DKT INTERNATIONAL, INC.

COMBINED FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

Years Ended December 31, 2011 and 2010

DKT INTERNATIONAL, INC.
CONTENTS
December 31, 2011 and 2010

COLEMAN HUNTOON & BROWN PLLC
CPAs and Advisors

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, 2011 and December 31, 2010, 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, 2011 and 2010, 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, 2012

DKT INTERNATIONAL, INC.
COMBINED STATEMENTS OF FINANCIAL POSITION
December 31, 2011 and 2010

ASSETS

	2011	2010
ASSETS		
Cash and cash equivalents	$ 39,298,030	$ 22,232,136
Accounts receivable - net	17,036,808	19,745,517
Accounts receivable - grants	1,521,873	2,770,974
Accounts receivable - related parties	6,946	17,850
Inventory - contraceptives	19,085,037	16,289,567
Prepaid expenses	3,913,441	3,743,999
Investments	50,136,749	56,828,031
Deposits	5,204,342	2,392,414
Property and equipment - net	4,505,215	4,041,650
Other assets - net	1,444,924	1,450,941
TOTAL ASSETS	$ 142,153,365	$ 129,513,079

LIABILITIES AND NET ASSETS

	2011	2010
LIABILITIES		
Accounts payable	$ 17,758,773	$ 17,973,647
Advances on grants	14,186,821	1,173,182
Payroll taxes and benefits withheld and accrued	843,559	564,919
Deferred sales revenue	248,597	223,551
Notes payable	602,673	229,939
TOTAL LIABILITIES	33,640,423	20,165,238
NET ASSETS		
Unrestricted		
Designated by the Board for new program support	21,000,000	19,000,000
Undesignated	85,822,851	89,608,638
TOTAL UNRESTRICTED	106,822,851	108,608,638
TEMPORARILY RESTRICTED	1,690,091	739,203
TOTAL NET ASSETS	108,512,942	109,347,841
TOTAL LIABILITIES AND NET ASSETS	$ 142,153,365	$ 129,513,079

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

DKT INTERNATIONAL, INC.
COMBINED STATEMENTS OF ACTIVITIES
Years Ended December 31, 2011 and 2010

	2011			2010		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE, GAINS, AND OTHER SUPPORT						
Contributions - individuals, foundations and corporations	$ 2,819,722	$ 16,993,115	$ 19,812,837	$ 1,410,692	$ 14,400,200	$ 15,810,892
Contributed goods and services	-	-	-	409,769	-	409,769
Grant and contract revenue	18,868,021	-	18,868,021	12,225,944	-	12,225,944
Gross receipts program revenue - contraceptive sales and related services	93,060,633	-	93,060,633	76,497,857	-	76,497,857
Interest income	756,554	-	756,554	721,961	-	721,961
Dividend income	1,203,293	-	1,203,293	1,083,210	-	1,083,210
Royalty income	122,618	-	122,618	256,408	-	256,408
Foreign currency translation gain	232,682	-	232,682	2,312,345	-	2,312,345
Realized gain on sale of investments	248,693	-	248,693	758,125	-	758,125
Gain on sale of assets	78,589	-	78,589	38,672	-	38,672
Unrealized gain on investments	2,329,040	-	2,329,040	6,147,795	-	6,147,795
Other income	718,269	-	718,269	314,615	-	314,615
TOTAL REVENUE, GAINS, AND OTHER SUPPORT	120,438,114	16,993,115	137,431,229	102,177,393	14,400,200	116,577,593
NET ASSETS RELEASED FROM RESTRICTIONS	16,042,227	(16,042,227)	-	16,915,593	(16,915,593)	-
	136,480,341	950,888	137,431,229	119,092,986	(2,515,393)	116,577,593
EXPENSES AND LOSSES						
Program services						
Cost of sales and expenses - sale of contraceptives	54,176,553	-	54,176,553	47,418,452	-	47,418,452
Other program expenses	73,600,721	-	73,600,721	65,000,471	-	65,000,471
Supporting services						
Management and general	1,953,373	-	1,953,373	1,562,069	-	1,562,069
Fund-raising	463,382	-	463,382	345,105	-	345,105
TOTAL EXPENSES	130,194,029	-	130,194,029	114,326,097	-	114,326,097
Loss on disposition of assets	25,131	-	25,131	150,587	-	150,587
Foreign currency translation loss	2,435,769	-	2,435,769	2,040,264	-	2,040,264
Realized loss on sale of investments	1,067,651	-	1,067,651	466,510	-	466,510
Unrealized loss on valuation of inventory	1,044,010	-	1,044,010	554,783	-	554,783
Unrealized loss on investments	3,499,538	-	3,499,538	652,822	-	652,822
TOTAL LOSSES	8,072,099	-	8,072,099	3,864,966	-	3,864,966
TOTAL EXPENSES AND LOSSES	138,266,128	-	138,266,128	118,191,063	-	118,191,063
CHANGE IN NET ASSETS	(1,785,787)	950,888	(834,899)	901,923	(2,515,393)	(1,613,470)
NET ASSETS AT BEGINNING OF YEAR	108,608,638	739,203	109,347,841	107,706,715	3,254,596	110,961,311
NET ASSETS AT END OF YEAR	$ 106,822,851	$ 1,690,091	$ 108,512,942	$ 108,608,638	$ 739,203	$ 109,347,841

