



DKT INTERNATIONAL, INC. AND AFFILIATES

Combined Financial Statements

For The Year Ended December 31, 2015
(With Summarized Financial Information for the Year Ended December 31, 2014)



and
Report Thereon



DKT INTERNATIONAL, INC. AND AFFILIATES

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Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
DKT International and Affiliates

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of DKT International, Inc. and Affiliates (collectively referred to as DKT), which comprise the combined statement of financial position as of December 31, 2015, and the related combined statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of DKT International, Inc. and Affiliates as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Continued

Other Matters

Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The supplemental combining statements of financial position and activities are presented for purposes of additional analysis and are not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the combined financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited DKT's 2014 combined financial statements, and we expressed an unmodified audit opinion on those audited combined financial statements in our report dated December 14, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

Correction of Error

As discussed in Note 14 to the combined financial statements, an error in recording certain grants in a prior year was discovered during the 2015 audit. Accordingly, amounts reported for unrestricted net assets and temporarily restricted net assets have been restated as of December 31, 2014, to correct the error. Our opinion is not modified with respect to this matter.

Raffa, P.C.

Raffa, P.C.

Washington, DC
November 17, 2016

DKT INTERNATIONAL, INC. AND AFFILIATES
COMBINED STATEMENT OF FINANCIAL POSITION
December 31, 2015
(With Summarized Financial Information as of December 31, 2014)

	2015	2014
ASSETS		
Cash and cash equivalents	\$ 28,843,517	\$ 28,075,362
Grants and contributions receivable	16,535,068	28,611,452
Trade receivables, net of allowance	26,414,740	22,032,877
Inventory, net of allowance	24,112,926	23,597,360
Prepaid expenses	5,195,234	3,939,150
Deferred tax asset	563,386	970,120
Investments	87,144,433	93,232,814
Other assets	672,920	2,885,640
Property and equipment, net	7,871,629	4,588,874
TOTAL ASSETS	\$ 197,353,853	\$ 207,933,649
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 34,403,077	\$ 28,572,992
Deferred revenue	2,612,335	2,416,153
Lines of credit and notes payable	3,275,653	2,608,947
TOTAL LIABILITIES	40,291,065	33,598,092
Net Assets		
Unrestricted		
Undesignated	113,671,442	119,504,293
Board-designated	21,000,000	21,000,000
Total Unrestricted	134,671,442	140,504,293
Temporarily restricted	22,391,346	33,831,264
TOTAL NET ASSETS	157,062,788	174,335,557
TOTAL LIABILITIES AND NET ASSETS	\$ 197,353,853	\$ 207,933,649

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

DKT INTERNATIONAL, INC. AND AFFILIATES
COMBINED STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2015
(With Summarized Financial Information for the Year Ended December 31, 2014)

	2015			2014
	Unrestricted	Temporarily Restricted	Total	Total
REVENUE AND SUPPORT				
Sales, net of discounts	\$ 104,848,789	\$ -	\$ 104,848,789	\$ 103,095,898
Grants and contributions	20,418,734	18,706,016	39,124,750	39,129,048
Investment income (loss)	(1,429,253)	-	(1,429,253)	11,792,760
Other income	548,637	-	548,637	585,454
Net assets released from restriction:				
Satisfaction of program restrictions	30,145,934	(30,145,934)	-	-
TOTAL REVENUE AND SUPPORT	154,532,841	(11,439,918)	143,092,923	154,603,160
EXPENSES AND LOSSES				
Program Services:				
Education and reproductive health	91,277,603	-	91,277,603	79,355,200
Cost of contraceptive sales and expenses	64,645,359	-	64,645,359	56,828,500
Total Program Services	155,922,962	-	155,922,962	136,183,700
Supporting Services:				
Management and general	3,035,634	-	3,035,634	11,703,546
Development and fundraising	378,352	-	378,352	308,641
Total Supporting Services	3,413,986	-	3,413,986	12,012,187
TOTAL EXPENSES AND LOSSES	159,336,948	-	159,336,948	148,195,887
CHANGE IN NET ASSETS BEFORE				
INCOME TAX BENEFIT (PROVISION)	(4,804,107)	(11,439,918)	(16,244,025)	6,407,273
Income tax benefit (provision)	(2,034,978)	-	(2,034,978)	503,211
CHANGE IN NET ASSETS	(6,839,085)	(11,439,918)	(18,279,003)	6,910,484
Foreign currency translation gain (loss)	1,006,234	-	1,006,234	(3,720,258)
NET ASSETS, BEGINNING OF YEAR, AS RESTATED	140,504,293	33,831,264	174,335,557	171,145,331
NET ASSETS, END OF YEAR	\$ 134,671,442	\$ 22,391,346	\$ 157,062,788	\$ 174,335,557

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

DKT INTERNATIONAL, INC. AND AFFILIATES
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2015
(With Summarized Financial Information for the Year Ended December 31, 2014)

