

Living Water International

Consolidated Financial Statements
and Independent Auditors' Report
for the years ended June 30, 2023 and 2022

Living Water International

Table of Contents

| | Page |
|---|------|
| Independent Auditors' Report | 1 |
| Financial Statements: | |
| Consolidated Statements of Financial Position as of June 30, 2023 and 2022 | 3 |
| Consolidated Statement of Activities for the year ended June 30, 2023 | 4 |
| Consolidated Statement of Activities for the year ended June 30, 2022 | 5 |
| Consolidated Statement of Functional Expenses for the year ended June 30, 2023 | 6 |
| Consolidated Statement of Functional Expenses for the year ended June 30, 2022 | 7 |
| Consolidated Statements of Cash Flows for the years ended June 30, 2023 and 2022 | 8 |
| Notes to Consolidated Financial Statements for the years ended June 30, 2023 and 2022 | 9 |

Independent Auditors' Report

To the Board of Directors of
Living Water International:

Opinion

We have audited the financial statements of Living Water International and subsidiaries (Living Water), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, 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 consolidated financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of Living Water as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Living Water and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Living Water's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve

collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Living Water's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Living Water's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Blazek & Vetterling

November 15, 2023

Living Water International

Consolidated Statements of Financial Position as of June 30, 2023 and 2022

| | <u>2023</u> | <u>2022</u> |
|---|-----------------------------|-----------------------------|
| ASSETS | | |
| Cash | \$ 1,719,490 | \$ 2,115,678 |
| Prepaid expenses and other assets | 417,312 | 500,555 |
| Contributions receivable | 641,446 | 520,300 |
| Government grants receivable | 214,916 | |
| Short-term investments <i>(Note 4)</i> | 2,369,310 | 3,363,982 |
| Property and equipment, net <i>(Note 5)</i> | <u>4,832,186</u> | <u>5,399,701</u> |
| TOTAL ASSETS | <u>\$ 10,194,660</u> | <u>\$ 11,900,216</u> |
| LIABILITIES AND NET ASSETS | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | \$ 675,560 | \$ 600,218 |
| Accrued payroll and related benefits | 906,044 | 921,981 |
| Refundable advance – Water program grants | <u>64,318</u> | <u>307,568</u> |
| Total liabilities | <u>1,645,922</u> | <u>1,829,767</u> |
| Commitments and contingencies <i>(Note 9)</i> | | |
| Net assets: | | |
| Without donor restrictions | 7,427,856 | 8,926,806 |
| With donor restrictions <i>(Note 6)</i> | <u>1,120,882</u> | <u>1,143,643</u> |
| Total net assets | <u>8,548,738</u> | <u>10,070,449</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 10,194,660</u> | <u>\$ 11,900,216</u> |

See accompanying notes to consolidated financial statements.

Living Water International

Consolidated Statement of Activities for the year ended June 30, 2023

| | WITHOUT DONOR RESTRICTIONS | WITH DONOR RESTRICTIONS | TOTAL |
|--|-------------------------------|----------------------------|---------------------|
| REVENUE: | | | |
| Contributions | \$ 12,310,698 | \$ 12,012,243 | \$ 24,322,941 |
| Government grants – Employee Retention | | | |
| Tax Credits | | 214,916 | 214,916 |
| Special events | 380,912 | | 380,912 |
| Training fees and other income | <u>185,703</u> | | <u>185,703</u> |
| Total revenue | 12,877,313 | 12,227,159 | 25,104,472 |
| Net assets released from restrictions: | | | |
| Program expenditures | 11,648,080 | (11,648,080) | |
| Time release | 500,000 | (500,000) | |
| Capital expenditures | <u>101,840</u> | <u>(101,840)</u> | |
| Total | <u>25,127,233</u> | <u>(22,761)</u> | <u>25,104,472</u> |
| EXPENSES: | | | |
| Program expenses (<i>Note 8</i>): | | | |
| WASH* and Church & Community Mobilization | 20,131,566 | | 20,131,566 |
| Living Water trips | <u>582,262</u> | | <u>582,262</u> |
| Total program expenses | 20,713,828 | | 20,713,828 |
| Management and general | 2,124,597 | | 2,124,597 |
| Fundraising | 3,688,630 | | 3,688,630 |
| Direct donor benefit costs of special events | <u>99,128</u> | | <u>99,128</u> |
| Total expenses | <u>26,626,183</u> | | <u>26,626,183</u> |
| CHANGES IN NET ASSETS | (1,498,950) | (22,761) | (1,521,711) |
| Net assets, beginning of year | <u>8,926,806</u> | <u>1,143,643</u> | <u>10,070,449</u> |
| Net assets, end of year | <u>\$ 7,427,856</u> | <u>\$ 1,120,882</u> | <u>\$ 8,548,738</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, 2022

