Man in the Mirror, Inc.

FINANCIAL STATEMENTS

December 31, 2017 and 2016

CRI CARR RIGGS & INGRAM
CPAs and Advisors
CRIcpa.com

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December 31, 2017

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Man in the Mirror, Inc.
Casselberry, Florida

We have audited the accompanying financial statements of Man in the Mirror, Inc. (a nonprofit organization) which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and cash flows for the year 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.

Auditor's Responsibility

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Man in the Mirror, Inc. as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Man in the Mirror, Inc.'s 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 6, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Orlando, Florida
March 22, 2018

Statements of Financial Position

December 31,	**2017**	2016
ASSETS		
Cash and cash equivalents	**$ 1,144,028**	$ 940,734
Restricted cash	**-**	262,500
Contributions in transit	**77,605**	114,304
Other assets	**2,640**	2,640
Inventory	**61,774**	164,518
Property, furniture, and equipment, net	**1,564,681**	1,645,307
Total assets	**$ 2,850,728**	$ 3,130,003
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	**$ 128,288**	$ 386,353
Unearned revenue	**19,764**	24,888
Capital lease obligation	**30,693**	38,857
Long-term debt	**849,670**	961,118
Total liabilities	**1,028,415**	1,411,216
Net assets		
Unrestricted	**938,647**	807,407
Temporarily restricted	**883,666**	911,380
Total net assets	**1,822,313**	1,718,787
Total liabilities and net assets	**$ 2,850,728**	$ 3,130,003

For the years ended December 31,	Unrestricted	Temporarily Restricted	**2017 Total**	(Summarized) 2016 Total
Revenues and other support				
Contributions	$ 3,097,925	$ 201,005	**$ 3,298,930**	$ 3,662,189
Resource revenue	171,554	-	**171,554**	214,245
Event revenue	124,844	-	**124,844**	164,214
Other revenue	13,867	-	**13,867**	40,629
Net assets released from restrictions	228,719	(228,719)	**-**	-
Total revenues and other support	3,636,909	(27,714)	**3,609,195**	4,081,277
Expenses				
Program expenses				
Resource ministry	293,942	-	**293,942**	321,727
Leadership Community	2,270,214	-	**2,270,214**	2,639,498
Leadership Training Center	192,256	-	**192,256**	217,821
Seminars	63,742	-	**63,742**	82,221
Monthly partner - program	77,180	-	**77,180**	71,863
Other ministry activities	172,335	-	**172,335**	218,947
Total program expenses	3,069,669	-	**3,069,669**	3,552,077
Supporting expenses				
General and administrative	229,828	-	**229,828**	221,419
Fund raising	206,172	-	**206,172**	205,683
Total support services	436,000	-	**436,000**	427,102
Total expenses	3,505,669	-	**3,505,669**	3,979,179
Increase (decrease) in net assets	131,240	(27,714)	**103,526**	102,098
Net assets at beginning of year	807,407	911,380	**1,718,787**	1,616,689
Net assets at end of year	$ 938,647	$ 883,666	**$ 1,822,313**	$ 1,718,787

See accompanying notes to financial statements.

Statements of Cash Flows

For the years ended December 31,	**2017**	2016
Cash flows from operating activities		
Changes in net assets	**$ 103,526**	$ 102,098
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	**37,244**	14,945
Loss on disposal of assets	**54,312**	18,078
Amortization (issuance) of loan costs	**197**	(7,885)
Decrease (increase) in		
Contributions in transit	**36,699**	(40,510)
Other assets	**-**	53,216
Inventory	**102,744**	28,057
Increase (decrease) in		
Accounts payable and accrued expenses	**(258,065)**	269,196
Unearned revenue	**(5,124)**	(1,257)
Total adjustments	**(31,993)**	333,840
Net cash provided by operating activities	**71,533**	435,938
Cash flows from investing activities		
Purchases of property and software and net cash used by investing activities	**(10,930)**	(709,159)
Cash flows from financing activities		
Payments on capital lease obligation	**(8,164)**	(11,719)
Proceeds from issuance of long-term debt	**-**	81,073
Payments on long-term debt	**(111,645)**	(3,052)
Net cash provided (used) by financing activities	**(119,809)**	66,302
Net increase (decrease) in cash and cash equivalents and restricted cash	**(59,206)**	(206,919)
Balance, beginning of year	**1,203,234**	1,410,153
Balance, end of year	**$ 1,144,028**	$ 1,203,234

See accompanying notes to financial statements.

NOTE 1: NATURE OF ACTIVITIES

Man in the Mirror, Inc. (the "Organization") is a not-for-profit Florida corporation. The Organization is dedicated to spreading the Christian gospel and accomplishes its mission primarily through the dissemination of Christian literature through a resource ministry, Leadership Community, Leadership Training Center (a program outreach directed at men's discipleship and evangelism), as well as speaking engagements, worship meetings, seminars, and other ministry activities. The Organization is based in Casselberry, Florida.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Restricted and Unrestricted Revenue and Support

Contributions received are recorded as unrestricted or temporarily restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily restricted net assets. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as "net assets released from restrictions."