	Supporting Services				2015 Total	2014 Total
	Program Services	Management and General	Development and Fundraising	Total Supporting Services		
Cost of sales	\$ 64,645,359	\$ -	\$ -	\$ -	\$ 64,645,359	\$ 56,828,500
Salaries and fringe benefits	27,856,319	1,421,321	358,692	1,780,013	29,636,332	27,011,564
Advertising and promotion	27,727,006	500	-	500	27,727,506	32,023,552
Professional fees	5,669,717	1,149,109	19,660	1,168,769	6,838,486	4,914,170
Travel and related expenses	6,263,450	129,677	-	129,677	6,393,127	4,619,587
Other	5,110,448	3,479	-	3,479	5,113,927	2,489,320
Rent	2,946,012	153,581	-	153,581	3,099,593	3,088,995
Contribution, outreach and grants to partners	2,961,503	-	-	-	2,961,503	1,111,335
Trainings, meetings and conferences	2,768,720	1,149	-	1,149	2,769,869	6,649,149
Licenses and taxes	2,457,596	20,725	-	20,725	2,478,321	887,754
Foreign currency exchange losses (gains)	1,968,124	(1,374)	-	(1,374)	1,966,750	871,667
Office expenses	1,739,350	106,788	-	106,788	1,846,138	2,382,677
Depreciation and amortization	1,537,768	1,631	-	1,631	1,539,399	991,193
Product development	1,330,793	-	-	-	1,330,793	1,947,214
Telephone, facsimile and utilities	649,337	29,846	-	29,846	679,183	501,450
Obsolete inventory expense	585,228	-	-	-	585,228	-
Bad debt	572,325	-	-	-	572,325	433,261
Repairs and maintenance	554,653	-	-	-	554,653	87,858
Interest	419,151	329	-	329	419,480	315,577
Bank charges	195,081	18,873	-	18,873	213,954	537,853
TOTAL EXPENSES AND LOSSES	\$ 157,957,940	\$ 3,035,634	\$ 378,352	\$ 3,413,986	\$ 161,371,926	\$ 147,692,676

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

DKT INTERNATIONAL, INC. AND AFFILIATES

COMBINED STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2015

(With Summarized Financial Information for the Year Ended December 31, 2014)

Increase (Decrease) in Cash and Cash Equivalents

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (17,272,769)	\$ 3,190,226
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Provision for doubtful trade receivable	(168,738)	42,747
Unrealized losses (gains) on investments	6,104,212	(6,456,762)
Realized gains on sales of investments	(1,810,958)	(3,222,226)
Change in allowance for obsolete inventory	(535,145)	(1,952,424)
Depreciation and amortization	1,539,399	991,193
Bad debt	572,325	433,261
Changes in assets and liabilities:		
Grants and contributions receivable	12,076,384	5,301,738
Trade receivables	(4,785,450)	(4,483,769)
Inventory	19,579	2,158,135
Prepaid expenses	(1,256,084)	(431,905)
Deferred tax asset	406,734	(944,291)
Other assets	2,212,720	979,175
Accounts payable and accrued expenses	5,830,085	3,264,784
Deferred revenue	<u>196,182</u>	<u>(2,297,508)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>3,128,476</u>	<u>(3,427,626)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(24,596,860)	(43,012,937)
Proceeds from sales of investments	26,391,987	43,529,322
Purchases of property and equipment	<u>(4,822,154)</u>	<u>(1,694,778)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(3,027,027)</u>	<u>(1,178,393)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from lines of credit and notes payable	2,806,977	1,520,533
Repayments of lines of credit and notes payable	<u>(2,140,271)</u>	<u>(364,830)</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>666,706</u>	<u>1,155,703</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	768,155	(3,450,316)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>28,075,362</u>	<u>31,525,678</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 28,843,517</u>	<u>\$ 28,075,362</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	<u>\$ 419,480</u>	<u>\$ 315,577</u>
Income taxes paid	<u>\$ 549,534</u>	<u>\$ 1,200,948</u>

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

DKT INTERNATIONAL, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

1. Organization and Summary of Significant Accounting Policies

Organization

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

Basis of Accounting and Presentation

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

Principles of Combination

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

<u>Country</u>	<u>Full Name</u>	<u>Short Name</u>
Brazil	DKT DO Brasil Produtos De Uso Pessoal Ltda.	Brazil Group
Brazil	DKT Uruguay	Brazil Group
Brazil	Salamat Comercio de Produtos de Uso Pessoal e Saude Ltda. *	Brazil Group *
Uruguay	SYB Salud y Belleza Internacional S.A.	Brazil Group
Democratic Republic of Congo	DKT DR Congo	DR Congo
Egypt	DKT Egypt	Egypt Group
Egypt	DKT Limited Liability Company	Egypt Group
Ethiopia	Dink Kistet Letena	Ethiopia
Ghana	DKT International Inc. Ghana	Ghana
India	Janani	India Bihar
India	DKT India	India Mumbai Group
India	DKT Healthcare India Private Ltd	India Mumbai Group
Indonesia	Yayasan DKT Indonesia	Indonesia Group
Indonesia	PT DKT International	Indonesia Group
Mexico	DKT de Mexico SA de DV	Mexico
Mozambique	DKT Mocambique, Limitada	Mozambique
Myanmar	DKT International Inc. – Myanmar Branch	Myanmar Group
Myanmar	Modern Choice Exports Co. Ltd.	Myanmar Group
Nigeria	Deep K. Tyagi Foundation Nigeria	Nigeria

Continued

DKT INTERNATIONAL, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

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

Principles of Combination (continued)

<u>Country</u>	<u>Full Name</u>	<u>Short Name</u>
Pakistan	DKT Pakistan (Private) Limited	Pakistan
Philippines	DKT Philippines, Inc	Philippines Group
Philippines	DKT Reproductive Health, Inc.	Philippines Group
Philippines	HealthSense, Inc.	Philippines Group
Philippines	DKT Health, Inc.	Philippines Group
Singapore	Reproductive Health Singapore	Philippines Group
Thailand	DKT Healthcare (Thailand) Company Limited	Philippines Group
Tanzania	DKT International Tanzania Limited	Tanzania Group
Tanzania	DKT International Tanzania	Tanzania Group
Turkey	DKT International Istanbul Saghk Urunleri Ithalat Ticaret Ltd. Sti.	Turkey
Vietnam	Golden Choice Company Limited	Vietnam Group
Vietnam	DKT International – Vietnam Office	Vietnam Group

* DKT Salamat discontinued operations subsequent to year-end, on January 27, 2016.

