's operations in foreign countries are translated using the current exchange rate. For assets and liabilities, this is the rate in effect at the balance sheet date. For revenue and expense items, translation is performed monthly using the average for that month as applicable. The exchange rates at December 31, 2010 and December 31, 2009, as quoted in the "Wall

Street Journal” are used in DKT’s foreign currency translations except for Morocco which had not been updated in the “Wall Street Journal”. The rate at OANDA.com was used for Morocco.

<u>COUNTRY</u>	<u>CURRENCY</u>	<u>PER US DOLLAR</u>	
		<u>2010</u>	<u>2009</u>
Turkey	Lira	1.542	1.496
Ethiopia	Birr	16.631	12.695
Mexico	Peso	12.340	13.079
Morocco	Dirham	8.355	7.831
Mumbai	Rupees	44.703	46.404
Mozambique	Second Metical	32.300	25.860
South Africa	Rand	6.627	7.407
DR Congo	Franc (CDF)	907.500	910.000
Thailand	Baht	30.066	33.356
Indonesia	Rupiah	9,009.000	9,425.000
Vietnam	Vnd	19,498.000	18,474.000
Hong Kong	Hong Kong Dollar	7.773	7.754
Bihar	Rupees	44.703	46.404
China	Renminbi	5.805	6.827
Philippines	Peso	43.649	46.490
Egypt	Pound	5.485	5.485
Brazil	Reais	1.660	1.743
Sudan	Sudanese Pound	2.503	2.320

Concentrations

The Organization maintains its cash and cash equivalents in high-credit-quality financial institutions in amounts which, at times, may exceed federally insured limits. DKT has not experienced any losses in such accounts, and management believes that the Organization is not exposed to any significant risk of loss on cash and cash equivalents due to the failure of the financial institutions. The Organization has substantial cash in foreign bank accounts, which is subject to fluctuations in the foreign currency exchange rate.

Program revenue generated from the sales of contraceptives accounted for approximately 66% of the organization’s total revenue, gains and other support during 2010 and 48% for 2009. Financial support and revenue from grants and contracts accounted for 10% and 11%, respectively, for the same time periods. Contributions from individuals, foundations and corporations provided 14% of the total revenue, gains and other support for 2010 and 28% for 2009.

Income Tax Status

DKT is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code and from state taxes under comparable laws. The organization has been approved under Internal Revenue Code Section 509(a)(2) for recognition as a publicly supported charity and not as a private foundation. Donations made to a public charity qualify for the maximum charitable contribution federal income tax deduction.

In accordance with the provisions of FASB ASC 740-10-20, DKT regularly reviews and evaluates its tax positions taken in previously filed income tax and informational returns and as reflected in its combined financial statements.

If applicable, penalties and interest assessed by income taxing authorities are included as expenses in the Combined Statement of Activities. Under the statute of limitations, the federal informational returns of DKT for 2007, 2008, and 2009, are subject to examination by the Internal Revenue Service. DKT believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Compensated Absences

Employees of DKT International, Inc. are eligible for home leave and other paid time off depending on length of service and other factors. The financial statements are prepared on the accrual basis; therefore, DKT recognizes the costs of compensated absences when earned by the employees.

RELATED PARTY TRANSACTIONS

DKT received cash contributions from its president in the amounts of \$1,100,000 and \$1,900,050 during 2010 and 2009, respectively. The president also donated marketable securities valued at \$259,680 during 2010 and \$394,200 during 2009. In 2009, DKT also received a cash contribution of \$1,000 from another related entity. In 2009, DKT received cash contributions of \$154,316 from a related non-profit entity. This same entity donated marketable securities valued at \$22,308,244 in 2009. The president of DKT is a member of the Board of Directors of this charity.

Three for-profit entities, of which the president of DKT is a substantial stockholder, contributed video products to DKT during 1995. These video products were valued at \$5,500,000. Additional tapes valued at \$210,087 were donated during 2002. In 2006 one of the for-profit entities donated additional tapes to DKT valued at \$468,253. Subsequently, DKT signed licensing agreements with these entities, giving them the rights to copy, market and distribute the video products. DKT realizes royalties on the sale of these videos as they are sold by the currently licensed entities. The initial term of these agreements was three years and they remain in force until terminated by either party. During 2010, DKT earned \$256,408 in royalties from these licensing agreements. Of this total, \$17,850 was due to DKT at December 31, 2010. Royalties earned from these agreements in 2009 were \$382,002. Of this amount, \$43,402 was due at December 31, 2009.