Basis of Presentation

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, the comparative information presented should be read in conjunction with the Organization's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

Cash and Cash Equivalents

The Organization considers all investment instruments purchased or donated with original maturities of three months or less to be cash equivalents. Restricted cash is included with cash and cash equivalents for cash flow presentation purposes.

Restricted Cash

Restricted cash consists of funds held by a lender as collateral on a note payable and loan proceeds from the construction loan that are being held by the same lender to be spent on building renovation costs. (See Notes 3 and 6.)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions in Transit

Contributions in transit are expected to be realized within one month from the statement of financial position date. As of December 31, 2017 and 2016, contributions in transit consisted of unrestricted gifts of cash totaling $77,605 and $114,304, respectively, that were postmarked but not received and deposited as of year-end.

Inventory

Inventory, consisting of books, CDs and DVDs, workbooks, and gifts and apparel, is accounted for at the lower of cost or market value on a first in-first out basis and includes the shipping costs of inventory received. During the year ended December 31, 2017, approximately $69,000 of inventory was disposed of and the loss was included in the accompanying financial statements as resource ministry expense.

Property, Furniture, and Equipment

Property, furniture, and equipment are carried at depreciated cost or fair value at the time of donation, if donated. Depreciation is provided on the straight-line basis over the assets' estimated useful lives, which are generally 3–40 years. Additions and betterments are capitalized, while maintenance and repairs that do not improve or extend the lives of the respective assets are expensed currently. It is the Organization's policy to capitalize property and equipment with a cost or estimated fair value over $5,000 at the date of gift or purchase and a useful life of over 1 year.

Unearned Revenue

Unearned revenue consists primarily of event fees collected in advance of the related events.

Income Taxes

The Organization is exempt from federal income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code and from state income tax pursuant to Florida law. As a result, no income tax provision or liability has been provided for in the accompanying financial statements. The Organization incurred unrelated business income during the years ended December 31, 2017 and 2016; however, it was immaterial to the financial statements and was not recorded.

The Organization has not recognized any respective liability for unrecognized tax benefits as it has no known tax positions that would subject the Organization to any material income tax exposure. A reconciliation of the beginning and ending amount of unrecognized tax benefit is not included, nor is there any interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses as there are no unrecognized tax benefits.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising Costs

Costs of advertising are expensed as incurred. Advertising expense was approximately $44,700 and $46,500 for the years ended December 31, 2017 and 2016, respectively.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Significant estimates used in preparing these financial statements include those related to determining the useful lives of property, furniture, and equipment and those used in the functional allocation of expenses. Actual results could differ from the estimates.

NOTE 3: RESTRICTED CASH

Restricted cash consisted of the following at December 31:

December 31,	2016
Collateral on note payable	$ 150,000
Construction loan holdback funds	112,500
	$ 262,500

NOTE 4: PROPERTY, FURNITURE, AND EQUIPMENT

Property, furniture, and equipment consisted of the following:

December 31,	**2017**	2016
Land	**$ 602,690**	$ 602,690
Building and building improvements	**931,603**	931,603
Office furniture and equipment	**52,044**	88,095
Computer equipment and software	**125,337**	168,719
	1,711,674	1,791,107
Less: accumulated depreciation	**(146,993)**	(145,800)
Property, furniture, and equipment, net	**$ 1,564,681**	$ 1,645,307

Depreciation expense amounted to $37,442 and $14,945 for 2017 and 2016, respectively.

NOTE 4: PROPERTY, FURNITURE, AND EQUIPMENT (Continued)

During the current year, the Organization entered into an agreement to build a donor database, including monthly software hosting and support. An initial deposit for the database of $10,930 has been paid as of December 31, 2017.

NOTE 5: CAPITAL LEASE OBLIGATION

In 2016, the Organization entered into a non-cancelable capital lease agreement for office equipment. Required monthly payments on the lease are $820 through April 2021.

Gross amounts of office equipment and related accumulated depreciation recorded under the capital lease obligation are as follows:

December 31,	**2017**	2016
Furniture and equipment	**$ 44,596**	$ 44,596
Less: accumulated depreciation	**(14,865)**	(5,946)
	$ 29,731	$ 38,650

The following is a schedule of future minimum lease payments under the capital lease agreement, together with the present value of the net minimum lease payments for the years ending December 31:

2018	$ 9,840
2019	9,840
2020	9,840
2021	3,280
Total minimum lease payments	32,800
Less: amount representing interest	2,107
Present value of net minimum lease payments	$ 30,693

NOTE 6: LONG-TERM DEBT

Long-term debt at December 31 is as follows:

	2017	2016
Twenty-year term construction note payable due March 4, 2036, collateralized by a blanket lien on substantially all assets and any leases on the building bearing interest at 4.5%. Monthly interest only payments made through February 2017 and then monthly principal and interest payments of approximately $5,700 beginning March 2017.	**$ 857,358**	$ 879,448
Three-year term equipment note payable due February 2019, collateralized by inventory, accounts, equipment, and general intangibles bearing interest at 5.75%. Monthly principal and interest payments of $350 beginning March 2016. This note was paid in full as of December 31, 2017.	**-**	8,482
Ten-year term cash collateral note payable due January 6, 2024, collateralized by substantially all assets and a savings account (see Note 3). Interest is variable and is based on the Lender's savings rate as determined on Monday of each week plus a margin of 2.5% (2.55% at December 31, 2016). Monthly interest only payments made through March 2017 and then monthly principal and interest payments of $1,457 beginning April 2017. This note was paid in full as of December 31, 2017.	**-**	81,073
	857,358	969,003
Less: unamortized debt issuance costs	**(7,688)**	(7,885)
	$ 849,670	$ 961,118

The construction note payable contains various affirmative covenants relating to the Organization's financial performance, operating results and reporting, including to maintain a minimum net worth of not less than $560,000 and to maintain a minimum debt service coverage ratio of no less than 1.25. Additionally, there is a prepayment fee that will be incurred if the construction note payable is prepaid by another financial institution during the first five years of the loan. Available draws on this note not yet made are reported in the accompanying statements of financial position as restricted cash as of December 31, 2016 (see Note 3).

NOTE 6: LONG-TERM DEBT (Continued)

For the year ended December 31, 2017, interest relating to the long-term debt was $40,709, which was expensed. For the year ended December 31, 2016, interest related to the long-term debt was $26,754, of which $26,364 was capitalized as part of the cost of the building renovations and $390 was expensed.

The cash collateral note payable required the Organization to hold a depository account with the Lender. This depository account is reported in the accompanying statements of financial position as restricted cash at December 31, 2016 (see Note 3).

The aggregate principal payments for the remaining life of the long-term debt are as follows for the year ended December 31:

2018	$ 30,717
2019	32,112
2020	33,604
2021	35,147
2022	36,762
Thereafter	689,016
	$ 857,358

NOTE 7: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2017 and 2016, were restricted by donors for the following purposes:

	2017	2016
Leadership community	**$ 879,148**	$ 911,380
Other ministry activities	**4,518**	-
	$ 883,666	$ 911,380

NOTE 8: OPERATING LEASES

Operating Lease Expenses

The Organization entered into an operating lease for office space. The lease called for monthly payments of approximately $5,800 through December 2016. The Organization also leased a postage machine with monthly payments of $146 through July 2018. Lease expense related to all operating leases was approximately $1,752 and $69,900 for 2017 and 2016, respectively.

The following is a schedule of future minimum lease payments under these operating lease agreements as of December 31:

2018	$	1,022
Total minimum lease payments	$	1,022

Operating Lease Income

During the current year, the Organization entered into a lease agreement with a tenant for office space with terms of two years through August 2019. Lease income related to all operating leases was approximately $4,280 for 2017.

The following is a schedule of future minimum lease payments under these operating lease agreements as of December 31:

2018	$	8,867
2019		6,067
Total minimum lease payments	$	14,934

NOTE 9: RETIREMENT PLAN

The Organization participates in a defined contribution 401(k) retirement plan (the “Plan”). Employees are eligible to participate in the Plan upon completing six months of service, as defined in the Plan document. Eligible employees may make salary deferral contributions to the Plan. Additionally, the Organization may make discretionary matching contributions to the Plan. Employees vest in employer contributions over a six-year graded period. Employer contributions to the Plan were approximately $39,300 and $38,100 for 2017 and 2016, respectively.

NOTE 10: CONCENTRATIONS

The Organization maintains cash and cash equivalent deposits at banks and other financial institutions. Cash deposits in the banks, at times, exceed federally insured limits. Cash equivalent deposits in other financial institutions are not federally insured. The Organization has not experienced any losses in its cash and cash equivalents, and believes that there is no significant risk with respect to these deposits.

NOTE 11: SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash was paid during the year for:

	2017	2016
Interest	**$ 42,098**	$ 28,641
Income taxes	**$ -**	$ -

Non-Cash Investing and Financing Activities

The Organization had several non-cash investing and financing activities during the prior year ended December 31, 2016. These included loans of approximately $11,500 for a new server and approximately $879,400 for a mortgage on a new building purchased in 2016. The Organization also entered into a capital lease of approximately $44,600 for two new copiers during the prior year ended December 31, 2016.

NOTE 12: SUBSEQUENT EVENTS

Subsequent events were evaluated through the date the financial statements were available to be issued. The financial statements were approved and authorized for issue by management on March 22, 2018.