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

Cash and Cash Equivalents

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

Receivables

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

Inventory

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

Investments

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

DKT INTERNATIONAL, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

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

Fair Value Measurements

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

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

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

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

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

Property and Equipment and Related Depreciation and Amortization

Property and equipment purchases greater than \$500 are capitalized and carried at cost. Expenditures for major additions, renewals and improvements are capitalized; expenditures for repairs and maintenance are expensed when incurred. Upon the retirement or disposal of assets, the cost and accumulated depreciation and amortization are eliminated from the accounts and the resulting gain or loss is reflected in the accompanying statement of activities. Depreciation and amortization are provided on a straight-line basis over the estimated useful lives of the assets.

The estimated useful lives for property and equipment are as follows:

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

Continued

DKT INTERNATIONAL, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

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

Impairment of Long-Lived Assets

DKT reviews its property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. As of December 31, 2015, DKT has not recognized an impairment loss.

Classification of Net Assets

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

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

Revenue Recognition

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

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

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

DKT INTERNATIONAL, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

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

Translation of Foreign Currencies

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

Functional Allocation of Expenses

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

Estimates

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

2. Grants and Contributions Receivable

Grants and contributions receivable as of December 31, 2015, were due as follows:

In less than one year	\$ 8,661,534
In one to five years	<u>7,873,534</u>
Total Grants and Contributions Receivable	<u>\$ 16,535,068</u>

No discount was recorded for multiyear pledges receivable, as the discount was not material to the financial statements for the year ended December 31, 2015, and all amounts are deemed fully collectible.

3. Trade Receivables

Trade receivables primarily consist of product sales and are reported net of a \$486,480 allowance for doubtful accounts as of December 31, 2015. As of December 31, 2015, Brazil Group trade receivables totaling \$2,724,669 were used as collateral to the lines of credit as disclosed in Note 7.

DKT INTERNATIONAL, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

4. Inventory

DKT's inventory consisted of the following as of December 31, 2015:

Condoms		\$ 14,263,791
Other contraceptives		6,659,485
Other items		<u>4,861,373</u>
Total Inventory		25,784,649
Less: Allowance for Inventory Obsolescence		<u>(1,671,723)</u>
Inventory, Net		<u>\$ 24,112,926</u>

5. Investments

Investments consisted of the following at December 31, 2015:

Equities		\$ 39,975,290
Mutual funds		45,796,465
Money market funds		1,146,863
Unit investment trusts		<u>225,815</u>
Total Investments		<u>\$ 87,144,433</u>

Investment income is summarized as follows for the year ended December 31, 2015:

Interest and dividends		\$ 2,864,001
Realized gains, net		1,810,958
Unrealized losses, net		<u>(6,104,212)</u>
Investment Loss, Net		<u>\$ (1,429,253)</u>

Expenses relating to investment income, including custodial fees and investment advisory fees, totaled approximately \$85,860 for the year ended December 31, 2015.

6. Property and Equipment and Accumulated Depreciation and Amortization

Property and equipment consisted of the following as of December 31, 2015:

Vehicles		\$ 4,391,745
Office furnishings, equipment and software		4,269,610
Building		2,389,205
Land		726,657
Leasehold improvements		<u>192,492</u>
Total Property and Equipment		11,969,709
Less: Accumulated Depreciation and Amortization		<u>(4,098,080)</u>
Property and Equipment, Net		<u>\$ 7,871,629</u>

DKT INTERNATIONAL, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

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

Depreciation and amortization expense totaled \$1,539,399 for the year ended December 31, 2015.

7. Lines of Credit and Notes Payable

Brazil Group:

The Brazil Group has three significant revolving lines of credit with three banks. A line of credit was obtained on November 30, 2015 that matured on March 28, 2016. The line of credit totaled \$299,518, bore interest at 19.79% per annum and was secured by the Brazil Group's trade notes. As of December 31, 2015, the outstanding balance against this line of credit totaled \$123,048. This line of credit was renewed with a maturity date of December 14, 2016.

A second line of credit was obtained on June 24, 2014 that matured on June 24, 2016. The line of credit totaled \$820,776 and bore interest at 15.61% per annum. As of December 31, 2015, the outstanding balance against this line of credit totaled \$149,483. This line of credit was subsequently paid in June 2016.

A third line of credit was obtained on September 3, 2013 and matures on November 15, 2016. The line of credit totals \$768,285 and bears interest at 20.04% per annum. As of December 31, 2015, the outstanding balance against this line of credit totaled \$525,763. This line of credit was renewed and is set to expire on May 10, 2017.

Philippines Group:

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

In 2014, the Philippines Group obtained bank loans to finance the acquisition of transportation equipment. The loans expire through 2018, are secured by the related transportation equipment and have effective interest rates ranging between 7.8% and 10.3%. As of December 31, 2015, the outstanding balance against these loans was \$382,644.

As of December 31, 2015, the outstanding balances are scheduled to be paid as follows:

2016	\$ 1,218,103
2017	373,134
2018	218,116
2019	209,472
2020	209,472
Thereafter	<u>1,047,356</u>
Total	<u>\$ 3,275,653</u>

Continued

DKT INTERNATIONAL, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

7. Lines of Credit and Notes Payable (continued)

Interest expense related to these agreements totaled \$335,098 for the year ended December 31, 2015, and is recorded in the accompanying combined statement of activities.

8. Commitments, Risks and Concentrations

Operating Lease

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

DKT leases its current headquarters office space in Washington, DC, under a noncancelable, five-year operating lease, which expired on March 31, 2015. On December 22, 2014, DKT entered into an amendment to the lease that extended the lease term until August 31, 2020, effective April 1, 2015. The amended lease calls for monthly payments of \$10,756 in the first year, with annual increases thereafter equal to 2.75% of the previous year's payment for the remainder of the lease. DKT is also responsible for its proportionate share of real estate taxes and operating and maintenance costs of the landlord.