In the normal course of business, DKT International, Inc. conducts arm's length transactions with certain foreign affiliates, including making investments in some of its subsidiaries whose operations are included in the combined financial statements. In the financial statements these transactions are eliminated from the totals; however, following is a summary of balances and transactions among affiliates as of and for the years ended December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Notes receivable (payable)	\$12,106,164	\$7,486,625
Interest income (expense)	\$ 87,317	\$ 105,235
Management fees (overhead expenses)	\$ 2,081,365	\$1,845,294

FAIR VALUE MEASUREMENTS

The Organization is responsible for the valuation process and as part of this process may use data from outside sources in establishing fair value. DKT performs due diligence to understand the inputs used or how the data was calculated or derived. DKT corroborates the reasonableness of external inputs in the valuation process.

The following information presents the assets carried at fair value on December 31, 2010 on the combined balance sheet by fair value hierarchy level, as described above. The Company carried its financial liabilities at fair value as of December 31, 2010.

The fair value of assets measured on a recurring basis at December 31, 2010 is as follows:

	Fair Value as of December 31, 2010	Quoted Prices in Active Markets of Identical Assets Level 1	Significant Other Observable Inputs Level 2
Cash and cash equivalents	\$22,232,136	\$22,232,136	\$ -
Equity securities	31,229,220	31,229,220	-
Government securities	1,006,021	1,006,021	-
Mutual funds	19,943,559	19,943,559	-
Certificates of deposit	4,649,231	-	4,649,231
Totals	<u>\$79,060,167</u>	<u>\$74,410,936</u>	<u>\$4,649,231</u>

The fair value of assets measured on a recurring basis at December 31, 2009 is as follows:

	Fair Value as of December 31, 2009	Quoted Prices in Active Markets of Identical Assets Level 1	Significant Other Observable Inputs Level 2
Cash and cash equivalents	\$23,975,875	\$23,975,875	\$ -
Equity securities	30,553,306	30,553,306	-
Government securities	1,901,833	1,901,833	-
Mutual funds	19,184,091	19,184,091	-
Certificates of deposit	3,173,006	-	3,173,006
Totals	<u>\$78,788,111</u>	<u>\$75,615,105</u>	<u>\$3,173,006</u>

INVESTMENTS

The following is a summary of investments at fair value at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Equity securities	\$51,172,779	\$49,737,397
Fixed income securities	5,655,252	5,074,839
Totals	<u>\$56,828,031</u>	<u>\$54,812,236</u>

Return on these investments is summarized as follows:

	<u>2010</u>	<u>2009</u>
Dividend income	\$1,083,210	\$ 732,210
Interest income	45,876	42,582
Realized gains	758,125	1,197,061
Realized losses	(466,510)	(1,167,917)
Unrealized gains	6,147,795	9,697,263
Unrealized losses	(652,822)	(188,618)
	<u>\$6,915,674</u>	<u>\$10,312,581</u>

PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2010</u>	<u>2009</u>
Vehicles	\$4,939,096	\$4,075,130
Office furnishings and equipment	4,254,170	3,780,979
Building and leasehold improvements	<u>481,442</u>	<u>469,177</u>
	9,674,708	8,325,286
Less accumulated depreciation	<u>5,633,058</u>	<u>4,695,181</u>
	<u>\$4,041,650</u>	<u>\$3,630,105</u>

DONOR-IMPOSED RESTRICTIONS ON THE USE OF PROPERTY AND EQUIPMENT

In the Philippines all equipment purchased with funding from the U.S. Agency for International Development (USAID) can be used in the program for which it was acquired, whether or not the program continues to be supported by U.S. Government funds. Equipment acquired in prior years is now obsolete and is being housed in a secure warehouse until USAID provides direction on the disposition of this equipment.

