

Living Water International

Consolidated Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2014 and 2013

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, 2014 and 2013 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.

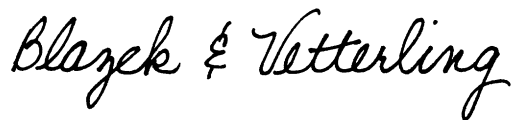
Management's Responsibility for the Financial Statements – Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance 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, 2014 and 2013 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.



June 2, 2015

Living Water International

Consolidated Statements of Financial Position as of December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash	\$ 1,961,292	\$ 1,648,818
Prepaid expenses and other assets	572,791	359,978
Pledges receivable (Note 3)	1,484,645	1,489,795
Investments (Note 4)	3,253,283	4,186,627
Property and equipment, net (Note 5)	<u>4,286,130</u>	<u>4,238,155</u>
TOTAL ASSETS	<u>\$ 11,558,141</u>	<u>\$ 11,923,373</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 437,914	\$ 626,866
Accrued payroll and related benefits expense	923,948	547,368
Deferred revenue	<u>344,930</u>	<u>67,888</u>
Total liabilities	<u>1,706,792</u>	<u>1,242,122</u>
Net assets:		
Unrestricted (Note 7)	7,753,264	9,097,679
Temporarily restricted (Note 8)	<u>2,098,085</u>	<u>1,583,572</u>
Total net assets	<u>9,851,349</u>	<u>10,681,251</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 11,558,141</u>	<u>\$ 11,923,373</u>

See accompanying notes to consolidated financial statements.

Living Water International

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

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
REVENUE:			
Contributions	\$ 8,652,234	\$ 13,276,350	\$ 21,928,584
Special events	2,864,398		2,864,398
Water program contracts	561,462		561,462
Investment return, net (<i>Note 4</i>)	150,145		150,145
Training fees and other income	<u>56,279</u>		<u>56,279</u>
Total revenue	12,284,518	13,276,350	25,560,868
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>25,046,355</u>	<u>514,513</u>	<u>25,560,868</u>
EXPENSES:			
Program expenses (<i>Note 10</i>):			
WASH* and Christian Witness	17,351,296		17,351,296
Short-term mission trips	<u>4,124,788</u>		<u>4,124,788</u>
Total program expenses	<u>21,476,084</u>		<u>21,476,084</u>
Management and general	1,566,852		1,566,852
Fundraising	3,123,260		3,123,260
Direct donor benefits – special events	<u>224,574</u>		<u>224,574</u>
Total expenses	<u>26,390,770</u>		<u>26,390,770</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.