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

DKT INTERNATIONAL, INC.
COMBINED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2011 and 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (834,899)	$ (1,613,470)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net (gain) loss on disposition of assets	(53,458)	111,915
Net realized (gain) loss on sales of investments	818,958	(291,615)
Net unrealized (gain) loss on investments	1,170,498	(5,494,973)
Unrealized loss on valuation of inventory	1,044,010	554,783
Noncash contributions received	(1,081,436)	(669,449)
Depreciation and amortization	1,398,497	1,217,356
(Increase) decrease in accounts receivable	3,968,714	(287,352)
(Increase) in inventory, net of unrealized loss on valuation	(3,839,480)	(3,333,737)
(Increase) decrease in prepaid expenses	(169,442)	2,359,433
(Increase) decrease in deposits	(2,811,928)	1,895,348
Increase (decrease) in accounts payable	(214,874)	2,198,915
Increase (decrease) in advances on grants	13,013,639	(527,155)
Increase (decrease) in payroll taxes and benefits accrued and withheld	278,640	(27,431)
Increase in deferred sales revenue	25,046	109,820
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	12,712,485	(3,797,612)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(2,049,384)	(1,861,107)
Purchase of investments and certificates of deposit	(26,416,494)	(31,232,730)
Proceeds from sale of investments and certificates of deposit	32,199,756	35,263,201
Proceeds from sale of fixed assets	246,797	180,636
NET CASH PROVIDED BY INVESTING ACTIVITIES	3,980,675	2,350,000
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of short-term debt	581,287	109,779
Payments of short-term debt	(208,553)	(405,906)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	372,734	(296,127)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	17,065,894	(1,743,739)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	22,232,136	23,975,875
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 39,298,030	$ 22,232,136

Supplemental disclosure of cash flow information:

	2011	2010
Cash paid for:		
Interest expense	$ 141,692	$ 61,024

Noncash transactions
The following items were donated to DKT:

Inventory - commodities	$ -	$ 409,769
Marketable securities	1,081,436	259,680
	$ 1,081,436	$ 669,449

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

DKT INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS

NATURE OF 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 (two projects), the Philippines, Egypt, Brazil, Turkey, Mozambique, South Africa, Sudan, the Democratic Republic of the Congo (Congo), Morocco, Thailand and Ghana. The programs in Ghana and Western China remain 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 the detail is 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 accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

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. Board designated net assets are unrestricted funds designated by the Board of Directors subject to board imposed purposes.

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 Combined 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 and Amortization

Leasehold improvements are amortized on the straight-line basis over the lesser of their useful lives or the term of the lease. Depreciation and amortization are provided on the straight-line basis over the following estimated useful lives of the assets:

Commercial warehouse	40 years
Furniture and fixtures	3-10 years
Computer hardware and software	3-5 years
Leasehold improvements	Life of the lease

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 international 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, 2011 and 2010. 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.

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 2011 and 2010. The 2011 contributions had a fair market value of $1,081,436 at the dates of the gifts while the 2010 contributed securities were valued at $259,680.