Equipment in Vietnam purchased with funding from the Department for International Development (DFID) was returned during 2009.

OTHER ASSETS

Other assets consist of the following:

	<u>2010</u>	<u>2009</u>
Donated video tapes	\$6,178,340	\$6,178,340
Less accumulated depreciation	<u>4,727,399</u>	<u>4,667,055</u>
	<u>\$1,450,941</u>	<u>\$1,511,285</u>

LEASE COMMITMENTS

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 sixteen foreign countries, DKT has rental commitments for lodging, furniture, warehouse space, and for office space with terms generally ranging from three to sixty months; one lease has a term of ten years. DKT also rents office space in Washington, DC.

Future minimum lease payments are as follows:

	<u>2010</u>		<u>2009</u>
2011	\$1,759,666	2010	\$1,689,693
2012	1,328,670	2011	1,169,795
2013	485,913	2012	863,318
2014	278,999	2013	202,768
2015	148,368	2014	144,697
Total	<u>\$4,001,616</u>	Total	<u>\$4,070,271</u>

NONCOMPLIANCE WITH GRANTOR OR DONOR RESTRICTIONS

Financial awards from U.S. government entities in the form of grants are subject to special audit. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date. DKT did not receive grant funding from the U.S. government in 2010 or 2009.

DEBT

Debt consists of various notes payable and lines of credit; total interest expense of \$61,024 for 2010 and \$111,372 for 2009 was incurred on these debts. The debt is owed by DKT and DKT's programs in Mexico, Mozambique, and Brazil. The Organization's obligation under these liabilities consists of the following:

		<u>2010</u>	<u>2009</u>
Mexico	Bank Line of Credit	\$ 26,680	\$ 6,994
Mozambique	Bank Loan	90,093	-
Bihar, India	David and Lucille Packard Foundation	-	212,500
Brazil	Bank Line of Credit	<u>113,166</u>	<u>306,572</u>
Total		<u>\$ 229,939</u>	<u>\$ 526,066</u>

DKT Mexico and DKT do Brasil, at December 31, 2010 and 2009, have business lines of credit with banks. In DKT do Brasil the maximum available under the credit agreement is \$500,000. The outstanding balance as of December 31, 2010 was \$113,166 and \$306,572 was outstanding as of December 31, 2009. During 2010, Mexico has a line of credit with a maximum available limit of \$50,000. The outstanding balance at December 31, 2010 was \$26,680 and \$6,994 at December 31, 2009.

During 2010 DKT in Mozambique purchased two vehicles using bank financing arrangements over a two year term at 10% per annum. The outstanding balance as of December 31, 2010 was \$90,093.

The David and Lucille Packard Foundation has made a loan commitment of up to \$1,700,000 to DKT (Bihar and Jharkhand India). One advance in the amount of \$850,000 had been made on this loan. As of December 31, 2009 the outstanding balance on the loan was \$212,500 and this amount was paid in full on December 4, 2010. In 2010 and 2009, interest of \$2,125 and \$3,801, respectively, was paid on this loan.

FEDERAL AWARDS

The DKT affiliate in Ethiopia expended commodities from inventory in 2009 that it received from USAID in the amount of \$38,363.

ADVERTISING AND PROMOTION

The Organization generally expenses advertising production costs as they are incurred and advertising communication costs the first time the advertising takes place.

INVESTMENT EXPENSES

Expenses relating to investment revenues, including custodial fees and investment advisory fees have been netted against investment revenues in the accompanying Combined Statements of Activities.

PENSION PLAN

During 1994, DKT adopted a tax-sheltered annuity plan according to the terms of Internal Revenue Code Section 403(b). All eligible US employees may contribute a portion of their annual compensation to the plan in accordance with plan provisions. These contributions are made on a tax-deferred basis under a salary-reduction agreement. In addition, beginning in 1999, DKT contributes an amount equal to 6% of each participant's salary to the plan. The Organization's contribution to this plan was \$93,530 in 2010 and \$91,853 in 2009. The international employees are given an equivalent percentage of compensation to use for funding their retirement.

