

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

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2022

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

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Living Waters International, Inc. (Organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

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, 2022, and the changes in its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Living Waters International, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 these financial statements in accordance with accounting principles generally accepted in the United States of America. Management is also responsible 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 Waters International, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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 Waters International, Inc.'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 Waters International, Inc.'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.

Erickson & Associates, S.C.

ERICKSON & ASSOCIATES, S.C.

Appleton, Wisconsin

August 4, 2023

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

STATEMENT OF FINANCIAL POSITION

December 31, 2022

ASSETS

Current assets:

Cash and cash equivalents	\$ 57,215
Deferred grant administration expenses	<u>2,278</u>

Total current assets 59,493

Office equipment and software, net of accumulated depreciation of \$1,821	<u>3,598</u>
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TOTAL ASSETS \$ 63,091

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	<u>\$ 1,772</u>
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Total liabilities 1,772

Net assets:

Without donor restrictions	35,319
With donor restrictions	<u>26,000</u>

Total net assets 61,319

TOTAL LIABILITIES AND NET ASSETS \$ 63,091

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, 2022

	Without Donor Restrictions	With Donor Restrictions	Totals
Operating revenues:			
Grants	\$ --	\$ 325,790	\$ 325,790
Contributions - student sponsorships	--	90,312	90,312
Contributions - other	73,650	647,423	721,073
Interest income	336	--	336
Net assets released from restrictions	<u>1,093,644</u>	<u>(1,093,644)</u>	<u>--</u>
Total operating revenues	<u>1,167,630</u>	<u>(30,119)</u>	<u>1,137,511</u>
Operating expenses:			
Program services	1,154,747	--	1,154,747
Management and general	14,523	--	14,523
Fund raising	<u>7,657</u>	<u>--</u>	<u>7,657</u>
Total operating expenses	<u>1,176,927</u>	<u>--</u>	<u>1,176,927</u>
Change in net assets	(9,297)	(30,119)	(39,416)
Net assets - beginning of year	<u>44,616</u>	<u>56,119</u>	<u>100,735</u>
Net assets - end of year	<u><u>\$ 35,319</u></u>	<u><u>\$ 26,000</u></u>	<u><u>\$ 61,319</u></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, 2022

Cash provided by operating activities:	
Grants and donations received	\$ 1,137,175
Interest received	336
Disbursements for programs and supporting services	(1,172,833)
Pass-through grants received	316,700
Pass-through grants disbursed	(321,700)
Net cash (used in) operating activities	<u>(40,322)</u>
Cash flows from investing activities:	
Purchase of cloud software	<u>(4,676)</u>
Net (decrease) in cash	(44,998)
Cash balance, beginning of year	<u>102,213</u>
Cash balance, end of year	<u><u>\$ 57,215</u></u>

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

Change in net assets	\$ (39,416)
Adjustments to reconciliation of change in net assets to net cash provided by operating activities:	
Depreciation and amortization	1,355
(Increase) decrease in:	
Deferred grant administration expenses	(470)
Prepaid expenses	3,144
Increase (decrease) in:	
Accounts payable	65
Pass-through grants payable	<u>(5,000)</u>
Net cash (used in) operating activities	<u><u>\$ (40,322)</u></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, 2022

		Supporting Services			
	Program Services	Management and General	Fund Raising	Total Supporting Services	Total Expenses
Grants	\$ 1,027,580	\$ --	\$ --	\$ --	\$ 1,027,580
Student sponsorships	89,370	--	--	--	89,370
Total direct program expenses	1,116,950	--	--	--	1,116,950
Salary and wages	24,468	7,537	2,306	9,843	34,311
Payroll taxes	1,872	577	176	753	2,625
Accounting and auditing fees	--	4,200	--	4,200	4,200
Advertising and fund raising	--	--	3,181	3,181	3,181
Supplies	56	1,160	71	1,231	1,287
Printing and reproduction	453	114	570	684	1,137
Depreciation	542	542	271	813	1,355
Insurance	214	66	20	86	300
Bank charges - wires	5,600	--	--	--	5,600
Licenses and permits	--	64	--	64	64
Telephone and internet	457	114	569	683	1,140
Postage and delivery	394	99	493	592	986
Travel	3,741	--	--	--	3,741
Miscellaneous	--	50	--	50	50
Total expenses	<u>\$ 1,154,747</u>	<u>\$ 14,523</u>	<u>\$ 7,657</u>	<u>\$ 22,180</u>	<u>\$ 1,176,927</u>

The above expenses include certain allocations as more fully described in the footnotes.

