



FAMILY LEGACY MISSIONS INTERNATIONAL  
AND SUBSIDIARY

Consolidated Financial Statements  
With Independent Auditors' Report

December 31, 2023 and 2022

# FAMILY LEGACY MISSIONS INTERNATIONAL AND SUBSIDIARY

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Family Legacy Missions International and Subsidiary  
Dallas, Texas

### ***Opinion***

We have audited the accompanying consolidated financial statements of Family Legacy Missions International and Subsidiary, which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, 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 and Subsidiary as of December 31, 2023 and 2022, 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 Subsidiary 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 and Subsidiary'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 and Subsidiary  
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 and Subsidiary'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 and Subsidiary'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  
October 30, 2024

# FAMILY LEGACY MISSIONS INTERNATIONAL AND SUBSIDIARY

## Consolidated Statements of Financial Position

	December 31,	
	2023	2022
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 2,912,426	\$ 2,071,736
Prepaid expenses and other assets	16,442	900,465
Grant receivable	-	266,461
Cash held for long-term purposes	535,321	589,806
Related party receivables:		
Advances	676,968	655,778
Interest receivable	1,459,238	1,034,702
Note receivable	7,222,754	7,222,754
Allowance for credit losses	(212,799)	-
Operating lease right-of-use assets	873,185	1,068,155
Investment in Lifeline Enterprises	247,879	247,879
Property and equipment–net	140,584	484,805
	<b>\$ 13,871,998</b>	<b>\$ 14,542,541</b>
<b>Total Assets</b>	<b>\$ 13,871,998</b>	<b>\$ 14,542,541</b>
<b>LIABILITIES AND NET ASSETS:</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 52,517	\$ 179,283
Accrued expenses	1,403,799	1,097,947
Funds payable to related party	3,724	3,724
Operating lease liabilities	960,637	1,144,035
Notes payable	7,222,754	7,222,754
<b>Total liabilities</b>	<b>9,643,431</b>	<b>9,647,743</b>
<b>Net assets:</b>		
Net assets without donor restrictions	2,462,229	2,424,138
Net assets with donor restrictions	1,766,338	2,470,660
<b>Total net assets</b>	<b>4,228,567</b>	<b>4,894,798</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 13,871,998</b>	<b>\$ 14,542,541</b>

See notes to consolidated financial statements

# FAMILY LEGACY MISSIONS INTERNATIONAL AND SUBSIDIARY

## Consolidated Statements of Activities

	Year Ended December 31,					
	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE:</b>						
Contributions	\$ 4,443,313	\$ 14,190,033	\$ 18,633,346	\$ 2,593,678	\$ 14,625,580	\$ 17,219,258
Gift-in-kind contributions	463,459	-	463,459	465,766	-	465,766
Impairment loss on investment in Lifeline Enterprises	-	-	-	(39,408)	-	(39,408)
Federal grant revenue	-	-	-	266,461	-	266,461
Interest revenue	452,672	-	452,672	513,247	-	513,247
Loss on disposal of property and equipment	(163,017)	-	(163,017)	-	-	-
Other revenue	74,106	-	74,106	181,946	-	181,946
<b>Total Support and Revenue</b>	<b>5,270,533</b>	<b>14,190,033</b>	<b>19,460,566</b>	<b>3,981,690</b>	<b>14,625,580</b>	<b>18,607,270</b>
<b>NET ASSETS RELEASED:</b>						
Administrative assessments	1,719,200	(1,719,200)	-	1,510,072	(1,510,072)	-
Purpose restrictions	13,175,155	(13,175,155)	-	13,460,758	(13,460,758)	-
	<b>14,894,355</b>	<b>(14,894,355)</b>	<b>-</b>	<b>14,970,830</b>	<b>(14,970,830)</b>	<b>-</b>
<b>EXPENSES:</b>						
Program services	16,402,545	-	16,402,545	16,962,846	-	16,962,846
Support services:						
Management and general	2,751,352	-	2,751,352	2,925,658	-	2,925,658
Fundraising	760,101	-	760,101	605,781	-	605,781
	<b>3,511,453</b>	<b>-</b>	<b>3,511,453</b>	<b>3,531,439</b>	<b>-</b>	<b>3,531,439</b>
<b>Total Expenses</b>	<b>19,913,998</b>	<b>-</b>	<b>19,913,998</b>	<b>20,494,285</b>	<b>-</b>	<b>20,494,285</b>
<b>Change in Net Assets</b>	<b>250,890</b>	<b>(704,322)</b>	<b>(453,432)</b>	<b>(1,541,765)</b>	<b>(345,250)</b>	<b>(1,887,015)</b>