Future minimum lease payments under all leases are as follows:

For the Years Ending December 31,	
2016	\$ 2,703,714
2017	1,585,922
2018	907,996
2019	461,641
2020	220,286
Thereafter	<u>504,000</u>
Total Future Minimum Lease Payments	<u>\$ 6,383,559</u>

Rent expense for the year ended December 31, 2015, totaled \$3,099,593.

Credit Risk

DKT maintains its cash and cash equivalents at a number of financial institutions, where its aggregate balance may exceed, at times, the Federal Deposit Insurance Corporation (FDIC) insured limit of \$250,000 per depositor per institution. As of December 31, 2015, DKT had approximately \$8,240,000 composed of demand deposits, which exceeded the maximum limit insured by the FDIC by approximately \$7,990,000. DKT monitors the credit worthiness of these institutions and has not experienced any historical credit losses on its cash and cash equivalents.

Continued

DKT INTERNATIONAL, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

8. Commitments, Risks and Concentrations (continued)

Credit Risk (continued)

DKT has offices in Asia, South America and Africa and maintains cash accounts in those offices. The future of these programs may be adversely affected by a number of potential factors, such as currency devaluations, terrorist activity or changes in the political climate. As of December 31, 2015, DKT had approximately \$25,460,000 of cash in its foreign offices.

Major Donor

For the year ended December 31, 2015, approximately 25% of DKT's contributions were promised or received from one donor. Additionally, as of December 31, 2015, approximately 54% of grants receivable were due from the same donor. Management of DKT has no reason to believe that its relationship with this donor will be discontinued in the foreseeable future.

9. Temporarily Restricted Net Assets

DKT International holds temporarily restricted net assets that are available for the following programs as of December 31, 2015:

Ethiopia	\$ 8,936,915
Indonesia PT	6,244,989
Nigeria	3,220,777
DR Congo	3,096,941
Headquarters – Liberty Project	555,093
Women First Project	<u>336,631</u>
Total	<u>\$ 22,391,346</u>

10. Retirement Plan

DKT maintains a tax-sheltered annuity plan according to the terms of Internal Revenue Code (IRC) Section 403(b). All eligible U.S. employees may contribute a portion of their annual compensation to the plan in accordance with plan provisions. These contributions are made on a tax-deferred basis under a salary-reduction agreement. In addition, beginning in 1999, DKT contributes an amount equal up to 10% of each participant's salary to the plan. DKT's contribution to this plan totaled \$177,724 for the year ended December 31, 2015. Certain management-level international employees are given an equivalent percentage of compensation to use for funding their retirement.

11. Fair Value Measurements

In May 2015, the Financial Accounting Standards Board (FASB) issued amended guidance on the disclosures for investments in certain entities that calculate net assets value (NAV) per share (or its equivalent). The amendments remove the requirement to categorize within the

DKT INTERNATIONAL, INC. AND AFFILIATES

**NOTES TO COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 2015**

11. Fair Value Measurements (continued)

fair value hierarchy all investments for which fair value is measured using the NAV per share practical expedient. The amendments also remove the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the NAV per share practical expedient. Rather, those disclosures are limited to investments for which the entity has not elected to measure the fair value using that practical expedient. The guidance is effective for fiscal years beginning after December 15, 2015, and for interim periods within those years. As permitted under the guidance, DKT has elected to early adopt the pronouncement for the fiscal year ended December 31, 2015.

The following table summarizes DKT's investments measured at fair value on a recurring basis as of December 31, 2015, aggregated by the fair value hierarchy level with which those measurements were made:

	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equities:				
Consumer goods	\$ 5,919,681	\$ 5,919,681	\$ -	\$ -
Basic materials	2,390,891	2,390,891	-	-
Technology	2,267,185	2,267,185	-	-
Financial	9,123,304	9,123,304	-	-
Healthcare	8,287,014	8,287,014	-	-
Industrial goods	8,919,914	8,919,914	-	-
Services	<u>3,067,301</u>	<u>3,067,301</u>	-	-
Total Equities	39,975,290	39,975,290	-	-
Mutual funds:				
Large blend	11,530,008	11,530,008	-	-
Large growth	20,962,071	20,962,071	-	-
Emerging markets	1,428,228	1,428,228	-	-
Large value	4,857,802	4,857,802	-	-
Mid-cap	4,084,202	4,084,202	-	-
Small value	<u>2,934,154</u>	<u>2,934,154</u>	-	-
Total Mutual Funds	45,796,465	45,796,465	-	-
Money market funds	<u>1,146,863</u>	<u>1,146,863</u>	-	-
Total Investments Held at Fair Value	86,918,618	<u>\$ 86,918,618</u>	<u>\$ -</u>	<u>\$ -</u>
Investments held at NAV:				
Unit investment trusts (a)	<u>225,815</u>			
Total Investments	<u>\$ 87,144,433</u>			

Continued

DKT INTERNATIONAL, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

11. Fair Value Measurements (continued)

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

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

Equities, mutual funds and money market funds – Measured using quoted market prices for identical assets in active markets.

12. Going Concern

DKT's foreign affiliates are separately audited by local auditors. Several of the affiliates had going concern issues reported by their local auditors. In view of these matters, DKT has developed a management plan for each of the entities reported with a going concern issue. This includes recommendations for improving operations, managing the cash flow of these entities and a potential restructuring of debt, both intercompany and external. DKT is committed to provide adequate funds to enable the affiliates with going concern issues to continue their operations. DKT International, Inc. has sufficient assets to cover all operating losses and debt of the combined entities; therefore, there is no going concern issue reported in these combined financial statements. Management is confident of the continued existence of these affiliates.