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 and to designate appropriate sums of unrestricted net assets to assure adequate financing of such new programs. The Board of Directors designated $21,000,000 at December 31, 2011 and $19,000,000 at December 31, 2010 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 Ghana and Western China in addition to other start-up programs anticipated for 2012 and 2013 such as in Pakistan.

Contributed Goods and Services

DKT recognizes all contributed noncash 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 2011, DKT's operations in India received goods valued at $3,797,244 as shown on the following schedule. The goods received by operations in India and Vietnam were valued at $2,819,585 in 2010. 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.

COUNTRY	VALUE OF CONTRACEPTIVES 2011	2010	SOURCE
India	$3,797,244	$2,409,816	Government of India (subsidy)
Vietnam	$ -	$409,769	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.

Concentrations

The Organization maintains its cash and cash equivalents in 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 68% of the organization's total revenue, gains and other support during 2011 and 66% for 2010. Financial support and revenue from grants and contracts accounted for 14% and 10%, respectively, for the same time periods. Contributions from individuals, foundations and corporations provided 14% of the total revenue, gains and other support for 2011 and 14% for 2010. DKT purchases the majority of a primary contraceptive product from two main suppliers.

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.

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, 2011 and December 31, 2010, as quoted in the "Wall Street Journal" are used in DKT's foreign currency translations except for Mozambique and Democratic Republic of Congo which had not been updated in the "Wall Street Journal". The rate at OANDA.com was used for these two countries.

		PER US DOLLAR	
COUNTRY	CURRENCY	2011	2010
Bihar	Rupees	53.025	44.703
Brazil	Reais	1.866	1.660
China	Renminbi (Yuan)	6.319	6.591
DR Congo	Franc (Cdf)	905.865	907.500
Egypt	Pound	6.050	5.805
Ethiopia	Birr (Etb)	17.221	16.631
Ghana	New Cedi	1.640	1.486
Hong Kong	Hong Kong Dollar	7.767	7.773
Indonesia	Rupiah	9,033.000	9,009.000
Mexico	Peso	13.946	12.340
Morocco	Dirham	8.595	8.355
Mozambique	Second Metical	26.500	32.300
Mumbai	Rupees	53.025	44.703
Philippines	Peso	43.850	43.649
South Africa	Rand (Zar)	8.087	6.627
Sudan	Dinars/Pound	2.680	2.503
Thailand	Baht	31.600	30.066
Turkey	Lira	1.917	1.542
Vietnam	Dong	21,038.000	19,498.000

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 Statements of Activities. Under the statute of limitations, the federal informational returns of DKT for 2008, 2009, and 2010, 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.

RELATED PARTY TRANSACTIONS

DKT received cash contributions from its president in the amounts of $1,700,100 and $1,100,000 during 2011 and 2010, respectively. The president also donated marketable securities valued at $1,069,362 during 2011 and $259,680 during 2010.

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 2011, DKT earned $122,618 in royalties from these licensing agreements. Of this total, $6,946 was due to DKT at December 31, 2011. Royalties earned from these agreements in 2010 were $256,408. Of this amount, $17,850 was due at December 31, 2010.

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, 2011 and 2010:

	2011	2010
Notes receivable (payable)	$ 31,541,810	$ 20,778,520
Investment (capital)	$ 7,310,000	$ 7,290,000
Interest income (expense)	$ 77,914	$ 87,317
Management fees (overhead expenses)	$ 2,827,438	$ 2,081,365

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.

OTHER ASSETS

Other assets consist of the following:

	2011	2010
Donated video tapes	$ 6,178,340	$ 6,178,340
Less accumulated amortization	4,733,416	4,727,399
Net book value	$ 1,444,924	$ 1,450,941

INVESTMENTS

The following is a summary of investments at fair value at December 31, 2011 and 2010:

	2011	2010
Equity securities	$ 47,537,999	$ 51,172,779
Fixed income securities	2,598,750	5,655,252
	$ 50,136,749	$ 56,828,031

Return on these investments (net of fees) is summarized as follows:

	2011	2010
Dividend Income	$ 1,203,293	$ 1,083,210
Interest Income	31,737	45,876
Realized gains	248,693	758,125
Realized losses	(1,067,651)	(466,510)
Unrealized gains	2,329,040	6,147,795
Unrealized losses	(3,499,538)	(652,822)
	$ (754,426)	$ 6,915,674

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, 2011 and 2010, on the Combined Statements of Financial Position by fair value hierarchy level, as described above. The Organization carried its financial liabilities at fair values as of December 31, 2011 and 2010.

