

**Living Water International**

Financial Statements  
and Independent Auditors' Report  
for the years ended December 31, 2009 and 2008

**Independent Auditors' Report**

To the Board of Directors of  
Living Water International:

We have audited the accompanying statements of financial position of Living Water International (LWI) as of December 31, 2009 and 2008 and the related statements of activities, of functional expenses, and of cash flows for the years then ended. These financial statements are the responsibility of the management of LWI. Our responsibility is to express an opinion on these 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 our audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 financial statements referred to above present fairly, in all material respects, the financial position of LWI as of December 31, 2009 and 2008 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Blazek & Vetterling*

May 17, 2010

# Living Water International

Statements of Financial Position as of December 31, 2009 and 2008

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	<u>2009</u>	<u>2008</u>
ASSETS		
Cash and cash equivalents ( <i>Notes 2 and 3</i> )	\$ 2,425,764	\$ 3,356,372
Accounts receivable	19,471	37,700
Prepaid expenses and other assets	448,669	242,601
Pledges receivable ( <i>Note 4</i> )	847,654	2,164,371
Property and equipment, net ( <i>Note 5</i> )	<u>3,061,579</u>	<u>2,874,505</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 6,803,137</u></b>	<b><u>\$ 8,675,549</u></b>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 298,407	\$ 462,560
Accrued expenses	239,076	145,313
Notes payable ( <i>Note 6</i> )	<u>282,681</u>	<u>338,669</u>
Total liabilities	<u>820,164</u>	<u>946,542</u>
Net assets:		
Unrestricted	3,490,820	4,469,934
Temporarily restricted ( <i>Note 7</i> )	<u>2,492,153</u>	<u>3,259,073</u>
Total net assets	<u>5,982,973</u>	<u>7,729,007</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 6,803,137</u></b>	<b><u>\$ 8,675,549</u></b>

*See accompanying notes to financial statements.*

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# Living Water International

## Statement of Activities for the year ended December 31, 2009

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	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
REVENUE:			
Contributions	\$ 5,530,164	\$ 4,860,008	\$10,390,172
Special events	1,710,852	98,425	1,809,277
Rental income	77,821		77,821
Training fees	68,326		68,326
Government grants	9,594		9,594
Other income	<u>97,845</u>	<u>                    </u>	<u>97,845</u>
Total revenue	7,494,602	4,958,433	12,453,035
Net assets released from restrictions:			
Program expenditures	<u>5,725,353</u>	<u>(5,725,353)</u>	<u>                    </u>
Total	<u>13,219,955</u>	<u>(766,920)</u>	<u>12,453,035</u>
EXPENSES:			
Program expenses:			
Water well programs	11,408,632		11,408,632
Training and hygiene	<u>107,250</u>		<u>107,250</u>
Total program expenses (Note 9)	<u>11,515,882</u>		<u>11,515,882</u>
Management and general	<u>971,155</u>		<u>971,155</u>
Fundraising:			
Direct donor benefits	97,477		97,477
Other fundraising	<u>1,614,555</u>		<u>1,614,555</u>
Total fundraising	<u>1,712,032</u>		<u>1,712,032</u>
Total expenses	<u>14,199,069</u>		<u>14,199,069</u>
CHANGES IN NET ASSETS	(979,114)	(766,920)	(1,746,034)
Net assets, beginning of year	<u>4,469,934</u>	<u>3,259,073</u>	<u>7,729,007</u>
Net assets, end of year	<u>\$ 3,490,820</u>	<u>\$ 2,492,153</u>	<u>\$ 5,982,973</u>

*See accompanying notes to financial statements.*

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# Living Water International

