



FAMILY LEGACY MISSIONS INTERNATIONAL

Consolidated Financial Statements
With Independent Auditors' Report

December 31, 2021 and 2020

FAMILY LEGACY MISSIONS INTERNATIONAL

Table of Contents

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



INDEPENDENT AUDITORS' REPORT

Board of Directors
Family Legacy Missions International
Dallas, Texas

Opinion

We have audited the accompanying consolidated financial statements of Family Legacy Missions International, which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Family Legacy Missions International as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are required to be independent of Family Legacy Missions International and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Family Legacy Missions International's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Board of Directors
Family Legacy Missions International
Dallas, Texas

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 consolidated 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 consolidated 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 consolidated 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 Family Legacy Missions International'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Family Legacy Missions International'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.

Capin Crouse LLP

Irving, Texas
December 8, 2022

FAMILY LEGACY MISSIONS INTERNATIONAL

Consolidated Statements of Financial Position

	December 31,	
	<u>2021</u>	<u>2020, restated</u>
ASSETS:		
Cash and cash equivalents	\$ 6,023,227	\$ 6,717,528
Prepays and accounts receivables	1,341,600	498,290
Note receivable	5,647,434	5,992,585
Cash held for long-term purposes	499,168	815,796
Investment in Lifeline Enterprises	521,080	293,313
Property and equipment—net	298,290	294,283
	<u> </u>	<u> </u>
Total Assets	<u>\$ 14,330,799</u>	<u>\$ 14,611,795</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	\$ 174,519	\$ 383,160
Accrued expenses	514,695	1,665,776
Paycheck Protection Program Loan	-	384,470
Notes payable	7,147,434	5,992,585
Total liabilities	<u>7,836,648</u>	<u>8,425,991</u>
Net assets:		
Net assets without donor restrictions:		
Undesignated	3,406,668	4,503,831
Net assets with donor restrictions	3,087,483	1,681,973
Total net assets	<u>6,494,151</u>	<u>6,185,804</u>
Total Liabilities and Net Assets	<u>\$ 14,330,799</u>	<u>\$ 14,611,795</u>

See notes to consolidated financial statements

FAMILY LEGACY MISSIONS INTERNATIONAL

Consolidated Statements of Activities

	Year Ended December 31,					
	2021			2020, restated		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Contributions	\$ 3,004,412	\$ 15,141,052	\$ 18,145,464	\$ 3,490,583	\$ 14,891,909	\$ 18,382,492
Gift-in-kind contributions	987,399	-	987,399	1,059,839	-	1,059,839
Change in value of investment in Lifeline Enterprises	227,767	-	227,767	(173,482)	-	(173,482)
Federal grant income	-	384,470	384,470	-	-	-
Other income	71,915	-	71,915	124,460	-	124,460
Total Support and Revenue	4,291,493	15,525,522	19,817,015	4,501,400	14,891,909	19,393,309
NET ASSETS RELEASED:						
Administrative assessments	1,836,351	(1,836,351)	-	1,698,682	(1,698,682)	-
Purpose restrictions	12,283,661	(12,283,661)	-	13,541,404	(13,541,404)	-
	14,120,012	(14,120,012)	-	15,240,086	(15,240,086)	-
EXPENSES:						
Program services	15,628,983	-	15,628,983	14,881,931	-	14,881,931
Support services:						
Management and general	3,063,729	-	3,063,729	2,164,424	-	2,164,424
Fundraising	815,956	-	815,956	794,149	-	794,149
	3,879,685	-	3,879,685	2,958,573	-	2,958,573
Total Expenses	19,508,668	-	19,508,668	17,840,504	-	17,840,504
Change in Net Assets	(1,097,163)	1,405,510	308,347	1,900,982	(348,177)	1,552,805
Net Assets, Beginning of Year	4,503,831	1,681,973	6,185,804	2,602,849	2,030,150	4,632,999
Net Assets, End of Year	\$ 3,406,668	\$ 3,087,483	\$ 6,494,151	\$ 4,503,831	\$ 1,681,973	\$ 6,185,804