(continued)

See notes to consolidated financial statements

# FAMILY LEGACY MISSIONS INTERNATIONAL AND SUBSIDIARY

## Consolidated Statements of Activities

(continued)

	Year Ended December 31,					
	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Net Assets, Beginning of Year before change in accounting principle	2,424,138	2,470,660	4,894,798	3,965,903	2,815,910	6,781,813
Effect of Change in Accounting Principle (Note 2)	(212,799)	-	(212,799)	-	-	-
Net Assets, Beginning of Year after change in accounting principle	2,211,339	2,470,660	4,681,999	3,965,903	2,815,910	6,781,813
Net Assets, End of Year	\$ 2,462,229	\$ 1,766,338	\$ 4,228,567	\$ 2,424,138	\$ 2,470,660	\$ 4,894,798

See notes to consolidated financial statements

# FAMILY LEGACY MISSIONS INTERNATIONAL AND SUBSIDIARY

## Consolidated Statements of Cash Flows

	Year Ended December 31,	
	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (453,432)	\$ (1,887,015)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	181,204	37,946
Non-cash lease expense	-	75,880
Gifts received for long-term purposes	(36,575)	(484,100)
Impairment loss on investment in Lifeline Enterprises	-	39,408
Loss on disposal of property and equipment	163,017	-
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	884,023	(791,202)
Grant receivable	266,461	(266,461)
Related party receivables	(445,726)	(811,688)
Accounts payable	(126,766)	4,764
Accrued expenses	305,852	583,252
Operating leases	11,572	-
Funds payable to others	-	(621,276)
Net Cash Provided (Used) by Operating Activities	749,630	(4,120,492)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	-	(224,461)
Additions to note receivable from related party	-	(75,320)
Net Cash Used by Investing Activities	-	(299,781)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Issuance of notes payable	-	75,320
Gifts received for long-term purposes	36,575	484,100
Net Cash Provided by Financing Activities	36,575	559,420
Net Change in Cash, Cash Equivalents and Cash held for Long-term Purposes	786,205	(3,860,853)
Cash, Cash Equivalents and Cash held for Long-term Purposes, Beginning of Year	2,661,542	6,522,395
Cash, Cash Equivalents and Cash held for Long-term Purposes, End of Year	\$ 3,447,747	\$ 2,661,542
<b>SUPPLEMENTAL DISCLOSURES:</b>		
Right-of-use assets obtained in exchange for operating lease liabilities	\$ -	\$ 1,131,312

See notes to consolidated financial statements



# FAMILY LEGACY MISSIONS INTERNATIONAL AND SUBSIDIARY

## Notes to Consolidated Financial Statements

December 31, 2023 and 2022

### 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, therefore consolidation is not required.

Lifeline Enterprises (Lifeline) is a for-profit Zambian corporation that is owned by FLMZ and in which FLMI owns a fractional interest of 1.25%. 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 intercompany transactions and balances have been eliminated for consolidated financial statement purposes.

### 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.

# FAMILY LEGACY MISSIONS INTERNATIONAL AND SUBSIDIARY

## Notes to Consolidated Financial Statements

December 31, 2023 and 2022

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### 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, 2023 and 2022, FLMI had cash balances on deposit that exceeded federally insured limits by approximately \$2,838,000 and \$2,200,000, respectively, including cash held for long-term purposes.

The following table provides a reconciliation of cash, cash equivalents, and cash held for long-term purposes:

	Year Ended December 31,	
	2023	2022
Cash and cash equivalents	\$ 2,912,426	\$ 2,071,736
Cash held for long-term purposes	535,321	589,806
	<u>\$ 3,447,747</u>	<u>\$ 2,661,542</u>

#### PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses at December 31, 2023 and 2022 totaled \$16,442 and \$900,465, respectively. Prepaid expenses and other assets at December 31, 2022, consists primarily of approximately \$739,000 of grants advanced to FLMZ to apply against its future costs in 2023.

