



FAMILY LEGACY MISSIONS INTERNATIONAL

Financial Statements
With Independent Auditors' Report

December 31, 2020 and 2019

FAMILY LEGACY MISSIONS INTERNATIONAL

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6

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, 2020 and 2019, 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, 2020 and 2019, 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

Irving, Texas
November 23, 2021

FAMILY LEGACY MISSIONS INTERNATIONAL

Statements of Financial Position

	December 31,	
	2020	2019, restated
ASSETS:		
Cash and cash equivalents	\$ 6,717,528	\$ 3,740,721
Prepaid and other assets	498,290	471,339
Note and other receivables	6,272,585	6,922,585
Cash held for long-term purposes	815,796	1,146,011
Investment in Lifeline Enterprises	293,313	466,795
Property and equipment—net	294,283	306,891
Total Assets	<u>\$ 14,891,795</u>	<u>\$ 13,054,342</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	\$ 383,160	\$ 584,830
Accrued expenses	1,665,776	913,928
Paycheck Protection Program Loan	384,470	-
Notes payable	6,272,585	6,922,585
Total liabilities	<u>8,705,991</u>	<u>8,421,343</u>
Net assets:		
Net assets without donor restrictions:		
Undesignated	4,503,831	2,602,849
Net assets with donor restrictions	1,681,973	2,030,150
Total net assets	<u>6,185,804</u>	<u>4,632,999</u>
Total Liabilities and Net Assets	<u>\$ 14,891,795</u>	<u>\$ 13,054,342</u>

See notes to financial statements

FAMILY LEGACY MISSIONS INTERNATIONAL

Statements of Activities

	Year Ended December 31,					
	2020			2019, restated		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Contributions	\$ 2,934,437	\$ 14,891,909	\$ 17,826,346	\$ 4,407,520	\$ 18,566,393	\$ 22,973,913
Gift-in-kind contributions	779,839	-	779,839	2,464,141	-	2,464,141
Change in value of investment of Lifeline Enterprises	(173,482)	-	(173,482)	-	-	-
Other income	680,606	-	680,606	1,387,564	-	1,387,564
Total Support and Revenue	4,221,400	14,891,909	19,113,309	8,259,225	18,566,393	26,825,618
NET ASSETS RELEASED:						
Administrative assessments	1,698,682	(1,698,682)	-	2,216,571	(2,216,571)	-
Purpose restrictions	13,541,404	(13,541,404)	-	16,477,184	(16,477,184)	-
	15,240,086	(15,240,086)	-	18,693,755	(18,693,755)	-
EXPENSES:						
Program services	14,601,931	-	14,601,931	22,873,048	-	22,873,048
Support services:						
Management and general	2,164,424	-	2,164,424	2,492,493	-	2,492,493
Fundraising	794,149	-	794,149	587,738	-	587,738
	2,958,573	-	2,958,573	3,080,231	-	3,080,231
Total Expenses	17,560,504	-	17,560,504	25,953,279	-	25,953,279
Change in Net Assets	1,900,982	(348,177)	1,552,805	999,701	(127,362)	872,339
Net Assets, Beginning of Year	2,602,849	2,030,150	4,632,999	1,603,148	2,157,512	3,760,660
Net Assets, End of Year	\$ 4,503,831	\$ 1,681,973	\$ 6,185,804	\$ 2,602,849	\$ 2,030,150	\$ 4,632,999

