

A young boy is seen from the back, carrying a large, clear plastic water jug on his back. The jug is full of water and has a white label with some text and a logo. The boy is wearing a white tank top. The background is blurred, suggesting an outdoor setting. The image is partially overlaid by a blue vertical bar on the left side of the page.

HEALING WATERS INTERNATIONAL

534 Commons Drive, Golden, CO 80401
303.526.7278 | www.healingwatersintl.org

IT BEGINS WITH A SINGLE DROP

HEALING WATERS INTERNATIONAL 2008 ANNUAL REPORT

HOPE THAT BEGINS WITH A SINGLE DROP

Dear friends,

Her name is Julieta. We think she is 93 years young but nobody knows for sure. She lives in Cintalapa, Chiapas, Mexico in a hillside shack with no doors, windows, electricity or water. She parents two young grandsons abandoned by their mother. She has no income. We took her bottled water from the system installed at the church she attends. This little lady totally captured our hearts. We later returned with groceries and basic utensils for her. Tears of joy streamed freely from Julieta and all of us. We were all blessed beyond words. It truly is "hope that begins with a single drop".

Her name is Pastora Rafaela. This giant of faith started a church in the poor community of Villa Mella, Dominican Republic. With nothing but her faith in God and deep love for these people, she depended totally on God. There was no outside money or support. Sixteen years later, Rafaela pastors in a beautiful chapel and has planted a second church in a nearby community. She saw a Healing Waters system as a means to support a school at the church. Over 100 children arrive daily at the school and are provided with an education, two meals and a daily bath. The water system subsidizes the school while providing safe, affordable water to the community. It is "hope that begins with a single drop".

It is difficult not to share dozens more stories of hope. We are continually amazed at how God uses safe, affordable, accessible water to bring hope, health and healing to hundreds of thousands of people. Equally amazing is how our church partners use this water to bring faith and hope to the people in their communities. In 2008 we were privileged to provide 19 million gallons of water to more than 110,000 people. This represents 20% year-over-year growth in water distribution. In 2009 we expect a second consecutive year of 20% growth.

As you read this 2008 Annual Report, know that Healing Waters International is more vibrant, passionate and committed than ever before. We are truly grateful for those of you that walk in faith with us. We never take you for granted as you are essential to this ministry. Together, we are in for a thrilling ride of faith and Hope that Begins With a Single Drop!

Immanuel,



2008 Annual Report

OUR VISION

To see safe water provided in the name of Jesus in every poor community of the world.



OUR MISSION

Healing Waters International empowers local ministry partners to bring physical, social, and spiritual transformation to poor communities by providing sustainable, safe water solutions.

HOW CAN WATER BRING HOPE?

"We shall not finally defeat AIDS, tuberculosis, malaria or any of the other infectious diseases that plague the developing world until we have also won the battle for safe drinking water..." Kofi Annan, former United Nations Secretary General

While we take for granted our easy and inexpensive access to safe drinking water, the developing world is not so fortunate. The numbers are overwhelming. If you have been involved with us for long you probably already know them:

- 1.1 billion people lack access to safe drinking water. *
- More than 1.5 million children under the age of 5 die from water borne illnesses each year. *
- Diarrhea is the second leading cause of morbidity and mortality among children. #
- Five times more children die due to diarrheal diseases than HIV/AIDS. #
- 443 million school days are lost each year due to water borne illnesses, trapping children in multi-generational poverty due to missed education. #
- 220 million of the 1.1 billion lacking access to safe water live in poor, urban communities around the world. #
- The growth of these urban slums is so rapid, it is predicted that by 2030 they will include 2 billion people. †
- Poor, urban communities of the developing world pay the highest prices in the world for water. †

These are the needs and opportunities that we passionately pursue and address. Both our vision and mission are brought into intense focus as we comprehend these facts.

* Facts and figures: water, sanitation and hygiene links to health, World Health Organization, 2004

† The Challenge of the Slums, UN Global report on Human Settlements, 2003

Human Development Report, World Health Organization, 2005



HOPE DESPITE THE CHALLENGES

We continue to face challenges in every country. Some of our Guatemala partners face threats of violence and extortion. The monopoly water vendor attacks us with misinformation and bribery amongst various governmental agencies. Despite these challenges we will continue to serve more of their people. Inflation in all of Latin America is driving increasing costs at an alarming rate. In the Dominican Republic, vague Ministry of Health standards make it difficult for our ministry partners to comply with regulations and expectations. Water supply and geographic hurdles require creative solutions in Mexico.

These challenges only serve to fuel our passion and increase our commitment to bring authentic hope to those who need it most. Your prayer for each country is needed.

