

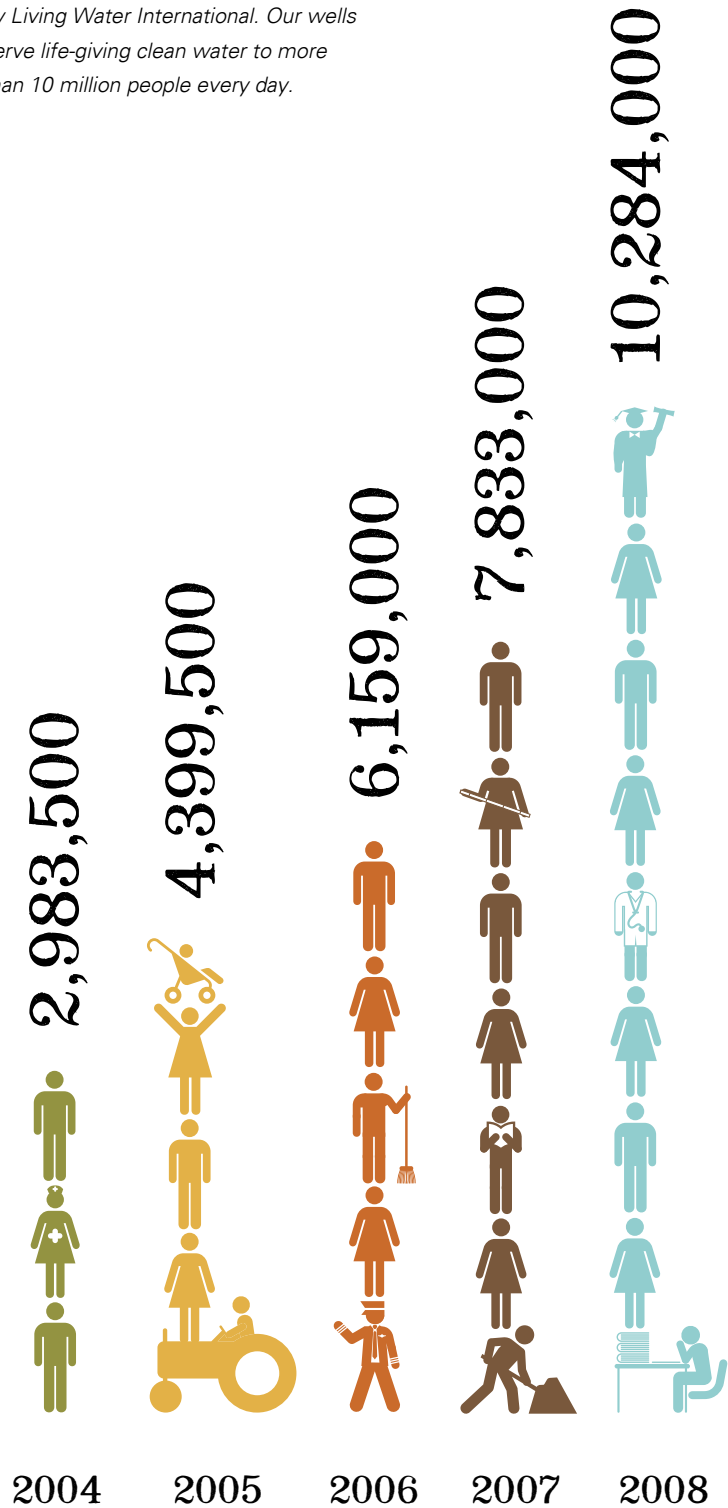
LIVING
WATER
INTERNATIONAL
08
20 ANNUAL
REPORT





PEOPLE SERVED

A cumulative look at the lives affected by Living Water International. Our wells serve life-giving clean water to more than 10 million people every day.



** Cumulative totals based on an average of 1,500 people served per project.*



A MESSAGE TO OUR SUPPORTERS

It was a year of faithfulness—yours, ours, and God’s. In 2008 we aimed to expand our faithfulness to the thirsty beyond our own drill sites; we rehabilitated more than 1,000 wells that had been drilled by others but had fallen into disrepair. The year’s 1,634 water projects brought us to a cumulative 6,856 projects in 24 countries, serving more than 10 million people—and we did it all while reducing the administration and development portions of our budget.

