Man in the Mirror, Inc.

FINANCIAL STATEMENTS

December 31, 2018 and 2017

CARR RIGGS & INGRAM
CPAs and Advisors
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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, 2018, and the related statements of activities, functional expenses, 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, 2018, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, management has adopted Financial Accounting Standards Board ASU 2016-14, *Not-for-Profit Entities* (Topic 958). This new standard requires changes to be made in how net assets are classified based on donor restrictions and has added multiple new disclosures. Our opinion is not modified with respect to that matter.

Report on Summarized Comparative Information

We have previously audited Man in the Mirror, Inc.'s 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 22, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, 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
April 3, 2019

Statements of Financial Position

December 31,	**2018**	2017
ASSETS		
Cash and cash equivalents	**$ 1,263,708**	$ 1,144,028
Contributions in transit	**21,313**	77,605
Other assets	**2,640**	2,640
Inventory	**53,727**	61,774
Property, furniture, and equipment, net	**1,528,043**	1,564,681
Total assets	**$ 2,869,431**	$ 2,850,728
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	**$ 69,930**	$ 128,288
Unearned revenue	**3,106**	19,764
Capital lease obligation	**23,788**	30,693
Long-term debt	**819,026**	849,670
Total liabilities	**915,850**	1,028,415
Net assets		
Without donor restrictions	**1,104,618**	938,647
With donor restrictions	**848,963**	883,666
Total net assets	**1,953,581**	1,822,313
Total liabilities and net assets	**$ 2,869,431**	$ 2,850,728

See accompanying notes to financial statements.

For the years ended December 31,			**2018**	(Summarized) 2017
	Without Donor Restrictions	With Donor Restrictions	**Total**	Total
Revenues and other support				
Contributions	$ 3,288,433	$ 86,402	**$ 3,374,835**	$ 3,298,930
Resource revenue	137,646	-	**137,646**	171,554
Event revenue	135,467	-	**135,467**	124,844
Other revenue	52,985	-	**52,985**	13,867
Net assets released from restrictions	121,105	(121,105)	**-**	-
Total revenues and other support	3,735,636	(34,703)	**3,700,933**	3,609,195
Expenses				
Program expenses				
Resource Ministry	177,456	-	**177,456**	293,942
Area Directors	2,127,751	-	**2,127,751**	2,270,214
Leadership Training Center	125,441	-	**125,441**	192,256
Seminars	88,622	-	**88,622**	63,742
Monthly Partner - Program	-	-	**-**	77,180
Other ministry activities	190,116	-	**190,116**	172,335
Total program expenses	2,709,386	-	**2,709,386**	3,069,669
Supporting expenses				
General and administrative	232,520	-	**232,520**	229,828
Fund raising	627,759	-	**627,759**	206,172
Total support services	860,279	-	**860,279**	436,000
Total expenses	3,569,665	-	**3,569,665**	3,505,669
Increase (decrease) in net assets	165,971	(34,703)	**131,268**	103,526
Net assets at beginning of year	938,647	883,666	**1,822,313**	1,718,787
Net assets at end of year	$ 1,104,618	$ 848,963	**$ 1,953,581**	$ 1,822,313

See accompanying notes to financial statements.

For the year ended December 31, 2018

	Program Expenses					Supporting Expenses		
	Resource Ministry	Area Directors	Leadership Training Center	Seminars	Other ministry activities	General and Administrative	Fund Raising	**Total Expenses**
Payroll, benefits and related costs	$ 62,480	$ 1,575,395	$ 84,908	$ 60,018	$ 118,172	$ 141,088	$ 285,975	**$ 2,328,036**
Event expense	3,677	78,090	3,484	744	17,397	1,043	191,893	**296,328**
Administration costs	10,382	149,465	8,290	6,292	20,258	47,705	34,511	**276,903**
Travel	368	111,987	2,151	925	3,118	-	23,691	**142,240**
Marketing	11,513	44,133	4,413	3,150	14,128	2,378	40,623	**120,338**
Product expense	72,671	22,631	979	2,060	795	918	7,035	**107,089**
Other expenses	6,702	45,276	4,414	3,357	4,446	4,759	14,757	**83,711**
Technology expense	4,427	37,025	3,291	2,705	4,461	1,360	4,084	**57,353**
Professional fees	-	13,900	-	-	-	22,014	12,000	**47,914**
Depreciation	2,947	15,471	3,684	2,946	4,420	4,420	2,947	**36,835**
Printed materials	131	12,461	7,149	4,636	134	357	6,856	**31,724**
Utilities	1,893	12,299	1,999	1,502	2,254	2,380	2,221	**24,548**
Furniture and equipment - maintenance and repairs	265	9,618	679	287	533	4,098	1,166	**16,646**
Total expenses	$ 177,456	$ 2,127,751	$ 125,441	$ 88,622	$ 190,116	$ 232,520	$ 627,759	$ 3,569,665