ADDITIONAL CASH FINANCIAL SUPPORT FOR FOREIGN OPERATIONS

DKT receives cash support for its foreign operations from numerous individuals, domestic and international governments, public charities and public and private foundations. This varies by country based upon the specific program for which they request financial support.

Examples of entities providing support to DKT in its foreign operations include the following:

- Bill and Melinda Gates Foundation
- Department for International Development, UK (DFID)
- David and Lucile Packard Foundation
- German Government/Kreditanstalt für Wiederaufbau (KfW)
- Government of India
- Government of Indonesia
- Government of the Royal Netherlands
- Ipas
- Marie Stopes International
- National AIDS Commission (India)
- National AIDS Commission (Indonesia)
- Population Council, Inc.
- The Republic of Ireland/Development Co-operation Ireland (DCI)
- United Nations Population Fund (UNFPA)
- U. S. Agency for International Development (USAID)
- Venture Strategies for Health and Development
- William and Flora Hewlett Foundation

NATURE AND AMOUNT OF TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for program services by the following projects at December 31:

	<u>2010</u>	<u>2009</u>
Mumbai, India	\$ 16,741	\$1,419,294
Ethiopia	-	823,822
Indonesia	5,000	305,534
Bihar, India	359,382	104,707
Sudan	-	208,679
Mozambique	<u>358,080</u>	<u>392,560</u>
Total	<u>\$ 739,203</u>	<u>\$3,254,596</u>

Net assets for the years ended December 31, 2010 and 2009 were released from donor restrictions by incurring expenses satisfying the restricted purposes, as follows:

	<u>2010</u>	<u>2009</u>
Mumbai, India	\$ 3,025,859	\$ 623,909
Ethiopia	2,151,733	1,827,131
Indonesia	2,478,198	2,851,795
Bihar, India	4,508,485	6,354,192
Sudan	4,019,596	4,242,673
Mozambique	<u>731,722</u>	<u>514,065</u>
Total	<u>\$16,915,593</u>	<u>\$16,413,765</u>

CONDITIONAL PROMISES TO GIVE

DKT received conditional promises to give in support of its international programs in various countries through December 31, 2010. The amount promised at December 31, 2009 was \$13,692,000.

SUBSEQUENT EVENTS

DKT evaluated subsequent events after the date of the Combined Statement of Financial Position at December 31, 2010 through August 31, 2011, which was the date the combined financial statements were issued. Events of a material and informative nature are shown as disclosures as required.

DKT was awarded a temporarily restricted grant in 2011 in the amount of \$30,000,000 for a two year period. This grant is to be used for the support of the Organization's international program activities of family planning and reproductive health in various countries. DKT Ethiopia received a four year grant with the State of the Netherlands with an award amount of \$5,000,000 for the 2011 year. This grant is to be used to support general social marketing activities for this program addressing reproductive health, HIV/AIDS prevention and child survival.

During 2011 DKT expanded its program activities in Africa through the commencement of operations in Ghana.

DKT INTERNATIONAL, INC.
COMBINED SCHEDULE OF FUNCTIONAL EXPENSES
Year Ended December 31, 2010
(With Comparative Totals for 2009)

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	<u>Supporting Services</u>			Total Expenses 2010	Total Expenses 2009
	Program Services	Management and General	Fund-raising		
Cost of sales-merchandise, freight, import fees and taxes	\$ 47,418,452	\$ -	\$ -	\$ 47,418,452	\$ 41,027,294
Salaries and fringe benefits	15,346,445	510,078	345,105	16,201,628	13,205,871
Accounting and legal	-	863,089	-	863,089	893,355
Advertising and promotion	27,202,732	-	-	27,202,732	24,660,452
Amortization and depreciation	1,157,012	60,344	-	1,217,356	1,220,267
Bad debt	2,560,933	-	-	2,560,933	265,825
Bank charges	-	128,558	-	128,558	90,660
Conferences	247,314	-	-	247,314	278,346
Consulting fees	2,043,719	-	-	2,043,719	1,367,537
Contributions	69,504	-	-	69,504	80,574
Interest expense	61,024	-	-	61,024	111,372
Licenses and taxes	1,297,112	-	-	1,297,112	655,462
Office expenses and supplies	1,747,201	-	-	1,747,201	1,766,484
Office rent and insurance	2,052,591	-	-	2,052,591	1,789,832
Postage	157,359	-	-	157,359	193,092
Program and training expenses	6,286,582	-	-	6,286,582	4,037,911
Research and development	524,416	-	-	524,416	1,946,659
Telephone	516,702	-	-	516,702	476,826
Travel	2,578,615	-	-	2,578,615	2,381,253
Vehicle expense	1,151,210	-	-	1,151,210	851,315
Total expenses, year ended December 31, 2010	\$ <u>112,418,923</u>	\$ <u>1,562,069</u>	\$ <u>345,105</u>	\$ <u>114,326,097</u>	
Total expenses, year ended December 31, 2009	\$ <u>95,467,234</u>	\$ <u>1,476,447</u>	\$ <u>356,706</u>		\$ <u>97,300,387</u>