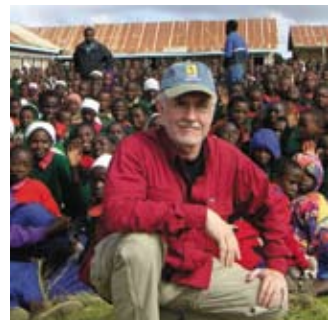
In this report you’ll see record numbers, record service, record proclamation, record budget, and record results. But some of the best moments of the year were when circumstances taught us that ultimately we are not in control of these numbers—God is.

As 2008 brought news of mortgage fraud, a credit crunch, sub-prime lending scandals, bailouts, layoffs, and swindles; as bubbles burst and the housing crisis and high gas prices started to hit home, giving did not come easily for many. When God has assigned you to help him provide clean drinking water in Jesus’ name to the world’s poorest people, the money goes out the door as fast as it comes in. We had to remain faithful to our assignment—which wasn’t always easy.

There came a moment in 2008 when the flow turned to a trickle. All we had was our conviction that if we remained faithful to God’s vision for the thirsty, he would remain faithful to us. So we prayed, and God answered.

Thousands of you decided that financial woe is not our story. Our story is a more elegant one that begins with God hovering over water and ends with the waters of the river of life, clear as crystal, a new creation, heaven and earth becoming one, and everywhere in between is God, water, redemption, Christ, and you. The Lord moved hearts, you gave, and we ended the year poised for an amazing 2009.

God is faithful. We’ve never been more excited about what lies out on the horizon. We’ve never had better strategy, never had better witness. We’ve never worked harder towards scalable program models that the whole world’s thirsty will feel in their bodies, and we’ll feel in our souls. The best is yet to come.




Gary Evans
Executive Director


Jerry Wiles
President



LATIN AMERICA & THE CARIBBEAN

Brazil	New Wells	13
El Salvador	New Wells	34
	Well Rehabs	8
Guatemala	New Wells	14
	Well Rehabs	15
Haiti		
<i>North</i>	Well Rehabs	169
<i>Leogane</i>	New Wells	1
	Well Rehabs	41
Honduras	New Wells	28
	Well Rehabs	26
Mexico		
<i>North</i>	New Wells	29
	Well Rehabs	3
<i>Central</i>	New Wells	21
<i>South</i>	New Wells	5
<i>Southeast</i>	New Wells	17
	Well Rehabs	3
Nicaragua	New Wells	10
	Well Rehabs	36
Peru	New Wells	45
	Well Rehabs	11



WEST AFRICA

Angola	New Wells	17
	Well Rehabs	2
Central African Republic	New Wells	46
	Well Rehabs	132
Ghana		
<i>Tema</i>	New Wells	6
<i>Sunyani</i>	New Wells	4
	Well Rehabs	61
Liberia	New Wells	51
	Well Rehabs	321
Namibia	New Wells	28
	Well Rehabs	8
Nigeria	New Wells	35
Sierra Leone	Well Rehabs	82



EAST AFRICA

Ethiopia	New Wells	22
Kenya		
<i>Nairobi</i>	New Wells	7
<i>Kisumu</i>	New Wells	9
Malawi	Well Rehabs	17
Rwanda	New Wells	36
	Well Rehabs	3
Sudan	Well Rehabs	85
Tanzania	New Wells	16
Uganda	Well Rehabs	19
Zambia	New Wells	1
	Well Rehabs	11



EURASIA

India		
<i>North</i>	New Wells	42
	Well Rehabs	2
<i>South</i>	New Wells	28
	Well Rehabs	5
<i>Southwest</i>	New Wells	9



INDIA

With one of the world's fastest growing economies and a ballooning population, India is experiencing growing pains. One of the country's challenges is its extreme diversity. India's 1 billion people follow 7 major religions; they speak 23 languages and 1,600 dialects. Along with the riches of such diversity come tensions, particularly in matters of faith.