13. Income Tax Status

DKT is exempt from the payment of taxes on income other than net unrelated business income under IRC Section 501(c)(3). No provision for income taxes is required as of December 31, 2015, as DKT had no net unrelated business income.

DKT follows the authoritative guidance relating to accounting for uncertainty in income taxes included in Financial Accounting Standards Board Accounting Standards Codification Topic 740, *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. DKT has evaluated its income tax positions for the year ended December 31, 2015, and determined that it has no material uncertain tax positions and, accordingly, DKT has not recognized any liability for unrecognized income tax. The statute of limitations for tax years 2012 through 2014 remains open in the major U.S. jurisdictions in which DKT is subject to taxation. DKT's policy is to recognize interest and/or penalties related to income tax matters in income tax expense. As of December 31, 2015, DKT had no accrual for interest and/or penalties.

DKT INTERNATIONAL, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

13. Income Tax Status (continued)

Several of DKT's affiliates are for-profit entities that are subject to income tax in their country of operation. Income tax expense for the affiliates is calculated using the tax rates and tax law applicable to the fiscal periods to which the tax relates, based on taxable profit for the year. Income tax expense for the year ended December 31, 2015, for such affiliates totaled approximately \$2,034,978. The net deferred tax asset recognized by such affiliates for the year ended December 31, 2015, totaled \$563,386.

14. Prior Period Adjustment

During the year ended December 31, 2015, DKT's management became aware of temporarily restricted grants that were under-released in 2014. As a result, DKT recorded a reclassification adjustment to decrease temporarily restricted net assets and increase unrestricted net assets in the amount of \$7,184,921 as of December 31, 2014.

15. Prior Year Summarized Financial Information

The accompanying combined financial statements include certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with DKT's financial statements for the year ended December 31, 2014, from which the summarized information was derived.

16. Subsequent Events

On August 23, 2016, DKT entered into a loan agreement with a tax-exempt private foundation. The loan may not exceed \$12,500,000 and funds must be drawn by August 23, 2019. The note is set to mature on December 31, 2025. Interest on the loan will not begin accruing until the fifth anniversary of the first disbursement. Thereafter, interest will accrue at a rate of 5% per annum. Payments of interest are due on December 31 of each year following the date that is the first anniversary of the first disbursement. DKT must repay the principal such that the aggregate outstanding principal after each repayment is equal to the following amounts on the applicable repayment dates:

<u>Target Debt Balance</u>	<u>Repayment Date</u>
\$ 12,300,000	December 31, 2018
\$ 11,350,000	December 31, 2019
\$ 8,490,000	December 31, 2020
\$ 6,875,000	December 31, 2021
\$ 4,955,000	December 31, 2022
\$ 3,030,000	December 31, 2023
\$ 1,500,000	December 31, 2024
\$ -	Maturity Date

Continued

DKT INTERNATIONAL, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

16. Subsequent Events (continued)

In preparing these combined financial statements, DKT has evaluated events and transactions for potential recognition or disclosure through November 17, 2016, the date the combined financial statements were available to be issued. Except as discussed above and in Notes 1 and 7, there were no other subsequent events that require recognition or disclosure in the combined financial statements.

SUPPLEMENTAL INFORMATION

DKT INTERNATIONAL, INC. AND AFFILIATES
COMBINING STATEMENT OF FINANCIAL POSITION
December 31, 2015

	DKT International, Inc.	Brazil Group	DR Congo	Egypt Group	Ethiopia	Ghana	India Bihar	India Mumbai Group	Indonesia Group	Mexico	Mozambique	Myanmar Group
ASSETS												
Cash and cash equivalents	\$ 3,383,296	\$ 65,179	\$ 12,137	\$ 155,750	\$ 2,501,358	\$ 5,093,793	\$ 785,995	\$ 285,254	\$ 6,833,289	\$ 178,363	\$ 95,723	\$ 60,176
Grants and contributions receivable	15,413,954	-	-	-	1,121,114	-	-	-	-	-	-	-
Trade receivables, net of allowance	42,399	2,724,669	-	396,580	437,563	899,983	1,015,242	346,636	6,379,485	2,980,086	170,769	11,064
Due from affiliates	32,505,306	-	-	49,641	-	-	-	-	-	-	-	-
Inventory, net of allowance	-	4,075,576	501,184	195,510	2,805,856	926,697	512,729	495,722	2,759,443	2,231,561	560,070	165,482
Prepaid expenses	212,170	628,668	-	34,617	245,032	94,571	275,007	42,675	464,016	9,292	33,616	59,003
Deferred tax asset	-	-	-	-	-	-	-	-	53,311	51,567	4,880	-
Investments	83,991,754	-	-	-	-	-	-	-	3,144,109	2,906	-	-
Investment in affiliates	26,857,260	-	-	-	-	-	-	-	-	-	-	-
Other assets	27,864	36,100	-	4,853	-	-	377,316	34,744	24,177	30,061	543	355
Property and equipment, net	4,358	508,933	265,548	170,851	-	222,607	726,233	206,027	172,018	90,367	245,885	59,460
TOTAL ASSETS	\$ 162,438,361	\$ 8,039,125	\$ 778,869	\$ 1,007,802	\$ 7,110,923	\$ 7,237,651	\$ 3,692,522	\$ 1,411,058	\$ 19,829,848	\$ 5,574,203	\$ 1,111,486	\$ 355,540
LIABILITIES AND NET ASSETS												
Liabilities												
Accounts payable and accrued expenses	\$ 4,135,051	\$ 5,924,797	\$ 274,110	\$ 608,417	\$ 643,357	\$ 1,639,467	\$ 1,477,852	\$ 1,218,777	\$ 3,812,535	\$ 3,172,010	\$ 90,054	\$ 25,152
Deferred revenue	1,240,522	-	-	-	-	1,265,096	19,875	-	-	-	-	-
Due to affiliates	-	1,085,000	-	7,500,688	-	-	-	3,980,011	-	929,131	-	985,656
Lines of credit and notes payable	-	798,294	-	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	5,375,573	7,808,091	274,110	8,109,105	643,357	2,904,563	1,497,727	5,198,788	3,812,535	4,101,141	90,054	1,010,808
Net Assets												
Unrestricted												
Undesignated (deficit)	113,671,442	231,034	504,759	(7,101,303)	6,467,566	4,333,088	2,194,795	(3,787,730)	16,017,313	1,473,062	1,021,432	(655,268)
Board-designated	21,000,000	-	-	-	-	-	-	-	-	-	-	-
Total Unrestricted	134,671,442	231,034	504,759	(7,101,303)	6,467,566	4,333,088	2,194,795	(3,787,730)	16,017,313	1,473,062	1,021,432	(655,268)
Temporarily restricted	22,391,346	-	-	-	-	-	-	-	-	-	-	-
TOTAL NET ASSETS	157,062,788	231,034	504,759	(7,101,303)	6,467,566	4,333,088	2,194,795	(3,787,730)	16,017,313	1,473,062	1,021,432	(655,268)
TOTAL LIABILITIES AND NET ASSETS	\$ 162,438,361	\$ 8,039,125	\$ 778,869	\$ 1,007,802	\$ 7,110,923	\$ 7,237,651	\$ 3,692,522	\$ 1,411,058	\$ 19,829,848	\$ 5,574,203	\$ 1,111,486	\$ 355,540