HOPE FOR THE FUTURE

While we have been growing and serving more people, our desire is to serve even more – faster. Finding a balance of appropriate communities, moving quickly and keeping costs down are a constant challenge. Economic conditions require close scrutiny of all investments and expenses.

We are projecting our second year of 20% growth in people served. Current projections validate moving from 110,000 to more than 132,000 people served in 2009. We expect water distribution volumes to exceed two million gallons per month by year-end.

In addition to increasing people served, we work to lower our cost per person served. To that end, we are piloting two new ultra-filtration technologies that enable cost effective expansion to a broader spectrum of communities and needs. Vestergaard Frandsen, makers of Lifestraw® Family filters is supporting our efforts by donating 400 units for field testing in 2009.

We continue to research expansion into new regions of the world. In 2008, we studied and scouted East Africa with emphasis on Kenya, Ethiopia and Uganda. The research indicated high potential opportunities for us in Kampala, Uganda. With the uncertainty of future donation levels, we do not believe it is appropriate stewardship to move forward in the near term. We are ready and willing to pursue Kampala as God opens doors and provides resources.



HOPE BUILT ON THE PAST

The first drop of hope took place in La Victoria, Dominican Republic in 1999. It was there that the prototype system was installed and launched. It was there that the operational model that still guides our efforts was forged and implemented. It was from these headwaters that Healing Waters flows throughout the urban communities of Santo Domingo even today. Seven years after incorporating in 2002, our ministry partners serve 58,350 people and distribute more than 10.6 million gallons annually.

In 2004, Aaron Walling moved to Chiapas, Mexico to oversee the expansion of Healing Waters International. That first system was installed in Berriozabal and their pastor, Sebastian Ovando, later became a full-time employee in the Chiapas office. Aguas de Unidad - Mexico is now an example of the healing that can take place between the Catholic and Protestant churches and cooperation with the governmental authorities.

With the urging and financial support of Compassion International, we began our work in Guatemala in 2005. Building on the momentum and impact of our experiences in the Dominican Republic and Mexico, growth has been aggressive. With 19 active systems, we have a strong foundation to build upon in this country of diverse needs and opportunities.

We have a rich heritage and a vital charter established by founders Tom and Dana Larson. Their faith and obedience have firmly established and nurtured these first seven years of ministry. Their dedication brings hope to thousands of people and ministry partners in Latin America. They provided a foundation for the health, growth and integrity of Healing Waters International. Our challenge and responsibility is to continue to build on that foundation and bring hope and health to thousands more. Moving from despair to hope begins with serving the basic need of safe drinking water.



HOPE BUILT ON THE PRESENT

At peak times in 2008 we were privileged to serve more than 116,000 poor their daily drinking water. Moving from despair to hope begins by meeting this basic, life essential need.

Dominican Republic:

2008 was a year of growth in the Dominican Republic. We saw an 11% increase for a total of 10.6 million gallons, in annual water distribution. Similarly, August was the biggest distribution month in our seven-year history in the DR at 1,060,392 gallons. We also experienced terrific growth in people served as we now provide safe drinking water to 58,350 people on an ongoing basis. In our first full year of leadership under our new National Director, Juan José Gómez, we further empowered our ministry partners by transferring full ownership of the water system to 25 of our 31 reporting church partners. Similar to a franchising model, we will maintain an advisory role offering the church partners our expertise and services and they will continue to provide monthly reporting to us. Three new systems were added in the DR, including our first system at a Catholic medical clinic. The ongoing partnership with Compassion International in the Dominican Republic continues to grow with the installation of another water system with a Compassion church partner.

Mexico:

Community service impact and steady growth in people served are the highlights for 2008 in Mexico. Our church partners raised and contributed more than \$50,000 towards community service and funded 472 individual projects. Mexico experienced a 33% increase in annual water distribution in 2008. This is due in part from adding two new water systems, which brings the total number in Mexico to 17. Thanks to our National Director, Mario Avendaño, and the hard work of his team, we are starting to receive cooperation and support from the city and state government. Our most recent system inauguration was attended by the Mayor of Tuxtla, the Governor of the state of Chiapas and many of their cabinet members. Working with these governmental entities we have secured contracts for discounted raw water and hope for further collaboration in 2009. Mexico now serves more than 27,800 people their daily drinking water.

Guatemala:

Our network of 19 active systems continues to serve more than 18,000 people their daily drinking water. A total of 4 new systems were installed in Guatemala in 2008. These water systems are providing not only a source of safe drinking water, they are also instilling hope in communities that have all but given up. Some systems are confronted with gang threats and extortion. The manager at our Mezquital system left for fear of his safety. God provided Rita and Wenceeslaus, local parishioners, who have bravely stepped in believing that God's purpose is greater. We are committed to holistic, expanded ministry in this challenging country.