The fair value of assets measured on a recurring basis at December 31, 2011 is as follows:

	Fair Value as of December 31, 2011	Quoted Prices in Active Markets of Identical Assets Level 1	Significant Other Observable Inputs Level 2
Cash and cash equivalents	$ 39,298,030	$ 39,298,030	$ -
Equity securities	27,086,507	27,086,507	-
Government securities	-	-	-
Mutual funds	20,451,492	20,451,492	-
Certificates of deposit	2,598,750	2,598,750	-
	$ 89,434,779	$ 89,434,779	$ -

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	-
	$ 79,060,167	$ 79,060,167	$ -

PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2011	2010
Vehicles	$ 5,839,831	$ 4,939,096
Office furnishings and equipment	4,212,443	4,254,170
Building and leasehold improvements	547,717	481,442
	10,599,991	9,674,708
Less accumulated depreciation	6,094,776	5,633,058
Net book value	$ 4,505,215	$ 4,041,650

COMMITMENTS AND CONTINGENCIES

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 seventeen 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:

	2011		2010
2012	$ 2,155,347	2011	$ 1,759,666
2013	1,119,428	2012	1,328,670
2014	821,414	2013	485,913
2015	665,404	2014	278,999
2016	323,998	2015	148,368
	$ 5,085,591		$ 4,001,616

DEBT

Debt consists of various notes payable and lines of credit; total interest expense of $141,692 for 2011 and $61,024 for 2010 was incurred on these debts. The debt is owed by DKT and DKT's programs in Mexico, India (Mumbai), Mozambique, and Brazil. The Organization's obligation under these liabilities consists of the following:

		2011	2010
Mexico	Bank line of credit	$ 19,149	$ 26,680
India (Mumbai)	Automobile financing	35,516	-
Mozambique	Bank line of credit	50,429	-
Mozambique	Automobile financing	57,693	90,093
Vietnam	Lessor for leasehold improvements	12,778	-
Brazil	Bank line of credit	-	113,166
Brazil	Supplier	427,108	-
		$ 602,673	$ 229,939

DKT Mexico, DKT Mozambique and DKT do Brasil, at December 31, 2011 and 2010, have business lines of credit with banks. In DKT do Brasil the maximum available under the credit agreement is $500,000 with an annual interest rate of 27.96%. As of December 31, 2011, there was no outstanding balance and $113,166 was due as of December 31, 2010. During the year, DKT Mozambique procured a line of credit. On December 31, 2011 the outstanding balance was $50,429 with an available maximum limit of $60,000. DKT Mexico has a line of credit with a maximum available limit of $600,000 with an annual interest rate of 13.32%. The outstanding balance at December 31, 2011 was $19,149 and $26,680 at December 31, 2010.

During 2011 DKT India (Mumbai) purchased an auto through financing with the auto dealership. The outstanding balance as of December 31, 2011 was $35,516. The note was financed with an annual interest rate of 12.00%. During 2010 DKT Mozambique purchased two vehicles using bank financing arrangements over a two year term at 10% per annum. The outstanding balance as of December 31, 2011 was $57,693 and $90,093 at December 31, 2010.

During 2011 DKT Vietnam contracted with a lessor for the leasehold improvements to upfit its office space with a non interest bearing note in the amount of $12,778. DKT do Brasil has an outstanding loan with a vendor and the balance as of December 31, 2011 was $427,108.

Maturities of notes and loans payable are as follows:

Years Ending December 31,

2012	$ 550,324
2013	42,383
2014	9,966
2015	-
2016	-
	$ 602,673

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 amounted to $124,528 during December 31, 2011.

RETIREMENT 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 $112,383 in 2011 and $93,530 in 2010. 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 fur 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

CONDITIONAL PROMISES TO GIVE

DKT received conditional promises to give in support of its international programs in various countries through December 31, 2011. The amount promised at December 31, 2011 was $397,376.