Many states have passed anti-conversion laws with the intent of keeping religious groups from converting people by coercion or force. Unfortunately, these laws are often used as an excuse to harass Christians—sometimes to the point of violence. The situation became heated in July and August, particularly in the state of Orissa where a Hindu leader was killed by Maoist extremists and Christians were blamed. Angry mobs attacked and burned houses and churches. More than 50,000 Christians fled and have still not returned to their homes.

In many villages, Muslims, Hindus, and Christians each have their own water sources. Often one group will not permit others to use their water. As we have worked in India, we have seen that providing safe, clean water that is available to all is one of the most effective ways to ease tense living situations in villages and slums. Doing it in Jesus' name and in cooperation with local pastors gives the churches in these communities a simple, tangible way to share the love of Jesus with their neighbors.

One example is Jalpur, a primarily Muslim village with a small Christian minority that meets in members' homes. Most of the villagers looked at the Christians with suspicion, and the community was increasingly on edge. One thing all the residents of Jalpur shared was the lack of good, consistent water, especially during the dry season.

A local pastor learned of Jalpur's water problem and introduced the local church to the Living Water International team. Later that year, a new well was drilled in the center of Jalpur—deep enough to provide water year-round. Christians and Muslims alike rely on the new well for all their water needs. They meet at the well, get to know one another, and for the first time they feel like neighbors.

When we recently visited Jalpur we were met by Ahmed, a community leader and a Muslim.

"We are so thankful for this well," he said. "It has only been a few months, and we hardly remember what it was like before. It is the best thing that has happened to this village."

Ahmed moved the pump handle and water washed the dust from the plaque at the foot of the pump: "This well is dedicated to the people of Jalpur, India, to demonstrate the love of Jesus."



Ahmed at the well in Jalpur.

CENTRAL AMERICA

There was anxiety about the financial future of Central America in 2008. News of a U.S. financial crisis was ominous for the impoverished region, which sells more than half of its exports to the United States. Central American economies are also especially dependant on remittances—wages earned by immigrants living abroad, then sent to families back home. Such money is the number one source of foreign revenue for a number of Central American nations.

Our intertwined economies are just one reminder that in God's eyes we're all connected. That's why LWI worked hard in 2008 to connect more than 70 groups of volunteers with our Central American brothers and sisters through our Mission Trips program. Our dream is to not just give water to the thirsty, but to know them.

LWI serves in the four Central American countries that have, by far, the region's greatest need: Nicaragua, Guatemala, El Salvador, and Honduras. In these four countries 6.5 million people live on less than \$1 a day, nearly 4 million have no access to clean drinking water, and one child in 40 dies of gastro-intestinal disease before age 5.

Nonetheless, Central Americans are a hopeful people. In the past couple decades that hope is increasingly found through Jesus and his Church, and less through struggles for political power. LWI has had the honor of being a part of this process, reaching out in Jesus' name to people like Emily Ramos.

Mrs. Ramos is a Honduran school teacher. Educated, hard working and poor, she was deeply worried that her children, ages 2 and 6, had to drink from a 7-foot deep, open hand-dug well at her home. Family life used to be disrupted by illness on a weekly basis. Diarrhea, vomiting, and constant skin infections plagued them. She tried buying bottled water to keep sickness at bay, but spending 360 lempiras (about \$20) a month on water cut into her food budget.

Mrs. Ramos reports that since LWI drilled a well in her village not only has her family been free of illness, but she doesn't know anyone who has been sick. Improved health is even reflected by the attendance records at the school where she teaches. She happily walks the 10 minutes it takes her to get to the new well, knowing it results in a healthy family. "The best thing is that all the illness is under control. I could have never afforded a well like this. It's a blessing from God. Food we could get, but water like this is the greatest thing ever."

The Ramos children's favorite thing about their new water well: "The taste!"

Family at the new well in Yajal Tajny, Honduras.







WEST AFRICA

When looking for hope, never forget to search among the poorest people in the world. West Africa is home to the planet's most underdeveloped countries. Sierra Leone, Liberia, and the Central African Republic are three of the four lowest ranking countries on the UNDP's Human Development Index list. LWI's work in each of those countries has gained notoriety as a source of hope and joy where it is most needed.