#### GRANT RECEIVABLE

Grant receivable consists of a tax credit claimed through the Employee Retention Credit (ERC) program offered through the Coronavirus Aid, Relief, and Economic Security (CARES) Act (Note 7). Laws and regulations concerning government programs, including the ERC, established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act are complex and subject to varying interpretation. Claims made under the CARES Act may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge FLMI's claim to the ERC, and it is not possible to determine the impact (if any) this would have upon FLMI. During 2023, FLMI received the full amount of the grant receivable in the amount of \$266,461.

#### CASH HELD FOR LONG-TERM PURPOSES

Contributions received that are restricted by donors for expenditures related to capital projects have been segregated from cash and cash equivalents, and shown in this category. The amounts for this purpose have also been recorded in net assets with donor restrictions.

# FAMILY LEGACY MISSIONS INTERNATIONAL AND SUBSIDIARY

## Notes to Consolidated Financial Statements

December 31, 2023 and 2022

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### RELATED PARTY RECEIVABLES

The note receivable is payable by FLMZ and is recorded at the principal amount outstanding less the related allowance for credit losses. Interest income is accrued and credited to income based on the principal amount outstanding. The note receivable is unsecured, and the interest expense that FLMI incurs on the notes payable described in Note 6 is payable by FLMZ.

Estimated allowances for credit losses are maintained at levels that, in the judgment of management, are adequate to meet the present and potential future risks of uncollectible receivable balances. Management's judgment is based on a variety of factors, which include experience related to charge-offs and recoveries, and scrutiny of the receivables. The loss rate is based on management's historical collection experience, adjusted for management's expectations about current and future economic conditions. Qualitative and quantitative adjustments related to current conditions and the reasonable and supportable forecast period consider the following: real estate value, current financial health of FLMZ, and the current and forecasted direction of the economic and business environment.

Amounts deemed by management to be uncollectible are charged to expense. Recoveries on receivables previously charged-off are credited to expense. Provisions for credit losses are charged to expense and credited to the allowance for credit losses. Past due receivables are not placed on nonaccrual status, and payments received on past due receivables are applied to principal and interest according to contractual terms.

The note is evaluated based on four credit quality status indicators: deferred, current, performing, and nonperforming. Deferred loans do not require repayment during the deferral period. Current loans are those in repayment status and in which the borrower remains current with all contractual terms. Performing loans are those in which the borrower is not current with all contractual terms but has established a recent payment history. Nonperforming loans are those in which the borrower has defaulted on the terms and no recent payment history exists. As of December 31, 2023 and 2022, the note receivable was in deferral status.

#### OPERATING LEASE RIGHT-OF-USE ASSETS AND LIABILITIES

Right-of-use assets and related liabilities are recognized at commencement date based on the net present value of lease payments over the lease term discounted using a risk-free rate. The value of an option to extend or terminate a lease is reflected to the extent it is reasonably certain management will exercise the option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. FLMI has elected to exclude short-term leases with lease terms of 12 months or less, and those costs are expensed as incurred. The additional lease disclosures can be found in Note 8.

#### INVESTMENT IN LIFELINE ENTERPRISES

Investment in Lifeline Enterprises is carried at cost, less any permanent impairment, and represents FLMI's fractional interest in Lifeline Enterprises.

# FAMILY LEGACY MISSIONS INTERNATIONAL AND SUBSIDIARY

## Notes to Consolidated Financial Statements

December 31, 2023 and 2022

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### 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.

#### FUNDS PAYABLE TO RELATED PARTY

During 2021, LCC borrowed \$1,500,000 for the purpose of providing funding for FLMZ. As of December 31, 2023 and 2022, \$3,724, respectively, of these funds are payable to FLMZ.

#### 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 for general operations under the direction of the board, and those resources invested in property and equipment.

*Net assets with donor restrictions* are those contributed with donor stipulations for specific purposes or programs, those with time restrictions, or those not currently available for use in FLMI's operations until commitments regarding their use have been fulfilled. All contributions are considered available for general use unless specifically restricted by the donor.