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

DKT INTERNATIONAL, INC.
COMBINED SCHEDULE OF REVENUE AND EXPENSES IN SUPPORT OF INTERNATIONAL ACTIVITIES
(Page 1 of 2)
Year Ended December 31, 2010

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	<u>Ethiopia</u>	<u>Mexico</u>	<u>Mumbai India</u>	<u>Indonesia</u>	<u>Vietnam</u>	<u>Bihar India</u>	<u>China</u>	<u>Philippines/ Thailand</u>
PROGRAM REVENUE								
Gross receipts program revenue - contraceptive sales and related services	\$ 2,590,482	\$ 2,096,322	\$ 4,612,943	\$ 17,924,042	\$ 2,515,272	\$ 2,774,955	\$ 1,226,717	\$ 21,959,602
COST OF GOODS SOLD								
Cost of sales-merchandise, packaging, freight, import costs	<u>5,335,055</u>	<u>1,092,154</u>	<u>4,042,679</u>	<u>11,736,925</u>	<u>1,484,700</u>	<u>1,107,846</u>	<u>910,723</u>	<u>9,710,205</u>
GROSS PROFIT (LOSS)	<u>(2,744,573)</u>	<u>1,004,168</u>	<u>570,264</u>	<u>6,187,117</u>	<u>1,030,572</u>	<u>1,667,109</u>	<u>315,994</u>	<u>12,249,397</u>
EXPENSES								
Accounting and legal	9,700	46,481	9,515	57,296	5,594	173,403	1,835	76,872
Advertising	1,754,276	88,603	3,967,059	6,523,602	280,765	1,124,394	44,630	9,563,724
Bad debt	-	10,708	1,809	-	-	5,281	691	2,386,740
Bank charges	5,069	4,330	12,489	10,753	709	20,251	485	2,857
Conferences	-	-	31,774	-	-	-	1,159	158,981
Consulting fees	198,756	60,166	16,365	132,716	91,806	113,134	7,901	78,102
Contributions	-	30,266	-	2,737	802	-	-	-
Depreciation	234,864	16,879	9,794	70,729	28,349	237,027	11,753	124,492
Interest expense	-	5,835	-	-	-	2,125	-	-
Licenses and taxes	6,144	2,562	1,011	828,949	2,190	-	21,300	89,763
Office expense	155,248	85,416	121,415	78,361	77,265	596,109	18,194	196,108
Office rent and insurance	152,395	134,326	215,756	101,122	94,095	548,011	80,569	108,302
Postage	6,236	3,514	30,878	7,821	7,968	23,058	4,620	11,986
Program and training expenses	232,677	25,244	42,869	-	13,606	2,254,742	59	138,334
Research and development	17,117	-	121,934	150,445	-	-	-	45,149
Salaries and fringe benefits - general	1,251,406	732,178	1,792,842	1,029,984	1,234,571	2,591,443	402,269	1,149,143
Salaries and fringe benefits - fund-raising	44,796	889	39,195	30,771	9,284	26,244	-	-
Telephone	64,072	28,203	70,744	-	5,536	75,929	18,450	77,250
Travel	347,126	52,081	490,941	147,825	98,101	565,172	31,707	381,016
Vehicle expense	369,079	30,289	5,618	65,304	19,919	96,477	19,552	168,825
Unrealized loss on valuation of inventory	<u>322,588</u>	<u>-</u>	<u>1,243</u>	<u>-</u>	<u>194,167</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENSES	<u>5,171,549</u>	<u>1,357,970</u>	<u>6,983,251</u>	<u>9,238,415</u>	<u>2,164,727</u>	<u>8,452,800</u>	<u>665,174</u>	<u>14,757,644</u>
EXCESS (DEFICIT) OF PROGRAM REVENUE OVER EXPENSES FROM OPERATIONS	<u>(7,916,122)</u>	<u>(353,802)</u>	<u>(6,412,987)</u>	<u>(3,051,298)</u>	<u>(1,134,155)</u>	<u>(6,785,691)</u>	<u>(349,180)</u>	<u>(2,508,247)</u>
OTHER REVENUE AND SUPPORT								
Contributions - foundations	1,327,912	-	1,623,305	2,177,664	-	4,763,160	-	-
Contributed commodities	-	-	-	-	409,769	-	-	-
Net foreign currency translation gain (loss)	(1,251,411)	69,473	50,221	412,506	(77,250)	(51,839)	(11,710)	1,340,389
Net gain (loss) on sale of assets	-	(1,924)	1,816	-	-	2,944	-	(147,444)
Grant income	6,561,677	103,798	3,735,447	699,630	11,069	646,823	-	-
Interest and dividend income	4,256	13,726	41,999	398,037	4,146	161,504	83	88,261
Net realized and unrealized gains on investments	(310)	-	-	207,740	-	-	-	430
Other income	<u>17,621</u>	<u>8,117</u>	<u>93</u>	<u>6</u>	<u>12,275</u>	<u>1,369</u>	<u>25,567</u>	<u>144,692</u>
TOTAL OTHER REVENUE AND SUPPORT	<u>6,659,745</u>	<u>193,190</u>	<u>5,452,881</u>	<u>3,895,583</u>	<u>360,009</u>	<u>5,523,961</u>	<u>13,940</u>	<u>1,426,328</u>
EXCESS (DEFICIT) OF REVENUE AND SUPPORT OVER EXPENSES	<u>\$ (1,256,377)</u>	<u>\$ (160,612)</u>	<u>\$ (960,106)</u>	<u>\$ 844,285</u>	<u>\$ (774,146)</u>	<u>\$ (1,261,730)</u>	<u>\$ (335,240)</u>	<u>\$ (1,081,919)</u>

