

Living Water International

Consolidated Financial Statements
and Independent Auditors' Report
for the years ended June 30, 2020 and 2019

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 June 30, 2020 and 2019 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.

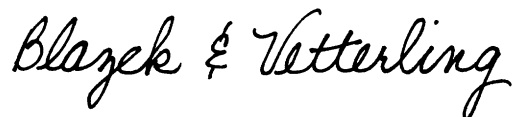
Management's Responsibility for the Financial Statements – Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance 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 June 30, 2020 and 2019 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.



November 18, 2020

Living Water International

Consolidated Statements of Financial Position as of June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash	\$ 4,312,155	\$ 1,371,537
Prepaid expenses and other assets	463,550	345,717
Contributions and grants receivable (Note 4)	4,211,311	4,388,182
Property and equipment, net (Note 5)	<u>5,645,101</u>	<u>5,820,327</u>
TOTAL ASSETS	<u>\$ 14,632,117</u>	<u>\$ 11,925,763</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 486,723	\$ 569,099
Accrued payroll and related benefits	569,990	625,229
Deferred revenue	196,387	341,303
Refundable advance – Paycheck Protection Program (Note 6)	<u>969,100</u>	<u> </u>
Total liabilities	<u>2,222,200</u>	<u>1,535,631</u>
Commitments and contingencies (Note 10)		
Net assets:		
Without donor restrictions	8,787,748	5,775,984
With donor restrictions (Note 7)	<u>3,622,169</u>	<u>4,614,148</u>
Total net assets	<u>12,409,917</u>	<u>10,390,132</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 14,632,117</u>	<u>\$ 11,925,763</u>

See accompanying notes to consolidated financial statements.

Living Water International

Consolidated Statement of Activities for the year ended June 30, 2020

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions:			
Other contributions	\$ 10,124,793	\$ 10,084,975	\$ 20,209,768
Water program grants		1,360,674	1,360,674
Special events	3,363,659		3,363,659
Training fees and other income	<u>17,146</u>	<u> </u>	<u>17,146</u>
Total revenue	13,505,598	11,445,649	24,951,247
Net assets released from restrictions:			
Program expenditures	11,822,455	(11,822,455)	
Capital expenditures	<u>615,173</u>	<u>(615,173)</u>	<u> </u>
Total	<u>25,943,226</u>	<u>(991,979)</u>	<u>24,951,247</u>
EXPENSES:			
Program expenses (Note 9):			
WASH* and Christian Witness	16,006,383		16,006,383
Living Water mission trips	<u>1,716,204</u>		<u>1,716,204</u>
Total program expenses	17,722,587		17,722,587
Management and general	1,851,215		1,851,215
Fundraising	3,132,844		3,132,844
Direct donor benefit costs of special events	<u>224,816</u>		<u>224,816</u>
Total expenses	<u>22,931,462</u>		<u>22,931,462</u>
CHANGES IN NET ASSETS	3,011,764	(991,979)	2,019,785
Net assets, beginning of year	<u>5,775,984</u>	<u>4,614,148</u>	<u>10,390,132</u>
Net assets, end of year	<u>\$ 8,787,748</u>	<u>\$ 3,622,169</u>	<u>\$ 12,409,917</u>

*Water Access, Sanitation and Hygiene

See accompanying notes to consolidated financial statements.

Living Water International

Consolidated Statement of Activities for the year ended June 30, 2019

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions:			
Other contributions	\$ 7,567,351	\$ 11,924,609	\$ 19,491,960
Water program grants		670,707	670,707
Special events	3,457,611		3,457,611
Training fees and other income	<u>111,707</u>		<u>111,707</u>
Total revenue	11,136,669	12,595,316	23,731,985
Net assets released from restrictions:			
Program expenditures	12,334,172	(12,334,172)	
Capital expenditures	<u>699,068</u>	<u>(699,068)</u>	
Total	<u>24,169,909</u>	<u>(437,924)</u>	<u>23,731,985</u>
EXPENSES:			
Program expenses (<i>Note 9</i>):			
WASH* and Christian Witness	16,615,122		16,615,122
Living Water mission trips	<u>2,692,942</u>		<u>2,692,942</u>
Total program expenses	19,308,064		19,308,064
Management and general	1,578,232		1,578,232
Fundraising	3,588,702		3,588,702
Direct donor benefit costs of special events	<u>211,330</u>		<u>211,330</u>
Total expenses	<u>24,686,328</u>		<u>24,686,328</u>
CHANGES IN NET ASSETS	(516,419)	(437,924)	(954,343)
Net assets, beginning of year	<u>6,292,403</u>	<u>5,052,072</u>	<u>11,344,475</u>
Net assets, end of year	<u>\$ 5,775,984</u>	<u>\$ 4,614,148</u>	<u>\$ 10,390,132</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 June 30, 2020