NATURE AND AMOUNT OF TEMPORARILY RESTRICTED NET ASSETS

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

	2011	2010
Indonesia	$ 35,812	$ 5,000
Ethiopia	88,833	-
Mumbai, India	-	16,741
Bihar, India	-	359,382
Sudan	429,341	-
DR Congo	374,732	-
Mozambique	761,373	358,080
	$1,690,091	$739,203

Net assets for the years ended December 31, 2011 and 2010 were released from donor restrictions by incurring expenses satisfying the restricted purposes, as follows:

	2011	2010
Indonesia	$ 3,708,045	$2,478,198
Ethiopia	2,598,275	2,151,733
Mumbai, India	1,565,362	3,025,859
Bihar, India	3,777,216	4,508,485
Sudan	3,359,605	4,019,596
DR Congo	395,119	-
Mozambique	638,605	731,722
	$16,042,227	$16,915,593

SUBSEQUENT EVENTS

DKT evaluated subsequent events after the date of the Combined Statements of Financial Position at December 31, 2011 through August 31, 2012, which was the date the combined financial statements were issued. Events of a material and informative nature are shown as disclosures as required.

The program in South Africa was closed during 2012 as the Organization had fully tested its new approach and further expenses are not justified. During 2012 DKT expanded its program activities through the commencement of operations in Pakistan.

DKT INTERNATIONAL, INC.
COMBINED SCHEDULE OF FUNCTIONAL EXPENSES
Year Ended December 31, 2011
(With Comparative Totals for 2010)

	Program Services	Supporting Services: Management and General	Supporting Services: Fund-raising	Total Expenses 2011	Total Expenses 2010
Cost of sales-merchandise, freight, import fees and taxes	$ 54,176,553	$ -	$ -	$ 54,176,553	$ 47,418,452
Salaries and fringe benefits	18,319,388	697,318	463,382	19,480,088	16,201,628
Accounting and legal	-	1,075,707	-	1,075,707	863,089
Advertising and promotion	29,363,463	-	-	29,363,463	27,202,732
Amortization and depreciation	1,392,480	6,017	-	1,398,497	1,217,356
Bad debt	5,072,704	-	-	5,072,704	2,560,933
Bank charges	-	174,331	-	174,331	128,558
Conferences	295,489	-	-	295,489	247,314
Consulting fees	2,729,140	-	-	2,729,140	2,043,719
Contributions	-	-	-	-	69,504
Interest expense	141,692	-	-	141,692	61,024
Licenses and taxes	1,554,928	-	-	1,554,928	1,297,112
Office expenses and supplies	1,926,796	-	-	1,926,796	1,747,201
Office rent and insurance	2,243,317	-	-	2,243,317	2,052,591
Postage	226,382	-	-	226,382	157,359
Program and training expenses	4,715,431	-	-	4,715,431	6,286,582
Research and development	721,379	-	-	721,379	524,416
Telephone	582,389	-	-	582,389	516,702
Travel	2,747,731	-	-	2,747,731	2,578,615
Vehicle expense	1,568,012	-	-	1,568,012	1,151,210
Total expenses, year ended December 31, 2011	$ 127,777,274	$ 1,953,373	$ 463,382	$ 130,194,029	
Total expenses, year ended December 31, 2010	$ 112,418,923	$ 1,562,069	$ 345,105		$ 114,326,097

