

**Living Water International**

Consolidated Financial Statements  
and Independent Auditors' Report  
for the years ended June 30, 2021 and 2020

# 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, 2021 and 2020 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.

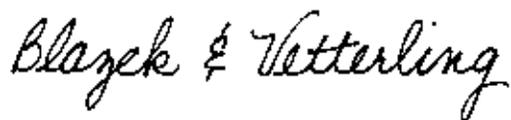
**Management's Responsibility for the Financial Statements** – Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance 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, 2021 and 2020 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 20, 2021

# Living Water International

## Consolidated Statements of Financial Position as of June 30, 2021 and 2020

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	<u>2021</u>	<u>2020</u>
ASSETS		
Cash	\$ 4,262,269	\$ 4,312,155
Prepaid expenses and other assets	293,697	463,550
Contributions and grants receivable	345,809	4,211,311
Short-term investments ( <i>Note 4</i> )	4,796,936	
Property and equipment, net ( <i>Note 5</i> )	<u>5,618,343</u>	<u>5,645,101</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 15,317,054</u></b>	<b><u>\$ 14,632,117</u></b>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 893,935	\$ 486,723
Accrued payroll and related benefits	722,964	569,990
Deferred revenue	267,302	196,387
Refundable advance – Paycheck Protection Program ( <i>Note 3</i> )	<u>969,100</u>	<u>969,100</u>
Total liabilities	<u>2,853,301</u>	<u>2,222,200</u>
Commitments and contingencies ( <i>Note 9</i> )		
Net assets:		
Without donor restrictions	10,831,557	8,787,748
With donor restrictions ( <i>Note 6</i> )	<u>1,632,196</u>	<u>3,622,169</u>
Total net assets	<u>12,463,753</u>	<u>12,409,917</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 15,317,054</u></b>	<b><u>\$ 14,632,117</u></b>

*See accompanying notes to consolidated financial statements.*

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# Living Water International

Consolidated Statement of Activities for the year ended June 30, 2021

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	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Public support:			
Contributions	\$ 7,617,688	\$ 7,973,997	\$ 15,591,685
Water program grants		3,455,410	3,455,410
Special events	2,838,103		2,838,103
Training fees and other income	<u>96,892</u>		<u>96,892</u>
Total revenue	10,552,683	11,429,407	21,982,090
Net assets released from restrictions:			
Program expenditures	12,306,214	(12,306,214)	
Capital expenditures	<u>1,113,166</u>	<u>(1,113,166)</u>	
Total	<u>23,972,063</u>	<u>(1,989,973)</u>	<u>21,982,090</u>
EXPENSES:			
Program expenses ( <i>Note 8</i> ):			
WASH* and Christian Witness	17,062,246		17,062,246
Living Water mission trips	<u>172,269</u>		<u>172,269</u>
Total program expenses	17,234,515		17,234,515
Management and general	1,922,594		1,922,594
Fundraising	2,721,058		2,721,058
Direct donor benefit costs of special events	<u>50,087</u>		<u>50,087</u>
Total expenses	<u>21,928,254</u>		<u>21,928,254</u>
CHANGES IN NET ASSETS	2,043,809	(1,989,973)	53,836
Net assets, beginning of year	<u>8,787,748</u>	<u>3,622,169</u>	<u>12,409,917</u>
Net assets, end of year	<u>\$ 10,831,557</u>	<u>\$ 1,632,196</u>	<u>\$ 12,463,753</u>

\*Water Access, Sanitation and Hygiene

*See accompanying notes to consolidated financial statements.*

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# Living Water International

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

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	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Public support:			
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 ( <i>Note 8</i> ):			
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.*

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## Living Water International

