

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

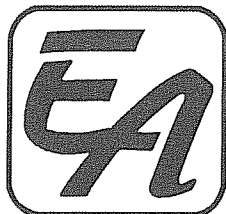
AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2016

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

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Statement of Functional Expenses	5
Notes to Financial Statements	6-7



Erickson & Associates, S.C.
Certified Public Accountants

1000 West College Avenue • Appleton, Wisconsin 54914 • (920) 733-4957 • FAX (920) 733-6221
255 South Main Street • Fond du Lac, Wisconsin 54935 • (920) 921-4189 • FAX (920) 923-1149
www.erickson-cpas.com

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, 2016, and the related statements of activities, cash flows and functional expenses 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 the 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, 2016, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Erickson & Associates, S.C.

ERICKSON & ASSOCIATES, S. C.
Appleton, Wisconsin
August 18, 2017

LIVING WATERS INTERNATIONAL, INC.
ANTIGO, WISCONSIN

STATEMENT OF FINANCIAL POSITION
December 31, 2016

ASSETS

Current assets:		
Cash and cash equivalents	\$	34,301
Prepaid travel expenses		<u>1,707</u>
Total current assets		36,008
Other assets:		
Micro loans receivable		<u>- -</u>
TOTAL ASSETS	\$	<u><u>36,008</u></u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$	1,438
Pass-through grants payable		<u>10,325</u>
Total liabilities		<u>11,763</u>
Net assets:		
Unrestricted		20,675
Temporarily restricted		<u>3,570</u>
Total net assets		<u>24,245</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u><u>36,008</u></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, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
Support and revenue:			
Grants	\$ --	\$ 499,100	\$ 499,100
Contributions - student sponsorships	--	79,708	79,708
Contributions - other	65,856	107,184	173,040
Interest income	198	--	198
Net assets released from restrictions	684,641	(684,641)	--
	<u>750,695</u>	<u>1,351</u>	<u>752,046</u>
Total support and revenue			
Expenses:			
Program services	738,192	--	738,192
Management and general	8,866	--	8,866
Fund raising	8,336	--	8,336
	<u>755,394</u>	<u>--</u>	<u>755,394</u>
Total expenses			
Change in net assets	(4,699)	1,351	(3,348)
Net assets - beginning of year	<u>25,374</u>	<u>2,219</u>	<u>27,593</u>
Net assets - end of year	<u>\$ 20,675</u>	<u>\$ 3,570</u>	<u>\$ 24,245</u>

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

LIVING WATERS INTERNATIONAL, INC.
ANTIGO, WISCONSIN

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2016

	Program Services	Management and General	Fund Raising	Totals
Grants	\$ 634,860	\$ --	\$ --	\$ 634,860
Student sponsorships	80,430	--	--	80,430
Total direct program expenses	715,290	--	--	715,290
Salary and wages	15,813	4,742	1,977	22,532
Payroll taxes	1,210	363	151	1,724
Accounting and auditing fees	--	2,700	--	2,700
Micro-loan loss	2,228	--	--	2,228
Supplies	76	19	95	190
Insurance	253	76	32	361
Telephone and internet	354	88	441	883
Postage and shipping	349	87	436	872
Printing and reproduction	597	149	744	1,490
Advertising	--	--	2,865	2,865
Bank service charges	2,022	--	--	2,022
Licenses and permits	--	49	1,595	1,644
Miscellaneous	--	593	--	593
Total expenses	<u>\$ 738,192</u>	<u>\$ 8,866</u>	<u>\$ 8,336</u>	<u>\$ 755,394</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, 2016

Cash provided by operating activities:	
Grants and donations received	\$ 751,848
Interest received	198
Disbursements for programs and supporting services	(754,718)
Pass-through grants received	84,225
Pass-through grants disbursed	<u>(73,900)</u>
Net cash provided by operating activities	<u>7,653</u>
Net increase in cash	7,653
Cash balance, beginning of year	<u>26,648</u>
Cash balance, end of year	<u><u>\$ 34,301</u></u>

RECONCILIATION OF CHANGE IN NET ASSETS
TO NET CASH PROVIDED BY OPERATIONS

For the Year Ended December 31, 2016

Change in net assets	\$ (3,348)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Micro loans receivable	2,228
Prepaid expenses	(1,707)
Increase (decrease) in:	
Accounts payable	155
Pass-through grants payable	<u>10,325</u>
Net cash provided by operating activities	<u><u>\$ 7,653</u></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 and contributions.

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.

Pass-through Grants

Periodically, charitable organizations or individuals ask Living Waters to wire funds to Christian missions in East Africa. When Living Waters is only acting as an agent for the charitable organization or individual, the funds received and wired are not recognized as grant support.

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 \$2,865 in 2016.

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 individuals living in Eastern Africa. These loans bear no interest and are to be repaid typically within three years of the original loan disbursement. Impairment losses of \$2,228 were recorded during 2016.

Micro loan activity during the year ended December 31, 2016:

Beginning balance	\$	2,228
Loan repayments		--
		2,228
Less impairment recognized in 2016		2,228
		\$ --

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 2016, 82% of grant support was received from one foundation.

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, 2016, temporarily restricted net assets consist of the following:

Student sponsorships and support	\$	3,370
Special projects		200
		3,570
Total temporarily restricted net assets	\$	3,570

Note 6. Subsequent Events:

Living Waters has evaluated all subsequent events through August 18, 2017, the date these financial statements were available to be issued. There are no events subsequent to December 31, 2016, that require disclosure.