

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

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2017

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

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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. (Organization), which comprise the statement of financial position as of December 31, 2017, 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, 2017, 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
July 30, 2018

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

STATEMENT OF FINANCIAL POSITION
December 31, 2017

ASSETS

Current assets:	
Cash and cash equivalents	\$ 93,923
TOTAL ASSETS	<u>\$ 93,923</u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable	\$ 1,481
Pass-through grants payable	<u>21,100</u>
Total liabilities	<u>22,581</u>
Net assets:	
Unrestricted	61,346
Temporarily restricted	<u>9,996</u>
Total net assets	<u>71,342</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 93,923</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, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
Support and revenue:			
Grants	\$ --	\$ 459,000	\$ 459,000
Contributions - student sponsorships	--	88,175	88,175
Contributions - other	116,354	462,083	578,437
Interest income	250	--	250
Net assets released from restrictions	<u>1,002,832</u>	<u>(1,002,832)</u>	<u>--</u>
 Total support and revenue	 <u>1,119,436</u>	 <u>6,426</u>	 <u>1,125,862</u>
Expenses:			
Program services	1,060,256	--	1,060,256
Management and general	9,845	--	9,845
Fund raising	<u>8,664</u>	<u>--</u>	<u>8,664</u>
 Total expenses	 <u>1,078,765</u>	 <u>--</u>	 <u>1,078,765</u>
 Change in net assets	 40,671	 6,426	 47,097
Net assets - beginning of year	<u>20,675</u>	<u>3,570</u>	<u>24,245</u>
Net assets - end of year	<u>\$ 61,346</u>	<u>\$ 9,996</u>	<u>\$ 71,342</u>

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LIVING WATERS INTERNATIONAL, INC.
ANTIGO, WISCONSIN

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2017

Cash provided by operating activities:	
Grants and donations received	\$ 1,125,612
Interest received	250
Disbursements for programs and supporting services	(1,077,015)
Pass-through grants received	162,400
Pass-through grants disbursed	<u>(151,625)</u>
Net cash provided by operating activities	<u>59,622</u>
Net increase in cash	59,622
Cash balance, beginning of year	<u>34,301</u>
Cash balance, end of year	<u><u>\$ 93,923</u></u>

RECONCILIATION OF CHANGE IN NET ASSETS
TO NET CASH PROVIDED BY OPERATIONS
For the Year Ended December 31, 2017

Change in net assets	\$ 47,097
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
(Increase) decrease in:	
Prepaid expenses	1,707
Increase (decrease) in:	
Accounts payable	43
Pass-through grants payable	<u>10,775</u>
Net cash provided by operating activities	<u><u>\$ 59,622</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, 2017**

	Program Services	Management and General	Fund Raising	Totals
Grants	\$ 946,107	\$ --	\$ --	\$ 946,107
Student sponsorships	89,560	--	--	89,560
 Total direct program expenses	 1,035,667	 --	 --	 1,035,667
Salary and wages	16,400	5,354	2,050	23,804
Payroll taxes	1,254	410	157	1,821
Accounting and auditing fees	--	3,000	--	3,000
Advertising	--	--	2,550	2,550
Supplies	375	94	470	939
Printing and reproduction	341	85	424	850
Travel	2,792	--	--	2,792
Insurance	221	72	28	321
Bank charges - wires	2,510	--	--	2,510
Licenses and permits	--	65	2,116	2,181
Telephone and internet	379	95	472	946
Postage and delivery	317	79	397	793
Miscellaneous	--	591	--	591
 Total expenses	 <u>\$ 1,060,256</u>	 <u>\$ 9,845</u>	 <u>\$ 8,664</u>	 <u>\$ 1,078,765</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 \$2,550 in 2017.

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.
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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. 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 2017, 81% of grant support was received from one foundation.

Note 4. 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, 2017, temporarily restricted net assets consist of the following:

Student sponsorships and support	\$ 7,345
Special projects	<u>2,651</u>
Total temporarily restricted net assets	<u>\$ 9,996</u>

Note 5. Subsequent Events:

Living Waters has evaluated all subsequent events through July 30, 2018, the date these financial statements were available to be issued. There are no events subsequent to December 31, 2017, that require disclosure.