

**Living Water International**

Consolidated Financial Statements  
and Independent Auditors' Report  
for the years ended December 31, 2015 and 2014

# Living Water International

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## Independent Auditors' Report

To the Board of Directors of  
Living Water International:

We have audited the accompanying financial statements of Living Water International and subsidiaries (Living Water), which comprise the consolidated statements of financial position as of December 31, 2015 and 2014 and the related consolidated statements of activities, of functional expenses, and of cash flows for the years then ended, and the related notes to the financial statements.

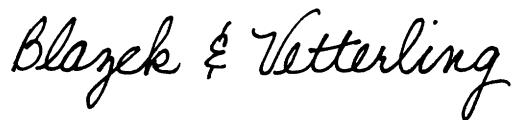
**Management's Responsibility for the Financial Statements** – Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance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

**Auditors' Responsibility** – Our responsibility is to express an opinion on these 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of Living Water as of December 31, 2015 and 2014 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.



May 4, 2016

# Living Water International

## Consolidated Statements of Financial Position as of December 31, 2015 and 2014

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	<u>2015</u>	<u>2014</u>
ASSETS		
Cash	\$ 2,565,289	\$ 1,961,292
Investments (Note 3)	3,165,994	3,253,283
Prepaid expenses and other assets	678,504	572,791
Pledges receivable (Note 4)	1,523,368	1,484,645
Property and equipment, net (Note 5)	<u>4,379,213</u>	<u>4,286,130</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 12,312,368</u></b>	<b><u>\$ 11,558,141</u></b>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 459,244	\$ 437,914
Accrued payroll and related benefits expense	760,311	923,948
Deferred revenue	<u>377,141</u>	<u>344,930</u>
Total liabilities	<u>1,596,696</u>	<u>1,706,792</u>
Net assets:		
Unrestricted (Note 7)	7,964,684	7,753,264
Temporarily restricted (Note 8)	<u>2,750,988</u>	<u>2,098,085</u>
Total net assets	<u>10,715,672</u>	<u>9,851,349</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 12,312,368</u></b>	<b><u>\$ 11,558,141</u></b>

*See accompanying notes to consolidated financial statements.*

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## Living Water International

Consolidated Statement of Activities for the year ended December 31, 2015

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	<u>UNRESTRICTED</u>	TEMPORARILY <u>RESTRICTED</u>	<u>TOTAL</u>
REVENUE:			
Contributions	\$ 7,940,327	\$ 12,513,195	\$ 20,453,522
Special events	2,701,932	1,150,000	3,851,932
Direct donor benefit costs of special events	(274,159)		(274,159)
Water program contracts	1,927,837		1,927,837
Training fees and other income	69,234		69,234
Investment return, net ( <i>Note 4</i> )	<u>16,039</u>		<u>16,039</u>
Total revenue	12,381,210	13,663,195	26,044,405
Net assets released from restrictions:			
Program expenditures	12,830,792	(12,830,792)	
Expiration of time restrictions	<u>179,500</u>	<u>(179,500)</u>	
Total	<u>25,391,502</u>	<u>652,903</u>	<u>26,044,405</u>
EXPENSES:			
Program expenses ( <i>Note 10</i> ):			
WASH* and Christian Witness	16,743,285		16,743,285
Short-term mission trips	<u>3,636,127</u>		<u>3,636,127</u>
Total program expenses	20,379,412		20,379,412
Management and general	1,879,339		1,879,339
Fundraising	<u>2,921,331</u>		<u>2,921,331</u>
Total expenses	<u>25,180,082</u>		<u>25,180,082</u>
CHANGES IN NET ASSETS	211,420	652,903	864,323
Net assets, beginning of year	<u>7,753,264</u>	<u>2,098,085</u>	<u>9,851,349</u>
Net assets, end of year	<u>\$ 7,964,684</u>	<u>\$ 2,750,988</u>	<u>\$ 10,715,672</u>

\*Water Access, Sanitation and Hygiene

*See accompanying notes to consolidated financial statements.*

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## Living Water International