<u>EXPENSES</u>	<u>WASH* AND CHRISTIAN WITNESS</u>	<u>LIVING WATER MISSION TRIPS</u>	<u>TOTAL PROGRAM EXPENSES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING AND DIRECT DONOR BENEFIT COSTS</u>	<u>TOTAL EXPENSES</u>
Salaries and related benefits	\$ 6,139,083	\$ 394,651	\$ 6,533,734	\$ 1,427,923	\$ 2,152,857	\$10,114,514
Travel, meals, and lodging	877,974	1,171,420	2,049,394	23,078	114,186	2,186,658
Water drilling and equipment project costs	2,090,908	6,457	2,097,365			2,097,365
Contract labor	1,760,065	9,282	1,769,347	20,846	272,131	2,062,324
Depreciation	880,522	58,256	938,778	31,236	93,708	1,063,722
Materials and supplies	976,608	1,314	977,922	238	878	979,038
Professional fees	393,918	1,390	395,308	152,076	266,520	813,904
Contractor support for Hygiene and Church Mobilization and Gospel Proclamation	770,050	600	770,650			770,650
Repairs and maintenance	455,714	9,829	465,543	1,318	3,999	470,860
Education and training	414,503	2,553	417,056	5,159	6,937	429,152
Leases and rentals	258,275	31,031	289,306	6,255	11,378	306,939
Office supplies	217,608	2,247	219,855	6,579	46,311	272,745
Insurance	219,371	6,351	225,722	11,434	34,510	271,666
License permits and fees	129,018	2,260	131,278	114,454	12,910	258,642
Telephone	187,983	1,873	189,856	8,351	24,777	222,984
Printing and reproduction	46,772	5,867	52,639	4,543	116,919	174,101
Venue rental and food for special event					142,768	142,768
Dues and subscriptions	53,230	290	53,520	24,225	15,696	93,441
Utilities	63,739	2,733	66,472	3,955	11,866	82,293
Postage and shipping	36,696	6,224	42,920	3,547	27,533	74,000
Advertising and promotion	30,129	1,576	31,705		1,776	33,481
Other	4,217		4,217	5,998		10,215
Total expenses	<u>\$16,006,383</u>	<u>\$ 1,716,204</u>	<u>\$17,722,587</u>	<u>\$ 1,851,215</u>	<u>\$ 3,357,660</u>	<u>\$22,931,462</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 June 30, 2019