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

COMBINED SCHEDULE OF REVENUE AND EXPENSES IN SUPPORT OF INTERNATIONAL ACTIVITIES

(Page 2 of 2)

Year Ended December 31, 2010

	<u>Egypt</u>	<u>Brazil</u>	<u>Sudan</u>	<u>Turkey</u>	<u>Mozambique</u>	<u>South Africa</u>	<u>Congo</u>	<u>Morocco</u>	<u>Total 2010</u>
PROGRAM REVENUE									
Gross receipts program revenue - contraceptive sales and related services	\$ 3,074,317	\$ 16,255,541	\$ 232,942	\$ 1,009,069	\$ 195,912	\$ -	\$ 22,695	\$ 7,046	\$ 76,497,857
COST OF GOODS SOLD									
Cost of sales-merchandise, packaging, freight, import costs	<u>2,613,778</u>	<u>8,076,288</u>	<u>664,309</u>	<u>332,709</u>	<u>141,696</u>	<u>1,469</u>	<u>161,416</u>	<u>6,500</u>	<u>47,418,452</u>
GROSS PROFIT (LOSS)	<u>460,539</u>	<u>8,179,253</u>	<u>(431,367)</u>	<u>676,360</u>	<u>54,216</u>	<u>(1,469)</u>	<u>(138,721)</u>	<u>546</u>	<u>29,079,405</u>
EXPENSES									
Accounting and legal	3,641	62,647	67,469	28,274	21,473	3,136	8,635	3,924	579,895
Advertising and promotion	151,557	2,032,588	29,075	1,258,004	353,368	3,304	27,783	-	27,202,732
Bad debt	90,826	29,887	-	4,382	5,263	-	25,346	-	2,560,933
Bank charges	6,393	20,395	20,047	2,450	4,412	1,819	7,489	262	120,210
Conferences	25,053	-	-	28,725	-	1,413	-	60	247,165
Consulting fees	95,650	962,148	-	87,367	82,069	5,237	9,700	2,216	1,943,333
Contributions	-	-	-	-	-	865	-	-	34,670
Depreciation	21,621	81,099	219,615	16,923	39,009	13,524	21,176	925	1,147,779
Interest expense	-	51,727	-	-	1,337	-	-	-	61,024
Licenses and taxes	42,836	222,173	50,464	3,927	13,138	-	-	-	1,284,457
Office expense	41,214	221,182	44,251	15,626	22,704	13,080	27,375	202	1,713,750
Office rent and insurance	108,506	111,336	101,251	36,904	93,433	31,381	36,480	17,053	1,970,920
Postage	8,910	24,892	403	11,146	11,115	1,370	489	698	155,104
Program and training expenses	126,276	1,449,658	1,697,150	7,961	186,310	36,820	-	1,927	6,213,633
Research and development	-	188,466	-	-	-	1,305	-	-	524,416