Consolidated Statement of Activities for the year ended December 31, 2014

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	<u>UNRESTRICTED</u>	TEMPORARILY <u>RESTRICTED</u>	<u>TOTAL</u>
REVENUE:			
Contributions	\$ 8,652,234	\$ 13,276,350	\$ 21,928,584
Special events	2,864,398		2,864,398
Direct donor benefit costs of special events	(224,574)		(224,574)
Water program contracts	561,462		561,462
Training fees and other income	56,279		56,279
Investment return, net ( <i>Note 4</i> )	<u>150,145</u>		<u>150,145</u>
Total revenue	12,059,944	13,276,350	25,336,294
Net assets released from restrictions:			
Program expenditures	12,576,337	(12,576,337)	
Expiration of time restrictions	<u>185,500</u>	<u>(185,500)</u>	
Total	<u>24,821,781</u>	<u>514,513</u>	<u>25,336,294</u>
EXPENSES:			
Program expenses ( <i>Note 10</i> ):			
WASH* and Christian Witness	17,487,701		17,487,701
Short-term mission trips	<u>3,988,383</u>		<u>3,988,383</u>
Total program expenses	21,476,084		21,476,084
Management and general	1,566,852		1,566,852
Fundraising	<u>3,123,260</u>		<u>3,123,260</u>
Total expenses	<u>26,166,196</u>		<u>26,166,196</u>
CHANGES IN NET ASSETS	(1,344,415)	514,513	(829,902)
Net assets, beginning of year	<u>9,097,679</u>	<u>1,583,572</u>	<u>10,681,251</u>
Net assets, end of year	<u>\$ 7,753,264</u>	<u>\$ 2,098,085</u>	<u>\$ 9,851,349</u>

\*Water Access, Sanitation and Hygiene

*See accompanying notes to consolidated financial statements.*

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## Living Water International

### Consolidated Statement of Functional Expenses for the year ended December 31, 2015

<u>EXPENSES</u>	<u>WASH* AND CHRISTIAN WITNESS</u>	<u>SHORT-TERM MISSION TRIPS</u>	<u>TOTAL PROGRAM EXPENSES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL EXPENSES</u>
Salaries and related benefits	\$ 5,909,815	\$ 829,447	\$ 6,739,262	\$ 1,362,811	\$ 1,845,937	\$ 9,948,010
Travel, meals, and lodging	1,129,490	2,568,868	3,698,358	138,004	144,520	3,980,882
Water drilling and equipment project costs	3,816,914	27,897	3,844,811			3,844,811
Materials and supplies	1,585,138	7,479	1,592,617			1,592,617
Contract labor	986,007	19,396	1,005,403	13,678	136,537	1,155,618
Depreciation	787,509	12,633	800,142	47,548	17,418	865,108
Professional fees	208,005	8,366	216,371	153,405	270,859	640,635
Repairs and maintenance	492,837	34,393	527,230	5,895	6,856	539,981
Office supplies	332,661	32,223	364,884	33,982	83,200	482,066
Leases and rentals	329,615	47,668	377,283	3,892	2,754	383,929
License permits and fees	177,120	7,124	184,244		132,175	316,419
Education and training	286,064	1,682	287,746	16,955	10,779	315,480
Insurance	225,186	4,111	229,297	30,740	34,832	294,869
Telephone	160,551	7,619	168,170	17,234	26,766	212,170
Printing and reproduction	59,430	4,741	64,171	3,320	113,124	180,615
Grants for WASH programs	108,008		108,008			108,008
Utilities	66,406	15,652	82,058	12,291	13,644	107,993
Postage and shipping	32,661	6,671	39,332	3,684	43,662	86,678
Dues and subscriptions	22,637		22,637	28,761	18,319	69,717
Advertising and promotion	26,842	157	26,999	1,314	15,815	44,128
Other	389		389	5,825	4,134	10,348
Total expenses	<u>\$16,743,285</u>	<u>\$ 3,636,127</u>	<u>\$20,379,412</u>	<u>\$ 1,879,339</u>	<u>\$ 2,921,331</u>	<u>\$25,180,082</u>