<u>EXPENSES</u>	<u>WASH* AND CHRISTIAN WITNESS</u>	<u>LIVING WATER MISSION TRIPS</u>	<u>TOTAL PROGRAM EXPENSES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING AND DIRECT DONOR BENEFIT COSTS</u>	<u>TOTAL EXPENSES</u>
Salaries and related benefits	\$ 5,875,419	\$ 473,013	\$ 6,348,432	\$ 1,214,079	\$ 2,362,845	\$ 9,925,356
Travel, meals, and lodging	1,326,861	1,988,619	3,315,480	82,899	138,186	3,536,565
Water drilling and equipment project costs	2,190,084	15,530	2,205,614			2,205,614
Contract labor	2,489,255	19,239	2,508,494	10,694	332,479	2,851,667
Depreciation	850,368	36,180	886,548	30,084	90,252	1,006,884
Materials and supplies	1,082,900	21,815	1,104,715	1,045	3,134	1,108,894
Professional fees	398,375		398,375	139,838	301,596	839,809
Contractor support for Hygiene and Church Mobilization and Gospel Proclamation	280,326		280,326			280,326
Repairs and maintenance	586,198	15,929	602,127	2,445	7,335	611,907
Education and training	272,879	898	273,777	18,073	10,556	302,406
Leases and rentals	263,996	21,042	285,038	4,668	8,180	297,886
Office supplies	231,521	6,144	237,665	8,979	66,475	313,119
Insurance	216,151	63,024	279,175	9,757	29,266	318,198
License permits and fees	184,024	1,130	185,154	3,783	121,473	310,410
Telephone	162,326	3,172	165,498	10,411	25,891	201,800
Printing and reproduction	32,078	13,195	45,273	3,620	108,908	157,801
Venue rental and food for special event					126,556	126,556
Dues and subscriptions	36,950		36,950	23,540	14,527	75,017
Utilities	61,367	4,237	65,604	4,338	13,014	82,956
Postage and shipping	45,405	9,497	54,902	1,993	23,259	80,154
Advertising and promotion	26,017	278	26,295		16,100	42,395
Other	<u>2,622</u>	<u> </u>	<u>2,622</u>	<u>7,986</u>	<u> </u>	<u>10,608</u>
Total expenses	<u>\$16,615,122</u>	<u>\$ 2,692,942</u>	<u>\$19,308,064</u>	<u>\$ 1,578,232</u>	<u>\$ 3,800,032</u>	<u>\$24,686,328</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 June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 2,019,785	\$ (954,343)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	1,063,722	1,006,884
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	(117,833)	152,462
Contributions and grants receivable	(823,129)	(292,782)
Accounts payable and accrued expenses	(82,376)	17,007
Accrued payroll and related benefits	(55,239)	(181,442)
Deferred revenue	(144,916)	217,718
Refundable advance – Paycheck Protection Program	<u>969,100</u>	<u> </u>
Net cash provided (used) by operating activities	<u>2,829,114</u>	<u>(34,496)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	<u>(888,496)</u>	<u>(1,030,557)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted for equipment	1,000,000	1,000,000
Proceeds from line of credit	1,580,000	2,650,000
Repayments of line of credit	<u>(1,580,000)</u>	<u>(2,650,000)</u>
Net cash provided by financing activities	<u>1,000,000</u>	<u>1,000,000</u>
NET CHANGE IN CASH	2,940,618	(65,053)
Cash, beginning of year	<u>1,371,537</u>	<u>1,436,590</u>
Cash, end of year	<u>\$ 4,312,155</u>	<u>\$ 1,371,537</u>
 <i>Supplemental disclosure of cash flow information:</i>		
Contribution of marketable securities	\$209,973	\$42,887

See accompanying notes to consolidated financial statements.

Living Water International

Notes to Consolidated Financial Statements for the years ended June 30, 2020 and 2019

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 Church and Community Mobilization* – In 18 countries around the world, Living Water implements long-term WASH programs that aim to see churches thrive, communities become more resilient, WASH services increase, and WASH practices improve, all in order to increase the physical, spiritual, and social wellbeing of the people they serve. This requires a multi-year focus on church and community mobilization, public health efforts that change deeply embedded hygiene and sanitation behaviors, and the construction of water projects. In 2020, Living Water celebrated its 30th year of ministry. During those 30 years, the organization has completed 21,478 water projects serving an estimated 6.4 million people. Living Water teams completed 805 water projects in 2020, and 1,028 in 2019, ranging from shallow wells with handpumps to large-scale piped distribution systems.
- *Living Water trips* – Living Water led 924 volunteers into the field in 2020 and 1,615 in 2019 to assist in drilling wells, teaching health and hygiene, and sharing their faith. The contributions given for volunteer trips, which are included in contribution revenue, cover the volunteer costs for travel, meals, and lodging.

Living Water structures 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)
Living Water International (Uganda)
Living Water International (Rwanda)
Living Water International (Sierra Leone)
Living Water International (Nicaragua)
Living Water International (Angola)
Living Water International (Guatemala)
Living Water International (Burkina Faso)
Living Water International (El Salvador)
Living Water International (Honduras)

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 affiliates’ 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 affiliates are considered tax-exempt by the countries in which they are incorporated.

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

Contributions and grants receivable that are expected to be collected within one year are reported at net realizable value. Contributions and grants receivable that are expected to be collected in future years are reported at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received.

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, overestimated useful lives of 3 to 40 years.

Management evaluates property for impairment on a routine basis. No impairment loss was recognized during the years ended June 30, 2020 and 2019.

Net asset classification – Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.
- *Net assets with donor restrictions* are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both.

Contributions and water program grants 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 *with donor restrictions*. Conditional contributions are subject to one or more barriers that must be overcome before Living Water is entitled to receive or retain funding. Conditional contributions are recognized in the same manner when the conditions have been met. Contributions and water program grants received before conditions have been met are reported as deferred revenue.

In-kind contributions are recognized at fair value when an unconditional commitment is received from the donor. The related expense is recognized as the item is 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.

Special events revenue is the total paid by sponsors and attendees of an event and includes elements of both contributions and exchange transactions. Special events revenue is recognized when the event occurs. Direct donor benefit costs represent the cost of goods and services provided to attendees of special events.