HOW WE BRING HOPE

Community-Centered

- Urban priority
- Impoverished communities
- Existing water supply that is contaminated
 - Primary focus on water quality by treating the existing water supply
 - Secondary focus on water quantity by providing a water source where there is none
- Community-identified need for hygiene education
- Understand the water culture of the community
- Availability of authentic and committed ministry partners

Healing Waters Existing Solution

- Water purification system is installed at local ministry partner site
- All filtration equipment is purchased in-country and sponsored by donors
- Local partner sells water to community for less than 1/3rd market price
- Revenue from sales covers all monthly project expenses
- Project provides employment for local residents
- Local partner donates water to other non-profits that serve the community such as schools, clinics and orphanages
- Local partner submits monthly report to Healing Waters measuring system output and income
- Ministry partner income goes to Water Project Ministry Fund for community service projects

Healing Waters New Solutions

- Point-of-Use technologies to treat water in the home with initial user training and follow-up
- Community Water Kiosks providing chlorinated, safe water
- Small-scale filtration units for schools using ultra filtration technology
- Health and Hygiene education
- Projects meet Healing Waters International's Physical, Social and Spiritual Framework

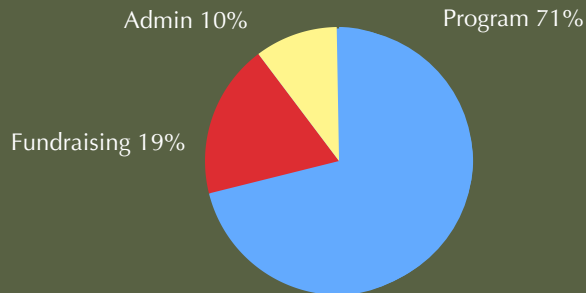
WHAT DOES A DROP OF HOPE LOOK LIKE?

	2008	Inception to 12-31-2008
Dominican Republic		
People served per day	58,350	
Water projects installed	3	39
Total gallons distributed	10,648,960	50,495,491
Total gallons donated	570,108	2,337,295
Mexico		
People served per day	27,837	
Water projects installed	2	17
Total gallons distributed	5,080,255	11,877,447
Total gallons donated	298,993	585,017
Guatemala		
People served per day	18,063	
Water projects installed	4	20
Total gallons distributed	3,296,572	6,121,534
Total gallons donated	221,767	419,776
Kenya		
People served per day	158	
Water projects installed	-	1
Total gallons distributed	28,825	45,200
Total gallons donated	3,247	6,627
Global		
Average # of people served per day 2008	104,408	
Water projects installed	9	77
Total gallons distributed	19,054,612	68,539,672
Total gallons donated	1,094,115	3,348,715
Average # of people served per day 2007	86,140	

FINANCIAL ACTIVITIES

	2008 †	2007
SUPPORT AND REVENUE		
Contributions and Other	875,291	2,261,668
Water Sales	449,355	446,212
Total Support and Revenue	1,324,646	2,707,880
EXPENSES		
Program Services	1,521,048	1,680,928
Support Activities		
Management & General	218,977	234,526
Fundraising	405,130	229,586
Total Expenses	2,145,155	2,145,040
Change in Net Assets	-853,948	562,840
Net Assets - Beginning of Year	1,637,332	1,074,492
Net Assets - End of Year	783,384	1,637,332

PERCENTAGE OF EVERY DOLLAR DONATED



FINANCIAL POSITION

	2008 †	2007
ASSETS		
Cash	258,130	636,892
Certificate of Deposit		520,000
Contributions Receivable	58,305	2,883
Promises to Give		3,976
Inventory	73,278	23,768
Prepaid Expenses	63,904	67,332
Furniture and Equipment	389,525	456,342
Total Assets	843,141	1,711,193
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts Payable	13,259	32,318
Accrued Expenses	46,498	41,543
Total Liabilities	59,757	73,861
Net Assets		
Unrestricted		
Equity in Furniture and Equipment	389,525	456,342
Operating *	-72,922	116,216
Total Unrestricted	316,603	572,558
Temporarily Restricted		
Field Ministries	227,461	763,891
Water Systems	239,320	300,883
Total Temporarily Restricted	466,781	1,064,774
Total Net Assets	783,384	1,637,332
Total Liabilities + Net Assets	843,141	1,711,193

* 2008 figures reflect transfer of ownership of 25 systems to our ministry partners.

† Unaudited as of printing.