See notes to financial statements

FAMILY LEGACY MISSIONS INTERNATIONAL

Statements of Cash Flows

	Year Ended December 31,	
	2020	2019, restated
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,552,805	\$ 872,339
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	55,748	56,191
Debt and interest forgiveness	(743,035)	(3,990,987)
Note receivable forgiveness	650,000	3,950,094
Gifts received for long-term purposes	(518,500)	(700,570)
Loss on investment in Lifeline Enterprises	173,482	-
Loss on disposal of property and equipment	19,612	-
Changes in operating assets and liabilities:		
Prepaid and other assets	(26,951)	(471,339)
Accounts payable	(201,670)	475,958
Accrued expenses and other liabilities	844,883	342,108
Net Cash Provided by Operating Activities	1,806,374	533,794
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(62,752)	(162,220)
Net Cash Used by Investing Activities	(62,752)	(162,220)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from government loan	384,470	-
Gifts received for long-term purposes	518,500	700,570
Net Cash Provided by Financing Activities	902,970	700,570
Net Change in Cash, Cash Equivalents and Cash held for Long-term Purposes	2,646,592	1,072,144
Cash, Cash Equivalents and Cash held for Long-term Purposes, Beginning of Year	4,886,732	3,814,588
Cash, Cash Equivalents and Cash held for Long-term Purposes, End of Year	\$ 7,533,324	\$ 4,886,732
The following table provides a reconciliation of cash, cash equivalents and cash held for long-term purposes:		
Cash and cash equivalents	\$ 6,717,528	\$ 3,740,721
Cash held for long-term purposes	815,796	1,146,011
	\$ 7,533,324	\$ 4,886,732

See notes to financial statements

FAMILY LEGACY MISSIONS INTERNATIONAL

Notes to Financial Statements

December 31, 2020 and 2019

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. FMLZ is separately incorporated in Zambia and is not controlled by FLMI, that would require consolidation.

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

In January 2020, FLMI formed a wholly-owned for-profit Texas corporation named Legacy Centre Capital, LLC. The LLC was formed as part of a debt restructuring arrangement. All inter-company balances and activities are eliminated.

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, 2020 and 2019, FLMI had cash balances on deposit that exceeded federally insured limits by approximately \$6,800,000 and \$4,500,000, respectively, including cash held for long-term purposes. FLMI has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

NOTE RECEIVABLE

The 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.

FAMILY LEGACY MISSIONS INTERNATIONAL

Notes to Financial Statements

December 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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 statements 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, 2020 and 2019

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 statements 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, 2020 and 2019.

RESTATEMENTS

During the year ended December 31, 2020, management determined that two notes payable had been forgiven during the year ended December 31, 2019. Consequently, notes payable and the note receivable were not accounted for properly. Additionally, cash held for long-term purposes was not shown separately from cash and cash equivalents. Accordingly, these amounts were restated for the year ended December 31, 2019, as follows:

	As previously stated	Restatement	Restated
Cash and cash equivalents	\$ 4,886,732	\$ (1,146,011)	\$ 3,740,721
Cash held for long-term purposes	\$ -	\$ 1,146,011	\$ 1,146,011
Note receivable	\$ 7,672,585	\$ (750,000)	\$ 6,922,585
Notes payable	\$ 7,672,585	\$ (750,000)	\$ 6,922,585
Contributions	\$ 22,223,913	\$ 750,000	\$ 22,973,913
Expenses:			
Program Services	\$ 22,123,048	\$ 750,000	\$ 22,873,048

The restatements had no impact on the change in net assets or total net assets for the year ended December 31, 2019.

FAMILY LEGACY MISSIONS INTERNATIONAL

Notes to Financial Statements

December 31, 2020 and 2019

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	
	2020	2019
Financial assets:		
Cash and cash equivalents, including restricted cash	\$ 7,533,324	\$ 4,886,732
Note receivable	6,272,585	6,922,585
Financial assets, at year-end	<u>13,805,909</u>	<u>11,809,317</u>
Less those not available for general expenditure within one year:		
Donor restricted funds for construction	(815,796)	(1,146,011)
Note receivable, not collectible within one year	<u>(6,272,585)</u>	<u>(6,922,585)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 6,717,528</u>	<u>\$ 3,740,721</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 \$815,796 and \$1,146,011, 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, 2020 and 2019

4. PROPERTY AND EQUIPMENT—NET:

Property and equipment—net consists of:

	December, 31	
	2020	2019
Leasehold improvements	\$ 43,697	\$ 43,697
Furniture and equipment	421,712	381,005
Vehicles	49,977	57,566
	515,386	482,268
Less accumulated depreciation	(221,103)	(175,377)
	\$ 294,283	\$ 306,891

