



FAMILY LEGACY MISSIONS INTERNATIONAL

Financial Statements
With Independent Auditors' Report

December 31, 2019 and 2018

FAMILY LEGACY MISSIONS INTERNATIONAL

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Family Legacy Missions International
Dallas, Texas

We have audited the accompanying financial statements of Family Legacy Missions International, which comprise the statements of financial position as of December 31, 2019 and 2018, the statements of activities and cash flows for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 entity'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 entity'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.

Board of Directors
Family Legacy Missions International
Dallas, Texas

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Family Legacy Missions International as of December 31, 2019 and 2018, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Capin Crouse LLP

Grapevine, Texas
May 8, 2020

FAMILY LEGACY MISSIONS INTERNATIONAL

Statements of Financial Position

	December 31,	
	<u>2019</u>	<u>2018</u>
ASSETS:		
Cash and cash equivalents	\$ 4,886,732	\$ 3,814,588
Prepaid and other assets	471,339	-
Note receivable	7,672,585	10,872,679
Investment in Lifeline Enterprises	466,795	466,795
Property and equipment–net	<u>306,891</u>	<u>200,862</u>
 Total Assets	 <u>\$ 13,804,342</u>	 <u>\$ 15,354,924</u>
 LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	\$ 584,830	\$ 108,872
Accrued expenses	913,928	862,706
Notes payable	<u>7,672,585</u>	<u>10,622,686</u>
	<u>9,171,343</u>	<u>11,594,264</u>
 Net Assets:		
Net assets without donor restrictions:		
Undesignated	2,602,849	1,603,148
Net assets with donor restrictions	<u>2,030,150</u>	<u>2,157,512</u>
	<u>4,632,999</u>	<u>3,760,660</u>
 Total Liabilities and Net Assets	 <u>\$ 13,804,342</u>	 <u>\$ 15,354,924</u>

See notes to financial statements

FAMILY LEGACY MISSIONS INTERNATIONAL

Statements of Activities

	Year Ended December 31,					
	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Contributions	\$ 4,407,520	\$ 18,566,393	\$ 22,973,913	\$ 1,872,300	\$ 19,124,904	\$ 20,997,204
Gift-in-kind contributions	1,714,141	-	1,714,141	1,270,368	-	1,270,368
Other income	1,387,564	-	1,387,564	1,219,851	-	1,219,851
Total Support and Revenue	7,509,225	18,566,393	26,075,618	4,362,519	19,124,904	23,487,423
NET ASSETS RELEASED:						
Administrative assessments	2,216,571	(2,216,571)	-	2,328,857	(2,328,857)	-
Purpose restrictions	16,477,184	(16,477,184)	-	17,171,618	(17,171,618)	-
	18,693,755	(18,693,755)	-	19,500,475	(19,500,475)	-
EXPENSES:						
Program services	22,123,048	-	22,123,048	19,632,204	-	19,632,204
Support services:						
Management and general	2,492,493	-	2,492,493	2,836,128	-	2,836,128
Fundraising	587,738	-	587,738	360,993	-	360,993
	3,080,231	-	3,080,231	3,197,121	-	3,197,121
Total Expenses	25,203,279	-	25,203,279	22,829,325	-	22,829,325
Change in Net Assets	999,701	(127,362)	872,339	1,033,669	(375,571)	658,098
Net Assets, Beginning of Year:	1,603,148	2,157,512	3,760,660	569,479	2,533,083	3,102,562
Net Assets, End of Year	\$ 2,602,849	\$ 2,030,150	\$ 4,632,999	\$ 1,603,148	\$ 2,157,512	\$ 3,760,660

See notes to financial statements

FAMILY LEGACY MISSIONS INTERNATIONAL

Statements of Cash Flows

	Year Ended December 31,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 872,339	\$ 658,098
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	56,191	52,402
Debt and interest forgiveness	(3,240,987)	(260,000)
Note receivable forgiveness	3,200,094	-
Gifts received for long-term purposes	(700,570)	(2,882,596)
Changes in operating assets and liabilities:		
Prepaid and other assets	(471,339)	-
Pledges receivable-net	(490,000)	-
Accounts payable	475,958	(87,077)
Accrued expenses and other liabilities	342,108	601,110
Net Cash Provided (Used) by Operating Activities	43,794	(1,918,063)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(162,220)	(85,425)
Net Cash Used by Investing Activities	(162,220)	(85,425)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Gifts received for long-term purposes	700,570	2,882,596
Net Cash provided by Financing Activities	700,570	2,882,596
Net Change in Cash and Cash Equivalents	582,144	879,108
Cash and Cash Equivalents, Beginning of Year	3,814,588	2,935,480
Cash and Cash Equivalents, End of Year	\$ 4,396,732	\$ 3,814,588