Statement of Activities for the year ended December 31, 2008

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	<u>UNRESTRICTED</u>	TEMPORARILY <u>RESTRICTED</u>	<u>TOTAL</u>
REVENUE:			
Contributions <i>(Note 8)</i>	\$ 5,048,747	\$ 8,425,780	\$13,474,527
Special events	1,679,847	128,107	1,807,954
Rental income	137,036		137,036
Training fees	51,003		51,003
Government grants	27,741		27,741
Other income	<u>37,450</u>		<u>37,450</u>
Total revenue	6,981,824	8,553,887	15,535,711
Net assets released from restrictions:			
Program expenditures	<u>6,570,396</u>	<u>(6,570,396)</u>	
Total	<u>13,552,220</u>	<u>1,983,491</u>	<u>15,535,711</u>
EXPENSES:			
Program expenses:			
Water well programs	11,094,973		11,094,973
Training and hygiene	<u>124,908</u>		<u>124,908</u>
Total program expenses <i>(Note 9)</i>	<u>11,219,881</u>		<u>11,219,881</u>
Management and general	<u>704,546</u>		<u>704,546</u>
Fundraising:			
Direct donor benefits	86,373		86,373
Other fundraising	<u>1,269,104</u>		<u>1,269,104</u>
Total fundraising	<u>1,355,477</u>		<u>1,355,477</u>
Total expenses	<u>13,279,904</u>		<u>13,279,904</u>
CHANGES IN NET ASSETS	272,316	1,983,491	2,255,807
Net assets, beginning of year	<u>4,197,618</u>	<u>1,275,582</u>	<u>5,473,200</u>
Net assets, end of year	<u>\$ 4,469,934</u>	<u>\$ 3,259,073</u>	<u>\$ 7,729,007</u>

*See accompanying notes to financial statements.*

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## Living Water International

### Statement of Functional Expenses for the year ended December 31, 2009

<u>EXPENSES</u>	<u>WATER WELL PROGRAMS</u>	<u>TRAINING AND HYGIENE</u>	<u>TOTAL PROGRAM EXPENSES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL EXPENSES</u>
Water projects and other programs	\$ 7,647,319		\$ 7,647,319			\$ 7,647,319
Salaries and related benefits	1,216,228	\$ 55,776	1,272,004	\$ 677,082	\$ 926,192	2,875,278
Travel, meals, and lodging	1,051,561	45,524	1,097,085	6,376	196,469	1,299,930
Professional fees	215,786		215,786	55,040	110,674	381,500
Materials and supplies	260,133		260,133	15,445	68,888	344,466
License permits and fees	192,176		192,176	47,507	74,215	313,898
Contract labor	220,173	1,300	221,473	26,090	49,494	297,057
Postage and shipping	187,956	2,310	190,266	4,084	40,970	235,320
Depreciation	54,315		54,315	54,950	27,163	136,428
Printing and reproduction	4,185	2,340	6,525	799	123,467	130,791
Insurance	97,301		97,301	10,760	14,065	122,126
Leases and rentals	95,557		95,557	7,678	5,265	108,500
Repairs and maintenance	66,984		66,984	15,423	13,020	95,427
Telephone	51,788		51,788	7,875	24,882	84,545
Utilities	24,205		24,205	18,329	14,523	57,057
Dues and subscriptions	13,965		13,965	3,742	9,756	27,463
Interest and finance charges				17,083		17,083
Other	9,000		9,000	2,892	12,989	24,881
Total expenses	<u>\$11,408,632</u>	<u>\$ 107,250</u>	<u>\$11,515,882</u>	<u>\$ 971,155</u>	<u>\$ 1,712,032</u>	<u>\$14,199,069</u>

*See accompanying notes to financial statements.*

## Living Water International

### Statement of Functional Expenses for the year ended December 31, 2008

<u>EXPENSES</u>	<u>WATER WELL PROGRAMS</u>	<u>TRAINING AND HYGIENE</u>	<u>TOTAL PROGRAM EXPENSES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL EXPENSES</u>
Water projects and other programs	\$ 7,414,151		\$ 7,414,151			\$ 7,414,151
Salaries and related benefits	1,192,434	\$ 65,531	1,257,965	\$ 455,633	\$ 723,209	2,436,807
Travel, meals, and lodging	1,126,729	31,829	1,158,558	9,657	205,218	1,373,433
Professional fees	95,707		95,707	51,122	125,352	272,181
Materials and supplies	510,311	20,418	530,729	33,623	54,214	618,566
License permits and fees	90,544		90,544	29,166	44,649	164,359
Contract labor	164,098	1,200	165,298	9,043	40,089	214,430
Postage and shipping	97,288	581	97,869	6,989	16,091	120,949
Depreciation	79,104		79,104	26,419	26,568	132,091
Printing and reproduction	12,291	4,011	16,302	4,291	57,903	78,496
Insurance	59,555	1,011	60,566	6,247	8,799	75,612
Leases and rentals	61,543	27	61,570	7,313	5,972	74,855
Repairs and maintenance	72,274	300	72,574	16,076	9,722	98,372
Telephone	42,403		42,403	7,467	18,377	68,247
Utilities	30,291		30,291	16,314	11,347	57,952
Dues and subscriptions	5,341		5,341	4,963	3,473	13,777
Interest and finance charges				20,092		20,092
Other	40,909		40,909	131	4,494	45,534
Total expenses	<u>\$11,094,973</u>	<u>\$ 124,908</u>	<u>\$11,219,881</u>	<u>\$ 704,546</u>	<u>\$ 1,355,477</u>	<u>\$13,279,904</u>