### Consolidated Statement of Functional Expenses for the year ended June 30, 2021

<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	\$ 6,589,822	\$ 136,747	\$ 6,726,569	\$ 1,450,293	\$ 1,992,878	\$10,169,740
Contract labor	2,072,526		2,072,526	21,653	204,863	2,299,042
Materials and supplies	1,855,232		1,855,232	285	285	1,855,802
Water drilling and equipment project costs	1,479,570		1,479,570			1,479,570
Depreciation	1,002,935	31,605	1,034,540	52,692	52,692	1,139,924
Contractor support for Hygiene and Church Mobilization and Gospel Proclamation	1,066,120		1,066,120			1,066,120
Professional fees	471,285	1,115	472,400	142,847	263,219	878,466
Repairs and maintenance	554,223	1,011	555,234	6,260	8,819	570,313
Travel, meals, and lodging	370,991		370,991	813	11,294	383,098
Education and training	294,738	433	295,171	14,451	6,060	315,682
Leases and rentals	280,244		280,244	6,616	3,961	290,821
Office supplies	246,812		246,812	10,934	24,548	282,294
License permits and fees	162,447		162,447	106,959	11,052	280,458
Insurance	188,384	1,208	189,592	33,457	39,210	262,259
Telephone	189,017		189,017	5,874	12,754	207,645
Printing and reproduction	30,402		30,402	3,052	85,972	119,426
Dues and subscriptions	58,111	150	58,261	23,800	13,924	95,985
Postage and shipping	47,963		47,963	5,786	22,160	75,909
Utilities	51,447		51,447	10,993	10,993	73,433
Advertising and promotion	22,409		22,409		6,461	28,870
Other	27,568		27,568	25,829		53,397
Total expenses	<u>\$17,062,246</u>	<u>\$ 172,269</u>	<u>\$17,234,515</u>	<u>\$ 1,922,594</u>	<u>\$ 2,771,145</u>	<u>\$21,928,254</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
Contract labor	1,760,065	9,282	1,769,347	20,846	272,131	2,062,324
Materials and supplies	976,608	1,314	977,922	238	878	979,038
Water drilling and equipment project costs	2,090,908	6,457	2,097,365			2,097,365
Depreciation	880,522	58,256	938,778	31,236	93,708	1,063,722
Contractor support for Hygiene and Church Mobilization and Gospel Proclamation	770,050	600	770,650			770,650
Professional fees	393,918	1,390	395,308	152,076	266,520	813,904
Repairs and maintenance	455,714	9,829	465,543	1,318	3,999	470,860
Travel, meals, and lodging	877,974	1,171,420	2,049,394	23,078	114,186	2,186,658
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
License permits and fees	129,018	2,260	131,278	114,454	12,910	258,642
Insurance	219,371	6,351	225,722	11,434	34,510	271,666
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
Dues and subscriptions	53,230	290	53,520	24,225	15,696	93,441
Postage and shipping	36,696	6,224	42,920	3,547	27,533	74,000
Utilities	63,739	2,733	66,472	3,955	11,866	82,293
Advertising and promotion	30,129	1,576	31,705		1,776	33,481
Venue rental and food for special event					142,768	142,768
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 Statements of Cash Flows for the years ended June 30, 2021 and 2020

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	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ 53,836	\$ 2,019,785
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	1,139,924	1,063,722
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	169,853	(117,833)
Contributions and grants receivable	2,865,502	(823,129)
Accounts payable and accrued expenses	407,212	(82,376)
Accrued payroll and related benefits	152,974	(55,239)
Deferred revenue	70,915	(144,916)
Refundable advances – Paycheck Protection Program	<u>                    </u>	<u>969,100</u>
Net cash provided by operating activities	<u>4,860,216</u>	<u>2,829,114</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of short-term investments	(4,796,936)	
Purchase of property and equipment	<u>(1,113,166)</u>	<u>(888,496)</u>
Net cash used by investing activities	<u>(5,910,102)</u>	<u>(888,496)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from contributions restricted for equipment	1,000,000	1,000,000
Proceeds from line of credit	1,000,000	1,580,000
Repayments of line of credit	<u>(1,000,000)</u>	<u>(1,580,000)</u>
Net cash provided by financing activities	<u>1,000,000</u>	<u>1,000,000</u>
<b>NET CHANGE IN CASH</b>	(49,886)	2,940,618
Cash, beginning of year	<u>4,312,155</u>	<u>1,371,537</u>
Cash, end of year	<u>\$ 4,262,269</u>	<u>\$ 4,312,155</u>
 <i>Supplemental disclosure of cash flow information:</i>		
Contribution of marketable securities	\$2,634,133	\$209,973

*See accompanying notes to consolidated financial statements.*

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# Living Water International

Notes to Consolidated Financial Statements for the years ended June 30, 2021 and 2020

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## NOTE 1 – ORGANIZATION

**Organization** – Living Water International (Living Water) was organized as a Texas nonprofit corporation in 1990. Living Water exists to demonstrate the love of God by providing desperately needed clean water and health and hygiene training, along with the Living Water of the Gospel of Jesus Christ, which alone satisfies the deepest thirst. Living Water serves all people, regardless of religion, race, ethnicity or gender. Living Water’s services are provided in developing countries.

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

- *Water Access, Sanitation and Hygiene (WASH) and 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 it serves. 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 30<sup>th</sup> year of ministry. During the 31 years since its founding, the organization has completed 22,282 water projects serving an estimated 6.6 million people. Living Water teams completed 804 water projects in 2021 and 805 in 2020, ranging from shallow wells with handpumps to large-scale piped distribution systems.
- *Living Water Mission Trips* – Living Water led 924 volunteers into the field in 2020 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. Starting in March 2020, due to the global COVID-19 pandemic, all Living Water volunteer trips were cancelled.

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)

In 2021, Living Water created Water Implementations, LLC to facilitate funding to Living Water's operations in Asia. At June 30, 2021, Water Implementations, LLC holds no assets.

## **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, and of Water Implementations, LLC's 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 statements 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. Water Implementations, LLC is a disregarded entity for purposes of federal income tax and is included in Living Water's federal information return.

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. At June 30, 2021, all contributions and grants receivable are due within one year.