DKT INTERNATIONAL, INC. AND AFFILIATES
COMBINING STATEMENT OF FINANCIAL POSITION
December 31, 2015

(Continued)

	Nigeria	Pakistan	Philippines Group	Tanzania Group	Turkey	Vietnam Group	Subtotal	Eliminating Entries	Combined Total
ASSETS									
Cash and cash equivalents	\$ 1,219,726	\$ 837,044	\$ 5,624,263	\$ 854,400	\$ 231,237	\$ 626,534	\$ 28,843,517	\$ -	\$ 28,843,517
Grants and contributions receivable	-	-	-	-	-	-	16,535,068	-	16,535,068
Trade receivables, net of allowance	1,265,379	54,699	8,877,201	287,291	282,639	243,055	26,414,740	-	26,414,740
Due from affiliates	-	-	7,685	-	-	-	32,562,632	(32,562,632)	-
Inventory, net of allowance	2,600,451	1,430,394	3,579,063	655,751	175,798	441,639	24,112,926	-	24,112,926
Prepaid expenses	99,325	125,218	780,203	210,682	241,757	47,050	3,602,902	1,592,332	5,195,234
Deferred tax asset	-	-	453,628	-	-	-	563,386	-	563,386
Investments	-	-	5,664	-	-	-	87,144,433	-	87,144,433
Investment in affiliates	-	-	-	-	-	-	26,857,260	(26,857,260)	-
Other assets	-	27,239	57,870	32,527	1,077	18,194	672,920	-	672,920
Property and equipment, net	1,020,131	346,055	3,638,120	172,339	3,248	19,449	7,871,629	-	7,871,629
TOTAL ASSETS	\$ 6,205,012	\$ 2,820,649	\$ 23,023,697	\$ 2,212,990	\$ 935,756	\$ 1,395,921	\$ 255,181,413	\$ (57,827,560)	\$ 197,353,853
LIABILITIES AND NET ASSETS									
LIABILITIES									
Accounts payable and accrued expenses	\$ 2,137,762	\$ 1,936,719	\$ 6,297,948	\$ 612,332	\$ 31,130	\$ 365,607	34,403,077	\$ -	\$ 34,403,077
Deferred revenue	-	2,918	83,924	-	-	-	2,612,335	-	2,612,335
Due to affiliates	-	14,106,511	207,515	1,118,581	272,207	785,000	30,970,300	(30,970,300)	-
Lines of credit and notes payable	-	-	2,477,359	-	-	-	3,275,653	-	3,275,653
TOTAL LIABILITIES	2,137,762	16,046,148	9,066,746	1,730,913	303,337	1,150,607	71,261,365	(30,970,300)	40,291,065
NET ASSETS									
Unrestricted									
Undesignated (deficit)	4,067,250	(13,225,499)	13,956,951	482,077	632,419	245,314	140,528,702	(26,857,260)	113,671,442
Board-designated	-	-	-	-	-	-	21,000,000	-	21,000,000
Total Unrestricted	4,067,250	(13,225,499)	13,956,951	482,077	632,419	245,314	161,528,702	(26,857,260)	134,671,442
Temporarily restricted	-	-	-	-	-	-	22,391,346	-	22,391,346
TOTAL NET ASSETS	4,067,250	(13,225,499)	13,956,951	482,077	632,419	245,314	183,920,048	(26,857,260)	157,062,788
TOTAL LIABILITIES AND NET ASSETS	\$ 6,205,012	\$ 2,820,649	\$ 23,023,697	\$ 2,212,990	\$ 935,756	\$ 1,395,921	\$ 255,181,413	\$ (57,827,560)	\$ 197,353,853