5. NOTES PAYABLE:

Notes payable are to individuals and trusts and consist of the following at December 31, 2020:

	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	5/3/2014	12/31/2029	216,667	Yearly	0.0%	16,667	216,667
3	9/30/2016	9/30/2024	250,000	Quarterly	0.0%	8,929	250,000
4	1/1/2018	9/30/2024	250,000	Quarterly	4.0%	13,158	50,000
5	10/1/2017	9/30/2024	1,500,000	Quarterly	Prime + 2.25%	78,947	1,500,000
6	6/30/2016	9/30/2024	500,000	Quarterly	7.0%	22,741	500,000
7	6/30/2016	9/30/2024	500,000	Quarterly	7.0%	22,741	500,000
8	1/1/2018	9/30/2024	250,000	Lump	4.0%	250,000	83,000
9	1/1/2018	9/30/2024	200,000	Lump	4.0%	200,000	66,000
10	1/1/2018	12/31/2024	433,333	Yearly	0.0%	86,667	433,333
11	10/1/2017	9/30/2024	100,000	Quarterly	4.0%	5,263	100,000
12	1/1/2018	7/1/2021	280,000	Yearly	0.0%	140,000	280,000
13	12/1/2017	9/30/2024	976,190	Monthly	8.0%	17,126	976,190
14	1/1/2018	On demand	1,017,727	Lump	0.0%	1,017,728	1,017,728
15	1/1/2018	9/30/2022	250,000	Quarterly	4.0%	22,727	83,000
							\$ 6,272,585

FAMILY LEGACY MISSIONS INTERNATIONAL

Notes to Financial Statements

December 31, 2020 and 2019

5. NOTES PAYABLE, continued:

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
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	250,000
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
							<u><u>\$ 6,922,585</u></u>

FAMILY LEGACY MISSIONS INTERNATIONAL

Notes to Financial Statements

December 31, 2020 and 2019

5. NOTES PAYABLE, continued:

Future minimum payments for all note payables are:

Year Ending December 31,

2021	\$ 2,165,464
2022	1,114,737
2023	924,737
2024	924,737
2025	938,147
Thereafter	<u>204,763</u>
	<u>\$ 6,272,585</u>

Notes payable are not secured and as of December 31, 2020 and 2019, \$2,790,250 and \$3,207,250, respectively, of outstanding notes payable are due to members of the board of directors. During the years ended December 31, 2020 and 2019, \$650,000 and \$3,700,101, respectively, of debt was forgiven and \$93,035 and \$340,886, respectively, of accrued interest was forgiven by note holders.

6. PAYCHECK PROTECTION PROGRAM LOAN:

As part of the response to the impact of COVID-19, FLMI applied for a Paycheck Protection Program (PPP) Loan, administered by the Small Business Administration (SBA), under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which was signed into law in March 2020. FLMI was approved for a loan in the amount of \$384,470 on May 17, 2020. The PPP loan provides for potential loan forgiveness up to the full amount of the loan provided FLMI overcomes (meets) certain loan stipulations. If the loan is not forgiven, it bears annual interest of 1% and repayment is due in full on May 17, 2022.

7. NET ASSETS WITH DONOR RESTRICTIONS:

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

	December 31,	
	2020	2019
Program activities in Zambia	\$ 866,177	\$ 884,139
Construction projects in Zambia	815,796	1,146,011
	<u>\$ 1,681,973</u>	<u>\$ 2,030,150</u>

FAMILY LEGACY MISSIONS INTERNATIONAL

Notes to Financial Statements

December 31, 2020 and 2019

8. FUNCTIONAL CLASSIFICATION OF EXPENSES:

For the year ended December 31, 2020, expenses have been allocated on a functional basis as follows:

	Program Services	Management and General	Fundraising	Total
Grant expense	\$ 10,453,265	\$ -	\$ -	\$ 10,453,265
Salaries and benefits	2,008,712	1,124,108	599,812	3,732,632
Food expense	819,192	-	145,710	964,902
Rent expense	183,530	68,495	26,219	278,244
Supplies	238,788	7,972	157	246,917
Bank charges and fees	-	239,225	-	239,225
Office expenses and supplies	23,914	212,057	-	235,971
Miscellaneous	230,926	-	-	230,926
Technology	11,278	204,304	3,162	218,744
Professional fees	-	217,504	-	217,504
Shipping costs	160,323	1,588	-	161,911
Interest expense	150,343	-	-	150,343
Clothes	134,463	-	-	134,463
Travel expenses	93,255	20,724	6,684	120,663
Marketing and advertising	3,661	57,297	6,830	67,788
Depreciation expense	39,024	11,150	5,575	55,749
Training expense	51,257	-	-	51,257
	<u>\$ 14,601,931</u>	<u>\$ 2,164,424</u>	<u>\$ 794,149</u>	<u>\$ 17,560,504</u>

FAMILY LEGACY MISSIONS INTERNATIONAL

Notes to Financial Statements

December 31, 2020 and 2019

8. FUNCTIONAL CLASSIFICATION OF EXPENSES, continued:

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

	Program Services	Management and General	Fundraising	Total
Grant expense	\$ 15,617,897	\$ -	\$ -	\$ 15,617,897
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>\$ 22,873,048</u>	<u>\$ 2,492,493</u>	<u>\$ 587,738</u>	<u>\$ 25,953,279</u>

FAMILY LEGACY MISSIONS INTERNATIONAL

Notes to Financial Statements

December 31, 2020 and 2019

9. 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, 2020 and 2019, FLMI provided grants to FLMZ as follows:

	<u>2020</u>	<u>2019</u>
Direct program funding	\$ 9,775,611	\$ 9,233,284
Construction funding	875,048	516,772
Other expenses	-	422,568
Note forgiveness	650,000	3,950,095
In-kind support	<u>818,927</u>	<u>1,495,178</u>
	<u>\$ 12,119,586</u>	<u>\$ 15,617,897</u>

Additionally, in prior years, FLMI funded FLMZ construction projects. As of December 31, 2020 and 2019, FLMZ owes FLMI \$6,272,585 and \$6,922,585, respectively, as it relates to this funding and is reported as a note receivable on the statements of financial position. During the year ended December 31, 2020, FLMI also advanced \$174,683 of funds to FLMZ to help fund operating expenses which has been recorded as a receivable as of December 31, 2020, and included in prepaid and other assets in the statements of financial position.

FLMI received approximately \$384,000 and \$2,500,000, respectively, of contributions from board members during the years ended December 31, 2020 and 2019.

10. 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, 2020, that are incidental to FLMI's operations. Both of these claims were settled subsequent to year-end with new debt agreements entered into that did not impact the recorded liability.

FAMILY LEGACY MISSIONS INTERNATIONAL

Notes to Financial Statements

December 31, 2020 and 2019

11. RISKS AND UNCERTAINTIES:

In March 2020, the World Health Organization declared the outbreak of coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. COVID-19 has caused a severe negative impact on the world economy and has contributed to significant declines and volatility in financial markets. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the FLMI for future periods. Management is carefully monitoring the situation and evaluating its options as circumstances evolve. Camp Life, one of the significant events that FLMI funds through FMLZ, was cancelled for both 2020 and 2021 due to restrictions caused by COVID-19.

12. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through November 23, 2021, which represents the date the financial statement were available to be issued. Subsequent events after that date have not been evaluated.

Subsequent to year-end, on January 19, 2021, FLMI received official forgiveness for the full balance their Paycheck Protection Program loan from the SBA.

Also, subsequent to year-end, notes payable with outstanding balances of \$345,151 were forgiven. Additionally, subsequent to year-end, accrued interest of \$250,000 was forgiven. New notes payable totaling \$1,500,00 were issued subsequent to year-end. As of the date of this report, approximately \$475,000 has been sent to Zambia to fund a construction project from the proceeds of these notes payable, together with other donations received subsequent to year-end.

Subsequent to year-end, the decision was made to cancel the 2021 Camp Life program event operated by FMLZ and primarily funded by FMLI.