Living Water International

Consolidated Statement of Activities for the year ended December 31, 2013

	<u>UNRESTRICTED</u>	TEMPORARILY <u>RESTRICTED</u>	<u>TOTAL</u>
REVENUE:			
Contributions	\$ 8,094,749	\$ 13,353,339	\$ 21,448,088
Special events	2,704,109		2,704,109
Water program contracts	371,287		371,287
Investment return, net <i>(Note 4)</i>	(92,482)		(92,482)
Gain on sale of property	555,017		555,017
Training fees and other income	<u>47,333</u>		<u>47,333</u>
Total revenue	11,680,013	13,353,339	25,033,352
Net assets released from restrictions:			
Program expenditures	<u>12,844,199</u>	<u>(12,844,199)</u>	
Total	<u>24,524,212</u>	<u>509,140</u>	<u>25,033,352</u>
EXPENSES:			
Program expenses <i>(Note 10)</i> :			
WASH* and Christian Witness	14,948,128		14,948,128
Short-term mission trips	<u>4,109,458</u>		<u>4,109,458</u>
Total program expenses	<u>19,057,586</u>		<u>19,057,586</u>
Management and general	1,353,250		1,353,250
Fundraising	3,100,098		3,100,098
Direct donor benefits – special events	<u>194,499</u>		<u>194,499</u>
Total expenses	<u>23,705,433</u>		<u>23,705,433</u>
Changes in net assets before other changes	818,779	509,140	1,327,919
OTHER CHANGES IN NET ASSETS:			
Consolidation of affiliates <i>(Note 1)</i>	<u>38,325</u>		<u>38,325</u>
CHANGES IN NET ASSETS	857,104	509,140	1,366,244
Net assets, beginning of year	<u>8,240,575</u>	<u>1,074,432</u>	<u>9,315,007</u>
Net assets, end of year	<u>\$ 9,097,679</u>	<u>\$ 1,583,572</u>	<u>\$ 10,681,251</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 AND DIRECT DONOR BENEFITS</u>	<u>TOTAL EXPENSES</u>
Salaries and related benefits	\$ 6,205,175	\$ 905,434	\$ 7,110,609	\$ 1,147,319	\$ 1,888,887	\$10,146,815
Travel, meals, and lodging	1,381,888	2,768,180	4,150,068	95,774	332,682	4,578,524
Water drilling and equipment project costs	3,973,707		3,973,707			3,973,707
Materials and supplies	1,496,527	93,266	1,589,793			1,589,793
Contract labor	929,346	20,838	950,184	8,731	214,705	1,173,620
Depreciation	731,376	72,732	804,108	48,565	22,251	874,924
Professional fees	256,407	30	256,437	107,019	290,796	654,252
Office supplies	330,747	63,252	393,999	27,371	96,724	518,094
Leases and rentals	395,306	58,155	453,461	3,682	8,656	465,799
Repairs and maintenance	364,175	44,970	409,145	12,307	16,103	437,555
License permits and fees	201,295	21,226	222,521		132,093	354,614
Insurance	266,695	6,670	273,365	32,844	39,530	345,739
Education and training	246,432	289	246,721	11,356	3,446	261,523
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
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
Grants for WASH programs	118,491		118,491			118,491
Advertising and promotion	51,067	837	51,904	2,554	23,207	77,665
Dues and subscriptions	26,524		26,524	27,743	17,726	71,993
Other					5,285	5,285
Total expenses	<u>\$17,351,296</u>	<u>\$ 4,124,788</u>	<u>\$21,476,084</u>	<u>\$ 1,566,852</u>	<u>\$ 3,347,834</u>	<u>\$26,390,770</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, 2013