| | WITHOUT DONOR RESTRICTIONS | WITH DONOR RESTRICTIONS | TOTAL |
|---|-------------------------------|----------------------------|----------------------|
| REVENUE: | | | |
| Contributions | \$ 8,911,863 | \$ 11,379,144 | \$ 20,291,007 |
| Government grants – Paycheck Protection Program | | 969,100 | 969,100 |
| Special events | 2,296,155 | | 2,296,155 |
| Training fees and other income | <u>87,518</u> | <u></u> | <u>87,518</u> |
| Total revenue | 11,295,536 | 12,348,244 | 23,643,780 |
| Net assets released from restrictions: | | | |
| Program expenditures | 11,904,613 | (11,904,613) | |
| Capital expenditures | <u>932,184</u> | <u>(932,184)</u> | <u></u> |
| Total | <u>24,132,333</u> | <u>(488,553)</u> | <u>23,643,780</u> |
| EXPENSES: | | | |
| Program expenses (<i>Note 8</i>): | | | |
| WASH* and Church & Community Mobilization | 20,722,014 | | 20,722,014 |
| Living Water trips | <u>214,927</u> | <u></u> | <u>214,927</u> |
| Total program expenses | 20,936,941 | | 20,936,941 |
| Management and general | 1,998,075 | | 1,998,075 |
| Fundraising | 2,989,475 | | 2,989,475 |
| Direct donor benefit costs of special events | <u>112,593</u> | <u></u> | <u>112,593</u> |
| Total expenses | <u>26,037,084</u> | <u></u> | <u>26,037,084</u> |
| CHANGES IN NET ASSETS | (1,904,751) | (488,553) | (2,393,304) |
| Net assets, beginning of year | <u>10,831,557</u> | <u>1,632,196</u> | <u>12,463,753</u> |
| Net assets, end of year | <u>\$ 8,926,806</u> | <u>\$ 1,143,643</u> | <u>\$ 10,070,449</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, 2023

| <u>EXPENSES</u> | WASH* AND CHURCH & COMMUNITY <u>MOBILIZATION</u> | LIVING WATER TRIPS | TOTAL PROGRAM <u>EXPENSES</u> | MANAGEMENT AND GENERAL | FUNDRAISING AND DIRECT DONOR <u>BENEFIT COSTS</u> | TOTAL <u>EXPENSES</u> |
|---|--|-----------------------|-------------------------------------|---------------------------|---|--------------------------|
| Salaries and related benefits | \$ 8,502,292 | \$ 159,321 | \$ 8,661,613 | \$ 1,458,016 | \$ 2,597,975 | \$12,717,604 |
| Water drilling and equipment project costs | 2,796,383 | 3,773 | 2,800,156 | | | 2,800,156 |
| Contract labor | 1,657,649 | 18,804 | 1,676,453 | 36,574 | 198,187 | 1,911,214 |
| Travel, meals, and lodging | 1,243,218 | 134,595 | 1,377,813 | 44,614 | 158,658 | 1,581,085 |
| Materials and supplies | 1,336,520 | 243 | 1,336,763 | 371 | 609 | 1,337,743 |
| Professional fees | 653,802 | 505 | 654,307 | 233,556 | 388,470 | 1,276,333 |
| Depreciation | 824,087 | 5,443 | 829,530 | 94,467 | 94,467 | 1,018,464 |
| Contractor support for Hygiene and Church Mobilization and Gospel Proclamation | 602,544 | 254,048 | 856,592 | | | 856,592 |
| Education and training | 525,301 | 321 | 525,622 | 29,320 | 13,231 | 568,173 |
| Repairs and maintenance | 514,322 | 1,535 | 515,857 | 7,580 | 7,608 | 531,045 |
| License permits and fees | 194,360 | 846 | 195,206 | 77,956 | 17,841 | 291,003 |
| Rentals | 276,064 | 82 | 276,146 | 4,562 | 9,074 | 289,782 |
| Office supplies | 239,622 | 312 | 239,934 | 10,728 | 37,343 | 288,005 |
| Insurance | 193,863 | 1,935 | 195,798 | 41,434 | 45,183 | 282,415 |
| Telephone | 186,351 | 17 | 186,368 | 7,006 | 14,517 | 207,891 |
| Printing and reproduction | 50,741 | 202 | 50,943 | 4,877 | 74,209 | 130,029 |
| Dues and subscriptions | 56,891 | 150 | 57,041 | 52,427 | 17,525 | 126,993 |
| Venue rental and food for special event | 41,826 | | 41,826 | | 60,000 | 101,826 |
| Postage and shipping | 62,394 | 8 | 62,402 | 5,258 | 27,503 | 95,163 |
| Utilities | 50,302 | | 50,302 | 14,140 | 14,140 | 78,582 |
| Advertising and promotion | 16,732 | 122 | 16,854 | | 11,218 | 28,072 |
| Other | <u>106,302</u> | <u> </u> | <u>106,302</u> | <u>1,711</u> | <u> </u> | <u>108,013</u> |
| Total expenses | <u>\$20,131,566</u> | <u>\$ 582,262</u> | <u>\$20,713,828</u> | <u>\$ 2,124,597</u> | <u>\$ 3,787,758</u> | <u>\$26,626,183</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, 2022