#### SUPPORT AND REVENUE

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.

# FAMILY LEGACY MISSIONS INTERNATIONAL AND SUBSIDIARY

## Notes to Consolidated Financial Statements

December 31, 2023 and 2022

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### SUPPORT AND REVENUE, continued

##### *Gift-in-kind contributions*

Donations of material, equipment, and other non-financial assets are recorded as support at their estimated fair value as of the date of donation.

FLMI recognizes donated services that create or enhance non-financial assets or that require specialized skills and are provided by individuals possessing those skills. FLMI would typically need to purchase these specialized services if the services were not donated. In addition, other individuals contribute time and services to FLMI to support accomplishment of its goals, and FLMI would not be as effective without these contributions. However, it is FLMI's policy not to record contributions from these other individuals because their services do not meet the criteria of skilled services required to be recorded.

Total gift-in-kind contributions are as follows:

	Year Ended December 31,	
	2023	2022
Food	\$ 429,593	\$ 379,310
Other	33,866	86,456
	<u>\$ 463,459</u>	<u>\$ 465,766</u>

FLMI recognized gift-in-kind contributions within revenue, which primarily included donated food used in FLMI's programs to provide healthy meals for vulnerable and orphaned children in Zambia. There were no donor restrictions on gift-in-kind contributions. Donated food items are valued based on independent valuations provided by the food distributors, and FLMI determined the accuracy of those valuations by comparing the price per meal to a study performed by a major food distributor. The price per meal was determined to be \$0.30 and \$0.28 in 2023 and 2022, respectively.

# FAMILY LEGACY MISSIONS INTERNATIONAL AND SUBSIDIARY

## Notes to Consolidated Financial Statements

December 31, 2023 and 2022

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### EXPENSES

Expenses are recorded when incurred in accordance with the accrual basis of accounting. 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 and occupancy-related costs are allocated based on square footage. Costs of other categories were allocated based on estimates of time and effort. FLMI incurred no joint costs during the years ended December 31, 2023 and 2022.

#### RECENTLY ADOPTED ACCOUNTING STANDARDS

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments – Credit Losses (Topic 326)*. The ASU introduced a new credit loss methodology, Current Expected Credit Losses (CECL), which requires earlier recognition of credit losses, while also providing additional transparency about credit risk. Since its original issuance in 2016, the FASB has issued several updates to the original ASU.

The CECL methodology utilizes a lifetime “expected credit loss” measurement objective for the recognition of credit losses for loans and other receivables at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. The methodology replaces the multiple existing impairment methods in current Generally Accepted Accounting Principles, which generally require that a loss be incurred before it is recognized.

On January 1, 2023, FLMI adopted the guidance prospectively with a cumulative adjustment to net assets totaling \$212,799. FLMI has not restated comparative information for 2022 and, therefore, the comparative information for 2022 is reported under the old model and is not comparable to the information presented for 2023.

#### RECLASSIFICATIONS

Certain prior year balances have been reclassified to conform with the current year presentation. These reclassifications had no effect on total assets, the change in net assets, and cash flows from operating activities for the year ended December 31, 2023. The following changes were made:

	Balance Prior to the Change	Reclassification	Balance After the Change
<u>Consolidated statement of financial position:</u>			
Assets:			
Prepaid expenses and other assets	\$ 1,556,243	\$ (655,778)	\$ 900,465
Related party receivables: Advances	\$ -	\$ 655,778	\$ 655,778
<u>Consolidated statement of cash flows:</u>			
Cash Flows from Operating Activities:			
Prepaid expenses and other assets	\$ (1,089,643)	\$ 298,441	\$ (791,202)
Related party receivables	\$ (513,247)	\$ (298,441)	\$ (811,688)

# FAMILY LEGACY MISSIONS INTERNATIONAL AND SUBSIDIARY

## Notes to Consolidated Financial Statements

December 31, 2023 and 2022

### 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,	
	2023	2022
Financial assets:		
Cash and cash equivalents, including restricted cash	\$ 3,447,747	\$ 2,661,542
Accounts receivable*	9,551	155,830
Grant receivable	-	266,461
Related party receivables	9,146,161	8,913,234
Investment in Lifeline Enterprises	247,879	247,879
Financial assets, at year-end	<u>12,851,338</u>	<u>12,244,946</u>
Less those not available for general expenditure within one year:		
Donor restricted funds for construction	(535,321)	(589,806)
Investment in Lifeline Enterprises	(247,879)	(247,879)
Related party receivables, not collectible within one year	<u>(9,146,161)</u>	<u>(8,913,234)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,921,977</u>	<u>\$ 2,494,027</u>

\* Included in prepaid expenses and other assets on the consolidated statements of financial position.