See notes to consolidated financial statements

FAMILY LEGACY MISSIONS INTERNATIONAL

Consolidated Statements of Cash Flows

	Year Ended December 31,	
	2021	2020, restated
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 308,347	\$ 1,552,805
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	49,377	55,748
Debt and interest forgiveness	(904,621)	(743,035)
Note receivable forgiveness	345,151	650,000
Gifts received for long-term purposes	(61,019)	(518,500)
(Gain) loss on investment in Lifeline Enterprises	(227,767)	173,482
Loss on disposal of property and equipment	-	19,612
Changes in operating assets and liabilities:		
Prepaid and other assets	(843,310)	(26,951)
Accounts payable	(208,641)	(201,670)
Accrued expenses and other liabilities	(901,081)	844,883
Net Cash Provided (Used) by Operating Activities	(2,443,564)	1,806,374
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(53,384)	(62,752)
Net Cash Used by Investing Activities	(53,384)	(62,752)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of notes payable	1,425,000	-
Proceeds from government loan	-	384,470
Gifts received for long-term purposes	61,019	518,500
Net Cash Provided by Financing Activities	1,486,019	902,970
Net Change in Cash, Cash Equivalents and Cash held for Long-term Purposes	(1,010,929)	2,646,592
Cash, Cash Equivalents and Cash held for Long-term Purposes, Beginning of Year	7,533,324	4,886,732
Cash, Cash Equivalents and Cash held for Long-term Purposes, End of Year	\$ 6,522,395	\$ 7,533,324
The following table provides a reconciliation of cash, cash equivalents and cash held for long-term purposes:		
Cash and cash equivalents	\$ 6,023,227	\$ 6,717,528
Cash held for long-term purposes	499,168	815,796
	\$ 6,522,395	\$ 7,533,324

See notes to consolidated financial statements

FAMILY LEGACY MISSIONS INTERNATIONAL

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

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, that would require consolidation.

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 essentially all of the fixed assets that are used in FLMZ's operations.

In January 2020, FLMI formed a wholly-owned for-profit Texas corporation named Legacy Centre Capital, LLC (LCC). LCC 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 consolidated financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The preparation of consolidated 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 consolidated 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 consolidated 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, 2021 and 2020, FLMI had cash balances on deposit that exceeded federally insured limits by approximately \$5,900,000 and \$6,800,000, 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 Consolidated Financial Statements

December 31, 2021 and 2020

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 consolidated 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 Consolidated Financial Statements

December 31, 2021 and 2020

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 consolidated 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, 2021 and 2020.

RESTATEMENT

During the year ended December 31, 2021, management determined that one note payable had been forgiven during the year ended December 31, 2020. Consequently, notes payable and the note receivable were not accounted for properly. Grant expense and contributions were also not accounted for properly. Accordingly, these amounts were restated for the year ended December 31, 2020, as follows:

	<u>As previously stated</u>	<u>Restatement</u>	<u>Restated</u>
Note receivable	<u>\$ 6,272,585</u>	<u>\$ (280,000)</u>	<u>\$ 5,992,585</u>
Notes payable	<u>\$ 6,272,585</u>	<u>\$ (280,000)</u>	<u>\$ 5,992,585</u>
Expenses—Program services	<u>\$ 14,601,931</u>	<u>\$ 280,000</u>	<u>\$ 14,881,931</u>
Gift-in-kind contributions	<u>\$ 779,839</u>	<u>\$ 280,000</u>	<u>\$ 1,059,839</u>

The restatements had no impact on the change in net assets or total net assets for the year ended December 31, 2020.

