

MAN IN THE MIRROR, INC.

FINANCIAL STATEMENTS

(With The Accompanying Independent Auditors' Report)

For The Years Ended December 31, 2006 and 2005

BATTS, MORRISON, WALES & LEE, P.A.

CERTIFIED PUBLIC ACCOUNTANTS
1000 LEGION PLACE, SUITE 701
ORLANDO, FLORIDA 32801

407.770.6000
800.960.0803
FACSIMILE 407.770.6005
www.nonprofitcpa.com

The Board of Directors
Man In The Mirror, Inc.
Casselberry, Florida

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying statements of financial position of Man In The Mirror, Inc. ("the Organization") as of December 31, 2006 and 2005, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2006 and 2005, the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Batts, Morrison, Wales & Lee, P.A.

BATTS, MORRISON, WALES & LEE, P.A.

June 18, 2007

MAN IN THE MIRROR, INC.
STATEMENTS OF FINANCIAL POSITION

ASSETS

	December 31,	
	2006	2005
ASSETS		
Cash and cash equivalents	\$ 230,447	\$ 465,966
Inventories	251,681	165,358
Furniture and equipment, net	61,563	60,304
Total assets	\$ 543,691	\$ 691,628

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable and accrued expenses	\$ 144,321	\$ 85,382
Unearned revenue	45,791	17,550
Total liabilities	190,112	102,932
NET ASSETS		
Unrestricted	345,786	575,242
Temporarily restricted	7,793	13,454
Total net assets	353,579	588,696
Total liabilities and net assets	\$ 543,691	\$ 691,628

The Accompanying Notes are an Integral
Part of These Financial Statements

MAN IN THE MIRROR, INC.
STATEMENTS OF ACTIVITIES

	For The Years Ended December 31,	
	2006	2005
CHANGE IN UNRESTRICTED NET ASSETS		
Public support and revenue:		
Contributions	\$1,603,262	\$1,776,577
Resource revenue	1,444,850	1,251,359
Event revenue	246,098	275,676
Other revenue	<u>6,961</u>	<u>16,333</u>
Total public support and revenue	3,301,171	3,319,945
Net assets released from restrictions:		
Satisfaction of use restrictions	<u>19,981</u>	<u>11,154</u>
Total public support and revenue and net assets released from restrictions	<u>3,321,152</u>	<u>3,331,099</u>
Expenses:		
Program expenses:		
Resource ministry	1,554,912	1,496,139
Leadership Community internet ministry	735,298	547,477
Leadership Training Center	324,438	191,945
Seminars	210,516	178,252
Other ministry activities	<u>81,555</u>	<u>86,107</u>
Total program expenses	<u>2,906,719</u>	<u>2,499,920</u>
Supporting expenses:		
General and administrative	506,680	466,602
Fund raising	<u>137,209</u>	<u>115,241</u>
Total supporting expenses	<u>643,889</u>	<u>581,843</u>
Total expenses	<u>3,550,608</u>	<u>3,081,763</u>
Change in unrestricted net assets	<u>(229,456)</u>	<u>249,336</u>
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS		
Contributions	14,320	12,000
Net assets released from restrictions	<u>(19,981)</u>	<u>(11,154)</u>
Change in temporarily restricted net assets	<u>(5,661)</u>	<u>846</u>
CHANGE IN NET ASSETS	(235,117)	250,182
NET ASSETS – Beginning of year	<u>588,696</u>	<u>338,514</u>
NET ASSETS – End of year	<u>\$ 353,579</u>	<u>\$ 588,696</u>

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MAN IN THE MIRROR, INC.
STATEMENTS OF CASH FLOWS

	For The Years Ended December 31,	
	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (235,117)	\$ 250,182
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	27,454	37,483
Noncash contributions	(115,894)	(7,943)
Change in inventories	(86,323)	61,970
Change in accounts payable and accrued expenses	58,939	21,233
Change in unearned revenue	28,241	(17,687)
Net cash flows from operating activities	(322,700)	345,238
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	115,894	7,943
Purchases of furniture and equipment	(28,713)	(20,732)
Net cash flows from investing activities	87,181	(12,789)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(235,519)	332,449
CASH AND CASH EQUIVALENTS – Beginning of year	465,966	133,517
CASH AND CASH EQUIVALENTS – End of year	\$ 230,447	\$ 465,966

The Accompanying Notes are an Integral
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MAN IN THE MIRROR, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE A – 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, Leadership Community (an internet-based ministry activity), 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 B – 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 statements of activities as “net assets released from restrictions.”

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.

Inventories

Inventories consist of various resource materials and are stated at the lower of cost or market using the first-in, first-out cost flow assumption method.

Furniture and equipment

Furniture and equipment are stated at cost, if purchased, or fair market value on the date of donation, if contributed. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets.

Unearned revenue

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

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 incurred unrelated business income taxes.

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 furniture and equipment. Actual results could differ from the estimates.

NOTE C – CONCENTRATION OF CREDIT RISK

The Organization maintains its cash and cash equivalents in deposit accounts which may not be federally insured, may exceed federally insured limits, or may be insured by an entity other than an agency of the federal government. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to cash and cash equivalents.

MAN IN THE MIRROR, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE D – FURNITURE AND EQUIPMENT

Furniture and equipment consisted of the following:

<u>Category</u>	<u>December 31,</u>	
	<u>2006</u>	<u>2005</u>
Office furniture and equipment	\$ 112,565	\$ 90,600
Computer equipment and software	<u>291,227</u>	<u>284,479</u>
Total furniture and equipment	403,792	375,079
Less: Accumulated depreciation	<u>(342,229)</u>	<u>(314,775)</u>
Net furniture and equipment	<u>\$ 61,563</u>	<u>\$ 60,304</u>

Depreciation expense amounted to approximately \$27,000 and \$37,000 for 2006 and 2005, respectively.

NOTE E – TEMPORARILY RESTRICTED NET ASSETS

Net assets at December 31, 2006 and 2005, were temporarily restricted for Leadership Training Center scholarships.

NOTE F – LEASES

The Organization is a party to an operating lease for office space which expires on December 31, 2009. With proper notice, the Organization may terminate the lease effective December 31, 2007 or December 31, 2008. The lease calls for approximate monthly payments of \$9,000. Rent expense related to all operating leases was approximately \$129,000 and \$120,000 for 2006 and 2005, respectively.

NOTE G – 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 \$15,000 and \$36,000 for 2006 and 2005, respectively.