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.

# FAMILY LEGACY MISSIONS INTERNATIONAL AND SUBSIDIARY

## Notes to Consolidated Financial Statements

December 31, 2023 and 2022

4. PROPERTY AND EQUIPMENT—NET:

Property and equipment consists of:

	December 31,	
	2023	2022
Furniture and equipment	\$ 163,182	\$ 169,295
Internally developed software	221,596	-
Vehicles	-	49,977
	<u>384,778</u>	<u>219,272</u>
Less accumulated depreciation	(244,194)	(104,752)
Software in development	-	370,285
	<u>\$ 140,584</u>	<u>\$ 484,805</u>

5. RELATED PARTY RECEIVABLES:

A summary of the related party receivables is as follows:

	December 31,	
	2023	2022
Advances	\$ 676,968	\$ 655,778
Interest receivable	1,459,238	1,034,702
Note receivable	7,222,754	7,222,754
Allowance for credit losses	(212,799)	-
	<u>\$ 9,146,161</u>	<u>\$ 8,913,234</u>



# FAMILY LEGACY MISSIONS INTERNATIONAL AND SUBSIDIARY

## Notes to Consolidated Financial Statements

December 31, 2023 and 2022

### 6. NOTES PAYABLE:

Notes payable held under FLMI are to individuals and trusts, are unsecured, and consist of the following as of December 31, 2023:

	Loan Date	Maturity Date	Original Principal	Principal Payment Frequency	Interest Rate	Payment Amount	Outstanding Principal
1	1/1/2018	12/31/2024	\$ 216,667	At Maturity	0.0%	\$ 43,333	\$ 216,667
2	1/1/2022	1/1/2032	251,637	At Maturity	6.0%	11,379	251,638
3	1/1/2022	1/1/2032	290,350	At Maturity	6.0%	13,011	290,350
4	4/1/2021	3/31/2027	1,500,000	At Maturity	6.0%	1,500,000	1,500,000
5	2/15/2021	2/15/2031	500,000	At Maturity	4.5%	500,000	500,000
6	2/15/2021	2/15/2031	500,000	At Maturity	4.5%	500,000	500,000
							<u>3,258,655</u>

Notes payable held under LCC are to individuals and trusts, are unsecured, and consist of the following as of December 31, 2023:

	Loan Date	Maturity Date	Original Principal	Principal Payment Frequency	Interest Rate	Payment Amount	Outstanding Principal
1	6/1/2021	6/1/2026	\$ 500,000	At Maturity	10.0%	\$ 500,000	\$ 500,000
2	6/1/2021	6/1/2026	500,000	At Maturity	10.0%	500,000	500,000
3	6/1/2021	6/1/2026	500,000	At Maturity	10.0%	500,000	500,000
4	6/1/2021	6/1/2031	50,000	At Maturity	5.0%	1,250	50,000
5	6/1/2021	6/1/2031	83,000	At Maturity	5.0%	83,000	83,000
6	6/1/2021	6/1/2031	66,000	At Maturity	5.0%	66,000	66,000
7	6/1/2021	6/1/2031	433,333	At Maturity	5.0%	43,333	433,333
8	6/1/2021	6/1/2031	976,190	At Maturity	5.0%	24,405	976,190
9	6/1/2021	6/1/2031	672,576	At Maturity	5.0%	5,605	672,576
10	6/1/2021	6/1/2031	83,000	At Maturity	5.0%	83,000	83,000
11	6/1/2021	6/1/2031	100,000	At Maturity	5.0%	2,500	100,000
							<u>3,964,099</u>
							<u>\$ 7,222,754</u>