See notes to financial statements

FAMILY LEGACY MISSIONS INTERNATIONAL

Notes to Financial Statements

December 31, 2019 and 2018

1. NATURE OF ORGANIZATION:

Family Legacy Missions International (FLMI) is incorporated in the state of Texas as a nonprofit organization. FLMI's mission is to connect American families with the orphaned and vulnerable children of Zambia, Africa to proclaim the gospel, transform lives, and rescue orphans. FLMI is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) and is not a private foundation under Section 509(a) of the Code. Income for FLMI is primarily generated by cash contributions from individuals and other organizations.

FLMI fulfills the operations of its major programs through the direct financial support of a separate nonprofit organization, Family Legacy Missions Zambia (FLMZ), located in Zambia, Africa. FLMZ is separately incorporated in Zambia and is not controlled by FLMI.

Lifeline Enterprises (Lifeline) is a for-profit Zambian corporation that is owned by FLMZ and in which FLMI has a fractional interest in. Lifeline owns all of the fixed assets that are used in FLMZ's operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

FLMI maintains its accounts and prepares its financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of any contingent assets and liabilities at the date of the financial statements, and the reported revenues and expenses during the reporting periods. Actual results could differ from the estimates. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include checking, savings, and money market accounts. These accounts may, at times, exceed federally insured limits. As of December 31, 2019 and 2018, FLMI had cash balances on deposit that exceeded federally insured limits by approximately \$4,500,000 and \$3,500,000, respectively. FLMI has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

FAMILY LEGACY MISSIONS INTERNATIONAL

Notes to Financial Statements

December 31, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

NOTE RECEIVABLE

Note receivable is recorded at estimated net realizable value. An allowance has not been recorded on the note receivable as management believes the note is fully collectible. The note receivable is unsecured and bears no interest.

INVESTMENT IN LIFELINE ENTERPRISES

Investment in Lifeline Enterprises is carried at cost and represents FLMI's fractional interest in Lifeline Enterprises.

PROPERTY AND EQUIPMENT—NET

Property and equipment are capitalized at cost or, if donated, at fair value at the date of the gift. FLMI capitalizes purchases in excess of \$5,000 with lesser amounts expensed in the year purchased. Depreciation is calculated using the straight-line method over estimated useful lives, ranging from 3-5 years.

CLASSES OF NET ASSETS

The financial statement report amounts separately by class of net assets as follows:

Net assets without donor restrictions are those currently available at the discretion of the board for use in FLMI's operations and those resources invested in property and equipment.

Net assets with donor restrictions are those which are stipulated by donors for specific operating purposes and capital projects.

All contributions are considered available for general use unless specifically restricted by the donor.

SUPPORT, REVENUE, AND EXPENSES

Contributions are recorded when made, which may be when cash or other assets are received or unconditionally promised. FLMI reports gifts of cash and other assets as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. FLMI reports gifts of property and equipment as general support unless explicit donor stipulations specify how the donated assets must be used. Absent explicit donor stipulations about how long those long-lived assets must be maintained, FLMI reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

FAMILY LEGACY MISSIONS INTERNATIONAL

Notes to Financial Statements

December 31, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing various program services and supporting activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs, such as depreciation and salaries, have been allocated among the program services and supporting activities benefited. Depreciation is allocated based on square footage. Costs of other categories were allocated based on estimates of time and effort. FLMI incurred no joint costs as of December 31, 2019 and 2018.

RECENTLY ISSUED ACCOUNTING STANDARDS

In 2018, FASB issued ASU No. 2018-08, Not-for-Profit Entities (Topic 958)—Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. FLMI adopted the provisions of this new standard as a resource recipient in the current year.

3. LIQUIDITY AND FUNDS AVAILABLE:

The following reflects FLMI's financial assets as of the statement of financial position date, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year for various reasons.