2008 brought another year of devastating floods to West Africa. LWI's Liberia headquarters found itself under several feet of water twice during the year. A food crisis emerged as agricultural lands were destroyed, crops were drowned, and transportation was cut off by damaged infrastructure. To make matters worse, flood conditions caused outbreaks of malaria, meningitis, cholera, and yellow fever. With a simple sealed source of clean drinking water, disaster becomes less disastrous.

The world's single most underdeveloped country is Sierra Leone. Ranking dead last on the UNDP's Human Development Index list, Sierra Leone is the product of a tragic history. It was the birthplace of the trans-Atlantic slave trade, and only gained its independence in 1961. Control over the country's diamond resources led to a massive civil war that lasted from 1991 to 2002. The horrors of the war were many. People's hands were chopped off as an intimidation tactic. Drugs were used in the formation of forcefully recruited child soldiers, and wartime matters were further complicated by spillover from neighboring Liberia's bloody civil war.

Underdevelopment, war, floods, drugs, poverty, death, disease, slavery—Sierra Leone does not need mere development, it needs redemption. It needs good news, one thirsty community at a time, and so do we.

Redemption is what we see happening when we watch war refugees drink clean water offered in Jesus' name. It's what happens when people walk out of their schools and mosques and see Jesus alive in their communities. It's what's happening in Kuntorloh.

Kuntorloh is a densely populated hillside town where Pastor Emmanuel Freeman preaches good news. An attractive young man with a broad, contagious smile and name that means "God is with us," Emmanuel loves the least of these. He pastors a church and he spends his days assessing water needs, seeking out people to care for. Then he teams up with LWI to meet those needs. Emmanuel loves to see the church leave the building.

"With this work we get involved in peoples' lives!" Emmanuel shares with palpable joy. "Water goes to work in people's bellies, then Jesus goes to work in our souls." Smiling wide, he adds in his thick Sierra Leonean Kriol, "For that we tell Papa God tankey!"



Pastor Emmanuel Freeman

EAST AFRICA

Long considered an East African beacon of stability and success, Kenya began 2008 with political instability and conflict. Violence stemming from a disputed December 2007 election continued well into the following year, resulting in more than 1,200 deaths and 350,000 people displaced. As disputes turned into tribal conflicts, LWI was forced to temporarily cease operations.

The conflict had regional implications that affected other LWI operations too. Mombasa is Kenya's second-largest city, but it is East Africa's largest port. As commerce in Mombasa was disrupted, Kenya's landlocked neighbors felt the consequences—prices skyrocketed. The disrupted supply chain was felt with even more intensity as East Africa faced a severe drought and the need to transport scarce food became a life and death matter.

While we remember a painful summer of \$4 gas, fuel prices truly soared into double digits in Uganda and Tanzania. This had serious repercussions in an industry like ours that uses air compressors, drill rigs and trucks that can consume hundreds of gallons of diesel fuel per day. At the bottom of this long chain of political volatility, conflict, scarcity, hunger, and thirst was Africa's largest slum, Kibera.

The tin roofs and mud walls of Kibera house a million people. The slum is home to perhaps the world's most colorfully disturbing hygiene practice—the flying toilet. Lacking sanitation facilities, people in this expansive, densely populated slum resort to defecating into a bag and throwing it. A 2006 UNDP statement reported that in Kibera “two in three people identify the flying toilet as the primary mode of excreta disposal available to them.”

Even hospitals in Kibera depend on water that is only sporadically available, gone when needed most, and of questionable quality. Where do you find hope in the midst of such desperation? Sometimes the miracle is just giving what you can to care in a way that others can't.

LWI drilled a well in Kibera more than 1,000 feet deep. It provides clean, abundant water to the Ushirika Medical Clinic, a nearby bathhouse, and sanitation facilities. Its water is pumped into tanks and flows from half a dozen faucets, where people line up for clean drinking water. It supplies clean water to thousands of people, and has even created jobs!

Though poor, the people of Kibera are enterprising. Everywhere people are buying and selling. Today you'll find people hauling water from the clinic's well deep into the slum for affordable re-sale, allowing entrepreneurs to make a living, while allowing mothers to stay safely home with their children.