# FAMILY LEGACY MISSIONS INTERNATIONAL AND SUBSIDIARY

## Notes to Consolidated Financial Statements

December 31, 2023 and 2022

6. NOTES PAYABLE, continued:

Notes payable held under FLMI are to individuals and trusts, are unsecured, and consist of the following as of December 31, 2022:

	Loan Date	Maturity Date	Original Principal	Principal Payment Frequency	Interest Rate	Payment Amount	Outstanding Principal
1	1/1/2018	12/31/2024	\$ 216,667	At Maturity	0.0%	\$ 43,333	\$ 216,667
2	1/1/2022	1/1/2032	251,637	At Maturity	6.0%	11,379	251,638
3	1/1/2022	1/1/2032	290,350	At Maturity	6.0%	13,011	290,350
4	4/1/2021	3/31/2027	1,500,000	At Maturity	6.0%	1,500,000	1,500,000
5	2/15/2021	2/15/2031	500,000	At Maturity	4.5%	500,000	500,000
6	2/15/2021	2/15/2031	500,000	At Maturity	4.5%	500,000	500,000
							3,258,655

Notes payable held under LCC are to individuals and trusts, are unsecured, and consist of the following as of December 31, 2022:

	Loan Date	Maturity Date	Original Principal	Principal Payment Frequency	Interest Rate	Payment Amount	Outstanding Principal
1	6/1/2021	6/1/2026	\$ 500,000	At Maturity	10.0%	\$ 500,000	\$ 500,000
2	6/1/2021	6/1/2026	500,000	At Maturity	10.0%	500,000	500,000
3	6/1/2021	6/1/2026	500,000	At Maturity	10.0%	500,000	500,000
4	6/1/2021	6/1/2031	50,000	At Maturity	5.0%	1,250	50,000
5	6/1/2021	6/1/2031	83,000	At Maturity	5.0%	83,000	83,000
6	6/1/2021	6/1/2031	66,000	At Maturity	5.0%	66,000	66,000
7	6/1/2021	6/1/2031	433,333	At Maturity	5.0%	43,333	433,333
8	6/1/2021	6/1/2031	976,190	At Maturity	5.0%	24,405	976,190
9	6/1/2021	6/1/2031	672,576	At Maturity	5.0%	5,605	672,576
10	6/1/2021	6/1/2031	83,000	At Maturity	5.0%	83,000	83,000
11	6/1/2021	6/1/2031	100,000	At Maturity	5.0%	2,500	100,000
							3,964,099
							\$ 7,222,754

# FAMILY LEGACY MISSIONS INTERNATIONAL AND SUBSIDIARY

## Notes to Consolidated Financial Statements

December 31, 2023 and 2022

6. NOTES PAYABLE, continued:

Future minimum payments for all note payables are:

<u>Year Ending December 31,</u>	
2024	\$ 216,667
2025	-
2026	1,500,000
2027	1,500,000
2028	-
Thereafter	<u>4,006,087</u>
	<u><u>\$ 7,222,754</u></u>

As of December 31, 2023 and 2022, \$66,000 and \$66,000, respectively, of outstanding notes payable are due to members of the board of directors. During the year ended December 31, 2023, no debt was forgiven and no accrued interest was forgiven by note holders.

7. EMPLOYEE RETENTION CREDIT:

FLMI claimed a tax credit of \$266,461 through the Employee Retention Credit program offered through the CARES Act. The credit is claimed in relation to qualified wages owed for the year ended December 31, 2021. The full amount of the credit was recognized as federal grant revenue without donor restrictions on the consolidated statement of activities for the year ended December 31, 2022.

8. RIGHT-OF-USE ASSETS AND LIABILITIES:

FLMI leases office space under an operating lease agreement expiring in January 2028. The discount rate represents the risk-free discount rate using a period comparable with that of the individual lease term on the inception date of the lease. Monthly lease payments are fixed at \$18,503 through January 31, 2024, and increase each year thereafter up to \$20,477 on February 1, 2027. Nonlease components, such as payments required under the lease for common area maintenance, are not included in the measurement of the lease liability. These are expensed as incurred. FLMI also leases office equipment under an operating lease agreement expiring in December 2027. The discount rate represents the risk-free discount rate using a period comparable with that of the individual lease term on the inception date of the lease. Monthly lease payments are fixed at \$1,371.