\*Water Access, Sanitation and Hygiene

*See accompanying notes to consolidated financial statements.*

## Living Water International

### Consolidated Statement of Functional Expenses for the year ended December 31, 2014

<u>EXPENSES</u>	<u>WASH* AND CHRISTIAN WITNESS</u>	<u>SHORT-TERM MISSION TRIPS</u>	<u>TOTAL PROGRAM EXPENSES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL EXPENSES</u>
Salaries and related benefits	\$ 6,253,279	\$ 905,434	\$ 7,158,713	\$ 1,147,319	\$ 1,888,887	\$10,194,919
Travel, meals, and lodging	1,381,888	2,768,180	4,150,068	95,774	178,073	4,423,915
Water drilling and equipment project costs	3,973,707		3,973,707			3,973,707
Materials and supplies	1,583,833	5,960	1,589,793			1,589,793
Contract labor	981,387	20,838	1,002,225	8,731	156,481	1,167,437
Depreciation	780,475	23,633	804,108	48,565	22,251	874,924
Professional fees	204,366	30	204,396	107,019	289,205	600,620
Repairs and maintenance	364,175	44,970	409,145	12,307	16,103	437,555
Office supplies	330,747	63,252	393,999	27,371	86,574	507,944
Leases and rentals	376,549	58,155	434,704	3,682	8,656	447,042
License permits and fees	201,295	21,226	222,521		132,093	354,614
Education and training	246,432	289	246,721	11,356	3,446	261,523
Insurance	237,348	6,670	244,018	32,844	39,530	316,392
Telephone	189,961	11,312	201,273	16,467	31,357	249,097
Printing and reproduction	41,579	12,293	53,872	3,902	150,081	207,855
Grants for WASH programs	118,491		118,491			118,491
Utilities	85,253	26,561	111,814	14,119	17,926	143,859
Postage and shipping	59,345	18,743	78,088	7,099	56,379	141,566
Dues and subscriptions	26,524		26,524	27,743	17,726	71,993
Advertising and promotion	51,067	837	51,904	2,554	23,207	77,665
Other					5,285	5,285
Total expenses	<u>\$17,487,701</u>	<u>\$ 3,988,383</u>	<u>\$21,476,084</u>	<u>\$ 1,566,852</u>	<u>\$ 3,123,260</u>	<u>\$26,166,196</u>

\*Water Access, Sanitation and Hygiene

*See accompanying notes to consolidated financial statements.*



## Living Water International

### Consolidated Statements of Cash Flows for the years ended December 31, 2015 and 2014

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	<u>2015</u>	<u>2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ 864,323	\$ (829,902)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	865,110	874,924
Equipment transferred to unconsolidated affiliates	692	48,720
Net realized and unrealized (gain) loss on investments	20,034	(81,664)
Loss on impairment of equipment pending assignment	39,000	
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	(105,713)	(212,813)
Pledges receivable	(38,723)	5,150
Accounts payable and accrued expenses	210,770	(188,952)
Accrued payroll and related benefits expense	(353,077)	376,580
Deferred revenue	<u>32,211</u>	<u>277,042</u>
Net cash provided by operating activities	<u>1,534,627</u>	<u>269,085</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sale of investments	248,907	1,734,019
Purchase of investments	(45,176)	(145,548)
Net change in cash held as investments	(136,476)	(573,463)
Purchase of property and equipment	<u>(997,885)</u>	<u>(971,619)</u>
Net cash provided (used) by investing activities	<u>(930,630)</u>	<u>43,389</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from line of credit ( <i>Note 6</i> )	1,900,000	1,450,000
Repayments of line of credit ( <i>Note 6</i> )	<u>(1,900,000)</u>	<u>(1,450,000)</u>
Net cash used by financing activities	<u>0</u>	<u>0</u>
<b>NET CHANGE IN CASH</b>	<b>603,997</b>	<b>312,474</b>
Cash, beginning of year	<u>1,961,292</u>	<u>1,648,818</u>
Cash, end of year	<u>\$ 2,565,289</u>	<u>\$ 1,961,292</u>
<i>Supplemental disclosure of cash flow information:</i>		
Contribution of marketable securities	\$340,410	\$180,355

*See accompanying notes to consolidated financial statements.*

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## Living Water International

Notes to Consolidated Financial Statements for the years ended December 31, 2015 and 2014

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### NOTE 1 – ORGANIZATION

Organization – Living Water International (Living Water) was organized as a Texas nonprofit corporation in 1990. Living Water 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. Living Water serves all people, regardless of religion, race, ethnicity or gender. Living Water’s services are provided in developing countries.