To see water provide such hope, joy, and transformation, even in Kibera, reminds us of what's truly important: loving God and loving others. That's it.

Ushirika water tank stands above the Kibera skyline.





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, 2008 and 2007 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.

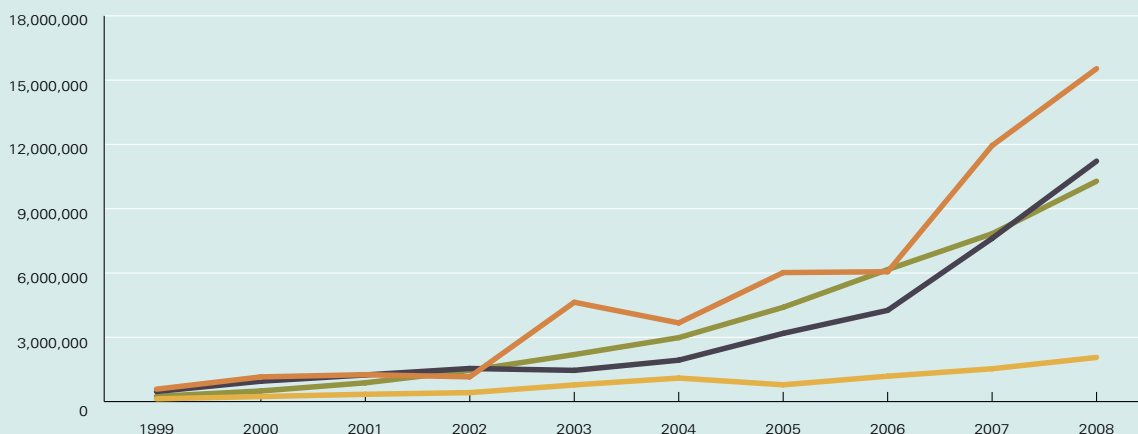
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LWI as of December 31, 2008 and 2007 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Blazek & Vetterling

Blazek & Vetterling LLP
May 28, 2009

PERFORMANCE TRENDS (TEN YEAR OVERVIEW)

Revenue (\$) Program Services (\$) Development & Administration (\$) Total People Served



STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2008 (WITH COMPARATIVE TOTALS FOR 2007)

	2008	2007
Assets		
Cash and cash equivalents (Note 3)	\$ 3,356,372	\$ 1,989,942
Accounts receivable	37,700	133,821
Pledges receivable (Note 4)	2,164,371	791,604
Prepaid expenses and other assets	242,601	268,735
Note receivable		336,768
Property and equipment, net (Note 5)	2,874,505	2,924,936
Total Assets	\$ 8,675,549	\$ 6,445,806
Liabilities And Net Assets		
Liabilities:		
Accounts payable	\$ 462,560	\$ 459,462
Accrued expenses	115,438	79,920
Other liabilities	29,875	41,511
Notes payable (Note 6)	338,669	391,713
Total liabilities	\$ 946,542	972,606
Net assets:		
Unrestricted	4,469,934	4,197,618
Temporarily restricted (Note 7)	3,259,073	1,275,582
Total net assets	\$ 7,729,007	5,473,200
Total Liabilities And Net Assets	\$ 8,675,549	\$ 6,445,806

See accompanying notes to financial statements.

STATEMENTS OF ACTIVITIES

DECEMBER 31, 2008 (WITH COMPARATIVE TOTALS FOR 2007)