# FAMILY LEGACY MISSIONS INTERNATIONAL AND SUBSIDIARY

## Notes to Consolidated Financial Statements

December 31, 2023 and 2022

8. RIGHT-OF-USE ASSETS AND LIABILITIES, continued:

Components of all right-of-use assets and lease liabilities are as follows:

	December 31,	
	2023	2022
Operating lease right-of-use assets	\$ 873,185	\$ 1,068,155
Operating lease liabilities	\$ 960,637	\$ 1,144,035
Operating lease costs	\$ 231,557	\$ 75,880
Cash paid for amounts included in the measurement of lease liabilities	\$ 219,986	\$ -
Weighted-average discount rate:	3.42%	3.42%
Weighted-average remaining lease term:	4.08	4.64

Future minimum lease payments required under operating leases that have an initial or remaining non-cancelable lease term in excess of one year are as follows:

Year Ending December 31,	
2024	\$ 243,917
2025	249,838
2026	255,759
2027	261,680
2028	20,478
	1,031,672
Less imputed interest	(71,035)
	\$ 960,637

# FAMILY LEGACY MISSIONS INTERNATIONAL AND SUBSIDIARY

## Notes to Consolidated Financial Statements

December 31, 2023 and 2022

9. NET ASSETS WITH DONOR RESTRICTIONS:

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

	December 31,	
	2023	2022
Program activities in Zambia	\$ 1,231,017	\$ 1,880,854
Construction projects in Zambia	535,321	589,806
	\$ 1,766,338	\$ 2,470,660

10. FUNCTIONAL CLASSIFICATION OF EXPENSES:

For the year ended December 31, 2023, expenses have been allocated on a functional basis as follows:

	Program Services	Management and General	Fundraising	Total
Grant expense	\$ 10,417,795	\$ -	\$ -	\$ 10,417,795
Salaries and benefits	2,078,889	1,462,778	444,771	3,986,438
Travel expenses	1,295,679	110,883	63,101	1,469,663
Food expense	1,174,818	6,652	-	1,181,470
Professional fees	38,042	334,890	101,750	474,682
Interest expense	424,547	-	-	424,547
Program supplies	334,847	-	-	334,847
Technology	106,920	243,095	-	350,015
Marketing and promotion	53,323	90,364	132,597	276,284
Occupancy	144,446	120,612	8,041	273,099
Bank charges and fees	-	212,494	-	212,494
Depreciation and amortization expense	84,562	90,602	6,040	181,204
Shipping costs	158,819	-	-	158,819
Clothes	86,298	-	-	86,298
Office expenses and supplies	3,560	74,042	3,801	81,403
Equipment	-	4,940	-	4,940
	\$ 16,402,545	\$ 2,751,352	\$ 760,101	\$ 19,913,998

# FAMILY LEGACY MISSIONS INTERNATIONAL AND SUBSIDIARY

## Notes to Consolidated Financial Statements

December 31, 2023 and 2022

### 10. FUNCTIONAL CLASSIFICATION OF EXPENSES, continued:

For the year ended December 31, 2022, expenses have been allocated on a functional basis as follows:

	Program Services	Management and General	Fundraising	Total
Grant expense	\$ 11,663,202	\$ -	\$ -	\$ 11,663,202
Salaries and benefits	2,036,088	1,557,347	419,311	4,012,746
Travel expenses	819,727	130,804	58,351	1,008,882
Food expense	979,149	12,304	-	991,453
Interest expense	513,253	-	-	513,253
Professional fees	-	399,713	28,303	428,016
Program supplies	383,647	-	-	383,647
Technology	79,137	265,036	7,010	351,183
Occupancy	123,175	101,371	7,241	231,787
Bank charges and fees	-	215,048	-	215,048
Marketing and promotion	12,276	72,732	82,935	167,943
Clothes	164,699	-	-	164,699
Shipping costs	161,465	-	-	161,465
Office expenses and supplies	9,410	129,472	1,275	140,157
Depreciation and amortization expense	17,618	18,973	1,355	37,946
Equipment	-	22,858	-	22,858
	\$ 16,962,846	\$ 2,925,658	\$ 605,781	\$ 20,494,285