	December, 31	
	2019	2018
Financial assets:		
Cash and cash equivalents	\$ 4,886,732	\$ 3,814,588
Note receivable	7,672,585	10,872,679
Financial assets, at year-end	<u>12,559,317</u>	<u>14,687,267</u>
Less those not available for general expenditure within one year:		
Note receivable, not collectible within one year	<u>(7,672,585)</u>	<u>(10,872,679)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,886,732</u>	<u>\$ 3,814,588</u>

As part of FLMI's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. FLMI has \$2,030,150 and \$2,157,512, respectively, of restricted funds that are expected to be expended on operations in the next fiscal year.

FAMILY LEGACY MISSIONS INTERNATIONAL

Notes to Financial Statements

December 31, 2019 and 2018

4. PROPERTY AND EQUIPMENT—NET:

Property and equipment consists of:

	December, 31	
	2019	2018
Leasehold improvements	\$ 43,697	\$ 43,697
Furniture and equipment	381,005	207,523
Vehicles	57,566	27,566
	<u>482,268</u>	<u>278,786</u>
Less accumulated depreciation	(175,377)	(119,184)
	<u>306,891</u>	<u>159,602</u>
Construction in progress	-	41,260
	<u>\$ 306,891</u>	<u>\$ 200,862</u>

FAMILY LEGACY MISSIONS INTERNATIONAL

Notes to Financial Statements

December 31, 2019 and 2018

5. NOTES PAYABLE:

Notes payable are to individuals and trusts and consist of the following at December 31, 2019:

	Loan Date	Maturity Date	Original Principal	Principal Payment Frequency	Interest Rate	Payment Amount	Outstanding Principal
1	1/1/2018	12/31/2024	216,667	Yearly	0.0%	\$ 43,333	\$ 216,667
2	10/1/2017	9/30/2024	500,000	Quarterly	5.0%	26,316	500,000
3	5/3/2014	12/31/2029	216,667	Yearly	0.0%	16,667	216,667
4	9/30/2016	9/30/2024	250,000	Quarterly	0.0%	8,929	250,000
5	1/1/2018	9/30/2024	250,000	Quarterly	4.0%	13,158	250,000
6	10/1/2017	9/30/2024	200,000	Quarterly	4.0%	10,526	200,000
7	10/1/2017	9/30/2024	1,500,000	Quarterly	Prime + 2.25%	78,947	1,500,000
8	6/30/2016	9/30/2024	500,000	Quarterly	7.0%	22,741	500,000
9	6/30/2016	9/30/2024	500,000	Quarterly	7.0%	22,741	500,000
10	1/1/2018	9/30/2024	250,000	Lump	4.0%	250,000	83,000
11	4/16/2018	9/30/2024	500,000	Lump	5.0%	500,000	500,000
12	1/1/2018	9/30/2024	200,000	Lump	4.0%	200,000	66,000
13	1/1/2018	12/31/2024	433,333	Yearly	0.0%	86,667	433,333
14	10/1/2017	9/30/2024	100,000	Quarterly	4.0%	5,263	100,000
15	1/1/2018	7/1/2021	280,000	Yearly	0.0%	140,000	280,000
16	12/1/2017	9/30/2024	976,190	Monthly	8.0%	17,126	976,190
17	1/1/2018	1/15/2020	1,017,727	Lump	0.0%	1,017,728	1,017,728
18	1/1/2018	9/30/2022	250,000	Quarterly	4.0%	22,727	83,000
							\$ 7,672,585

FAMILY LEGACY MISSIONS INTERNATIONAL

Notes to Financial Statements

December 31, 2019 and 2018

5. NOTES PAYABLE, continued:

Notes payable are to individuals and trusts and consist of the following at December 31, 2018:

	Loan Date	Maturity Date	Original Principal	Principal Payment Frequency	Interest Rate	Payment Amount	Outstanding Principal
1	1/1/2018	9/30/2024	\$ 500,000	Quarterly	5.0%	\$ 26,316	\$ 500,000
2	1/1/2018	9/30/2024	250,000	Lump	4.0%	250,000	250,000
3	1/1/2018	12/31/2024	216,667	Yearly	0.0%	43,333	216,667
4	10/1/2017	9/30/2024	500,000	Quarterly	5.0%	26,316	500,000
5	5/3/2014	12/31/2029	216,667	Yearly	0.0%	16,667	216,667
6	9/30/2016	9/30/2024	250,000	Quarterly	0.0%	8,929	250,000
7	1/1/2018	9/30/2024	250,000	Quarterly	4.0%	13,158	250,000
8	10/1/2017	9/30/2024	200,000	Quarterly	4.0%	10,526	200,000
9	1/1/2018	9/30/2024	250,000	Lump	4.0%	250,000	250,000
10	10/1/2017	9/30/2024	1,500,000	Quarterly	Prime + 2.25%	78,947	1,500,000
11	6/30/2016	9/30/2024	500,000	Quarterly	7.0%	22,741	500,000
12	6/30/2016	9/30/2024	500,000	Quarterly	7.0%	22,741	500,000
13	1/1/2018	9/30/2024	250,000	Lump	4.0%	250,000	250,000
14	1/1/2018	9/30/2024	500,000	Quarterly	5.0%	26,316	500,000
15	4/16/2018	9/30/2024	500,000	Lump	5.0%	500,000	500,000
16	1/1/2018	9/30/2024	200,000	Lump	4.0%	200,000	200,000
17	1/1/2018	12/31/2024	433,333	Yearly	0.0%	86,667	433,333
18	10/1/2017	9/30/2024	100,000	Quarterly	4.0%	5,263	100,000
19	1/1/2018	7/1/2021	280,000	Yearly	0.0%	140,000	280,000
20	12/1/2017	9/30/2024	982,101	Monthly	8.0%	17,230	982,101
21	12/1/2017	9/30/2024	976,190	Monthly	8.0%	17,126	976,190
22	1/1/2018	1/15/2020	1,017,727	Lump	0.0%	1,017,728	1,017,728
23	1/1/2018	9/30/2022	250,000	Quarterly	4.0%	22,727	250,000
							\$ 10,622,686

FAMILY LEGACY MISSIONS INTERNATIONAL

Notes to Financial Statements

December 31, 2019 and 2018

5. NOTES PAYABLE, continued:

Future minimum payments for all note payables are:

Year Ending December 31,

2020	\$ 2,365,464
2021	1,264,737
2022	1,124,737
2023	1,124,737
2024	1,598,673
Thereafter	<u>194,237</u>
	<u><u>\$ 7,672,585</u></u>

Notes payable are not secured and as of December 31, 2019 and 2018, \$3,207,250 and \$4,421,624, respectively, of outstanding notes payable are due to members of the board of directors. During the years ended December 31, 2019 and 2018, \$2,950,101 and \$250,000, respectively, of debt was forgiven and \$290,886 and \$10,000, respectively, of accrued interest was forgiven by note holders.

6. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions are restricted for the following purposes:

	<u>December 31,</u>	
	<u>2019</u>	<u>2018</u>
Program activities in Zambia	\$ 884,139	\$ 995,387
Construction projects in Zambia	<u>1,146,011</u>	<u>1,162,125</u>
	<u><u>\$ 2,030,150</u></u>	<u><u>\$ 2,157,512</u></u>

FAMILY LEGACY MISSIONS INTERNATIONAL

Notes to Financial Statements

December 31, 2019 and 2018

7. FUNCTIONAL CLASSIFICATION OF EXPENSES:

For the year ended December 31, 2019, expenses have been allocated on a functional basis as follows:

	Program Services	General and Administrative	Fundraising	Total
Grant expense	\$ 14,867,897	\$ -	\$ -	\$ 14,867,897
Salaries and benefits	2,043,914	1,364,198	492,555	3,900,667
Travel expenses	2,992,280	39,264	15,016	3,046,560
Supplies	523,711	-	-	523,711
Interest expense	476,756	-	-	476,756
Rent expense	226,977	168,855	32,425	428,257
Professional fees	144,318	264,205	8,270	416,793
Shipping costs	310,912	8,800	-	319,712
Bank charges and fees	-	306,156	-	306,156
Training expense	203,995	-	-	203,995
Office expenses and supplies	67,529	95,780	-	163,309
Technology	9,118	133,644	-	142,762
Miscellaneous	64,045	42,597	-	106,642
Marketing and advertising	-	52,788	33,853	86,641
Food expense	87,724	-	-	87,724
Depreciation expense	39,334	11,238	5,619	56,191
Clothes	30,455	4,968	-	35,423
Equipment	34,083	-	-	34,083
	<u>\$ 22,123,048</u>	<u>\$ 2,492,493</u>	<u>\$ 587,738</u>	<u>\$ 25,203,279</u>