FAMILY LEGACY MISSIONS INTERNATIONAL

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

3. LIQUIDITY AND FUNDS AVAILABLE:

The following reflects FLMI's financial assets as of the consolidated statements 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	
	2021	2020
Financial assets:		
Cash and cash equivalents, including restricted cash	\$ 6,522,395	\$ 7,533,324
Note receivable	5,647,434	5,992,585
Investment in Lifeline Enterprises	521,080	293,313
Financial assets, at year-end	12,690,909	13,819,222
Less those not available for general expenditure within one year:		
Donor restricted funds for construction	(499,168)	(815,796)
Investment in Lifeline Enterprises	(521,080)	(293,313)
Note receivable, not collectible within one year	(5,647,434)	(5,992,585)
Financial assets available to meet cash needs for general expenditures within one year	\$ 6,023,227	\$ 6,717,528

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.

4. PROPERTY AND EQUIPMENT—NET:

Property and equipment consists of:

	December, 31	
	2021	2020
Leasehold improvements	\$ 43,697	\$ 43,697
Furniture and equipment	252,686	421,712
Vehicles	49,977	49,977
	346,360	515,386
Less accumulated depreciation	(270,481)	(221,103)
Software in development	222,411	-
	\$ 298,290	\$ 294,283

FAMILY LEGACY MISSIONS INTERNATIONAL

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

5. NOTES PAYABLE:

Notes payable held under FLMI are to individuals and trusts, are unsecured, and consist of the following as of December 31, 2021:

	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	4/1/2021	3/31/2027	1,500,000	Lump	6.0%	1,500,000	1,500,000
5	2/15/2021	2/15/2031	500,000	Lump	4.5%	500,000	500,000
6	2/15/2021	2/15/2031	500,000	Lump	4.5%	500,000	500,000
							3,183,334

Notes payable held under LCC are to individuals and trusts, are unsecured, and consist of the following as of December 31, 2021:

	Loan Date	Maturity Date	Original Principal	Principal Payment Frequency	Interest Rate	Payment Amount	Outstanding Principal
1	6/1/2021	6/1/2026	500,000	Lump	10.0%	\$ 500,000	500,000
2	6/1/2021	6/1/2026	500,000	Lump	10.0%	500,000	500,000
3	6/1/2021	6/1/2026	500,000	Lump	10.0%	500,000	500,000
4	6/1/2021	6/1/2031	50,000	Quarterly	5.0%	1,250	50,000
5	6/1/2021	6/1/2031	83,000	Lump	5.0%	83,000	83,000
6	6/1/2021	6/1/2031	66,000	Lump	5.0%	66,000	66,000
7	6/1/2021	6/1/2031	433,333	Yearly	5.0%	43,333	433,333
8	6/1/2021	6/1/2031	976,190	Quarterly	5.0%	24,405	976,190
9	6/1/2021	6/1/2031	672,576	Monthly	5.0%	5,605	672,577
10	6/1/2021	6/1/2031	83,000	Lump	5.0%	83,000	83,000
11	6/1/2021	6/1/2031	100,000	Quarterly	5.0%	2,500	100,000
							3,964,100
							\$ 7,147,434

FAMILY LEGACY MISSIONS INTERNATIONAL

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

5. NOTES PAYABLE, continued:

Notes payable are to individuals and trusts, are unsecured, and consist of the following as of 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	12/1/2017	9/30/2024	976,190	Monthly	8.0%	17,126	976,190
13	1/1/2018	1/15/2020	1,017,727	Lump	0.0%	1,017,728	1,017,728
14	1/1/2018	9/30/2022	250,000	Quarterly	4.0%	22,727	83,000
							\$ 5,992,585

FAMILY LEGACY MISSIONS INTERNATIONAL

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

5. NOTES PAYABLE, continued:

Future minimum payments for all note payables are:

<u>Year Ending December 31,</u>	
2022	\$ 318,250
2023	319,608
2024	310,000
2025	239,880
2026	1,739,880
Thereafter	<u>4,219,816</u>
	<u><u>\$ 7,147,434</u></u>

As of December 31, 2021 and 2020, \$1,172,576 and \$2,790,250, respectively, of outstanding notes payable are due to members of the board of directors. During the years ended December 31, 2021 and 2020, \$345,000 and \$930,000, respectively, of debt was forgiven and \$460,000 and \$93,035, 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 provided for potential loan forgiveness up to the full amount of the loan if FLMI overcame certain loan stipulations. As of December 31, 2021, FLMI had received official forgiveness of the loan. The amount of the recognized grant income is included in federal grant income with donor restrictions on the consolidated statement of activities.