The work of Living Water can be summarized in two inter-related programs as follows:

- *Water Access, Sanitation and Hygiene (WASH) and Christian Witness* – In 2015, Living Water celebrated its 25<sup>th</sup> year of ministry and completed its 16,565<sup>th</sup> water project, which included drilling new water wells, harvesting water, and the rehabilitation of non-working wells. Living Water is currently active in more than 20 developing countries. Well projects in 2015 and 2014 total 1,205 and 1,346, respectively. The organization believes that proper health and hygiene practices multiply the benefits of clean water. Living Water staff and volunteers teach Christian Witness strategies and hygiene and sanitation practices in developing countries and provide training to empower and inspire people to serve the thirsty.
- *Short-term mission trips* – Living Water led 2,311 volunteers into the field in 2015 and 2,335 in 2014 to assist in drilling wells, teaching health and hygiene, and sharing their faith. The contributions given for mission trips, which are included in contribution revenue, cover the volunteer costs for travel, meals, and lodging.

Living Water has been in the process of restructuring its global activities by establishing international non-profit branch offices organized as non-governmental organizations (NGO) in the countries in which they are located. Living Water consolidates affiliates where both control of the Board of Directors of the NGO and an economic interest exists. The following international affiliates, which met the criteria for consolidation, are included in these financial statements:

Living Water International Zambia  
Living Water Service Centre (Kenya)  
Living Water Africa Region (Kenya)  
Foundation Living Water International (Haiti)  
LW Internacional AC Puebla MX (Mexico)  
Living Water International (Liberia)  
LWI Uganda  
Living Water International Rwanda  
Living Water International – Sierra Leone  
Living Water International (Nicaragua)  
Living Water (India)  
Living Water International (Ethiopia)\*  
Living Water International (Angola)\*

\*Newly created in 2015.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNT POLICIES

Basis of consolidation – These consolidated financial statements include the assets, liabilities, net assets, and activities of Living Water’s Houston operations as well as of its international subsidiaries operations. Significant intercompany transactions and balances have been eliminated in consolidation. Gains and losses from the translation of foreign currency financial statements are recognized in the consolidated statement of activities.

Federal income tax status – Living Water is exempt from federal income tax 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). Living Water’s subsidiaries are considered tax-exempt by the countries in which they are incorporated.

Cash concentration – Bank deposits exceed the federally insured limit per depositor per institution. Management evaluates their banking relationships routinely to mitigate the risk to bank deposits.

Pledges receivable that are expected to be collected within one year are reported 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.

Investments are reported at fair value.

Property and equipment is reported at cost, if purchased, or at fair value at the date of gift, if donated. Property and equipment purchases over \$5,000 are capitalized. Equipment purchased for unconsolidated international affiliates and partners is expensed at the time the equipment and its title are transferred. Depreciation is calculated on a straight-line basis, using a half-year convention, over estimated useful lives of 3 to 40 years.

Management evaluates property for impairment on a routine basis. An impairment loss of \$39,000 was recognized during the year ended December 31, 2015 on equipment pending assignment. No impairment loss was recognized during the year ended December 31, 2014.

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

In-kind contributions are recognized at fair value when an unconditional commitment is received from the donor. The related expense is recognized as materials are used. 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. A substantial number of volunteers have contributed significant amounts of time in connection with mission trips for which no amount has been recognized in the financial

statements because the services did not meet the criteria for recognition under generally accepted accounting principles.

Water program contracts and training fees are recognized in the period in which the related services are provided. Amounts received in advance of the services being provided are reported 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 with the current presentation.

### NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENT

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, 2015 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Bond mutual funds	\$ 643,044			\$ 643,044
Equity mutual funds	<u>11,337</u>			<u>11,337</u>
Total assets measured at fair value	<u>\$ 654,381</u>	<u>\$ 0</u>	<u>\$ 0</u>	654,381
Cash held as investments				<u>2,511,613</u>
Total investments				<u>\$ 3,165,994</u>

Assets measured at fair value at December 31, 2014 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Bond mutual funds	\$ 866,886			\$ 866,886
Equity mutual funds	<u>11,260</u>			<u>11,260</u>
Total assets measured at fair value	<u>\$ 878,146</u>	<u>\$ 0</u>	<u>\$ 0</u>	878,146
Cash held as investments				<u>2,375,137</u>
Total investments				<u>\$ 3,253,283</u>

Mutual funds are valued at the net asset value of shares held at year end. 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 Living Water 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.

Investments are exposed to various risks such as interest rate, market, and credit risks. Because of these risks, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statement of financial position and statement of activities.

Investment return includes earnings on cash and consists of the following:

	<u>2015</u>	<u>2014</u>
Realized and unrealized gain (loss)	\$ (20,034)	\$ 81,664
Interest and dividends	<u>36,073</u>	<u>68,481</u>
Investment return, net	<u>\$ 16,039</u>	<u>\$ 150,145</u>

#### **NOTE 4 – PLEDGES RECEIVABLE**

Pledges receivable at December 31, 2015 are expected to be collected as follows:

2016	\$ 1,423,368
2017	<u>100,000</u>
Total pledges receivable	<u>\$ 1,523,368</u>

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

Property and equipment consists of the following:

	<u>2015</u>	<u>2014</u>
Land	\$ 416,738	\$ 416,738
Building and improvements	2,924,196	2,903,814
Drilling equipment	1,985,833	1,708,890
Equipment pending assignment	40,072	60,286
Office and computer equipment	328,373	188,174
Furniture and fixtures	166,143	171,803
Vehicles	<u>3,048,629</u>	<u>2,574,532</u>
Total property and equipment, at cost	8,909,984	8,024,237
Accumulated depreciation	<u>(4,530,771)</u>	<u>(3,738,107)</u>
Property and equipment, net	<u>\$ 4,379,213</u>	<u>\$ 4,286,130</u>

#### NOTE 6 – LINE OF CREDIT

Living Water has a \$2,000,000 unsecured revolving line of credit with a bank expiring in December 2016. Draws on the line bear interest at 1.25% above the bank's prime lending rate. At December 31, 2015 and 2014, no amounts were outstanding on this line of credit.

#### NOTE 7 – UNRESTRICTED NET ASSETS

Unrestricted net assets consist of the following:

	<u>2015</u>	<u>2014</u>
Undesignated	\$ 3,585,471	\$ 3,467,134
Property and equipment, net	<u>4,379,213</u>	<u>4,286,130</u>
Total unrestricted net assets	<u>\$ 7,964,684</u>	<u>\$ 7,753,264</u>

#### NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2015</u>	<u>2014</u>
Water well programs:		
Guatemala	\$ 569,819	\$ 474,653
El Salvador	470,787	452,487
Rwanda	342,959	38,355
Honduras	72,374	282,711
Uganda	60,000	75,000
India	59,700	
Mexico	44,260	
Liberia	40,000	
Peru	40,000	
Ethiopia	21,000	
Other water well programs	37,974	66,723
Church Mobilization and Gospel Proclamation	778,851	276,379
Restricted for future periods	200,000	379,500
Other	<u>13,264</u>	<u>52,277</u>
Total temporarily restricted net assets	<u>\$ 2,750,988</u>	<u>\$ 2,098,085</u>

## NOTE 9 – UNCONSOLIDATED AFFILIATES

At December 31, 2015, Living Water has three affiliates in which it has an economic interest without direct control, and therefore are not consolidated in these financial statements. These three affiliates are Agua Viva Internacional (El Salvador), Asociación Pozos Agua Viva (Guatemala), and Living Water Medical Ministries (Honduras). During 2015, Living Water's funding of these affiliates totaled \$1,715,500 and is included in Living Water's financial statements as program expenses. Summarized financial information for the year ended December 31, 2015 related to these affiliates is presented as follows:

	<u>EL SALVADOR</u>	<u>GUATEMALA</u>	<u>HONDURAS</u>	<u>TOTAL</u>
Total assets and net assets	\$228,986	\$199,308	\$378,676	\$806,970
Total revenue	\$598,417	\$442,467	\$679,052	\$1,719,936
Total expenses	\$580,988	\$494,251	\$551,687	\$1,626,926

During 2014, Living Water's funding of these affiliates totaled \$1,410,300 and is included in Living Water's financial statements as program expenses. Summarized financial information for the year ended December 31, 2014 related to these affiliates is presented as follows:

	<u>EL SALVADOR</u>	<u>GUATEMALA</u>	<u>HONDURAS</u>	<u>TOTAL</u>
Total assets and net assets	\$178,634	\$249,984	\$179,518	\$608,136
Total revenue	\$477,656	\$479,195	\$520,450	\$1,477,301
Total expenses	\$553,245	\$551,967	\$559,727	\$1,664,939

## NOTE 10 – EXPENDITURES IN DEVELOPING COUNTRIES

A summary of program expenses by geographic region is as follows:

	<u>2015</u>	<u>2014</u>
Africa	\$ 8,923,395	\$ 9,531,695
Americas	10,142,748	10,636,653
Asia	<u>1,313,269</u>	<u>1,307,736</u>
Total program expenses	<u>\$ 20,379,412</u>	<u>\$ 21,476,084</u>

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

<u>Country</u>	<u>Name of Organizations</u>
Burkina Faso	Streams in Burkina
Central African Republic	Water for Good
Ethiopia	Ethiopian Kale Heywet Church
Ghana	Africa Assistance Plan
India – North	Sampurn Development India
India – South	New India Church of God
Kenya	Serve Academy
Nigeria	Relief Network Ministries
Peru	Asociacion Manantiales de Agua
Sierra Leone	Mariatu’s Hope
Uganda	Life Giving Water
Zimbabwe	Global Water Partners; Evangelical Fellowship of Zimbabwe

#### **NOTE 11 – RELATED PARTY TRANSACTIONS**

Living Water entered into a contracting agreement with a vendor with payments totaling approximately \$70,000 and \$78,000 in 2015 and 2014, in which the principal contractor is an immediate family member of the Executive Vice President of Living Water. Additionally, approximately \$71,000 in 2014 was paid to an in-country implementing contractor who is an immediate family member of two Living Water employees.

#### **NOTE 12 – CONDITIONAL CONTRIBUTION**

During 2015, Living Water received a \$4,370,000 gift, the specified purpose of which is for a WASH initiative in Uganda, Zambia, and Nicaragua. The initial \$1,680,000 of the gift was funded in 2015 and \$1,446,000 of it was recognized as revenue, with the difference recorded as refundable advances and included in deferred revenue at December 31, 2015. The balance of the gift is payable in two installments of \$1,291,000 in 2016 and \$1,399,000 in 2017 and is conditioned upon the completion of the activities specified in the grant agreement. Living Water will record the remaining contribution when the conditions are substantially met.

#### **NOTE 13 – EMPLOYEE BENEFIT PLANS**

Living Water maintains a defined-contribution §403(b) plan. Living Water matches employee contributions up to 5% of compensation. Employees are fully vested in Living Water’s contributions after one year. Living Water contributed approximately \$246,000 and \$244,000 to the plan in 2015 and 2014.



**NOTE 14 – LEASE COMMITMENTS**

Living Water leases office space, housing, and equipment, primarily at its international locations, under noncancelable operating leases. Future minimum lease payments are payable as follows:

2016	\$ 176,420
2017	<u>45,141</u>
Total	<u>\$ 221,561</u>

Lease expense was approximately \$384,000 and \$466,000 in 2015 and 2014.

**NOTE 15 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through May 4, 2016, 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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