See accompanying notes to financial statements.

Statements of Cash Flows

For the years ended December 31,	**2018**	2017
Cash flows from operating activities		
Changes in net assets	**$ 131,268**	$ 103,526
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	**36,835**	37,441
Loss on disposal of assets	**-**	54,312
Decrease in		
Contributions in transit	**56,292**	36,699
Inventory	**8,047**	102,744
Decrease in		
Accounts payable and accrued expenses	**(58,358)**	(258,065)
Unearned revenue	**(16,658)**	(5,124)
Total adjustments	**26,158**	(31,993)
Net cash provided by operating activities	**157,426**	71,533
Cash flows from investing activities		
Purchases of property and software and net cash used by investing activities	**-**	(10,930)
Cash flows from financing activities		
Payments on capital lease obligation	**(6,905)**	(8,164)
Payments on long-term debt	**(30,841)**	(111,645)
Net cash used by financing activities	**(37,746)**	(119,809)
Net increase (decrease) in cash and cash equivalents	**119,680**	(59,206)
Balance, beginning of year	**1,144,028**	1,203,234
Balance, end of year	**$ 1,263,708**	$ 1,144,028

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, Area Directors program, 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

Revenue and Support

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is received. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as "net assets released from restrictions."

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, 2017, 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.

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, 2018 and 2017, contributions in transit consisted of gifts of cash without donor restrictions totaling $21,313 and $77,605, respectively, that were postmarked but not received and deposited as of year-end.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory

Inventory, consisting of books, CDs and DVDs, workbooks, and gifts 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 as follows:

Building and building improvements	40 years
Office furniture and equipment	5 years
Computer equipment and software	3 - 5 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 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 $99,000 and $44,700 for the years ended December 31, 2018 and 2017, 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.

Functional Allocation of Expenses

The statement of functional expenses presents expenses by function and natural classification. Expenses directly attributable to a specific functional area are reported as expenses of those functional areas. A portion of the general and administrative costs that benefit multiple functional areas (indirect costs) have been allocated across program expenses and other supporting expenses based on the proportion of full-time employee equivalents of a program or other supporting service versus the total organizational full-time employee equivalents and usage of office space by a program or other support service versus the total office space.

Accounting Pronouncements Adopted

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities,* which addresses financial reporting for not-for-profit organizations. The key elements of the ASU are as follows:

- Net asset classifications are being reduced from three to two categories: with donor restrictions and without donor restrictions. Expanded disclosures about the nature and amount of any donor restrictions and on any board designations of net assets without donor restrictions will be required.

- Additional disclosures, both qualitative and quantitative, will be required to communicate information useful in assessing liquidity within one year of the balance sheet date.

Several reporting requirements related to expenses are included, as follows:

- Disclosure of expenses by both nature and function (excluding investment expenses that have been netted with investment return)
- Disclosure of expenses netted with investment return
- Enhanced disclosures regarding cost allocations

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Pronouncements Adopted (Continued)

ASU 2016-14 was effective for Organization's fiscal year ending December 31, 2018, and was applied on a retrospective basis.

New Accounting Standards

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). This guidance specifies that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU and its amendments will supersede the revenue recognition requirements in Topic 605, *Revenue Recognition,* and most industry specific guidance. For nonpublic entities, these amendments are effective for annual reporting periods beginning after December 15, 2018. Early adoption with certain restrictions is permitted for nonpublic entities. The Organization is currently evaluating the impact of the guidance on its financial statements.

Reclassification

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation. (See ***Accounting Pronouncements Adopted*** above.)