Functional allocation of expenses – Expenses are reported by their functional classification. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Fundraising activities include the solicitation of contributions of cash and securities, materials, facilities, other assets, and time. Management and general activities are not directly identifiable with specific program or fundraising activities. Expenses that are attributable to more than one activity are allocated among the activities benefitted. Costs in the facilities department, information technology department, and the president's department include salaries and benefits, depreciation, and other costs, and are allocated on the basis of estimated time and effort.

Foreign currency translation adjustments – The assets and liabilities of international Living Water consolidated affiliates, whose functional currencies are the respective country's local currency, are translated into U. S. dollars at year-end exchange rates and revenue and expenses are translated at weighted average rates during the year. The resulting translation adjustment is included in program services expense in the consolidated statements of activities.

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.

Adoption of new accounting standards – Effective July 1, 2019, Living Water adopted the guidance in Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies the distinction between contributions and exchange transactions and between conditional and unconditional contributions. Additionally, effective July 1, 2019, Living Water adopted ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). The core principle of this new guidance is that an entity should recognize revenue in an amount that reflects the consideration to which it expects to be entitled in exchange for transferred goods or services using a 5-step process to determine when performance obligations are satisfied, and revenue is recognized.

Both ASU adoptions have been applied on a retrospective basis to the financial statements for the year ended June 30, 2019. Because the timing and amount of exchange revenue and contributions recognized previously is not different from revenue recognized under the new guidance, adoption of these standards had no impact on total beginning or ending net assets or on total changes in net assets for the year ended June 30, 2019, but resulted in additional disclosures to the financial statements.

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of June 30 comprise the following:

	<u>2020</u>	<u>2019</u>
Financial assets:		
Cash	\$ 4,312,155	\$ 1,371,537
Contributions and grants receivable	<u>4,211,311</u>	<u>4,388,182</u>
Total financial assets	<u>8,523,466</u>	<u>5,759,719</u>
Less financial assets not available for general expenditure:		
Contributions receivable in more than one year	<u>(125,000)</u>	<u>(1,890,000)</u>
Total financial assets available for general expenditure	<u>\$ 8,398,466</u>	<u>\$ 3,869,719</u>

For purposes of analyzing resources available to meet general expenditures over a 12-month period, Living Water considers all expenditures related to its ongoing activities of providing water and the word in developing countries to be general expenditures.

In addition to the financial assets listed above, Living Water has conditional contributions of up to \$1,519,000, as denoted in Note 4, that may become available to support country and general expenditures in the next fiscal year. Living Water has an unsecured \$3,000,000 bank line of credit available thru February 2021.

NOTE 4 – CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivable at June 30, 2020 are expected to be collected as follows:

Receivable in one year	\$ 4,086,311
Receivable in one to five years	<u>125,000</u>
Total contributions and grants receivable	<u>\$ 4,211,311</u>

At June 30, 2020, approximately 92% of contributions receivable are from four contributors and at June 30, 2019, approximately 96% of contributions receivable were from four contributors.

Conditional contributions – A portion of Living Water’s revenue is derived from federal and private water program contributions and grants procured by both the Houston office and at the international affiliate level which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. At June 30, 2020, approximately \$1,519,000 of contributions, of which \$196,387 have been received in advance and reported as deferred revenue, have not been recognized in the accompanying financial statements because the conditions have not been met.

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>2020</u>	<u>2019</u>
Land	\$ 441,738	\$ 441,738
Building and improvements	3,045,519	3,034,685
Vehicles	4,575,882	4,311,200
Drilling equipment	3,597,847	3,402,104
Office and computer equipment	1,568,063	1,327,551
Furniture and fixtures	<u>177,227</u>	<u>160,656</u>
Total property and equipment, at cost	13,406,276	12,677,934
Accumulated depreciation	<u>(7,761,175)</u>	<u>(6,857,607)</u>
Property and equipment, net	<u>\$ 5,645,101</u>	<u>\$ 5,820,327</u>

NOTE 6 – REFUNDABLE ADVANCE

Living Water received a Paycheck Protection Program (PPP) loan in April 2020. PPP loan principal and interest (1% annual interest rate) may be forgiven, in whole or in part, if funds are used within a specified period for the intended purposes. The loan is considered to be a conditional contribution and has not been recognized as revenue because Living Water has not received forgiveness as of June 30, 2020. Living Water expects to have its loan forgiven; should the loan not be forgiven, repayment is due within two years.