Short-term investments include money market mutual funds reported at fair value and bank certificates of deposit recorded at face value.

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

Management evaluates property for impairment on a routine basis. No impairment loss was recognized during the years ended June 30, 2021 and 2020.

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.

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, 2021, there is approximately \$4,004,000 of conditional contributions, of which \$267,302 have been received in advance and reported as deferred revenue. These conditional contributions have not been recognized in the accompanying financial statements because the conditions have not been met.

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 expended.

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.

### 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>2021</u>	<u>2020</u>
Financial assets:		
Cash	\$ 4,262,269	\$ 4,312,155
Contributions and grants receivable	345,809	4,211,311
Short-term investments	<u>4,796,936</u>	
Total financial assets	<u>9,405,014</u>	<u>8,523,466</u>
Less financial assets not available for general expenditure:		
Contributions receivable due in more than one year		<u>(125,000)</u>
Total financial assets available for general expenditure	<u>\$ 9,405,014</u>	<u>\$ 8,398,466</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 approximately \$4,004,000 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 through February 2022.

Living Water received a Paycheck Protection Program (PPP) loan in April 2020 of \$969,100. The loan was forgiven in April 2021 as Living Water met the eligibility requirements and used the loan to fund qualified payroll and other eligible costs. The amount has been recognized as a contribution *with donor restrictions* in 2021. In March 2021, Living Water received a second PPP loan of \$969,100. That loan was forgiven in September 2021, as the funds were used within the specified period for the intended purposes. The loan will be recognized as revenue in the year ended June 30, 2022.

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 2021, Living Water cancelled most 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 continue to impact operating results, the financial impact cannot be reasonably estimated at this time.

### NOTE 4 – SHORT-TERM INVESTMENTS

Short-term investments at June 30, 2021 consist of the following:

Certificate of Deposit Account Registry Service (CDARS)	\$ 2,750,000
Money market mutual funds	<u>2,046,936</u>
Total short-term investments	<u>\$ 4,796,936</u>

## NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>2021</u>	<u>2020</u>
Land	\$ 441,738	\$ 441,738
Building and improvements	3,051,603	3,045,519
Vehicles	4,528,805	4,575,882
Drilling equipment	4,151,018	3,597,847
Office and computer equipment	1,664,589	1,568,063
Furniture and fixtures	<u>167,292</u>	<u>177,227</u>
Total property and equipment, at cost	14,005,045	13,406,276
Accumulated depreciation	<u>(8,386,702)</u>	<u>(7,761,175)</u>
Property and equipment, net	<u>\$ 5,618,343</u>	<u>\$ 5,645,101</u>

## NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose:		
New wells in any country	\$ 1,049,136	
Water well programs:		
India	149,500	\$ 24,652
Haiti	97,937	100,794
Honduras	87,615	16,546
Rwanda	57,821	77,821
Zambia	49,760	649,760
El Salvador	42,082	35,000
Kenya	30,050	40,000
Guatemala	23,200	43,600
Nicaragua	20,604	402,604
Uganda		700,000
Sierra Leone		198,013
Other water well programs	14,647	33,379
Equipment		1,000,000
Personnel costs		300,000
Other	<u>9,844</u>	
Total net assets with donor restrictions	<u>\$ 1,632,196</u>	<u>\$ 3,622,169</u>

## NOTE 7 – UNCONSOLIDATED AFFILIATES

At June 30, 2021, Living Water has one affiliate, Agua Viva Internacional (El Salvador), in which it has an economic interest without direct control, and therefore is not consolidated in these financial statements. At June 30, 2020, Living Water had a second affiliate that was also not consolidated in the financial statements, Organización Religiosa Agua Viva Internacional (Honduras). During 2021 and 2020, Living Water's funding of unconsolidated affiliates totaled \$257,038 and \$503,695, respectively. This funding is included in Living Water's financial statements as program expenses.

Summarized financial information for the year ended June 30, 2021 related to these affiliates is presented as follows:

	<u>EL SALVADOR</u>	<u>TOTAL</u>
Total assets and net assets	\$25,905	\$25,905
Total revenue	\$254,647	\$254,647
Total expenses	\$238,355	\$238,355

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

#### **NOTE 8 – EXPENDITURES IN DEVELOPING COUNTRIES**

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

	<u>2021</u>	<u>2020</u>
Africa	\$ 9,075,000	\$ 8,735,000
Americas	6,249,000	7,375,000
Asia	<u>1,911,000</u>	<u>1,613,000</u>
Total program expenses	<u>\$ 17,235,000</u>	<u>\$ 17,723,000</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 9 – 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 2022. Draws on the line bear interest at .75% above the bank's prime lending rate. At June 30, 2021 and 2020, 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 10 – 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 \$349,000 and \$264,000 to the plan in 2021 and 2020, respectively.

#### **NOTE 11 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through November 20, 2021, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events other than described in Note 3, were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.

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