NOTE 3: PROPERTY, FURNITURE, AND EQUIPMENT

Property, furniture, and equipment consisted of the following:

December 31,	**2018**	2017
Land	**$ 602,690**	$ 602,690
Building and building improvements	**931,603**	931,603
Office furniture and equipment	**52,044**	52,044
Computer equipment and software	**125,337**	125,337
	1,711,674	1,711,674
Less: accumulated depreciation	**(183,631)**	(146,993)
Property, furniture, and equipment, net	**$ 1,528,043**	$ 1,564,681

Depreciation expense amounted to $36,835 and $37,441 for 2018 and 2017, respectively.

NOTE 4: 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,	**2018**	2017
Furniture and equipment	**$ 44,596**	$ 44,596
Less: accumulated depreciation	**(23,784)**	(14,865)
	$ 20,812	$ 29,731

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:

2019	$ 9,840
2020	9,840
2021	5,239
Total minimum lease payments	24,919
Less: amount representing interest	1,131
Present value of net minimum lease payments	$ 23,788

NOTE 5: LONG-TERM DEBT

Long-term debt at December 31 is as follows:

	2018	2017
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 $5,700 beginning March 2017.	**$ 826,517**	$ 857,358
Less: unamortized debt issuance costs	**(7,491)**	(7,688)
	$ 819,026	$ 849,670

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.

For the years ended December 31, 2018 and 2017, interest expense relating to the long-term debt was $38,477 and $40,709, respectively.

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

2019	$ 32,112
2020	33,604
2021	35,147
2022	36,762
2023	38,451
Thereafter	650,441
	$ 826,517

NOTE 6: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2018 and 2017, were restricted by donors for the following purposes:

	2018	2017
Restricted for specific purpose:		
Area Directors ministries	**$ 794,074**	$ 779,148
Gala fundraiser	**-**	100,000
Donor conference	**50,000**	-
Other ministry activities	**4,889**	4,518
	$ 848,963	$ 883,666

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes. Net assets released from restrictions during the years ended December 31, 2018 and 2017 are as follows:

	2018	2017
Purpose restrictions accomplished:		
Area Directors ministries	**$ -**	$ 228,232
Gala fundraiser	**100,000**	-
Other ministry activities	**21,105**	487
	$ 121,105	$ 228,719

NOTE 7: OPERATING LEASES

Operating Lease Expenses

The Organization leased a postage machine with monthly payments of $146 through July 2018. Lease expense related to all operating leases was approximately $1,022 and $1,752 for the years ended December 31, 2018 and 2017, respectively.

Operating Lease Income

During the year ended December 31, 2017, 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 $8,900 and $3,550 for the years ended December 31, 2018 and 2017, respectively. Future minimum lease payments under this lease is $6,067 for the year ended December 31, 2019.

NOTE 8: 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 $43,900 and $39,300 for the years ended December 31, 2018 and 2017, respectively.

NOTE 9: 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 10: LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

December 31,	**2018**	2017
Cash and cash equivalents	**$ 1,263,708**	$ 1,144,028
Contributions in transit	**21,313**	77,605
Total financial assets available within one year	**1,285,021**	1,221,633
Less: amounts unavailable for general expenditures within one year, due to:		
Restricted by donors with purpose restrictions	**(848,963)**	(883,666)
Total financial assets available to management for general expenditures within one year	**$ 436,058**	$ 337,967

Liquidity Management

Management of the Organization monitors its cash flow by reviewing cash flow reports on a weekly basis. Although borrowing money is an option, management prefers to control cash flow by reducing expenses. In addition, the Organization will negotiate extended terms for larger purchases, reduce salaries, or reduce employees if a cash flow need arises.

See Note 5 regarding minimum net worth requirements the Organization has in conjunction with its long-term debt.

NOTE 11: SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash was paid during the year for:

	2018	2017
Interest	**$ 38,477**	$ 42,098
Income taxes	**$ -**	$ -

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 April 3, 2019.

In 2019, the Organization signed a major donor event contract with a consultant to provide donor consulting, event management services, and creative services for major events to be held in Fall 2019, Fall 2020, and Fall 2021. The annual fee related to these services is $188,000 for the three year period plus reimbursement of certain expenses. The agreement offers a performance guarantee that donations from donors who attend the major events will be a minimum of $650,000 or the consultant will reimburse the Organization for the shortfall between the donations received and the event expense forecast, up to the amount of the consultant’s fee.