| <u>EXPENSES</u> | WASH* AND CHURCH & COMMUNITY <u>MOBILIZATION</u> | LIVING WATER TRIPS | TOTAL PROGRAM <u>EXPENSES</u> | MANAGEMENT AND GENERAL | FUNDRAISING AND DIRECT DONOR <u>BENEFIT COSTS</u> | TOTAL <u>EXPENSES</u> |
|---|--|-----------------------|-------------------------------------|---------------------------|---|--------------------------|
| Salaries and related benefits | \$ 7,868,604 | \$ 136,403 | \$ 8,005,007 | \$ 1,492,293 | \$ 2,059,653 | \$11,556,953 |
| Water drilling and equipment project costs | 2,548,898 | | 2,548,898 | | | 2,548,898 |
| Contract labor | 2,081,203 | | 2,081,203 | 29,014 | 248,251 | 2,358,468 |
| Travel, meals, and lodging | 939,442 | 50,303 | 989,745 | 20,175 | 45,124 | 1,055,044 |
| Materials and supplies | 1,728,674 | 3,760 | 1,732,434 | 355 | 441 | 1,733,230 |
| Professional fees | 639,061 | 1,432 | 640,493 | 182,433 | 371,069 | 1,193,995 |
| Depreciation | 972,600 | 20,196 | 992,796 | 51,915 | 51,914 | 1,096,625 |
| Contractor support for Hygiene and Church Mobilization and Gospel Proclamation | 987,947 | | 987,947 | | | 987,947 |
| Education and training | 575,548 | 217 | 575,765 | 11,378 | 10,242 | 597,385 |
| Repairs and maintenance | 822,662 | 263 | 822,925 | 8,340 | 8,629 | 839,894 |
| License permits and fees | 176,753 | 140 | 176,893 | 86,730 | 9,882 | 273,505 |
| Rentals | 259,689 | | 259,689 | 6,482 | 12,133 | 278,304 |
| Office supplies | 410,828 | | 410,828 | 15,367 | 42,424 | 468,619 |
| Insurance | 207,281 | 2,063 | 209,344 | 40,267 | 42,355 | 291,966 |
| Telephone | 187,604 | | 187,604 | 7,526 | 15,499 | 210,629 |
| Printing and reproduction | 37,096 | | 37,096 | 1,943 | 75,222 | 114,261 |
| Dues and subscriptions | 39,574 | 150 | 39,724 | 25,178 | 18,852 | 83,754 |
| Venue rental and food for special event | | | | | 55,169 | 55,169 |
| Postage and shipping | 83,437 | | 83,437 | 4,063 | 19,773 | 107,273 |
| Utilities | 54,456 | | 54,456 | 13,849 | 13,849 | 82,154 |
| Advertising and promotion | 58,203 | | 58,203 | | 1,587 | 59,790 |
| Other | 42,454 | | 42,454 | 767 | | 43,221 |
| Total expenses | <u>\$20,722,014</u> | <u>\$ 214,927</u> | <u>\$20,936,941</u> | <u>\$ 1,998,075</u> | <u>\$ 3,102,068</u> | <u>\$26,037,084</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, 2023 and 2022