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, 2011

	Ethiopia	Mexico	Mumbai India	Indonesia	Vietnam	Bihar India	China	Philippines/ Thailand
PROGRAM REVENUE								
Gross receipts program revenue - contraceptive sales and related services	$ 3,810,517	$ 3,027,839	$ 4,718,518	$ 23,666,505	$ 2,447,611	$ 2,164,843	$ 1,301,751	$ 25,424,443
COST OF GOODS SOLD								
Cost of sales-merchandise, packaging, freight, import costs	6,196,754	1,171,894	3,655,786	14,945,546	2,036,320	799,394	862,383	10,816,204
GROSS PROFIT (LOSS)	(2,386,237)	1,855,945	1,062,732	8,720,959	411,291	1,365,449	439,368	14,608,239
EXPENSES								
Accounting and legal	17,183	126,689	13,682	49,798	26,670	3,178	8,594	128,568
Advertising	2,639,590	368,296	2,675,994	6,029,774	111,801	1,177,551	41,666	10,520,030
Bad debt	-	234,432	13,835	-	-	372,838	70,107	3,485,605
Bank charges	65,968	2,039	4,945	18,045	2,896	2,388	429	2,215
Conferences	17,911	-	30,959	-	-	1,816	-	185,051
Consulting fees	265,751	71,100	26,199	105,411	17,010	347,564	392	43,410
Depreciation	274,711	14,081	15,837	60,943	25,305	270,430	11,383	210,473
Interest expense	-	4,684	49,713	11,153	-	6,339	-	17,213
Licenses and taxes	5,426	56,840	5,300	675,743	2,178	-	9,578	374,587
Office expense	161,426	142,497	174,973	86,407	57,392	487,209	12,952	220,854
Office rent and insurance	168,214	42,595	186,906	131,181	66,991	574,001	84,288	156,547
Postage	5,336	60,156	59,212	5,412	9,517	12,879	5,260	14,546
Program and training expenses	497,980	18,898	15,077	-	6,819	1,559,477	680	77,552
Research and development	113,696	-	17,175	182,299	3,671	-	-	63,062
Salaries and fringe benefits - general	1,429,637	747,629	2,312,062	1,276,276	936,969	2,942,592	435,610	1,331,994
Salaries and fringe benefits - fund-raising	251,428	-	27,352	17,888	1,479	28,164	-	-
Telephone	60,406	33,543	62,080	38,165	5,453	56,937	14,162	92,834
Travel	412,903	72,504	494,728	133,449	128,594	460,038	30,041	300,346
Vehicle expense	470,802	15,035	16,518	89,479	15,910	140,289	8,032	306,259
Unrealized loss on valuation of inventory	952,090	-	3,338	-	-	13,684	-	-
TOTAL EXPENSES	7,810,458	2,011,018	6,205,885	8,911,423	1,418,655	8,457,374	733,174	17,531,146
EXCESS (DEFICIT) OF PROGRAM REVENUE OVER EXPENSES FROM OPERATIONS	(10,196,695)	(155,073)	(5,143,153)	(190,464)	(1,007,364)	(7,091,925)	(293,806)	(2,922,907)
OTHER REVENUE AND SUPPORT								
Contributions - foundations	2,687,108	-	1,548,621	3,738,857	-	3,417,834	-	-
Contributed commodities	-	-	-	-	-	-	-	-
Net foreign currency translation gain (loss)	(89,735)	95,962	(523,278)	(20,784)	(148,573)	(355,430)	(14,842)	(87,017)
Net gain (loss) on sale of assets	-	(11,743)	(200)	(197)	(3,690)	(7,518)	(236)	12,573
Grant income	14,928,487	-	1,317,559	70,000	-	1,829,205	-	-
Interest and dividend income	6,223	483	112,843	540,122	33,035	-	96	68,002
Net realized and unrealized gains on investments	(364)	-	-	41,483	-	-	-	(504)
Other income	7,159	27,061	756	12,177	465,438	-	2,783	33,556
TOTAL OTHER REVENUE AND SUPPORT	17,538,878	111,763	2,456,301	4,381,658	346,210	4,884,091	(12,199)	26,610
EXCESS (DEFICIT) OF REVENUE AND SUPPORT OVER EXPENSES	$ 7,342,183	$ (43,310)	$ (2,686,852)	$ 4,191,194	$ (661,154)	$ (2,207,834)	$ (306,005)	$ (2,896,297)

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

DKT INTERNATIONAL, INC.
OMBINED SCHEDULE OF REVENUE AND EXPENSES IN SUPPORT OF INTERNATIONAL ACTIVITIES
(Page 2 of 2)
Year Ended December 31, 2011