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose:		
Equipment	\$ 1,000,000	\$ 2,000,000
Water well programs:		
Uganda	700,000	10,785
Zambia	649,760	
Nicaragua	402,604	
Sierra Leone	198,013	500,778
Haiti	100,794	101,848
Rwanda	77,821	
Guatemala	43,600	87,600
Kenya	40,000	202,000
El Salvador	35,000	46,000
India	24,652	469,500
Honduras	16,546	41,000
Peru		339,291
Ghana		48,000
Other water well programs	33,379	65,011
Personnel costs	300,000	619,000
Other		<u>83,335</u>
Total net assets with donor restrictions	<u>\$ 3,622,169</u>	<u>\$ 4,614,148</u>

NOTE 8 – UNCONSOLIDATED AFFILIATES

At June 30, 2020, Living Water has two affiliates in which it has an economic interest without direct control, and therefore are not consolidated in these financial statements. These two affiliates are Agua Viva Internacional (El Salvador) and Organización Religiosa Agua Viva Internacional (Honduras). During 2020 and 2019, Living Water's funding of these affiliates totaled \$503,695 and \$525,933, respectively. This funding is included in Living Water's financial statements as program expenses.

Summarized financial information for the year ended June 30, 2020 related to these affiliates is presented as follows:

	<u>EL SALVADOR</u>	<u>HONDURAS</u>	<u>TOTAL</u>
Total assets and net assets	\$478	\$13,140	\$13,618
Total revenue	\$520,650	\$329,095	\$849,745
Total expenses	\$533,546	\$323,021	\$856,567

Summarized financial information for the year ended June 30, 2019 related to these affiliates is presented as follows:

	<u>EL SALVADOR</u>	<u>HONDURAS</u>	<u>TOTAL</u>
Total assets and net assets	\$7,424	\$9,974	\$17,398
Total revenue	\$514,012	\$485,273	\$999,285
Total expenses	\$500,947	\$479,681	\$980,628

NOTE 9 – EXPENDITURES IN DEVELOPING COUNTRIES

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

	<u>2020</u>	<u>2019</u>
Africa	\$ 8,735,000	\$ 8,794,000
Americas	7,375,000	8,684,000
Asia	<u>1,613,000</u>	<u>1,830,000</u>
Total program expenses	<u>\$ 17,723,000</u>	<u>\$ 19,308,000</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 ORGANIZATION</u>
Ghana	Africa Assistance Plan
India	Living Water
Kenya	Serve Academy
Peru	Asociacion Manantiales de Agua
Uganda	Life Giving Water
Zimbabwe	Evangelical Fellowship of Zimbabwe

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Living Water maintains certain cash accounts at various financial institutions in the United States and foreign countries. The total deposits at institutions in the United States, at times, exceed the amount covered by bank deposit insurance. Many of the deposits held at institutions outside of the United States are not covered by local depository insurance. In the event of nonperformance by the other parties to investment transactions, Living Water is exposed to loss for the amount of cash in excess of the insurance coverage. Management evaluates its bank relationships routinely to mitigate the risk to bank deposits.

Living Water has a \$3,000,000 unsecured revolving line of credit with a bank expiring in February 2021. Draws on the line bear interest at .75% above the bank's prime lending rate. At June 30, 2020 and 2019, no amounts were outstanding on this line of credit.

Living Water is subject to employment laws not only in the United States, but in international countries. Living Water believes it is in compliance with the laws in each international location and records payroll-related liabilities to reflect their expected commitments to fulfill their employment obligations.

NOTE 11 – EMPLOYEE BENEFIT PLAN

Living Water maintains a defined-contribution §403(b) plan. Living Water matches employee contributions up to 5% of compensation and employees are fully vested in those contributions after one year. Living Water contributed approximately \$264,000 and \$247,000 to the plan in 2020 and 2019, respectively.

NOTE 12 – PANDEMIC AND SUBSEQUENT EVENTS

In March 2020, the Director-General of the World Health Organization declared a pandemic related to the global outbreak of the new coronavirus COVID-19 and a national emergency was declared in the United States. In fiscal year 2020, Living Water curtailed international travel, including mission trips, and cancelled or postponed in-person events. The extent of the impact of COVID-19 on Living Water's future operational and financial performance will depend on developments such as the duration and spread of the outbreak, and the impact on Living Water's donors, partners, employees, and vendors, all of which are uncertain and cannot be predicted. While Living Water expects these events to negatively impact operating results, the financial impact cannot be reasonably estimated at this time.

Management has evaluated subsequent events through November 18, 2020, which is the date that the financial statements were available for issuance. As a result of this evaluation, no other events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.