| | <u>2023</u> | <u>2022</u> |
|--|-----------------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Changes in net assets | \$ (1,521,711) | \$ (2,393,304) |
| Adjustments to reconcile changes in net assets to net cash used by operating activities: | | |
| Depreciation | 1,018,464 | 1,096,625 |
| Contributions and grants restricted for equipment | (100,000) | (900,000) |
| Changes in operating assets and liabilities: | | |
| Prepaid expenses and other assets | 83,243 | (206,858) |
| Contributions and grants receivable | (836,062) | (174,491) |
| Accounts payable and accrued expenses | (149,224) | (24,830) |
| Accrued payroll and related benefits | 208,629 | (69,870) |
| Refundable advance – Water program grants | (243,250) | 40,266 |
| Refundable advance – Paycheck Protection Program | <u> </u> | <u>(969,100)</u> |
| Net cash used by operating activities | <u>(1,539,911)</u> | <u>(3,601,562)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Proceeds from sale of short-term investments | 994,672 | 1,432,954 |
| Purchase of property and equipment | <u>(450,949)</u> | <u>(877,983)</u> |
| Net cash provided by investing activities | <u>543,723</u> | <u>554,971</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from contributions restricted for equipment | 600,000 | 900,000 |
| Proceeds from line of credit | 800,000 | 1,500,000 |
| Repayments of line of credit | <u>(800,000)</u> | <u>(1,500,000)</u> |
| Net cash provided by financing activities | <u>600,000</u> | <u>900,000</u> |
| NET CHANGE IN CASH | (396,188) | (2,146,591) |
| Cash, beginning of year | <u>2,115,678</u> | <u>4,262,269</u> |
| Cash, end of year | <u>\$ 1,719,490</u> | <u>\$ 2,115,678</u> |
| <i>Supplemental disclosure of cash flow information:</i> | | |
| Contribution of marketable securities liquidated on receipts | \$647,296 | \$319,770 |

See accompanying notes to consolidated financial statements.

Living Water International

Notes to Consolidated Financial Statements for the years ended June 30, 2023 and 2022

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 *living* water—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 low- and middle-income countries.

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

- *Water Access, Sanitation and Hygiene (WASH) through 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 30th year of ministry. During the 33 years since its founding, the organization has completed 24,006 water projects serving an estimated 7.3 million people. Living Water teams completed 851 water projects in 2023 and 855 in 2022, ranging from shallow wells with handpumps to large-scale piped distribution systems.
- *Living Water Trips* – Living Water leads volunteers into the field 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. Between March 2020-May 2022, all Living Water volunteer trips were cancelled due to the global COVID-19 pandemic. In June 2022, Living Water resumed hosting Living Water trips. Living Water led 286 volunteers into the field in the 12 months of 2023 to assist in drilling wells, teaching health and hygiene, and sharing their faith.

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 United States operations, as well as of its international affiliates’ operations, which meet the criteria for consolidation, and of Water Implementations, LLC’s assets and 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 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, 2023, all contributions and grants receivable are due within one year. Contributions receivable from one donor comprise 78% and 96% of total contributions and grants receivable at June 30, 2023 and 2022, respectively.

Short-term investments include money market mutual funds and treasury bills 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, 2023 and 2022.

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 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 received before conditions have been met are reported as refundable advances.

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, 2023, there is approximately \$3,628,000 of conditional contributions, of which \$64,318 have been received in advance and reported as refundable advances. These conditional contributions have not been recognized as revenue 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 volunteer 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>2023</u> | <u>2022</u> |
|-------------------------------------|---------------------|---------------------|
| Financial assets: | | |
| Cash | \$ 1,719,490 | \$ 2,115,678 |
| Contributions and grants receivable | 856,362 | 520,300 |
| Short-term investments | <u>2,369,310</u> | <u>3,363,982</u> |
| Total financial assets | <u>\$ 4,945,162</u> | <u>\$ 5,999,960</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 \$3,600,000 that may become available to support program and general expenditures in the next fiscal year. Living Water also has an unsecured \$3,000,000 bank line of credit available through February 2024.