	2008			2007
	Unrestricted	Temporarily Restricted	Total	Total
Revenue:				
Contributions (Note 9)	\$ 5,048,747	\$ 8,425,780	\$ 13,474,527	\$ 9,233,358
Special events	1,679,847	128,107	1,807,954	1,767,134
Government grants	27,741		27,741	715,257
Rental income	137,036		137,036	108,843
Training fees	51,003		51,003	40,415
Other income	37,450		37,450	81,047
Total revenue	6,981,824	8,553,887	15,535,711	11,946,054
Net assets released from restrictions:				
Program expenditures	6,570,396	(6,570,396)		
Total	13,552,220	1,983,491	15,535,711	11,946,054
Expenses:				
Program expenses:				
Water well programs	11,094,973		11,094,973	7,452,404
Training and hygiene	124,908		124,908	114,561
Medical Ministries				57,659
Total program expenses (Note 10)	11,219,881		11,219,881	7,624,624
Management and general	704,546		704,546	611,634
Fundraising:				
Direct donor benefits	86,373		86,373	68,307
Other fundraising	1,269,104		1,269,104	987,251
Total fundraising	1,355,477		1,355,477	1,055,558
Total expenses	13,279,904		13,279,904	9,291,816
Changes in net assets	272,316	1,983,491	2,255,807	2,654,238
Net assets, beginning of year	4,197,618	1,275,582	5,473,200	2,818,962
Net assets, end of year	\$ 4,469,934	\$ 3,259,073	\$ 7,729,007	5,473,200

See accompanying notes to financial statements.

STATEMENTS OF CASH FLOWS

DECEMBER 31, 2008 (WITH COMPARATIVE TOTALS FOR 2007)

	2008	2007
Cash Flows From Operating Activities:		
Changes in net assets	\$ 2,255,807	\$ 2,654,238
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	132,091	107,228
Contributions restricted for building purchase		(2,203,988)
Contributions of property and equipment		(5,500)
Forgiveness of notes receivable	336,768	
Changes in operating assets and liabilities:		
Accounts receivable	96,121	(71,721)
Pledges receivable	(1,372,767)	(249,603)
Prepaid expenses and other assets	26,134	(187,498)
Accounts payable	3,098	358,156
Accrued expenses	35,518	38,916
Other liabilities	(11,636)	
Deferred government grant revenue		(258,219)
Net cash provided by operating activities	1,501,134	182,009
Cash Flows From Investing Activities:		
Purchase of property and equipment	(81,660)	(2,725,360)
Proceeds from collection of note receivable		53,612
Net cash used by investing activities	(81,660)	(2,671,748)
Cash Flows From Financing Activities:		
Proceeds from notes payable	26,990	1,035,859
Repayments of notes payable	(80,034)	(1,211,882)
Proceeds of contributions restricted for building purchase		2,203,988
Net cash provided (used) by financing activities	(53,044)	2,027,965
Net Change In Cash And Cash Equivalents	1,366,430	(461,774)
Cash and cash equivalents, beginning of year	1,989,942	2,451,716
Cash and cash equivalents, end of year	\$ 3,356,372	\$ 1,989,942
Supplemental disclosure of cash flow information:		
Interest paid	\$ 20,092	\$ 65,720
Equipment purchased with a note payable		\$ 26,000
Contribution of marketable securities	\$ 157,000	\$ 832,000

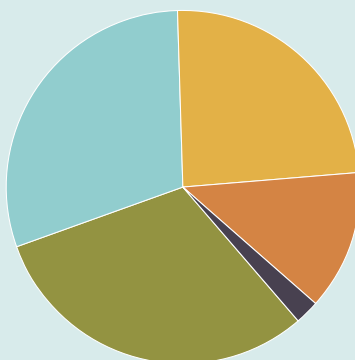
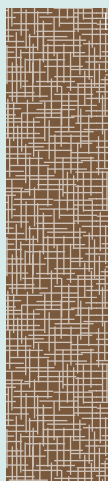
See accompanying notes to financial statements.

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2008 (WITH COMPARATIVE TOTALS FOR 2007)

Expenses	Water Well Programs	Training & Hygiene	Total Program Expenses	Management & General
Water projects and other programs	\$ 7,414,151		\$ 7,414,151	
Salaries and related benefits	1,192,434	\$ 65,531	1,257,965	\$ 455,633
Travel, meals, and lodging	1,126,729	31,829	1,158,558	9,657
Materials and supplies	510,311	20,418	530,729	33,623
Professional fees	95,707		95,707	51,122
Contract labor	164,098	1,200	165,298	9,043
License permits and fees	90,544		90,544	29,166
Depreciation	79,104		79,104	26,419
Postage and shipping	97,288	581	97,869	6,989
Repairs and maintenance	72,274	300	72,574	16,076
Printing and reproduction	12,291	4,011	16,302	4,291
Insurance	59,555	1,011	60,566	6,247
Leases and rentals	61,543	27	61,570	7,313
Telephone	42,403		42,403	7,467
Utilities	30,291		30,291	16,314
Interest and finance charges				20,092
Dues and subscriptions	5,341		5,341	4,963
Direct mail and related expenses				
Other	40,909		40,909	131
Total expenses	\$ 11,094,973	\$ 124,908	\$ 11,219,881	\$ 704,546

See accompanying notes to financial statements.