	Egypt	Brazil	Sudan	Turkey	Mozambique	Morocco	Congo	Other Programs	Total 2011
PROGRAM REVENUE									
Gross receipts program revenue - contraceptive sales and related services	$ 2,977,027	$ 21,270,592	$ 547,429	$ 1,215,469	$ 349,092	$ 62,484	$ 65,608	$ 10,905	$ 93,060,633
COST OF GOODS SOLD									
Cost of sales-merchandise, packaging, freight, import costs	2,457,047	9,500,415	524,954	473,147	330,498	55,007	351,204	-	54,176,553
GROSS PROFIT (LOSS)	519,980	11,770,177	22,475	742,322	18,594	7,477	(285,596)	10,905	38,884,080
EXPENSES									
Accounting and legal	1,629	202,382	73,230	20,111	24,712	10,773	9,368	34,010	750,577
Advertising and promotion	58,552	4,563,122	228,741	493,594	348,409	5,122	95,885	3,791	29,361,918
Bad debt	59,173	26,747	716,081	3,007	63,603	1,003	26,273	-	5,072,704
Bank charges	3,076	22,391	10,054	4,528	5,240	603	11,686	2,895	159,398
Conferences	10,321	-	-	4,698	-	-	1,561	15,776	268,093
Consulting fees	33,516	1,386,608	6,068	65,803	119,416	15,390	55,894	10,205	2,569,737
Depreciation	16,328	93,199	238,265	13,050	71,819	20,899	27,712	21,369	1,385,804
Interest expense	-	37,203	-	-	15,310	-	77	-	141,692
Licenses and taxes	10,171	364,594	6,889	2,901	11,204	1,839	-	12,015	1,539,265
Office expense	34,355	301,633	50,948	13,601	57,232	22,785	29,391	36,623	1,890,278
Office rent and insurance	108,760	169,537	77,647	19,890	152,662	53,272	71,412	75,536	2,139,439
Postage	2,987	22,892	864	7,532	8,057	1,156	2,066	4,336	222,208
Program and training expenses	16,152	147,991	1,989,554	-	245,056	2,499	71,299	14,844	4,663,878
Research and development	27,699	310,373	-	-	-	-	-	3,404	721,379
Salaries and fringe benefits - general	952,564	2,503,920	539,934	432,660	756,742	350,554	541,368	738,940	18,229,451
Salaries and fringe benefits - fund-raising	-	-	15,156	-	5,784	-	3,257	225	350,733
Telephone	13,225	76,397	33,869	8,066	35,885	9,732	12,214	2,576	555,544
Travel	46,614	212,870	74,937	44,877	88,729	41,666	50,963	72,388	2,665,647
Vehicle expense	3,889	33,054	164,306	89,536	148,160	5,744	45,154	15,845	1,568,012
Unrealized loss on valuation of inventory	-	-	-	-	20,481	-	54,417	-	1,044,010
TOTAL EXPENSES	1,399,011	10,474,913	4,226,543	1,223,854	2,178,501	543,037	1,109,997	1,064,778	75,299,767
EXCESS (DEFICIT) OF PROGRAM REVENUE OVER EXPENSES FROM OPERATIONS	(879,031)	1,295,264	(4,204,068)	(481,532)	(2,159,907)	(535,560)	(1,395,593)	(1,053,873)	(36,415,687)
OTHER REVENUE AND SUPPORT									
Contributions - foundations	-	-	3,788,946	-	1,041,898	-	769,851	-	16,993,115
Contributed commodities	-	-	-	-	-	-	-	-	-
Net foreign currency translation gain (loss)	(125,170)	(446,528)	(293,630)	(266,972)	86,767	(6,990)	-	(6,867)	(2,203,087)
Net gain (loss) on sale of assets	22,375	12,254	25,354	5,752	281	(977)	-	(570)	53,458
Grant income	-	-	-	-	150,704	-	-	26,066	18,322,021
Interest and dividend income	-	17,525	-	751	-	-	-	-	779,080
Net realized and unrealized gains on investments	-	15,044	-	-	-	-	-	-	55,659
Other income	-	143,710	125	9,163	16,341	-	-	-	718,269
TOTAL OTHER REVENUE AND SUPPORT	(102,795)	(257,995)	3,520,795	(251,306)	1,295,991	(7,967)	769,851	18,629	34,718,515
EXCESS (DEFICIT) OF REVENUE AND SUPPORT OVER EXPENSES	$ (981,826)	$ 1,037,269	$ (683,273)	$ (732,838)	$ (863,916)	$ (543,527)	$ (625,742)	$ (1,035,244)	$ (1,697,172)

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