7. NET ASSETS WITH DONOR RESTRICTIONS:

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

	<u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
Program activities in Zambia	\$ 2,588,315	\$ 866,177
Construction projects in Zambia	<u>499,168</u>	<u>815,796</u>
	<u><u>\$ 3,087,483</u></u>	<u><u>\$ 1,681,973</u></u>

FAMILY LEGACY MISSIONS INTERNATIONAL

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

8. FUNCTIONAL CLASSIFICATION OF EXPENSES:

For the year ended December 31, 2021, expenses have been allocated on a functional basis as follows:

	Program Services	Management and General	Fundraising	Total
Grant expense	\$ 11,245,047	\$ -	\$ -	\$ 11,245,047
Salaries and benefits	1,976,585	1,574,182	482,484	4,033,251
Food expense	1,011,805	187	107,967	1,119,959
Professional fees	-	366,807	88,941	455,748
Technology	159,159	248,061	4,038	411,258
Office expenses and supplies	89,485	200,682	51,774	341,941
Travel expenses	279,661	25,719	34,594	339,974
Supplies	308,051	27,982	769	336,802
Rent expense	228,850	65,386	32,693	326,929
Bank charges and fees	-	267,443	-	267,443
Miscellaneous	1,387	131,533	7,758	140,678
Shipping costs	121,884	-	-	121,884
Clothes	89,658	-	-	89,658
Training expense	82,753	4,243	-	86,996
Marketing and advertising	94	79,681	-	79,775
Depreciation expense	34,564	9,875	4,938	49,377
Interest expense	-	61,948	-	61,948
	<u>\$ 15,628,983</u>	<u>\$ 3,063,729</u>	<u>\$ 815,956</u>	<u>\$ 19,508,668</u>

FAMILY LEGACY MISSIONS INTERNATIONAL

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

8. FUNCTIONAL CLASSIFICATION OF EXPENSES, continued:

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	\$ 10,733,265	\$ -	\$ -	\$ 10,733,265
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>\$ 14,881,931</u>	<u>\$ 2,164,424</u>	<u>\$ 794,149</u>	<u>\$ 17,840,504</u>

FAMILY LEGACY MISSIONS INTERNATIONAL

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

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, 2021 and 2020, FLMI provided grants to FLMZ as follows:

	<u>2021</u>	<u>2020</u>
Direct program funding	\$ 10,631,150	\$ 9,775,611
Construction funding	438,897	875,048
Note forgiveness	345,151	930,000
In-kind support	<u>1,008,301</u>	<u>818,927</u>
	<u>\$ 12,423,499</u>	<u>\$ 12,399,586</u>

Additionally, in prior years, FLMI funded FLMZ construction projects. As of December 31, 2021 and 2020, FLMZ owes FLMI \$5,647,434 and \$6,272,585, respectively, as it relates to this funding and this is reported as a note receivable on the consolidated statements of financial position. During the years ended December 31, 2021 and 2020, FLMI also advanced \$1,307,667 and \$174,683, respectively, of funds to FLMZ to help fund operating expenses which has been recorded as a prepaid as of December 31, 2021 and 2020, and included in prepaid and other assets in the consolidated statements of financial position.

FLMI received approximately \$390,000 and \$384,000, respectively, of contributions from board members during the years ended December 31, 2021 and 2020.

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.

FAMILY LEGACY MISSIONS INTERNATIONAL

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

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 December 9, 2022, which represents the date the consolidated financial statements were available to be issued. Subsequent events after that date have not been evaluated.

Subsequent to year-end, FLMI entered into a new space lease agreement beginning February 1, 2022, expiring July 1, 2027, requiring monthly payments ranging from \$18,503 to \$20,476, per the payment schedule. FLMI did not have to pay rent during 2022 due to their space not being ready timely, however the payment schedule was not modified moving forward.