2008 REVENUE: \$15,535,711

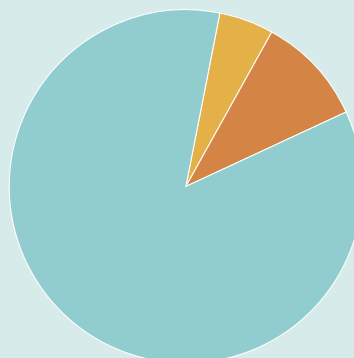
- 31% Foundations
- 30% Individuals
- 24% Corporations
- 13% Churches & Schools
- 2% Other

Fundraising	2008 Total	2007 Total
	\$ 7,414,151	\$ 4,979,924
\$ 723,209	2,436,807	1,523,857
205,218	1,373,433	962,084
54,214	618,566	354,193
125,352	272,181	132,844
40,089	214,430	146,375
44,649	164,359	119,669
26,568	132,091	107,228
16,091	120,949	102,093
9,722	98,372	39,615
57,903	78,496	56,969
8,799	75,612	46,651
5,972	74,855	116,733
18,377	68,247	57,817
11,347	57,952	41,929
	20,092	63,488
3,473	13,777	13,487
		409,810
4,494	45,534	17,050
\$ 1,355,477	\$ 13,279,904	\$ 9,291,816



2008 EXPENSES: \$13,279,904

- 85% Programs
- 10% Development
- 5% Administration



NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

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's services are provided in developing countries. The goal is to provide services by establishing independent non-profit organizations in the country being served. In countries where LWI has not yet established a relationship with a non-profit organization, LWI provides support to individuals or groups who work to further the ministries.

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).

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.

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 7 years.

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. 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 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 financial statements as deferred revenue.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the reported revenues and expenses, and the allocation of expenses among 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 – FAIR VALUE MEASUREMENTS

Effective January 1, 2008, LWI adopted Statement of Financial Accounting Standards No. 157, Fair Value Measurements (SFAS 157), which provides a framework for measuring fair value of certain assets and liabilities and expands disclosures about fair value measurements. Fair value is the price that would be received to sell assets or paid to transfer a liability in an orderly transaction between market participants at the reporting date. SFAS 157 establishes a three-tier hierarchy that prioritizes the assumptions, referred to as inputs, used in valuation techniques to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement).

The three levels of the fair value hierarchy defined by SFAS 257 are as follows:

- *Level 1* – Quoted prices in active markets for identical assets or liabilities as of the reporting date.
- *Level 2* – Pricing inputs other than quoted prices included in Level 1, which are either directly observable or that can be derived or supported from observable data as of the reporting date.
- *Level 3* – Pricing inputs include those that are from objective sources and are generally less observable. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value.

The inputs or methodology used to measure investments are not necessarily indicative of the risk of investing in a particular security.

Assets measured at fair value at December 31, 2008:

	Level 1	Level 2	Level 3	Level 4
Money market funds	\$ 2,380,930			\$ 2,380,930
Total	<u>\$ 2,380,930</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,380,930</u>

NOTE 3 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	2008	2007
Demand deposits	\$ 975,442	\$ 735,515
Money market funds	2,380,930	1,254,427
Total cash and cash equivalents	<u>\$ 3,356,372</u>	<u>\$ 1,989,942</u>

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

NOTE 4 – PLEDGES RECEIVABLE

Pledges receivable as of December 31, 2008 are expected to be collected as follows:

2009	\$ 1,471,948
2010	\$ 415,741
2011	<u>\$ 276,682</u>
Total pledges receivable	<u>\$ 2,164,371</u>