<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 AND DIRECT DONOR BENEFITS</u>	<u>TOTAL EXPENSES</u>
Salaries and related benefits	\$ 5,141,426	\$ 800,833	\$ 5,942,259	\$ 974,544	\$ 1,941,782	\$ 8,858,585
Travel, meals, and lodging	1,090,461	2,786,242	3,876,703	71,962	349,058	4,297,723
Water drilling and equipment project costs	3,488,678		3,488,678			3,488,678
Materials and supplies	1,762,547	241,456	2,004,003			2,004,003
Contract labor	779,199	37,822	817,021	17,291	127,068	961,380
Depreciation	562,313	36,736	599,049	45,784	21,229	666,062
Professional fees	165,936	30	165,966	88,098	243,336	497,400
Office supplies	56,865	11,295	68,160	11,334	116,364	195,858
Leases and rentals	345,638	59,638	405,276	3,380	9,024	417,680
Repairs and maintenance	280,583	17,259	297,842	5,646	7,250	310,738
License permits and fees	137,803	55,953	193,756	27,407	171,265	392,428
Insurance	197,249	2,536	199,785	27,289	31,206	258,280
Education and Training	144,940	1,307	146,247	2,781	2,572	151,600
Telephone	154,097	7,100	161,197	14,694	30,626	206,517
Printing and reproduction	37,444	17,468	54,912	4,209	116,644	175,765
Utilities	68,786	18,940	87,726	25,668	14,654	128,048
Postage and shipping	63,168	12,036	75,204	3,676	20,870	99,750
Grants for WASH programs	390,814	2,807	393,621			393,621
Advertising and promotion	37,702		37,702	1,925	63,106	102,733
Dues and subscriptions	30,971		30,971	13,163	26,714	70,848
Other	11,508		11,508	14,399	1,829	27,736
Total expenses	<u>\$14,948,128</u>	<u>\$ 4,109,458</u>	<u>\$19,057,586</u>	<u>\$ 1,353,250</u>	<u>\$ 3,294,597</u>	<u>\$23,705,433</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, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (829,902)	\$ 1,366,244
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	874,924	666,062
Assets acquired through consolidation of affiliates		(38,325)
Equipment transferred to unconsolidated affiliates	48,720	24,000
Net realized and unrealized (gain) loss on investments	(81,664)	187,324
Gain on sale of property		(555,017)
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	(212,813)	210,327
Pledges receivable	5,150	(940,370)
Accounts payable and accrued expenses	(188,952)	140,931
Accrued payroll and related benefits expense	376,580	262,515
Deferred revenue	<u>277,042</u>	
Net cash provided by operating activities	<u>269,085</u>	<u>1,323,691</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	1,734,019	2,241,947
Purchase of investments	(145,548)	(2,152,774)
Net change in cash or money market mutual funds held as investments	(573,463)	(1,798,590)
Purchase of property and equipment	(971,619)	(912,955)
Proceeds from sale of property		<u>669,017</u>
Net cash provided (used) by investing activities	<u>43,389</u>	<u>(1,953,355)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from line of credit (<i>Note 6</i>)	1,450,000	1,800,000
Repayments of line of credit (<i>Note 6</i>)	<u>(1,450,000)</u>	<u>(1,800,000)</u>
Net cash used by financing activities	<u>0</u>	<u>0</u>
NET CHANGE IN CASH	312,474	(629,664)
Cash, beginning of year	<u>1,648,818</u>	<u>2,278,482</u>
Cash, end of year	<u>\$ 1,961,292</u>	<u>\$ 1,648,818</u>
<i>Supplemental disclosure of cash flow information:</i>		
Contribution of marketable securities	\$180,355	\$425,980

See accompanying notes to consolidated financial statements.

Living Water International

Notes to Consolidated Financial Statements for the years ended December 31, 2014 and 2013

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 2014, Living Water celebrated its 24th year of ministry and completed its 15,451st water project, which included drilling new water wells, harvesting water, and the rehabilitation of non-working wells. Living Water is currently active in 23 developing countries. Well projects in 2014 and 2013 total 1,346 and 1,309, 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 2,335 volunteers into the field in 2014 and 2,339 in 2013 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)
Living Water International (Burundi)
Living Water International Canada
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)

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 transaction 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 files annual federal information returns that are subject to routine examination; however, there are no examinations for any tax periods currently in progress. Living Water believes it is no longer subject to examinations of returns for tax years ended before December 31, 2011. Living Water’s subsidiaries are tax-exempt in 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 of the bank deposits.

Investments are reported at fair value.

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.

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. No impairment losses have been recognized during the years ended December 31, 2014 or 2013.

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 – PLEDGES RECEIVABLE

Pledges receivable at December 31, 2014 are expected to be collected as follows:

2015	\$ 1,284,645
2016	100,000
2017	<u>100,000</u>
Total pledges receivable	<u>\$ 1,484,645</u>

NOTE 4 – 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, 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>

Assets measured at fair value at December 31, 2013 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Bond mutual funds	\$ 2,384,953	_____	_____	\$ 2,384,953
Total assets measured at fair value	<u>\$ 2,384,953</u>	<u>\$ _____</u>	<u>\$ _____</u>	2,384,953
Cash held as investments				<u>1,801,674</u>
Total investments				<u>\$ 4,186,627</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>2014</u>	<u>2013</u>
Realized and unrealized gain (loss)	\$ 81,664	\$ (187,324)
Interest and dividends	<u>68,481</u>	<u>94,842</u>
Investment return, net	<u>\$ 150,145</u>	<u>\$ (92,482)</u>