In March 2021, Living Water received a second Paycheck Protection Program loan of \$969,100, which was forgiven and recorded as a contribution *with donor restrictions* in fiscal year 2022.

NOTE 4 – SHORT-TERM INVESTMENTS

Short-term investments consist of the following:

| | <u>2023</u> | <u>2022</u> |
|---|---------------------|---------------------|
| Treasury bills | \$ 1,494,108 | |
| Money market mutual funds | 875,202 | \$ 363,092 |
| Certificate of Deposit Account Registry Service (CDARS) | | <u>3,000,890</u> |
| Total short-term investments | <u>\$ 2,369,310</u> | <u>\$ 3,363,982</u> |

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

| | <u>2023</u> | <u>2022</u> |
|---------------------------------------|---------------------|---------------------|
| Land | \$ 441,738 | \$ 441,738 |
| Building and improvements | 3,079,643 | 3,071,743 |
| Vehicles | 5,289,171 | 5,051,550 |
| Drilling equipment | 4,544,796 | 4,432,604 |
| Office and computer equipment | 566,189 | 1,705,058 |
| Furniture and fixtures | <u>165,942</u> | <u>167,092</u> |
| Total property and equipment, at cost | 14,087,479 | 14,869,785 |
| Accumulated depreciation | <u>(9,255,293)</u> | <u>(9,470,084)</u> |
| Property and equipment, net | <u>\$ 4,832,186</u> | <u>\$ 5,399,701</u> |

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

| | <u>2023</u> | <u>2022</u> |
|---|---------------------|---------------------|
| Subject to expenditure for specified purpose: | | |
| Time restricted | \$ 135,723 | \$ 500,000 |
| Water well programs: | | |
| South Asia | 498,221 | |
| Zambia | 152,875 | 308,311 |
| Honduras | 84,000 | 68,407 |
| Guatemala | 56,150 | 46,175 |
| Nicaragua | 42,550 | 7,604 |
| Uganda | 37,500 | |
| Dominican Republic | 27,750 | |
| Rwanda | 22,500 | 60,821 |
| El Salvador | 17,899 | 18,308 |
| Haiti | 15,871 | 66,835 |
| Kenya | 15,000 | 8,000 |
| Liberia | | 40,000 |
| Other water well programs | 8,397 | 13,395 |
| Other | <u>6,446</u> | <u>5,787</u> |
| Total net assets with donor restrictions | <u>\$ 1,120,882</u> | <u>\$ 1,143,643</u> |

NOTE 7 – UNCONSOLIDATED AFFILIATE

At June 30, 2023, 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. During 2023 and 2022, Living Water's funding of its unconsolidated affiliate totaled \$2,700 and \$263,122, respectively. This funding is included in Living Water's financial statements as program expenses.

Summarized financial information for the years ended June 30, 2023 and 2022 related to El Salvador is presented as follows:

| | <u>2023</u> | <u>2022</u> |
|-----------------------------|-------------|-------------|
| Total assets and net assets | \$0 | \$51,330 |
| Total revenue | \$2,700 | \$280,229 |
| Total expenses | \$15,000 | \$252,275 |

NOTE 8 – EXPENDITURES IN DEVELOPING COUNTRIES

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

| | <u>2023</u> | <u>2022</u> |
|---------------------------------|----------------------|----------------------|
| Africa | \$ 11,763,000 | \$ 11,474,000 |
| Latin America and the Caribbean | 6,988,000 | 7,612,000 |
| South Asia | <u>1,963,000</u> | <u>1,851,000</u> |
| Total program expenses | <u>\$ 20,714,000</u> | <u>\$ 20,937,000</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>LOCATION</u> | <u>NAME OF ORGANIZATION</u> |
|-----------------|------------------------------------|
| Ghana | Africa Assistance Plan |
| South Asia | 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 2024. Draws on the line bear interest at .75% above the bank's prime lending rate. At June 30, 2023 and 2022, 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 its expected commitments to fulfill its 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 \$304,000 and \$292,000 to the plan in 2023 and 2022, respectively.

NOTE 11 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 15, 2023, 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.