FAMILY LEGACY MISSIONS INTERNATIONAL

Notes to Financial Statements

December 31, 2019 and 2018

7. FUNCTIONAL CLASSIFICATION OF EXPENSES, continued:

For the year ended December 31, 2018, expenses have been allocated on a functional basis as follows:

	Program Services	General and Administrative	Fundraising	Total
Grant expense	\$ 12,990,433	\$ -	\$ -	\$ 12,990,433
Salaries and benefits	1,976,425	1,624,715	228,305	3,829,445
Travel expenses	2,439,505	119,618	2,254	2,561,377
Interest expense	549,872	-	-	549,872
Shipping costs	461,700	13,257	-	474,957
Rent expense	320,722	90,901	-	411,623
Bank charges and fees	-	332,889	-	332,889
Marketing and advertising	120,372	26,880	123,362	270,614
Equipment	206,204	43,197	-	249,401
Professional fees	74,043	260,086	7,072	341,201
Supplies	197,728	19,652	-	217,380
Clothes	173,369	-	-	173,369
Technology	3,776	143,567	-	147,343
Office expenses and supplies	9,341	83,239	-	92,580
Miscellaneous	19,476	51,774	-	71,250
Depreciation expense	36,681	15,721	-	52,402
Food expense	46,185	-	-	46,185
Repairs and maintenance	6,372	10,632	-	17,004
	\$ 19,632,204	\$ 2,836,128	\$ 360,993	\$ 22,829,325

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Notes to Financial Statements

December 31, 2019 and 2018

8. RELATED PARTY TRANSACTIONS:

As described in Note 2, FLMI fulfills the operations of its major programs through the direct financial support of FLMZ. During the years ended December 31, 2019, FLMI provided grants to FLMZ as follows:

	<u>2019</u>	<u>2018</u>
Direct program funding	\$ 9,233,284	\$ 11,411,049
Construction funding	516,772	-
Other expenses	422,568	434,016
Note forgiveness	3,200,095	-
In-kind support	1,495,178	1,145,368
	<u>\$ 14,867,897</u>	<u>\$ 12,990,433</u>

Additionally, in prior years, FLMI funded FLMZ construction projects. As of December 31, 2019 and 2018, FLMZ owes FLMI \$7,672,585 and \$10,872,679, respectively, as it relates to this funding and is reported as a note receivable on the statement of financial position.

FLMI received approximately \$2,500,000 and \$732,000, respectively, of contributions from board members during the years ended December 31, 2019 and 2018.

9. COMMITMENT AND CONTINGENCIES:

During the year ended December 31, 2018, a Company in Zambia filed a lawsuit against FLMI for breach of contract seeking damages for nonpayment, loss of business, and other damages. FLMI has filed a counterclaim for breach of contract and damages. While the amounts claimed and counterclaimed are significant, the ultimate liability or receivable cannot be determined based on the information available to date. Management believes that the ultimate outcome will be favorable.

FLMI is also subject to claims and lawsuits in two other matters as of December 31, 2019, that are incidental to FLMI's operations. The final outcome or impact on cash flows with respect to these matters can not be determined at this point.

FAMILY LEGACY MISSIONS INTERNATIONAL

Notes to Financial Statements

December 31, 2019 and 2018

10. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through May 8, 2020, which represents the date the financial statement were available to be issued. Subsequent events after that date have not been evaluated.

In January 2020, the World Health Organization has declared the outbreak of a novel coronavirus as a “Public Health Emergency of International Concern,” ultimately classifying the resulting COVID-19 as a pandemic. Federal, state and local governments have mandated various restrictions, including travel restrictions, restrictions on public gatherings, stay at home advisories and quarantining of people who may have been exposed to the virus. As a response, FLMI has cancelled Camplife for 2020.

The duration of disruption and related impact cannot be reasonably estimated at this time. FLMI is monitoring global developments and critical program expenditures. Expenditures are being reduced as necessary. Management believes that FLMI has sufficient reserves and liquidity to fund ongoing essential program activities through this time of uncertainty and believes the mission of FLMI will not change.