DKT INTERNATIONAL, INC. AND AFFILIATES

**COMBINING STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2015**

	DKT International, Inc.	Brazil Group	DR Congo	Egypt Group	Ethiopia	Ghana	India Bihar	India Mumbai Group	Indonesia Group	Mexico	Mozambique	Myanmar Group
REVENUE AND SUPPORT												
Sales, net of discounts	\$ -	\$ 14,743,394	\$ 390,637	\$ 1,455,912	\$ 4,676,171	\$ 3,277,282	\$ 3,101,868	\$ 6,823,174	\$ 26,779,252	\$ 8,724,584	\$ 324,705	\$ 61,983
Grants and contributions	21,517,196	-	539,060	-	10,962,204	3,164,801	1,336,013	4,864,626	4,131,981	-	1,909,788	-
Investment income (loss)	(1,320,164)	-	-	-	-	-	-	-	204,338	-	-	-
Grants from affiliates	-	-	2,325,331	-	955,483	-	2,922,522	-	-	-	-	-
Service fees from affiliates	8,705,117	-	-	-	-	-	-	-	-	-	-	-
Other income	16,211	42,278	-	938	-	108,480	48,234	3,783	8,580	-	3,491	944
TOTAL REVENUE AND SUPPORT	\$ 28,918,360	\$ 14,785,672	3,255,028	\$ 1,456,850	\$ 16,593,858	\$ 6,550,563	\$ 7,408,637	\$ 11,691,583	\$ 31,124,151	\$ 8,724,584	\$ 2,237,984	62,927
EXPENSES AND LOSSES												
Cost of sales	2,343,958	6,866,115	176,390	693,869	8,601,157	2,728,341	966,376	4,343,412	16,265,459	3,201,362	612,405	80,293
Advertising and promotion	251,682	3,542,839	35,282	179,970	2,450,203	1,046,225	205,492	2,435,260	5,375,185	1,280,119	351,457	329,216
Salaries and fringe benefits	7,400,486	2,087,177	1,043,448	991,778	3,022,412	516,955	3,576,812	2,095,431	1,122,005	1,014,398	904,460	171,290
Grants to affiliates	-	-	-	-	769,825	-	-	735,778	288,587	-	-	-
Contributions, outreach and grants to partners	858,887	-	-	-	-	2,015	-	-	-	-	-	-
Program expenses to affiliates	27,304,566	-	-	-	-	-	-	-	-	-	-	-
Professional fees	2,435,675	1,160,573	111,334	61,799	128,435	194,331	915,325	28,275	992,369	1,691,805	79,751	4,042
Travel and related expenses	226,947	198,727	501,804	53,098	1,380,336	272,913	519,233	927,372	365,853	183,791	170,357	22,665
Trainings, meetings and conferences	1,849	6,907	240,072	28,852	338,422	104,065	257,966	44,731	164,983	194,666	391,057	1,490
Service fees to affiliates	-	23,625	-	-	430,349	484,110	-	-	432,648	2,606	-	13,649
Office expenses	112,528	356,476	80,541	20,484	279,851	278,945	61,552	65,527	115,450	46,543	76,131	3,071
Product development	-	-	118,923	80,053	554,050	22,386	-	-	419,733	-	24,157	2,838
Rent	153,581	211,315	248,852	93,391	276,864	146,954	601,396	117,990	121,385	119,015	154,754	65,272
Foreign currency exchange losses (gains)	(1,374)	1,624,643	-	(15,009)	(28,034)	23,268	32,886	(351)	(211,631)	183,162	(57,518)	19,193
Other	4,823,842	-	-	12,791	-	-	-	12,448	22,545	-	13,193	-
Repairs and maintenance	-	7,774	39,745	1,043	-	17,142	175,599	-	-	95,166	10,694	864
Depreciation and amortization	1,631	139,876	91,212	47,579	299	84,451	228,797	56,324	40,732	55,981	114,899	7,937
Licenses and taxes	20,725	37,019	-	-	-	2,423	-	-	785	259,830	5,510	136
Telephone, facsimile and utilities	33,814	31,980	41,646	21,884	47,863	42,046	51,223	9,340	41,619	35,250	36,737	3,713
Bad debt	-	10,211	-	-	578	58,844	308,224	-	-	-	46,398	-
Interest	329	222,720	-	-	-	-	7,963	-	26,588	7,895	15,427	-
Bank charges	18,873	38,568	36,682	5,057	1,494	2,393	20,403	78,344	18,178	2,919	6,295	725
Obsolete inventory expense	-	-	432,732	-	(19,710)	-	3,638	-	-	-	119,087	-
TOTAL EXPENSES AND LOSSES	45,987,999	16,566,545	3,198,663	2,276,639	18,234,394	6,027,807	7,932,885	10,949,881	25,602,473	8,374,508	3,075,251	726,394
CHANGE IN NET ASSETS BEFORE INCOME TAX BENEFIT (PROVISION)	(17,069,639)	(1,780,873)	56,365	(819,789)	(1,640,536)	522,756	(524,248)	741,702	5,521,678	350,076	(837,267)	(663,467)
Income tax benefit (provision)	-	-	-	(4,316)	-	-	-	-	(959,870)	55,920	-	(387)
CHANGE IN NET ASSETS	(17,069,639)	(1,780,873)	56,365	(824,105)	(1,640,536)	522,756	(524,248)	741,702	4,561,808	405,996	(837,267)	(663,854)
Foreign currency translation gain (loss)	-	680,334	-	594,001	1,484,432	(629,208)	26,594	146,335	(2,047,272)	(212,942)	(500,465)	140
Dividends issued	-	(936,968)	-	-	-	-	-	-	-	-	-	-
Additional paid in capital	-	-	-	-	-	-	-	-	-	-	900,000	302,343
NET ASSETS, BEGINNING OF YEAR, AS RESTATED	174,132,427	2,268,541	448,394	(6,871,199)	6,623,670	4,439,540	2,692,449	(4,675,767)	13,502,777	1,280,008	1,459,164	(293,897)
NET ASSETS (DEFICIT), END OF YEAR	\$ 157,062,788	\$ 231,034	\$ 504,759	\$ (7,101,303)	\$ 6,467,566	\$ 4,333,088	\$ 2,194,795	\$ (3,787,730)	\$ 16,017,313	\$ 1,473,062	\$ 1,021,432	\$ (655,268)