**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 located 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 based on the presence or absence of donor-imposed restrictions. Net assets are comprised of two groups as follows:

Net Assets Without Donor Restrictions - amounts that are not subject to usage restrictions based on donor-imposed requirements. This class of net assets also includes assets previously restricted where restrictions have expired or been met.

Net Assets With Donor Restrictions - amounts subject to usage limitations based on donor-imposed or grantor restrictions. These restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by actions of the Organization. Certain restrictions may need to be maintained in perpetuity.

Measure of Operations

The Organization's operating revenues in excess of expenses include all operating revenues and expenses that are an integral part of its programs and supporting activities and net assets released from donor restrictions to support operating expenditures. For 2022, there is no difference between operating revenues in excess of expenses and change in net assets.

Contribution Recognition

Contributions are recognized as revenue when they are received or unconditionally promised. Donor-restricted contributions are reported as "with donor restrictions". When a restriction expires, "with donor restrictions" net assets are reclassified to "without donor restrictions" net assets and are reported in the statement of activities as net assets released from restrictions.

Contributions of donated noncash assets are recorded at their fair values in the period received. The Organization has a policy of selling donated securities as soon as practical. For 2022, the Organization did not receive any donated noncash assets.

Contributed Services

Living Waters compensates only its executive director and three part-time office operations employees. 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.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 1. Summary of Significant Accounting Policies - Continued:

Pass-through Grants

Periodically, charitable organizations or individuals ask Living Waters to wire funds to Christian missions primarily in 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 financial statements report certain categories of expenses that are attributable to more than one program or function. Consequently, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and related benefits which are allocated on the basis of estimates of time expended.

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.

Office Equipment and Software

Office equipment and software are recorded at cost and are depreciated over the estimated useful lives of the assets using the straight-line method. Estimated useful lives are typically four years. When equipment or capitalized software are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the respective accounts. Maintenance and repair costs are charged to expense as incurred, and improvements that extend the useful life of the assets are capitalized.

Advertising and Fund Raising

The Organization expenses all advertising and fund raising costs as they are incurred. Total advertising and fund raising amounted to \$3,181 in 2022.

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.

Note 2. Liquidity Management:

The Organization's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

Cash and cash equivalents	\$31,215
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The Organization has a goal to maintain assets on hand to meet four months of operating expenses excluding direct program expenses.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 3. Tax Exempt Status:

Living Waters International, Inc. qualifies as a non-profit organization 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.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize an income tax liability if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination. Management has analyzed the tax positions taken by the Organization and has concluded that as of December 31, 2022, there were no uncertain positions taken that would require recognition of a liability or disclosure in the financial statements. Generally, the Organization's federal returns are subject to examination for three years after they have been filed.

Note 4. Major Grant Support:

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 Africa. During 2022, Living Waters received \$325,790 in grants, of which \$219,000 (67%) was from one foundation.

Note 5. Major Contributions With Donor Restrictions:

Living Waters receives substantial restricted contributions from individuals and organizations, which support the goals and objectives of the Organization. Living Waters distributes the funds received from all contributions with restrictions in compliance with donors' instructions. During 2022, Living Waters received \$647,423 in donor restricted contributions, of which \$400,000 (62%) was from one religious organization.

Note 6. Donor Restricted Net Assets:

Donor restricted net assets consist of the following as of December 31, 2022:

Student sponsorships and support	\$ 7,765
Special projects	<u>18,235</u>
Total donor restricted net assets	<u><u>\$ 26,000</u></u>

Donor restricted net assets that were released from restrictions during 2022:

Student sponsorships and support disbursed	\$ 87,017
Grants disbursed	325,790
Special projects disbursed	<u>680,837</u>
Total donor restricted net assets released	<u><u>\$ 1,093,644</u></u>

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 7. Subsequent Events:

Living Waters has evaluated all subsequent events through August 4, 2023, the date these financial statements were available to be issued. There are no events subsequent to December 31, 2022, that require disclosure.