*See accompanying notes to financial statements.*





# Living Water International

Notes to Financial Statements for the years ended December 31, 2009 and 2008

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## NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – Living Water International (LWI) was organized as a Texas nonprofit corporation in 1990. LWI exists to demonstrate the love of God by providing desperately needed clean water and health and hygiene training, along with the Living Water of the Gospel of Jesus Christ, which alone satisfies the deepest thirst. LWI serves all people, regardless of religion, race, ethnicity or gender. LWI's services are provided in developing countries. The goal is to provide services by establishing independent nonprofit organizations (NGO) in the country being served. In countries where LWI has not yet established a relationship with an established NGO, LWI provides support to individuals or groups who work to further the ministries.

Federal income tax status – LWI is exempt from federal income taxes under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §509(a)(1) and 170(b)(1)(A)(vi).

Cash equivalents include highly liquid investments with original maturities of three months or less.

Pledges receivable that are expected to be collected within one year are recorded at net realizable value. Pledges receivable that are expected to be collected after one year are discounted to estimate the present value of future cash flows, if material.

Property and equipment is stated at cost, if purchased, or at estimated fair value at the date of the gift, if donated. Property and equipment purchases over \$5,000 are capitalized. Depreciation is calculated on a straight-line basis over estimated useful lives of 5 to 40 years.

Net asset classification – Contributions and the related net assets are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Unrestricted net assets* include those net assets whose use is not restricted by donor-imposed stipulations even though their use may be limited in other respects, such as by contract or board designation.
- *Temporarily restricted net assets* include contributions restricted by the donor for specific purposes or time periods. When a purpose restriction is accomplished or a time restriction ends, temporarily restricted net assets are released to unrestricted net assets.

Contributions are recorded as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are recorded as restricted support. Conditional contributions are recognized in the same manner when the conditions are substantially met.

Contributed materials and services are recorded at fair value when an unconditional commitment is received from the donor. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. LWI received approximately \$80,000 in 2009 and \$150,000 in 2008 in contributed program supplies and materials. A

substantial number of volunteers have contributed significant amounts of time in connection with programs, administration and fundraising for which no amount has been recorded in the financial statements because the services did not meet the criteria for recognition under generally accepted accounting principles.

Fees for service – Government grant revenue, rental income, and training fees are recognized in the period in which the related services are provided. Amounts received for future training sessions or unexpended government grant advances are included in the financial statements as deferred revenue.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts of reported revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

Reclassifications – Certain reclassifications have been made to the prior year financial statements to conform to current year presentations.

## NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	<u>2009</u>	<u>2008</u>
Demand deposits	\$ 2,425,764	\$ 975,442
Money market mutual funds	<u>                    </u>	<u>2,380,930</u>
Total cash and cash equivalents	<u>\$ 2,425,764</u>	<u>\$ 3,356,372</u>

Bank deposits exceed the federally insured limits per depositor per institution.

## NOTE 3 – FAIR VALUE MEASUREMENTS

Generally accepted accounting principles require that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes inputs used to measure 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. The three levels of the fair value hierarchy are as follows:

- *Level 1* – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date.
- *Level 2* – Inputs are other than quoted prices included in Level 1, which are either directly observable or can be derived from or corroborated by observable market data at the reporting date.
- *Level 3* – Inputs are not observable and are based on the reporting entity’s assumptions about the inputs market participants would use in pricing the asset or liability.

Assets measured at fair value at December 31, 2008 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Money market mutual funds	<u>\$ 2,380,930</u>	<u>                    </u>	<u>                    </u>	<u>\$ 2,380,930</u>
Total	<u>\$ 2,380,930</u>	<u>\$                    0</u>	<u>\$                    0</u>	<u>\$ 2,380,930</u>

Mutual funds are valued at the reported net asset value. This valuation method may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while LWI believes its valuation method is appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

#### **NOTE 4 – PLEDGES RECEIVABLE**

Pledges receivable as of December 31, 2009 are expected to be collected as follows:

2010	\$ 570,972
2011	<u>276,682</u>
Total pledges receivable	<u>\$ 847,654</u>

#### **NOTE 5 – PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

	<u>2009</u>	<u>2008</u>
Land	\$ 404,738	\$ 310,000
Building and improvements	2,595,463	2,401,313
Drilling equipment	225,815	225,815
Office and computer equipment	124,578	116,174
Furniture and fixtures	109,780	111,405
Vehicles	<u>78,410</u>	<u>89,593</u>
Total property and equipment, at cost	3,538,784	3,254,300
Accumulated depreciation	<u>(477,205)</u>	<u>(379,795)</u>
Property and equipment, net	<u>\$ 3,061,579</u>	<u>\$ 2,874,505</u>

#### **NOTE 6 – NOTES PAYABLE**

Notes payable consist of the following:

	<u>2009</u>	<u>2008</u>
Note payable to the Overseas Private Investment Corporation payable in semi-annual installments, with an interest rate of 5.47%, due June 2017.	\$ 136,842	\$ 157,894
Note payable to the Overseas Private Investment Corporation payable in semi-annual installments, with an interest rate of 5.72%, due June 2016.	136,842	157,894
Other equipment financing arrangements.	<u>8,997</u>	<u>22,881</u>
Total	<u>\$ 282,681</u>	<u>\$ 338,669</u>

Principal payments are scheduled to be paid as follows:

2010	\$ 51,103
2011	42,105
2012	42,105
2013	42,105
Thereafter	<u>105,263</u>
Total	<u>\$ 282,681</u>

#### **NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes and time periods:

	<u>2009</u>	<u>2008</u>
Water well programs	\$ 2,348,652	\$ 2,620,784
Time restricted	<u>143,501</u>	<u>638,289</u>
Total temporarily restricted net assets	<u>\$ 2,492,153</u>	<u>\$ 3,259,073</u>

#### **NOTE 8 – CONCENTRATION**

In 2008, LWI received contributions from two donors totaling approximately \$3,000,000, which represented 21% of contribution revenue.

#### **NOTE 9 – EXPENDITURES IN DEVELOPING COUNTRIES**

LWI provides services in developing countries by providing support to independent non-profit organizations that have missions and goals similar to those of LWI. A list of these non-profit organizations is as follows:

<u>Country</u>	<u>Name of Organizations</u>
Angola	By Provision
Brazil	Amazon Outreach
Central African Republic	Integrated Community Development International
El Salvador	Agua Viva Internacional
Ethiopia	Kale Heywet Church Water Program, Salem Water is Life
Ghana	APF/Living Waters Ministries/African Assistance Plan
Guatemala	Asociación Pozos Agua Viva
Haiti	New Life Missions International
Honduras	Agua Viva Internacional
India	Sampurn Development India and Living Water India
Kenya	Living Water International – Kenya/Serve International
Liberia	Living Water International – Liberia
Malawi	Child Legacy
Mexico	Living Water Internacional, Puebla, Mission Resource International

Namibia	By Provision
Nigeria	Relief Network Ministries
Peru	Tommy Head Peru Ministries
Romania	East Lifewater
Rwanda	Living Water International – Rwanda
Uganda	Divine Waters/Life Giving Water/LWI Uganda
Zambia	Water for the Oppressed/LWI Zambia

Program expenses by country are as follows:

	<u>2009</u>	<u>2008</u>
Kenya	\$ 1,220,542	\$ 1,111,820
Rwanda	1,011,118	826,119
Central Africa Republic	938,889	800,758
United States	859,877	837,131
Liberia	764,026	1,380,745
Uganda	672,615	252,269
Ethiopia	621,030	583,643
El Salvador	525,251	534,940
Nicaragua	509,255	446,218
India	469,275	381,527
Haiti	455,657	355,661
Honduras	454,904	600,659
Guatemala	416,124	330,228
Mexico	400,055	401,342
Peru	367,921	337,847
Sierra Leone	239,683	338,451
Malawi	212,563	181,975
Tanzania	195,683	174,398
Zambia	192,722	220,110
Angola	176,568	136,095
Nigeria	173,831	178,008
Ghana	149,927	135,118
Namibia	128,057	220,795
Zimbabwe	126,097	
Brazil	67,826	56,154
Sudan	18,029	292,272
Central Asia	14,258	18,149
Mozambique	12,083	
Romania	10,967	75,940
Other	<u>111,049</u>	<u>11,509</u>
Total	<u>\$11,515,882</u>	<u>\$11,219,881</u>

#### **NOTE 10 – RELATED PARTY TRANSACTIONS**

LWI entered into contracting agreements with vendors with payments totaling approximately \$184,000 in 2009 and \$58,000 in 2008, in which the principal contractors are family members of the executive director of LWI.

**NOTE 11 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through May 17, 2010, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.

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