DKT INTERNATIONAL, INC. AND AFFILIATES

**COMBINING STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2015**

(Continued)

	Nigeria	Pakistan	Philippines Group	Tanzania Group	Turkey	Vietnam Group	Subtotal	Eliminating Entries	Combined Total
REVENUE AND SUPPORT									
Sales, net of discounts	\$ 2,549,173	\$ 1,164,618	\$ 27,702,363	\$ 796,923	\$ 370,126	\$ 1,906,624	\$ 104,848,789	\$ -	\$ 104,848,789
Grants and contributions	83,457	97,130	-	605,565	-	286,312	49,498,133	(10,373,383)	39,124,750
Investment income (loss)	-	-	(313,427)	-	-	-	(1,429,253)	-	(1,429,253)
Grants from affiliates	4,818,144	-	-	1,909,704	-	-	12,931,184	(12,931,184)	-
Service fees from affiliates	-	-	-	-	-	-	8,705,117	(8,705,117)	-
Other income	8,445	8,116	76,016	220,094	4,097	(1,070)	548,637	-	548,637
TOTAL REVENUE AND SUPPORT	7,459,219	1,269,864	\$ 27,464,952	3,532,286	374,223	\$ 2,191,866	175,102,607	\$ (32,009,684)	\$ 143,092,923
EXPENSES AND LOSSES									
Cost of sales	3,656,101	1,472,293	10,198,422	827,262	180,951	1,431,193	64,645,359	-	64,645,359
Advertising and promotion	241,268	3,280,072	6,280,894	308,484	81,152	52,706	27,727,506	-	27,727,506
Salaries and fringe benefits	648,086	1,942,709	2,042,673	697,722	52,212	306,278	29,636,332	-	29,636,332
Grants to affiliates	-	-	-	-	-	231	1,794,421	-	1,794,421
Contribution, outreach and grants to partners	-	-	-	303,648	-	2,532	1,167,082	-	1,167,082
Program expenses to affiliates	-	-	-	-	-	-	27,304,566	(27,304,566)	-
Professional fees	30,820	162,980	2,098,121	264,164	12,703	108,350	10,480,852	(3,642,366)	6,838,486
Travel and related expenses	357,755	191,061	711,088	268,149	4,872	37,106	6,393,127	-	6,393,127
Trainings, meetings and conferences	321,018	217,549	253,679	202,518	-	45	2,769,869	-	2,769,869
Service fees to affiliate	-	-	4,000,000	-	-	-	5,386,987	(5,386,987)	-
Office expenses	31,840	100,616	66,275	92,508	31,169	26,631	1,846,138	-	1,846,138
Product development	-	40,753	30,599	37,301	-	-	1,330,793	-	1,330,793
Rent	84,264	161,019	171,410	234,754	31,272	106,105	3,099,593	-	3,099,593
Foreign currency exchange losses (gains)	-	456,792	170,845	(102,222)	(27,378)	26,952	2,094,224	(127,474)	1,966,750
Other	-	9,562	178,909	18	36,371	4,248	5,113,927	-	5,113,927
Repairs and maintenance	136,657	20,697	24,658	24,614	-	-	554,653	-	554,653
Depreciation and amortization	228,660	122,245	291,162	19,116	1,217	7,281	1,539,399	-	1,539,399
Licenses and taxes	23,319	69	257,439	-	885	46	608,186	(164,843)	443,343
Telephone, facsimile and utilities	82,056	35,601	136,065	25,130	-	3,216	679,183	-	679,183
Bad debt	137,967	-	10,103	-	-	-	572,325	-	572,325
Interest	-	-	112,378	23,762	1,305	1,113	419,480	-	419,480
Bank charges	25,915	366	11,551	5,622	-	1,464	274,849	(60,895)	213,954
Obsolete inventory expense	-	-	49,481	-	-	-	585,228	-	585,228
TOTAL EXPENSES AND LOSSES	6,005,726	8,214,384	27,095,752	3,232,550	406,731	2,115,497	196,024,079	(36,687,131)	159,336,948
CHANGE IN NET ASSETS BEFORE INCOME TAX BENEFIT (PROVISION)									
	1,453,493	(6,944,520)	369,200	299,736	(32,508)	76,369	(20,921,472)	4,677,447	(16,244,025)
Income tax benefit (provision)	-	-	(999,492)	(126,833)	-	-	(2,034,978)	-	(2,034,978)
CHANGE IN NET ASSETS	1,453,493	(6,944,520)	(630,292)	172,903	(32,508)	76,369	(22,956,450)	4,677,447	(18,279,003)
Foreign currency translation gain (loss)	(99,187)	235,426	959,166	61,773	(170,006)	477,113	1,006,234	-	1,006,234
Dividends issued	-	-	-	-	-	-	(936,968)	936,968	-
Additional paid in capital	-	-	-	598,399	-	-	1,800,742	(1,800,742)	-
NET ASSETS, BEGINNING OF YEAR, AS RESTATED	2,712,944	(6,516,405)	13,628,077	(350,998)	834,933	(308,168)	205,006,490	(30,670,933)	174,335,557
NET ASSETS (DEFICIT), END OF YEAR	\$ 4,067,250	\$ (13,225,499)	\$ 13,956,951	\$ 482,077	\$ 632,419	\$ 245,314	\$ 183,920,048	\$ (26,857,260)	\$ 157,062,788