Salaries and fringe benefits - general	918,677	1,952,075	409,124	519,615	441,207	551,497	268,752	75,069	15,319,852
Salaries and fringe benefits - fund-raising	-	-	15,243	-	3,002	-	-	-	169,424
Telephone	13,491	67,219	26,569	8,651	29,078	-	8,366	2,310	495,868
Travel	53,406	165,473	29,527	47,216	47,472	67,485	4,685	5,866	2,535,099
Vehicle expense	3,834	21,278	185,170	71,982	62,574	7,721	19,965	3,623	1,151,210
Unrealized loss on valuation of inventory	-	-	-	-	-	-	36,785	-	554,783
TOTAL EXPENSES	<u>1,711,891</u>	<u>7,664,243</u>	<u>2,895,358</u>	<u>2,149,153</u>	<u>1,416,964</u>	<u>739,957</u>	<u>503,026</u>	<u>114,135</u>	<u>65,986,257</u>
EXCESS (DEFICIT) OF PROGRAM REVENUE OVER EXPENSES FROM OPERATIONS	<u>(1,251,352)</u>	<u>515,010</u>	<u>(3,326,725)</u>	<u>(1,472,793)</u>	<u>(1,362,748)</u>	<u>(741,426)</u>	<u>(641,747)</u>	<u>(113,589)</u>	<u>(36,906,852)</u>
OTHER REVENUE AND SUPPORT									
Contributions - foundations	-	-	3,810,916	-	697,243	-	-	-	14,400,200
Contributed commodities	-	-	-	-	-	-	-	-	409,769
Net foreign currency translation gain (loss)	69,294	157,241	(405,311)	(31,740)	9,533	(3,351)	-	(3,964)	272,081
Net gain (loss) on sale of assets	10,439	18,494	1,788	3,191	-	-	-	-	(110,696)
Grant income	-	-	-	-	-	-	-	-	11,758,444
Interest and dividend income	-	39,321	-	982	-	-	-	-	752,315
Net realized and unrealized gains on investments	-	(756)	-	-	-	-	-	-	207,104
Other income	<u>61,471</u>	<u>33,033</u>	<u>-</u>	<u>2,040</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>306,284</u>
TOTAL OTHER REVENUE AND SUPPORT	<u>141,204</u>	<u>247,333</u>	<u>3,407,393</u>	<u>(25,527)</u>	<u>706,776</u>	<u>(3,351)</u>	<u>-</u>	<u>(3,964)</u>	<u>27,995,501</u>
EXCESS (DEFICIT) OF REVENUE AND SUPPORT OVER EXPENSES	<u>\$ (1,110,148)</u>	<u>\$ 762,343</u>	<u>\$ 80,668</u>	<u>\$ (1,498,320)</u>	<u>\$ (655,972)</u>	<u>\$ (744,777)</u>	<u>\$ (641,747)</u>	<u>\$ (117,553)</u>	<u>\$ (8,911,351)</u>

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