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>2014</u>	<u>2013</u>
Land	\$ 416,738	\$ 416,738
Building and improvements	2,903,814	2,870,107
Drilling equipment	1,708,890	1,295,570
Equipment pending assignment	60,286	100,968
Office and computer equipment	188,174	175,834
Furniture and fixtures	171,803	179,447
Vehicles	<u>2,574,532</u>	<u>2,038,906</u>
Total property and equipment, at cost	8,024,237	7,077,570
Accumulated depreciation	<u>(3,738,107)</u>	<u>(2,839,415)</u>
Property and equipment, net	<u>\$ 4,286,130</u>	<u>\$ 4,238,155</u>

NOTE 6 – LINE OF CREDIT

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

NOTE 7 – UNRESTRICTED NET ASSETS

Unrestricted net assets consist of the following:

	<u>2014</u>	<u>2013</u>
Undesignated	\$ 3,467,134	\$ 4,859,524
Property and equipment, net	<u>4,286,130</u>	<u>4,238,155</u>
Total unrestricted net assets	<u>\$ 7,753,264</u>	<u>\$ 9,097,679</u>

NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2014</u>	<u>2013</u>
Water well programs:		
Guatemala	\$ 474,653	\$ 68,313
El Salvador	452,487	293,053
Honduras	282,711	118,137
Uganda	75,000	18,794
Rwanda	38,355	
Sudan	25,725	25,125
School projects	19,288	19,288
Kenya	15,000	
Burkina Faso	6,710	21,862
Ethiopia		184,000
Restricted for future periods	379,500	565,000
Church engagement	276,379	270,000
Other	<u>52,277</u>	
Total temporarily restricted net assets	<u>\$ 2,098,085</u>	<u>\$ 1,583,572</u>

NOTE 9 – UNCONSOLIDATED AFFILIATES

At December 31, 2014, 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 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

At December 31, 2014, accrued expenses of Living Water include approximately \$29,000 in amounts payable to these entities.

At December 31, 2013, Living Water had the same three affiliates in which it had an economic interest without direct control, and therefore did not consolidate in these financial statements. During 2013, Living Water's funding of these affiliates totaled \$1,410,100 and is included in Living Water's financial statements as program expenses. Summarized financial information for the year ended December 31, 2013 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	\$180,834	\$280,981	\$129,270	\$591,085
Total revenue	\$457,969	\$480,813	\$439,604	\$1,378,386
Total expenses	\$512,378	\$517,591	\$441,321	\$1,471,290

At December 31, 2013, accrued expenses of Living Water include approximately \$124,000 in amounts payable to these entities.

NOTE 10 – EXPENDITURES IN DEVELOPING COUNTRIES

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

	<u>2014</u>	<u>2013</u>
Africa	\$ 9,531,695	\$ 8,879,376
Americas	10,636,653	9,067,805
Asia	<u>1,307,736</u>	<u>1,110,405</u>
Total program expenses	<u>\$ 21,476,084</u>	<u>\$ 19,057,586</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>
Angola*	LWI-Angola
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
Namibia	By Provision
Nigeria	Relief Network Ministries
Peru	Asociacion Ministerios Fuentes de Agua
Sierra Leone	Mariatu's Hope
Uganda	Life Giving Water
Zimbabwe	Global Water Partners; Evangelical Fellowship of Zimbabwe

*In the process of being organized corporately to become a controlled affiliate of Living Water.

NOTE 11 – RELATED PARTY TRANSACTIONS

Living Water entered into a contracting agreement with a vendor with payments totaling approximately \$78,000 and \$72,000 in 2014 and 2013, in which the principal contractor is an immediate family member of the Executive Vice President of Living Water. Additionally, approximately \$71,000 and \$150,000 in 2014 and 2013 was paid to an in-country implementing contractor who is an immediate family member of two Living Water employees.

NOTE 12 – 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 \$244,000 and \$217,000 to the plan in 2014 and 2013.

NOTE 13 – 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:

2015	\$ 208,474
2016	116,312
2017	<u>31,595</u>
Total	<u>\$ 356,381</u>

Lease expense was approximately \$466,000 and \$418,000 in 2014 and 2013.

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 2, 2015, 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.