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2008	2007
Land	\$ 310,000	310,000
Building and improvements	2,401,313	2,353,567
Drilling equipment	225,815	225,815
Office and computer equipment	116,174	116,062
Vehicles	89,593	70,865
Furniture and fixtures	111,405	96,331
Total property and equipment, at cost	3,254,300	3,172,640
Accumulated depreciation	(379,795)	(247,704)
Property and equipment, net	<u>\$ 2,874,505</u>	<u>\$ 2,924,936</u>

NOTE 6 – NOTES PAYABLE AND COMMITMENTS

Notes payable consist of the following:

	2008	2007
Note payable to the Overseas Private Investment Corporation payable in semi-annual installments, with an interest rate of 5.47%, due June 2017.	\$ 157,894	\$ 178,947
Note payable to the Overseas Private Investment Corporation payable in semi-annual installments, with an interest rate of 5.72%, due June 2016.	157,894	178,947
Other equipment financing arrangements.	22,881	33,819
Total	<u>\$ 338,669</u>	<u>\$ 391,713</u>

Principal payments at December 31, 2008 are scheduled to be paid as follows:

2009	\$ 55,988
2010	51,103
2011	42,106
2012	42,106
2013	42,106
Thereafter	105,260
Total	<u>\$ 338,669</u>

NOTE 10 – 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:

Country	Name of Organizations
Angola	By Provision
Brazil	Amazon Charities
Central African Republic	Integrated Community Development International
El Salvador	Agua Viva Internacional
Ethiopia	Kale Heywet Church Water Program
Ghana	APF/Living Waters Ministries/African Assistance Plan
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
Namibia	By Provision

NOTE 7 – TEMPORARILY RESTRICTED ASSETS

Temporarily restricted net assets are available for the following purposes:

	2008	2007
Water well projects	\$ 2,620,784	\$ 1,269,773
Time Restricted	638,289	
Other		5,809
Total temporarily restricted net assets	<u>\$ 3,259,073</u>	<u>\$ 1,275,582</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 – NON-CASH CONTRIBUTIONS

LWI recognized the following non-cash contributions, which are recorded as revenue and program expense:

	2008	2007
Equipment for water projects	\$ 81,770	\$ 56,923
Medical supplies	34,010	12,059
Office equipment	23,162	21,044
Other	13,435	10,350
Total non-cash contributions	<u>\$ 152,377</u>	<u>\$ 100,376</u>

Nigeria
Panama
Peru
Romania
Rwanda
Uganda
Zambia

Relief Network Ministries
Federacion of Christian Medical Social (FCMS)
Tommy Head Peru Ministries
East Lifewater
Living Water International – Rwanda
Divine Waters/Life Giving Water/LWI Uganda
Water for the Oppressed/LWI Zambia

Program expenses by country are as follows:

	2008	2007
Liberia	\$ 1,380,745	\$ 570,575
Kenya	1,111,820	1,164,098
United States	837,131	522,729
Rwanda	826,119	932,013
Central Africa Republic	800,758	493,407
Honduras	600,659	368,941
Ethiopia	583,643	99,702
El Salvador	534,940	567,314
Nicaragua	446,218	304,128
Mexico	401,342	264,653
India	381,527	239,793
Haiti	355,661	166,372
Sierra Leone	338,451	29,281
Peru	337,847	290,881
Guatemala	330,228	348,576
Sudan	292,272	228,711
Uganda	252,269	173,697
Namibia	220,795	74,641
Zambia	220,110	
Malawi	181,975	
Nigeria	178,008	173,149
Tanzania	174,398	225,650
Angola	136,095	77,820
Ghana	135,118	123,201
Romania	75,940	46,795
Brazil	56,154	67,696
Central Asia	18,149	
Indonesia	2,423	46,164
Other	9,086	24,637
Total	<u>\$ 11,219,881</u>	<u>\$ 7,624,624</u>

NOTE 11 – RELATED PARTY TRANSACTIONS

LWI entered into a contracting agreement with a vendor with payments totaling approximately \$58,000 in 2008 where the principal contractor is a family member of the executive director of LWI.



Living Water International is a member of the Evangelical Council for Financial Accountability.



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