# FAMILY LEGACY MISSIONS INTERNATIONAL AND SUBSIDIARY

## Notes to Consolidated Financial Statements

December 31, 2023 and 2022

### 11. RELATED PARTY TRANSACTIONS:

As described in Note 2, FLMI fulfills the operations of its major programs through the direct financial support of FLMZ. One FLMI board member and two FLMI officers are also FLMZ board members. During the years ended December 31, 2023 and 2022, FLMI provided grants to FLMZ as follows:

	Year Ended December 31,	
	2023	2022
Direct program funding	\$ 10,338,464	\$ 11,252,034
Construction funding	79,331	411,168
	<u>\$ 10,417,795</u>	<u>\$ 11,663,202</u>

Additionally, FLMI funded FLMZ construction projects. As of December 31, 2023 and 2022, FLMZ owes FLMI \$7,222,754, as it relates to this funding and this is reported as a note receivable on the consolidated statements of financial position. As of December 31, 2023 and 2022, interest receivable payable by FLMZ to FLMI totaled \$1,459,238 and \$1,034,702, respectively. During the years ended December 31, 2023 and 2022, FLMI also advanced \$676,968 and \$1,395,110 (\$739,322 of which were prepaid expenses), respectively, of funds to FLMZ to help fund operating expenses. As of December 31, 2023 and 2022, funds payable to FLMZ totaled \$3,724.

FLMI received approximately \$454,000 and \$312,000, respectively, of contributions from board members during the years ended December 31, 2023 and 2022.

### 12. 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 AND SUBSIDIARY

## Notes to Consolidated Financial Statements

December 31, 2023 and 2022

### 13. FINANCIAL CONDITION:

FLMI partners with donors in the United States to fund its ministries in Lusaka, Zambia which, in 2023, empowered over 12,000 vulnerable children to live out their God-given potential. Accordingly, FLMI's operations and finances are affected by changes in Zambian national and regional economies, governmental policies and geopolitical, public health and other conditions and events in Zambia.

In 2023, FLMI continued to recover from the lingering effects of the global COVID-19 pandemic, the two-year cancellation in 2020 and 2021 of Camp Life, its primary channel for obtaining sponsorship support, and significant fluctuations in the currency exchange rate in 2022. For the year ending December 31, 2023, FLMI reported a net deficit of \$453,432, attributable in part to the disposal of certain fixed assets totaling approximately \$163,000, in comparison to a net deficit of \$1,887,015 reported for the year ending December 31, 2022.

Although FLMI's cash position increased to \$3,447,747 as of December 31, 2023, the financial and operational challenges faced in 2022 depleted FLMI's cash balances to the extent that FLMI experienced challenging liquidity pressures during the second and third quarters of 2023. Such pressures were exacerbated because 41% of FLMI's support in 2023 was received during the last four months of the year. Generous donor gifts and stringent cost containment measures mitigated such pressures. Another mitigating factor was a reduction in grant costs attributable to the strengthening of the U.S. dollar against the Zambian kwacha from an average currency exchange rate of 16.98 in 2022 to 20.198 in 2023.

In 2024, FLMI management remains committed to monitoring and mitigating existing liquidity risks. FLMI continues to examine its ministry operations to optimize effectiveness and, to the extent possible, reduce operating costs. In 2024, the U.S. dollar continues to strengthen against the kwacha, as the average currency exchange rate from January through August 2024 has risen to 25.6831. In addition, in June 2024, FLMI obtained a \$1,000,000 revolving line of credit from JP Morgan Chase Bank. Management believes that FLMI's projected cash flows from operations, combined with the availability of the unused credit facility, which expires in December of 2025, will be sufficient to meet the ministry's operational needs and financial obligations for the next year as it continues to serve Zambia's vulnerable children.

### 14. SUBSEQUENT EVENTS:

Subsequent to year-end, the FLMI board approved to change the fiscal year end to September 30.

Subsequent events have been evaluated through October 30, 2024, which represents the date the consolidated financial statements were available to be issued. Subsequent events after that date have not been evaluated.