

LIVING WATERS INTERNATIONAL, INC.

ANTIGO, WISCONSIN

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2013

**LIVING WATERS INTERNATIONAL, INC.
ANTIGO, WISCONSIN**

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Erickson & Associates, S.C.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Living Waters International, Inc.
Antigo, Wisconsin

We have audited the accompanying financial statements of Living Waters International, Inc., which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, functional expenses, and cash flows for the year 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 auditor's 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 Organization'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 Organization'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 financial position of Living Waters International, Inc. as of December 31, 2013, and the change in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Erickson & Associates, S.C.

ERICKSON & ASSOCIATES, S. C.

Appleton, Wisconsin

July 1, 2014

LIVING WATERS INTERNATIONAL, INC.
ANTIGO, WISCONSIN

STATEMENT OF FINANCIAL POSITION

December 31, 2013

ASSETS

Current assets:	
Cash and cash equivalents	\$ 60,451
Other assets:	
Micro loans receivable	<u>4,998</u>
TOTAL ASSETS	<u>\$ 65,449</u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable	\$ <u>1,090</u>
Total liabilities	<u>1,090</u>
Net assets:	
Unrestricted	56,750
Temporarily restricted	<u>7,609</u>
Total net assets	<u>64,359</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 65,449</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS.

LIVING WATERS INTERNATIONAL, INC.
ANTIGO, WISCONSIN

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
Support and revenue:			
Grants	\$ --	\$ 249,961	\$ 249,961
Contributions-student sponsorships	--	79,047	79,047
Contributions-other	81,982	18,269	100,251
Interest income	300	--	300
Net assets released from restrictions	<u>342,420</u>	<u>(342,420)</u>	<u>--</u>
 Total support and revenue	 <u>424,702</u>	 <u>4,857</u>	 <u>429,559</u>
Expenses:			
Program services	386,252	--	386,252
Management and general	7,737	--	7,737
Fund raising	<u>5,197</u>	<u>--</u>	<u>5,197</u>
 Total expenses	 <u>399,186</u>	 <u>--</u>	 <u>399,186</u>
 Change in net assets	 25,516	 4,857	 30,373
Net assets - beginning of year	<u>31,234</u>	<u>2,752</u>	<u>33,986</u>
Net assets - end of year	<u>\$ 56,750</u>	<u>\$ 7,609</u>	<u>\$ 64,359</u>

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**LIVING WATERS INTERNATIONAL, INC.
ANTIGO, WISCONSIN**

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2013

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Grants	\$ 278,293	\$ --	\$ --	\$ 278,293
Student sponsorships	<u>87,963</u>	<u>--</u>	<u>--</u>	<u>87,963</u>
Total direct program expenses	366,256	--	--	366,256
Salary and wages	12,320	4,196	1,540	18,056
Payroll taxes	948	323	118	1,389
Accounting and auditing fees	--	2,400	--	2,400
Supplies	232	58	289	579
Equipment rental and maintenance	--	150	--	150
Insurance	236	80	30	346
Telephone and Internet	449	112	561	1,122
Postage and shipping	419	105	525	1,049
Printing and reproduction	430	108	537	1,075
Bank service charges	1,273	--	--	1,273
Licenses and permits	--	49	1,597	1,646
Micro loan losses	3,689	--	--	3,689
Miscellaneous	<u>--</u>	<u>156</u>	<u>--</u>	<u>156</u>
Total expenses	<u>\$ 386,252</u>	<u>\$ 7,737</u>	<u>\$ 5,197</u>	<u>\$ 399,186</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS.

LIVING WATERS INTERNATIONAL, INC.
ANTIGO, WISCONSIN

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2013

Cash provided by operating activities:	
Grants and donations received	\$ 429,259
Interest received	300
Disbursements for programs and supporting services	<u>(395,671)</u>
Net cash provided by operating activities	<u>33,888</u>
Net increase in cash	33,888
Cash balance, beginning of year	<u>26,563</u>
Cash balance, end of year	<u>\$ 60,451</u>

RECONCILIATION OF CHANGE IN NET ASSETS
TO CASH PROVIDED BY OPERATIONS

For the Year Ended December 31, 2013

Change in net assets	\$ 30,373
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
(Increase) decrease in:	
Micro loans receivable	3,689
Increase (decrease) in:	
Accounts payable	<u>(174)</u>
Net cash provided by operating activities	<u>\$ 33,888</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS.

**LIVING WATERS INTERNATIONAL, INC.
ANTIGO, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies:

Nature of Activities

Living Waters International, Inc. (Living Waters) is a nonprofit organization dedicated to providing financial support to Christian missions primarily in African countries. The Organization is supported primarily through grants.

Basis of Presentation

The Organization's financial statements are presented in accordance with the requirements of the Non-Profit Entities Topic of the FASB Accounting Standards Codification. Under this Topic, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Living Waters does not have any permanently restricted net assets.

Donated Services

Living Waters compensates only its executive director and a part-time business manager. A substantial amount of the Organization's fundraising, grant writing and bookkeeping activities are performed by its board of directors without compensation. No amounts have been reported in the financial statements for the voluntary donation of these services.

Functional Expenses

The costs of providing the various programs and activities of the Organization have been summarized on the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Advertising

The Organization expenses advertising costs as they are incurred. Total advertising costs amounted to \$-0- in 2013.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**LIVING WATERS INTERNATIONAL, INC.
ANTIGO, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 2. Tax Exempt Status:

Living Waters International, Inc., a voluntary health and welfare organization, is exempt from federal income taxes under Section 501 (c) (3) of the Internal Revenue Code. It is also classified as an organization that is not a private foundation under Section 509 (a) (2) of the Internal Revenue Code. The organization is also exempt from Wisconsin income taxes.

The Organization has adopted the provisions of the Income Taxes Topic of the FASB Accounting Standards Codification. As a result, the Organization evaluates its tax positions based on whether or not the position is more likely than not to be sustained upon examination by taxing authorities. The Organization continually evaluates its tax positions, changes in the tax law and new authoritative rulings for potential implications on its tax status. Generally, the Organization's federal returns are subject to examination for three years after they have been filed.

Note 3. Micro Loans Receivable:

Micro loans receivable are student loans that Living Waters has disbursed to fund the secondary education of seven individuals living in Eastern Africa. These loans bear no interest and are to be repaid typically within three years of the original loan disbursement. As of December 31, 2013, an impairment loss of \$3,689 has been recorded.

Micro loan activity during the year ended December 31, 2013:

Beginning balance	\$ 8,687
Additional disbursements	<u> --</u>
Total micro loans receivable	8,687
Less impairment recognized in 2013	<u> 3,689</u>
Net micro loans receivable	<u>\$ 4,998</u>

Note 4. Major Support Received:

Living Waters receives substantial grants from foundations and corporations, which support the goals and objectives of the Organization. Typically, 100% of all grant moneys received are distributed by Living Waters as grants to qualified projects located primarily in East Africa. During 2013, 97% of grant support was received from one foundation.

**LIVING WATERS INTERNATIONAL, INC.
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 5. Temporarily Restricted Net Assets:

Temporarily restricted net assets represent designated contributions which have not yet been disbursed for their designated purpose. As of December 31, 2013, temporarily restricted net assets consist of the following:

Student sponsorships and support	\$ 1,890
Special projects	<u>5,719</u>
Total temporarily restricted net assets	<u>\$ 7,609</u>

Note 6. Subsequent Events:

Living Waters has evaluated all subsequent events through July 1, 2014, the date these financial statements were available to be issued. There are no events subsequent to December 31, 2013 that require disclosure.